Good afternoon and thank you Pierre (Bienvenu) for that kind introduction.

Crowd warming anecdote.

I am very pleased to have this opportunity to speak with you. There are several reasons for this, but what makes it especially appealing is CORIM’s mandate and very raison-d’être— to promote and advance international trade and globalization. This is not only critically important to those of us that run airlines but also to everyone who is concerned about the well-being of Canada and Canadians – and I suspect that this includes this audience.

It is no secret that international trade and the airline industry enjoy a symbiotic relationship.

The demand to transport people and goods in our increasingly globalized world has resulted in demand for more air linkages. At the same time, better air linkages have made it easier to move more people and goods. A recent study of Europe by Airports Council International concluded that for every 10 per cent increase in air connectivity in a country, the GDP for every person will increase by an additional 0.5 per cent. This is a striking statistic when you consider that over the past two decades it is estimated that air connectivity has doubled to more than 16,000 unique city pairs worldwide.

Today, my remarks will focus on how Air Canada, from its Montreal base, is positioning itself to take advantage of these macroeconomic trends and how that will benefit our country. We are doing this by fundamentally changing our airline with the aim of becoming a global champion among airlines. With much hard work we are making our airline more competitive, more responsive and, ultimately, better able to tap global air traffic flows, upon which the success or failure of all airlines will depend in the second century of the aviation business. We just last year celebrated the industry’s 100th anniversary of civil aviation and I am truly proud of what this industry has achieved.

First, on Air Canada, while I know many of you are regular customers – and I thank you for choosing Air Canada – I would still like to give you a quick overview of our company.

Curiously, people are always amazed when they hear of the scale and scope of Air Canada. We have approximately 27,000 employees. In Quebec alone where we are headquartered we have more than 7,000 talented employees including those employed by our regional partners. In 2014, we had revenue in excess of $12 billion.
Including our regional carriers, we offer more than 1,500 daily flights worldwide. On average an Air Canada aircraft takes off somewhere every minute of every day of the year.

We fly to more than 185 destinations on five continents.

To support this network, each day we coordinate the flying of about 360 aircraft – more aircraft than are operated by the entire Canadian air force, according to Wikipedia and Air Canada's own erstwhile fact checkers!

Last year, we carried approximately 38 million people – more than the entire population of Canada. To put it another way, on our busiest days we can easily move the equivalent of the entire City of Trois-Rivières.

Overall, we are among the top 15 or 20 largest carriers in the world – and there are some 1,400 airlines in the world – and we have accomplished this even though Canada has a relatively small population base, dispersed over a large geography.

I should acknowledge that we are indeed a big spender. Billions of dollars in aircraft, simulators, fuel, avionics equipment, components, communications equipment. We serve the world and we have suppliers, service providers and partners around the world. But we are much more than just about airplanes. We are a big buyer and developer of technology - reservations systems, latest inflight entertainment systems, onboard Wi-Fi, call center technology, mobile apps, etc. Together with IBM, we developed a complex “Watson” inspired analytics program to better manage fuel that is required to be loaded onboard, we are developing new yield management tools with the help of mathematicians from MIT and UdeM and the next generation of CRM - a customer analytics tool to further personalize the airline experience.

We are a big distributor of Canadian films for our IFEs. We are one of the most ardent supporters of Canadian sport and culture - from the Air Canada Center, to the Montreal Canadiens, to the Canadian Olympic Team amongst many others. We have a deep commitment to social responsibility and sustainability and each year over the past 25 years, and not just as a Christmas gift, we transport sick and ailing kids to Disney World as part of Dreams Take Flight, in addition to the over $ 4 million we spend annually on causes primarily related to the health and well-being of children.

We are therefore a complex company in a complex industry that plays a linchpin role in the global economy. Many studies that have sought to quantify the benefits of aviation using various measures - but here are a few data points that give you a good idea of how important this industry is globally.

