MESSAGE FROM CAW NATIONAL PRESIDENT KEN LEWENZA

At Air Canada, Fighting Back Makes a Difference

Early in this round of negotiations, Air Canada attempted to lower our members’ expectations by publicly ringing the alarm bells about the viability of the pension plan and demanded our members make more sacrifices. This was an effort by the company to tell workers that although they had borne the brunt of the company’s financial instability, they would not share in its recovery. Our members found this absolutely unacceptable.

Over the last ten years, Air Canada workers have adapted to changes in the workplace, in technology and a plunge in staffing levels, while their incomes have dropped or stagnated and benefits cut during the bankruptcy protection process and the years that immediately followed. The deterioration of the quality of jobs at Air Canada and the downward pressure on workers is just one example of what’s going on in the larger economy, turning previously good jobs, into part-time, low wage and precarious employment. Air Canada workers stood together and said ‘no.’

Our members voted in outstanding numbers to back up their bargaining committee with a strike vote of 98 per cent. Little did anyone know that in a few short weeks, our members would indeed be out on strike, after Air Canada refused to reach an agreement with the union. CAW members were a strong presence in airports across the country, and with the solidarity of other union members, flights were delayed and even cancelled. It was clear that Air Canada did not anticipate such a wave of support.

When CAW members went out on strike, exercising their right to withdraw their labour, the federal Conservative government quickly jumped in to interfere in the collective bargaining process, tabling back to work legislation. It is deplorable and deeply offensive that the federal labour minister would

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MESSAGE FROM CAW LOCAL 2002 PRESIDENT JAMIE ROSS

Important Achievements for Air Canada Members

It has been many years since negotiations have not been influenced by adverse economic conditions giving the CAW the opportunity to enter into traditional bargaining with Air Canada. As we entered into this round of negotiations our expectations were high as we saw Air Canada emerge from an economic decline, roused by our member’s acceptance of a 21-month pension moratorium and Canada’s economic recovery.

Bargaining opened in February and the four-month process of hammering out an acceptable contract for our members began. There was a lot of turbulence at the table with the company demanding many concessions. The committee fastened their seat belts, determined to make gains for the membership who had seen little progress in the last decade.

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ECONOMIC HIGHLIGHTS

Wage Increases Retroactive to March 1, 2011

- March 1, 2011 – 2% - $25.07 hourly rate
- March 1, 2012 – 2% - $25.57 hourly rate
- March 1, 2013 – 2% - $26.08 hourly rate
- March 1, 2014 – 3% - $26.87 hourly rate

Current employees on the “B” scale will be integrated into the new pay scale laterally and with a one step increase, and then will proceed through progression to the top of the existing “A” scale.

Benefits

- Now in the collective agreement coverage for reasonable and customary costs of compression stockings, orthotics, orthopedic shoes and orthopedic boots.
- $600 coverage for laser eye surgery for a period of 48 months.

Sick Note

Air Canada will now pay for sick notes, to a reasonable amount.

Voluntary Separation Packages

- 250 new VSP opportunities have been negotiated.
- 150 VSPs will be offered in 2011, and if any are unused, the balance will be added to 100 VSPs offered in 2012.
- Value is $1,000 per full year of service to a maximum of $26,000 for full time employees and $13,000 for part time employees. Payment will be paid equally over 24 months.

CAW NATIONAL PRESIDENT’S MESSAGE

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view herself as more capable to settle a work stoppage than the elected bargaining committee.

We did reach a negotiated settlement and without your tremendous support and solidarity, this agreement would not have been possible. As the national president, I am proud of the way that Air Canada workers came together to express their frustration at years of mistreatment. I commend you for your efforts and your solidarity.

This agreement bears the fruits of these efforts. I thank the bargaining committee for their efforts in pushing Air Canada on the issues most important to our members.

I have no hesitation in joining with the CAW Air Canada bargaining committee in recommending approval of this new collective agreement.

CAW LOCAL 2002 PRESIDENT’S MESSAGE

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After talks stalled one month into the process, the decision was made to apply for conciliation. But talks were still slow as Air Canada was unable to meet the demands of our members. However, the membership made it very clear and showed their solidarity with a strike mandate of 98 per cent. It was time for a fair deal.

On June 13th, the company rejected the union’s final offer which saw our 3,800 members walk off the job. But this job-action was short lived as your bargaining committee was able to secure a very mature proposal, securing Jazz work, removing the concessions, obtaining pay increases and maintaining the pension plan.

Our top priority was to maintain the integrity of the pension plan, without changing the pension benefits, to ensure that workers can retire with dignity. One particular gain that I know is important to many of you is the paid lunch break, which is now secured in this tentative agreement.

I am extremely proud of our Strike Mobilization Team that worked tirelessly to ensure we were prepared to strike – a very large task for a local that is coast to coast.

