

CANADA INDUSTRIAL RELATIONS BOARD

BETWEEN

NATIONAL AUTOMOBILE, AEROSPACE, TRANSPORTATION
AND GENERAL WORKERS UNION OF CANADA
(CAW- CANADA)

(THE "UNION")

AND

AIR CANADA

("AIR CANADA")

AND

AEROPLAN CANADA INC.

("AEROPLAN")

MEMORANDUM OF SETTLEMENT

WHEREAS on March 4, 2009, the Union filed an application with the Canada Industrial Relations Board (hereinafter the "Board") under sections 44, 45 and 46 of the *Canada Labour Code* (hereinafter "*Code*") and requested a review of the bargaining unit pursuant to sections 18 and 18.1 of the *Code*;

WHEREAS Air Canada filed a response to the application on March 24, 2009 and Aeroplan filed its response on March 20, 2009;

WHEREAS on March 27, 2009, the Union filed its response with the Board;

WHEREAS the parties are desirous of resolving all outstanding matters related to the sale of the Aeroplan business,, this application and related grievances in a full and final manner;

NOW THEREFORE:

Matters relating to bargaining units, certificates, collective agreement

1. The Parties acknowledge that a sale of business, pursuant to sections 44, and 45 of the *Code* has occurred between Air Canada, the predecessor employer, and Aeroplan, the successor employer.
2. Aeroplan confirms that the Union is the exclusive bargaining agent in respect of those employees employed by Aeroplan within the bargaining unit defined and set out in paragraph 6 below.
3. Aeroplan agrees and confirms that it is bound as a successor employer by the terms of the current collective agreement between the Union and Air Canada.
4. The Union confirms that as of June 1, 2009 and subject to any exceptions referred to below, Aeroplan is the sole employer of employees working at Aeroplan.
5. The Union agrees that no changes are required to the current bargaining certificate between the Union and Air Canada and that the current bargaining certificate shall continue to apply to Air Canada employees.
6. The Union and Aeroplan agree that a separate bargaining certificate shall be issued by the Board with respect to the Union as certified bargaining agent and Aeroplan as employer, with the same bargaining unit description as that which appears on the current certificate between the Union and Air Canada (issued on September 26, 2002 – Board Order 8011-U).
7. Air Canada shall provide employee travel privileges in the manner detailed in Appendix A to this Memorandum of Settlement.
8. The Parties request that the Board expeditiously issue a letter decision that encompasses this Memorandum of Settlement.
9. A defined benefit pension plan, with rules that mirror the defined pension plans for eligible employees currently working for Air Canada, will be established by Aeroplan.

Specific Matters Relating to the Transitioning of Certain Employees

10. The parties acknowledge that the Union has filed grievances in relation to the transition of employees between Air Canada and Aeroplan. The parties agree to sign the Memorandum of Understanding which resolve all outstanding grievances and which includes the resolution annexed to the current Memorandum of Settlement as Appendix B.
11. For those employees who, within the last twelve (12) months, had submitted a letter of transfer to Air Canada to leave Aeroplan but who failed to resubmit a letter of transfer prior to March 2, 2009, the parties agree to allow those

employees to submit a letter of transfer no later than June 5, 2009. The employees' selections will be awarded only once the process of selection for all those who submitted their request for transfer prior to the deadline of March 2, 2009 has been completed, notwithstanding the order outlined in article 12 of the collective agreement.

12. For those employees who, prior to March 2, 2009, were not able to submit a valid letter of transfer due to reasonable grounds (e.g. vacation, leave of absence, sickness etc.), to select Air Canada as their employer and who now wish to select Air Canada, the parties agree to allow those employees to submit a letter of transfer no later than June 5, 2009. The employees' selections will be awarded only once the process of selection for all those who submitted their request for transfer prior to the deadline of March 2, 2009 has been completed, notwithstanding the order outlined in article 12 of the collective agreement.
13. For those employees who were denied the ability to transfer to an Air Canada location pursuant to paragraph 6 of Letter of Understanding 25 (Aeroplan Workforce Stability), the parties agree to allow those employees to submit a letter of transfer no later than June 5, 2009. The employees' selections will be awarded only once the process of selection for all those who submitted their request for transfer prior to the deadline of March 2, 2009 has been completed, notwithstanding the order outlined in article 12 of the collective agreement. Air Canada will notify these employees of their reporting date or date of layoff which shall be no later than October 4, 2009.
14. For those employees who were denied the ability to transfer to an Aeroplan location pursuant to paragraphs 1, 2 and 3 of Letter of Understanding 25 (Aeroplan Workforce Stability), the parties agree to allow those employees to submit a letter of transfer no later than June 5, 2009. The employees' selections will be awarded only once the process of selection for all those who submitted their request for transfer prior to the deadline of March 2, 2009 has been completed, notwithstanding the order outlined in article 12 of the collective agreement. Air Canada has the discretion to release based on operational requirements, but such release date shall be no later than October 4, 2009.
15. For those employees who had submitted their request for transfer to Air Canada prior to the deadline of March 2, 2009 and who now desire to return to Aeroplan as an Aeroplan employee, effective June 1, 2009, the Parties agree to allow those employees to elect to return to Aeroplan by submitting a letter of transfer no later than June 5, 2009. Air Canada has the discretion to release based on operational requirements, but such release date shall be no later than October 4, 2009.
16. For those employees who had submitted their request for transfer to Aeroplan prior to the deadline of March 2, 2009 and who are currently scheduled to be transferred to Aeroplan up to October 4, 2009 and who now desire to remain with Air Canada, the Parties agree to allow those employees to elect to remain with Air