Worldwide, aviation supports directly and indirectly 58 million jobs;

its global economic impact (including direct, indirect, and induced and effects) is US$2.8 trillion;
3.4 per cent of global GDP is supported by aviation;

And, if our industry were a country, it would rank as the 21st largest in the world by GDP.1

Looking at the Canadian context, a 2012 study found that Canada’s airlines had an estimated total economic output impact in excess of $34 billion of which Air Canada alone accounted for more than 50 per cent. These traditional economic impacts do not take into account important secondary and indirect effects that could be a multiple of this, such as tourism and entertainment.

These trends are predicted to continue. IATA estimates that globally 3.3 billion people will board aircraft this year, a number that is expected to grow to 7.3 billion by 2034. Air freight is also expected to expand, IATA’s latest five-year forecast for this segment of the industry is for 4.1 per cent compounded annual growth. Last year, the value of air cargo was more than US$6.8 trillion, which while impressive, is even more striking when you realize it represents 35 per cent of total world trade by value.

As chairman of the board of Governors of IATA and of the chief executive board of the Star Alliance, I am privileged to see first hand how aviation is increasingly vital to global trade, the importance of which I know I do not need to convince the members of Corim. This is particularly true in light of the Canada and European Union Comprehensive Economic and Trade Agreement (CETA) which should see increased passenger and cargo traffic across the Atlantic. Air Canada itself already does about $1.5B worth of business in these European countries so for us CETA is a welcome development. And there are other pending or recently completed trade pacts that promise to stimulate trade for Canada, in many of the countries of Asia and Latin America and we are staying very close to these files as well.

Recognizing global traffic flows, we embarked a number of years ago on a program to become a major global player and made international growth the central element of Air Canada’s strategy. We are well positioned to achieve this aim and we are aggressively building on our available assets: Our extensive global network touching five continents; our bilateral rights to fly anywhere we wish; hard-to-come-by slots at major global airports where congestion bars new entrants; the geographical advantage of Canada being ideally-situated on the great circle routes crossing both the Atlantic and Pacific; and a fleet of aircraft that we are now renewing with a $9 billion investment over the coming years.

As of this summer, we will have increased our system-wide international capacity, measured by seats, by 31 per cent since 2009. Among the new international destinations we have since added to our mainline and rouge networks are Edinburgh, Manchester, Copenhagen, Brussels, Lisbon, Madrid, Barcelona, Geneva, Venice, Milan, Athens, Istanbul, Rio de Janeiro, Panama City, Tokyo-Haneda and Osaka. For this year, we have already announced we are adding Amsterdam, Dubai and Delhi to our network. It is an impressive list.

1 AVIATION BENEFITS BEYOND BORDERS, study by ATAG, April 2014
Augmenting this growth has been Air Canada’s success forming partnerships with other carriers, such as several of the Star Alliance carriers, the world’s largest airline alliance, and through joint ventures, notably our Atlantic Plus-Plus venture with Lufthansa and United. The extended sales and scheduling cooperation agreements with our partners allow for extra capacity and destinations from Canada that Air Canada might have trouble sustaining itself relying on only domestically originating traffic. More recently, we signed an MOU to form a new Joint Venture with Air China, which holds the promise of expanded travel options between the two countries, and of course China is and will continue to be one of the most important aviation markets for years to come.

Crucial to this growth strategy is our ability to connect customers at our hubs, particularly those travelling internationally. Connecting traffic is the lifeblood of any international airline and essential for building successful hubs. The classic case is Holland where in a country of only 16 million, Amsterdam Schiphol airport has 52 million customers passing through. This large volume of connecting traffic supports a global network of flights from Schiphol that the population of Holland alone could not support itself.

In the Canadian context, while Toronto is our major hub, each of Montreal, Vancouver and Calgary also benefit from our hub strategy. The geography of Montreal ideally-positions it as a North American gateway for traffic crossing the North Atlantic.