I would also like to congratulate the entire bargaining committee, workplace subcommittees and National CAW specialists for their expertise and contributions through this challenging process.

Most importantly I applaud you, the membership, who are the driving force of this union, for your commitment and solidarity that ensured our success at the table.
PENSIONS

The Air Canada Pension – the Challenge

- Our members must have a securely funded plan for current and future retirees.
- In 2014, Air Canada’s special pension funding relief comes to an end. The Air Canada pension plans could have a $2.7 billion shortfall which would have to be funded over 5 years (about $600 million per year in addition to $175 million regular payments). Air Canada told the union that they would not be able to make the payments in 2014.
- Finance Minister Jim Flaherty pressed the unions at Air Canada to make the pension plan “sustainable”. The union did not want the Minister imposing drastic actions on our pension.
- To avert a possible funding problem in 2014, the CAW took the responsible step to reduce the pension deficit while minimizing the effect on our members.
- Back to work legislation would have put the entire pension plan before an arbitrator to rule on the “competitiveness” of Air Canada’s pension by industry standards (WestJet, Air Transat . . .)

Air Canada’s Demands

1) Introduce a defined contribution pension for new hires.
2) Change the benefit formula for current members:
   - The pension formula would be 1.3% of earnings for all years of service (the current formula is 1.9% and 1.75% for Air Canada service and for CAIL members pre-July 2000 service is 1.4%).
   - The pension formula would use final average earnings over 60 months (not 36 months)
   - The age of unreduced early retirement would be age 60 (not age 55)
   - The early retirement with 25 years of service or 80 points (age plus service) would change to 30 years or 90 points
   - The penalty for early retirement, currently about 3.5% per year prior to age 55, would change to 6% or 7% per year to age 60.
   - The joint and survivor pension would be reduced.

Under the Air Canada proposal a member at age 55 with 30 years of service, would have lost half their monthly pension. Under the current agreement, there is no reduction in this member’s pension.

Current pension for a member age 55 and 30 years = $2,355
Air Canada’s proposed pension = $1,290
CAW-Air Canada Agreement = $2,355

The CAW-Air Canada Agreement

The CAW set two priorities for the members’ pension benefits:

- Protect the unreduced early retirement pension that members are expecting at age 55 and 80 points (age + service = 80).
- Keep the defined benefit pension for new hires.

We were on strike for these two issues. The resolution was that the unreduced early retirement pension would remain at age 55 but members must have 85 points (i.e., age 55 and 30 years of service).

We have followed the model in the rail pension plans and introduced a “consent provision” in the pension plan. An unreduced pension is payable at age 55 and 85 points with the consent of the employer. And we bargained a provision in the collective agreement that the employer will not deny consent for a member with age 55 and 85 points.

For the new hires, we agreed to go to arbitration where we will continue to argue for the rights of new hires to have a defined benefit pension plan.

How the Agreement will Change Members’ Benefits

New Hires

- The pension plan for new hires will be decided in arbitration. To date, Air Canada is proposing a Defined Contribution plan where the employee would contribute 3% of earnings, matched by the employer. After 15 years the employee can contribute up to 6% of earnings with matching employer contributions.
- Air Canada currently contributes 12.7% of CAW members’ earnings to the pension plans with members contributing 5.1%. It is easy to see why Air Canada wants to go to the defined contribution plan.
- The arbitration agreement for the new hires’ pension plan sets August 19, 2011 for a decision, which would affect new members hired after ratification.

Current Members

The current pension plan conditions remain in effect until January 1, 2013.

Members have 18 months to decide if they want to take their pension under the current pension plan terms or work past 2012 and leave under the new pension plan terms.

How the pension benefits will change under the agreement:

<table>
<thead>
<tr>
<th>Age 55 and 30 years (55 &amp; 85)</th>
<th>Age 55 and 25 years (early retirement)</th>
<th>Age 50 and 25 years (Early retirement)</th>
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<tr>
<td>Current Plan</td>
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<td>Air Canada Proposal*</td>
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</tr>
<tr>
<td>AC-CAW Agreement</td>
<td>$2,355</td>
<td>$1,050</td>
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* In addition, the Air Canada proposal included a reduction in the joint and survivor benefit.

What Members Need to Know:

- You still have the right to retire with a monthly pension before age 55 if you have 25 years of service or 80 points. However, your pension will be reduced to age 65 (not age 55 as under the current pension plan). The retiree health care benefits are still available for retirees with 80 points, 25 years of service, or age 65.
- The changes apply to Air Canada service only. For former CAIL members, the pre-July 2000 service stays the same.
- We bargained protections for members who are “involuntarily terminated”, for example, they die before retirement or they lose their job due to illness or injury. These members will have a pension payable at the date they would have had age 55 and 85 points.
- The current plan stays in place until January 1, 2013. You have time to make your termination or retirement decisions.
In Summary

Through past struggles, your union has bargained a very good pension plan with Air Canada. Your CAW Local 2002 bargaining committee would like members to keep their options for early retirement and all the other important pension benefits. However, in this round of negotiations, we had to make some tough decisions; we decided to protect the unreduced pension at age 55 for members with 85 points.