Canada by submitting a letter of transfer no later than June 5, 2009. The employees' selections will be awarded only once the process of selection for all those who submitted their request for transfer prior to the deadline of March 2, 2009 has been completed, notwithstanding the order outlined in article 12 of the collective agreement.

17. For those employees at Aeroplan who selected to be employed by Air Canada and have been notified of a layoff from Air Canada effective June 1, 2009, such employees may elect to remain working in Aeroplan until October 4, 2009, in accordance with the status their seniority allows. The employees shall remain employees of Air Canada subject to a secondment agreement between Air Canada and Aeroplan.
18. Air Canada and the Union agree that all employees working at Aeroplan who elected to remain at Air Canada and who were unable to hold a position at Air Canada and are subsequently laid off and those who elected to lay off, will be exceptionally granted the option to terminate in accordance with article 10.13 of the collective agreement. The employees who have been granted this exceptional option must advise Air Canada by June 5, 2009 of their intention to terminate their employment.
19. All employees who were working at Aeroplan and who were scheduled to work on May 18, 2009 (Victoria Day General Holiday) but as a result of their selection were transferred to Air Canada with a reporting date prior to May 18, 2009, will be deemed to have worked for the sole purposes of receiving compensation for the May 18, 2009 (Victoria Day – General Holiday) . The Union will provide Air Canada with a definitive list of affected employees no later than June 5, 2009.
20. The Parties hereby recognize that all outstanding grievances and other matters with respect to the transition of employees between Air Canada and Aeroplan as a result of the sale of the Aeroplan business have been resolved and that no further grievances (policy, group or individual) or complaints can be filed with respect to the movement of employees resulting from the sale of the Aeroplan business, save for grievances or complaints relating to the implementation of this Memorandum.

For Air Canada:	For Aeroplan:	For the Union (CAW)
 _____	 _____	 _____
 _____	_____	 _____
 _____	_____	 _____
_____	_____	 _____

Appendix A

Extension of Certain Air Canada Travel Privileges to former Air Canada Employees covered by the Air Canada/CAW Collective Agreement who will be employed by Aeroplan after May 31, 2009

Introduction:

The following summarizes Air Canada's airline and other travel privileges to those employees of Air Canada who are affected by the transfer of certain operations to Aeroplan and who meet the eligibility requirements set forth below. No other employees represented by the CAW at Aeroplan, except those specifically described below, shall be granted Air Canada travel privileges hereunder.

Air Canada travel privileges to be provided pursuant to the terms hereof are intended to constitute a retiring allowance within the meaning of the *Income Tax Act* (Canada).

A. Eligibility:

1. All former Air Canada Employees covered by the Air Canada/CAW collective agreement who will be employed by Aeroplan after May 31, 2009.
2. For certainty, the following are also eligible:
 - a. Former Air Canada Employees who were on a personal leave of absence and who will work at Aeroplan after May 31, 2009 and therefore cease to be Air Canada employees, whether they have selected this option or are deemed to have selected it.
 - b. Former Air Canada Employees who were either on a short-term or long-term disability and who will work at Aeroplan after May 31, 2009 and therefore cease to be Air Canada employees, whether they have selected this option or are deemed to have selected it.
 - c. Former Air Canada Employees who were absent because of a work-related injury for which Workers Compensation benefits are being paid and who will work at Aeroplan after May 31, 2009 and therefore cease to be Air Canada employees, whether they have selected this option or are deemed to have selected it.
 - d. Former Air Canada Employees who were on IMMS Leave (Inability to Meet Medical Standards) and who will work at Aeroplan after May 31, 2009 and therefore cease to be Air Canada employees, whether they have selected this option or are deemed to have selected it.