And we are making great progress with this strategy. Last year we grew such connecting traffic by 23 per cent, although positioning ourselves to capture this traffic has not been a simple matter. We have spent the past six years fundamentally remaking Air Canada so it can do this effectively. This required a multi-pronged approach with the over-arching goal of making Air Canada financially sustainable and profitable over the long term -- And at the same time re-engaging our customers, changing our culture and focusing on international expansion.

It is no secret that Air Canada, and indeed the airline industry as a whole, with its notorious cyclicality, has periodically faced financial challenges throughout its history. To succeed, we determined that our leadership team needed a microscope to fix the micro-details that needed to be fixed and a telescope to see the future. For this reason, we first needed to ensure we had a solid financial foundation by focusing on cost control and revenue growth, something we have, as an organization, been highly committed to achieving.

Last year, 2014, was a breakout year for Air Canada where the corporation showed what it is truly capable of. We had record sales. Record earnings. Record cash and liquidity levels. And a record number of passengers carried, 38 million, 3 million more than the prior year.

Along with strong results, another important achievement was restoring our pension plan to a very healthy surplus position from a massive deficit of a few years earlier. Between our financial performance, our pension fund performance and reducing our cost of capital, we have shifted the paradigm in the investment community. This was reflected not only in recent upgrades of our corporate debt ratings, but also in a strong stock market performance. Air Canada shares have risen more than six-fold over the last two
years and, after being the top performing stock on the TSX in 2013, our shares returned 60 per cent in 2014 versus a 7.4 per cent return for the TSX composite.

In this hyper competitive world we live in, no measure of financial success would be sustainable unless we are also able to keep customers engaged. For five consecutive years now Air Canada has been named the Best Airline North America by the highly-respected Skytrax Awards, our industry’s Academy Awards. These awards are based on a survey of more than 19 million frequent, global travellers so they directly reflect what customers who experience various airlines think. We are also the only network carrier in North America to earn a Four Star rating from Skytrax.

Another welcome indicator of our success engaging customers is the annual Ipsos Reid Canadian business travel study. Air Canada was rated the preferred carrier of 83 per cent of Canadian frequent business travelers for 2014, a 14 percentage point improvement over the last six years.

Key to engagement is offering customers the newest and best products, which we believe is embodied by the Boeing 787 Dreamliner, the most advanced commercial aircraft now in the sky. These aircraft offer a heightened level of comfort, including better air quality and mood lighting to reduce jetlag, our new Business Class and Premium Economy cabins, and our next generation personal entertainment system at every seat.

In total, we are purchasing 37 Dreamliners and as of this month we will have eight of these latest technology aircraft in our fleet. If you include these with our order for up to 109 new Boeing 737 Max single-aisle aircraft and recent additional Boeing 777 and Bombardier Q400 aircraft orders, we are spending nearly $9 billion over the next several years on new aircraft. It is a significant investment in network development, customer comfort and a major factor in our ability to draw international traffic through our hubs.

Closely connected to customer engagement is employee culture change. Air travel is to some extent a commodity but one way airlines can differentiate themselves is through service. Great service requires motivated employees and we have devoted tremendous efforts toward this goal.

Concrete evidence of culture change is that this month we were named one of Montreal’s Top 30 Employers for 2014 and earlier one of Canada’s Top 100 Employers for 2015 based on factors such as benefits, working conditions, and certainly training.

This last point is highly significant – and something I want to highlight today. Training is more and more becoming a determinant of success in our globalized world, where technology is rapidly levelling the playing field. A skilled workforce can be one of Canada's key engines for growth - a true USP, (a "unique selling point"), a key competitive advantage.

At the board of the Canadian Council of Chief Executives, we recently had a roundtable discussion about the importance of training and I can tell you that the Council has made it a top priority to get a meaningful commitment to training and skills development from Canada's business leaders. The concern is that developing countries, from China to Brazil, are investing heavily in education and training. Countries that
were once deemed “poor” and “low-skilled” are advancing up the value chain, producing large numbers of
highly-educated workers.