We carefully reviewed our member’s retirement decisions in the past. Less than 3% of those members eligible actually retire prior to age 55. However, Air Canada must fund the pension plan as if they retired today. In effect, there is a great cost for an early retirement benefit that very few members actually use.

Overall, the average retirement age for CAW members is age 57.9. Over the last four years, CAW members have retired about five years AFTER the date that they are eligible to retire.

After January 1, 2013, the early retirement options under the Air Canada pension plan will not be as generous. However, the plan will continue to provide a very good benefit for those members who continue to work with Air Canada to age 55.

The bargaining committee believes that we have acted in the best interests of our members to protect the retirement benefits and work toward a securely funded pension plan.

SCHEDULING

Guaranteed Compressed Shifts

The CAW has achieved a high degree of shift compression at the airports –up to 90 per cent for full-time workers and 40 per cent for part-time.

Clearer Scheduling Language

Articles 6, 7.05 and LOU No.1 have been revamped for all encompassing scheduling language for airports and call centres. As a result, LOU 10, 20 and 21 have been deleted.

Improved Relief Language

The short term absence base shift will now not be changed. The remainder of base relief shifts will mirror operational shifts, providing more stability in scheduling. There is also now a defined cap on relief work in call centres –a maximum of 20 per cent at any given time.

Voluntary Extra Hours for Part-time Workers

Part-time workers can volunteer to work up to 32 hours a week in peak periods.

 Preferential Bidding System

Language was developed for a new automated bidding system, created based on indicated preferences for shift scheduling which will be implemented in the future.

Defined Mitigation Scheduling

Language around mitigation scheduling has been strengthened so that in the event of staff reductions, Air Canada will first conduct a canvas of workers who may want to go to a reduced work week –applicable to all locations.

Both full-time and part-time employees may volunteer to work reduced schedules. For full-time workers, a reduced schedule would amount to a maximum of 32 hours a week and for part-time, it would amount to approximately 16 hours a week, less than 20.

The shortened work week will remain intact for the entire bid period. Personal leaves of absence may be made available in the airports, decided by status and function and in call centres by specialized function. The leaves will be granted based on duration.

Customer Relations Representatives

Members will now have guaranteed access to the fortnight shift and compressed shifts.
HIGHLIGHTS

Women’s Advocate
The women’s advocate program has been now been expanded to five women’s advocates – one for each region.

Privacy
Members have the reasonable expectation to a certain level of privacy in the workplace. CAW members will now have the option of displaying their name or their work classification on their badge.

Jazz Handling
Air Canada has recommitted to retaining existing passenger handling work for Jazz flights. This equates to 40-50% of jobs in major airports.

Shared / Small Bases
Air Canada has recommitted that jobs currently performed by Air Canada workers at shared Jazz/ Air Canada bases will continue. This includes work at Thunder Bay, Quebec City, Moncton, Charlottetown, Saint John and Whitehorse Airports.

Transfers
Transfer eligibility time has been reduced from 45 days after application to 15 days after applying via Air Canada's e-Tool.

Workplace Violence Policy
Air Canada has committed to providing workers with a violence free work environment. Workplace hazards will be reviewed by a joint committee.

Joint Harassment Investigation Process
A joint harassment investigation process has been established and will meet to review the process every six month. A new procedure has been established, including new complaint, informal and formal conflict resolution processes.

Discipline Letters
Letters of discipline will now only be kept on file for two years.

Time Bank
The time bank maximum allowance has been increased to 100 hours.

Work at Home
Customer Relations Representatives will now have the option of working from home via a home office. Air Canada will provide a laptop exclusively for work-related use. Members who opt to work from home will have access to a VPN service, off-site tech support and space within the customer relations centre for days when scheduled to work in the office.

Call Centre Vacancies
To better deal with the sharp decline in call centre staffing levels, Air Canada has committed to declaring all call centre vacancies which will lead to improved schedules and working conditions.

NEW JOBS / WORK

New Jobs Created
Approximately 560 new permanent jobs will be created because of the following:

- Elimination of Summer Temporary Workers – 65 jobs
- The renegotiation of the half hour lunch break – 135 jobs
- Voluntary Separation Packages – 250 jobs
- Vacation Purchase Program and General Holiday conversion – 100 jobs

New Work
New jobs will be brought into the bargaining unit, including social media, Ticketing Co-ordinator and Processes and Procedures Co-ordinator.
Four-year agreement: March 1, 2011 - February 28, 2015