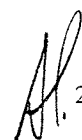
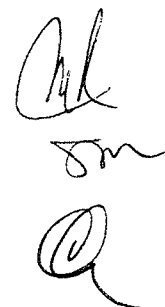
B. Air Canada Personal Travel Privileges:

Air Canada personal travel privileges beyond May 31, 2009 are based on four (4) service related categories and are based on an Eligible Employee's "deemed service" as established on December 31, 2010 (being the total continuous service such employee has acquired until May 31, 2009 and the service they would have acquired had their employment with Air Canada continued until December 31, 2010).

1. **Category 1- Eligible to retire:** Employees deemed Eligible to Retire on December 31, 2010 will receive full retirement travel benefits as per the Air Canada Employee Travel Policy (regardless of whether they elect to retire or not).

 2. **Category 2- 15 plus years of service:** Employees with fifteen (15) years of deemed service or more but who are not deemed Employees Eligible to Retire on December 31, 2010, will receive unlimited Air Canada personal travel privileges (except where noted under General Applications below) until the number of deemed service at Air Canada plus the number of years elapsed since May 31, 2009 total 25 or otherwise at such time when the former employee would have been Eligible to Retire had he/she continued employment with Air Canada. Upon meeting either of these two criteria, the employee is entitled, upon personally notifying Air Canada, to receive full Air Canada retiree travel privileges as if such employee was in Category 1.

 3. **Category 3- 5 to less than 15 years of service:** Employees with less than fifteen (15) years of deemed service but five (5) or more years of deemed service on December 31, 2010, will receive "reduced" Air Canada Personal Travel Privileges (except where noted under General Applications below), consisting of eighteen (18) Air Canada Passes annually per eligible family member, as defined under the Air Canada Travel Policy, to be used each year and such privilege shall end on May 31, 2011.
- OR-
- An allotment of three (3) C3/Y10 Air Canada Passes for each year of Company deemed service of the employee, to be used by the employee, spouse and eligible dependents. The allotment can be used at any time until the allotment is completely used or upon the death of the employee.
4. **Category 4- Less than 5 years of service:** Employees with less than five (5) years of deemed service on December 31, 2010 will receive "reduced" Air Canada Personal Travel Privileges, (except where noted under General Applications below) consisting of four (4) Air Canada Passes per eligible family member, as defined under the Air Canada Travel Policy, and such privilege shall end on May 31, 2010.

-OR-

-An allotment of three (3) C3/Y10 Air Canada passes for each year of Company deemed service of the employee, to be used by the employee, spouse and eligible dependents. The allotment can be used at any time until the allotment is completely used or upon the death of the employee.

5. **General Applications for personal travel for the four (4) categories identified above.**

- a. All Air Canada Personal Travel Privileges granted by this document remain subject to the Air Canada employee travel policies which may change from time to time at the discretion of Air Canada before or after May 31, 2009;
- b. All changes to the current Air Canada Personal Travel Privileges Program to which Air Canada employees have access and which comprise those covered by this Schedule take effect ninety (90) days after October 4, 2009. Until the expiry of this 90 day period, all Eligible Employees shall continue to enjoy the privileges made available to them as an Air Canada employee, except with respect to other airline (OAL) interline privileges and all other travel related agreements, which expire on June 1, 2009;
- c. The Air Canada Personal Travel Privileges and the Air Canada Passes for Categories 2, 3 and 4 refer to return space available travel on Air Canada or Air Canada Jazz only and do not include charter flights or flights operated as a code-share on another airline;
- d. The Air Canada Travel Service date for travel purposes will be deemed to be the employee's date of hire frozen at October 4, 2009.
- e. Employee Travel Service charges are waived as per current application (until 2009);
- f. Air Canada Travel partner space available passes:
 - i. No changes to Category 1 (eligible to retire);
 - ii. No changes to Category 2 (fifteen plus (15+) years of service);
 - iii. Category 3 (5-15) reduced to five (5) travel partner passes annually;
 - iv. Category 4, travel partner passes eliminated;

APPENDIX B

MEMORANDUM OF AGREEMENT

Between

AIR CANADA

(Company)

And

**National Automobile, Aerospace Transportation and General Workers Union of
Canada (CAW -Canada) and its Local 2002**

(Union)

WHEREAS full time employees at an Aeroplan location who have sufficient seniority have elected to bump full time and part time employees at Air Canada locations;