For our part, at Air Canada, we have invested in training across the company in everything from customer
soft skills to sophisticated training equipment to teach pilots to fly our newest technology aircraft. In 2013
nearly 21,000 Air Canada employees received on average between 35 and 45 hours of training, an in-
crease from previous years. Moreover, we have launched a number of new initiatives focusing on cus-
tomer service for this year that will see those total hours rise much further.

To maintain our desirable quality of life, there is no doubt that Canada and Canadians must work all the
harder to stay ahead of the competition. Succeeding and prospering in the 21st century will require a
broad national effort to strengthen our human capital advantage. An essential first step is developing a
comprehensive strategy to better align education and training with the skills our country needs to attract
investment and high-value employment in the global economy. Canada can
and must be home to the world’s most dynamic and innovative workforce.

At present, among many programs for youth training, we have a number of paid interns from l’Ecole Na-
tionale d’aerotechnique and their time at Air Canada will count towards obtaining their licenses as aircraft
technicians. We also have several engineering students doing work placements for their degrees, as well
as numerous students in other disciplines. In the past we have donated surplus engines, even entire air-
craft, to community colleges and schools for aeronautical programs. And, in the belief it is never too soon
to start planning for the future, for the past seven years we have been supporting a co-op maintenance
program at an Ontario high school. Elsewhere, many of our pilots are involved with Air Cadets program
and we also sponsor a highly-prized contest to identify the top amateur pilots in the county.

The Council of Chief Executives has published a report titled Taking Action for Canada: Jobs and Skills
for the 21st Century. It is a call to action to that will bring together business, government and educators to
develop solutions, share best practices and engage the next generation of Canadian workers. It also calls
upon business to invest 2.5 per cent of their revenue on training, an ambitious target that I personally en-
dorse. The time is now for all of us to work together to ensure that Canada’s labour force is fully prepared
to compete and win in the future.

The international arena is very, very competitive and anyone venturing into it needs to have solid financ-
es, superior products and services, and a loyal customer base. We are competing against the best carri-
ers in the world and so far we are holding our own and doing so despite a public policy towards aviation in
Canada that sometimes hamstrings the country’s airlines.

There exists today in our country multiple barriers that need to be eliminated in order to ensure Canadian
aviation remains globally competitive. In a World Economic Forum report on Travel and Tourism, Canada
ranked in the top 10 per cent with regards to air access, but ranked 136th out of 144 countries based on
aviation rates and charges. To give you an example, the federal government collected almost $1 billion
from the Air Travelers Security Charge; Airport ground lease payments; and Federal and provincial gov-
ernment excise taxes on jet fuel. This situation is highly counterproductive as it makes the Canadian in-
dustry less competitive and it also makes travel more costly for consumers and businesses.

So in our playbook, we have several basic plays to win internationally. Think global not parochial. Be
bold and take measured risk. Move quickly and with a sense of urgency. Learn from the style of emerg-
ing markets and start-up entrepreneurs. Invest in training and skills development. Rely on trusted local partners. Take nothing for granted.

In summary then, Air Canada is rising to the challenge and seizing the opportunities presented by globalization and international trade. We are ever mindful that the Maple Leaf on the tail of our aircraft is not simply a corporate logo but also an emblem our country and that we have an important role and responsibility to assert our country’s place in the world and make it easier for Canadians to participate in it.

We are a 77 year old company that has survived and thrived through a radical transformation over the last several years. And our transformation and evolution should never end, in my view. We are building this company for the long term, to compete globally with the best in class - to be a global champion. And to achieve this, we will focus not only on profitable growth, but also on sustainability, social contribution and the environment. We all know that globalization is a form of competition that will never end. For that reason, while we are proud of what has been accomplished in transforming Air Canada thus far, we know there can be no sitting on our laurels or spiking of the ball in a victory celebration. We will therefore continue to invest in aircraft and equipment, in training and skills development and in the breadth and scale of our global network and product.

So, my strong advice is to stay tuned, pay attention and continue flying, the best is yet to come.