WHEREAS employees at Air Canada locations who have sufficient seniority and who are affected by employees bumping from Aeroplan locations, may have the option of a subsequent bump;

WHEREAS given sufficient seniority, full time employees at Air Canada locations have an option to bump part time employees at the same Air Canada location;

WHEREAS due to summer operational requirements at the Air Canada locations, employees affected by the bumping of employees from the Aeroplan locations have been notified that the subsequent bumping date will be October 4, 2009;

WHEREAS full time employees at an Air Canada location who have elected to bump to part time at the same Air Canada location may continue to work in the full time position until October 4, 2009;

WHEREAS the full time employees from Aeroplan that elected to bump to part time positions at an Air Canada location will be assuming the part time position prior to June 1, 2009;

WHEREAS as a result of the above, there may be junior employees given the ability to continue full time employment until October 4, 2009 while more senior employees may be required to assume a part time position earlier;



WHEREAS in discussions with the Company, the Union has raised concerns regarding senior employees who are bumping from full time at the Aeroplan location to a part time position at an Air Canada location;

WHEREAS the parties desire addressing the aforementioned concerns in an expeditious and equitable manner.

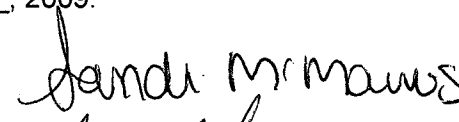

Given the specific and unique circumstances outlined above, it is agreed that in bases where this situation is manifest:

1. The Aeroplan employees bumping to part time positions at an Air Canada location will be employed full time during training.
2. The Aeroplan employees bumping to part time positions at an Air Canada location will continue to be employed full time from the completion of training to May 31, 2009.
3. The Company and the Union agree that seniority shall prevail in the assignment of full time and part time positions.
4. The Company and the Union agree that those employees that are assigned part time positions in accordance with paragraph 3, above, between the date of the signing of this Memorandum and October 4, 2009, may be assigned to temporary full-time positions, at Company discretion and based on operational requirements.
5. The parties recognize that all outstanding grievances and matters with respect to the transition of employees between Air Canada and Aeroplan as a result of the sale of the Aeroplan business have been resolved and that no further grievances (policy, group or individual) or complaints can be filed with respect to the movement of employees resulting from the sale of the Aeroplan business, save for grievances or complaints relating to the implementation of this Memorandum.
6. Other than to enforce the terms of this memorandum, the foregoing is without prejudice and precedent to any matter arising between the parties or any other position the parties may take in the future.

Signed this 21 day of May, 2009.

For Air Canada:
Nick Attardo
Steve Leonard

For the CAW:
Sandi McManus
Marcel Rondeau

- g. Air Canada Parental passes will be reduced to half the number of employee passes for Categories 3 and 4;
 - h. All eligibility for Air Canada C1/J10 passes terminates ninety (90) days after October 4, 2009;
 - i. All eligibility for Air Canada Incentive passes terminates ninety (90) days after October 4, 2009;
 - j. All eligibility for the Air Canada Family Affair program terminates ninety (90) days after October 4, 2009 unless employee is in Category 1;
 - k. All eligibility for Air Canada Cargo discounts terminates ninety (90) days after October 4, 2009 unless employee is in Category 1;
 - l. No Air Canada survivor travel privileges for Categories 2, 3 and 4 (survivor travel privileges are only applicable to those employees that qualify for Category 1) ;
 - m. All other airline (OAL) interline privileges and all other travel related agreements, such as those involving car rentals, hotels, attractions, restaurants, etc., terminate on June 1, 2009.
- C.** Employees eligible for Air Canada personal travel privileges pursuant to this document shall be responsible for any and all travel service charges and all associated taxes and fees. Failure to pay these services charges and/or associated taxes and fees shall result in immediate and permanent withdrawal of this travel privilege.
- D.** All privileges set out above are and shall be determined, granted and applied by Air Canada alone; Aeroplan has and shall have no role or responsibility whatsoever in this regard.

E. Union (CAW) business

All business travel arrangements between the CAW and Air Canada for business travel by CAW officials will be extended to cover business travel in relation to matters involving employees of Aeroplan who transition pursuant to the Memorandum of Understanding concluded under the auspices of Board file 27359-C. The business travel arrangements will end three (3) years following the signature of this Memorandum of Agreement.

Handwritten signatures and initials are present in the bottom right corner of the page. There are four distinct signatures: a large one at the top, a smaller one below it, and two more at the bottom. A small number '4' is written near the bottom-most signature.