

**Remarks for Mark Galardo
Vice President, Network Planning, Air Canada
Bombardier Media Day
Montreal, January 14, 2019**

Bonjour and good afternoon everyone.

It is a pleasure to be here today. I certainly appreciate the opportunity to give you some perspective on why Air Canada chose the Airbus A220. I also would like to tell you what we believe this remarkable aircraft can do for our company.

First, full disclosure.

At Air Canada we have proprietary feelings about the A220, going back to the start of its development program. As Canada's flag carrier, we are supportive of homegrown technology, and the Canadian aviation industry in particular.

To us, the then-C Series program was an incredible challenge and opportunity. We were proud to see this bold undertaking by a Canadian firm, one located literally across the street from our company's headquarters in Montreal.

Although it was a very sound business decision -- as I will explain in a moment -- our choice of the A220 was therefore also based on our desire to support a fellow national champion.

This explains the timing of our announcement in February 2016, when placed a firm order to purchase 45 jets, with options for 30 more. The order came at a crucial time in the program, when orders were hard to come by. Some media even described our purchase as a "lifeline".

We felt our order, from a major North American carrier, would be taken as a vote of confidence and stabilize the program. And, Bombardier did in fact go on to win additional major orders, notably from Delta.

I, however, would like to be clear on the following – the decision to purchase the A220 was the result of an extensive network and finance led analysis that involved many branches of our company, including the involvement of our executive committee. The A220 was compared to other similar alternative products, and the outcome of the study revealed that this was simply too good a product to pass on. We can therefore say unequivocally that the A220 is a fundamental part of Air Canada's long-term network strategy.

As events turned out, Airbus took over the program, further securing the aircraft's future. Perhaps a bit like a proud Uncle, we were pleased to see the marriage as we have a long, successful partnership with Airbus too.

For example, in 1996, we became the first airline in North America to fly the A319 and in 1990 we were the first in Canada to operate the A320. Today, we have 109 Airbus aircraft in our fleet, including eight A330s, which will grow to 12 by the end of this year.

All this to say, we are now eagerly anticipating the A220's arrival.

The first, an A220-300, is due to arrive late this year. For many reasons, we believe this aircraft has the capability to be a game-changer for our airline, or at the very least to accelerate our core strategy.

I say this because we have previous experience of an aircraft type creating incredible business opportunities, making markets where none existed before. I am referring to the early 1990s, when we committed to buy about 25 of the then-state-of-the-art Bombardier CRJ Series Regional Jets.

The delivery of this order overlapped with the conclusion of the Open Skies treaty between Canada and the U.S. in 1995. In anticipation of this agreement, we announced 20 new scheduled routes using our CRJs to serve such city-pairs as Ottawa-Washington and Calgary-Houston.

As a result, we increased our U.S. market share by 30 per cent in one year.

While the market had changed from a regulatory perspective, we were able to take advantage of this change because we had the right aircraft to serve the thin trans-border routes the Open Sky treaty opened-up. As a result, Air Canada established itself as a presence in the U.S. market and today we are the foreign carrier with the most flights and capacity serving the U.S., the biggest airline market in the world.

Perhaps what we did not fully appreciate in the 1990s was that this was just the beginning.

Where we first focused on point-to-point service and bypassing U.S. hubs –our president at the time Hollis Harris called CRJs “hub busters” – the network we developed in the U.S. formed the basis of our current strategy.

This is a global initiative to use our three major Canadian hubs in Toronto, Montreal and Vancouver to connect international traffic flows to-and-from the U.S.

For example, someone travelling from Pittsburgh to China has to connect somewhere, say Los Angeles or New York.

Or they can come through Canada.

We believe Canada is a much more attractive option. Going through our hubs offers several advantages, including shorter travel times, avoiding the congestion of major U.S. airports and, for returning customers, the

ability to pre-clear US customs in Canada without even picking up their bag.

They arrive home like a domestic customer, compared to having to collect their bags upon first landing in New York or L.A, and then standing in line behind 500 customers from a recently arrived A380 from Australia or the Middle East.

This is a tremendous business opportunity for us.

We calculate that if we can increase our current share of the market for international carriers flying to the U.S. to 2 per cent from the current 1.1 per cent, it will generate an addition \$930 million a year in incremental revenue.

The A220 will be an important catalyst of this strategy by giving us the best plane to serve secondary U.S. cities or major cities on off-peak times and feed our international network. As the Bombardier-CRJs did for Air Canada in the 1990s, the A220 will give us an unbeatable competitive advantage. There is simply no aircraft of this size that rivals the A220.

As well, the superior range and economics of this aircraft over the Embraer E90s we currently use on many North American routes is indisputable. We anticipate the A220-300 aircraft will deliver a 15% unit cost advantage when compared to the Embraer 190.

As well, Air Canada, which was named Eco-Airline of the Year for 2018 by Air Transport World, takes pride in its sustainability programs.

Since 1990 we have increased our fuel efficiency by 40 per cent and the more fuel efficient A220 will help us achieve more sustainability gains. The A220 is also famous for being a quiet aircraft, which reduces noise pollution and supports our noise abatement efforts at various airports.

With its longer range, almost 6,000 km versus 3,500 km for the E90, it will also offer greater deployment opportunities. It will enable Air Canada to serve new markets not suited to Air Canada's larger Boeing 737 MAX or Airbus A321 aircraft.

In Air Canada's network, the A220 will be positioned on high-frequency/medium-volume routes such as Montreal-Calgary and Toronto-Seattle. More importantly, the A220 will give us suitable economics to consider opening new routes. Over the course of 2019, the network planning team will study the economic viability of new routes such as Montreal-Seattle, Toronto-San Jose, CA and Vancouver-Halifax – to name a but a few.

Another advantage of this aircraft is it will give us a better ability to manage low-season capacity. Canadian carriers face significant seasonality in their business. The A220 provides an additional option to offer flights year-round on routes where we might not otherwise profitably sustain service. This will allow Air Canada to maintain its presence in certain seasonal markets and keep the loyalty of frequent flyers on these routes.

Another aspect of this aircraft that we believe will drive growth is its superior customer appeal. The A220 offers products and unparalleled comfort over similarly sized, narrow-body aircraft. I am sorry that I cannot share our LOPA today, but I can tell you our A220s will feature the widest seat in this market, more headroom, more overhead bin space, a greater feeling of spaciousness, and bigger windows on par with what the 787 offers.

We have no doubt customers will absolutely love this aircraft and our domestic competitors will have nothing to match it. This in turn will let us offer more direct routings or more frequencies, which particularly appeals to higher-yielding business customers.

In terms of deliveries, as I mentioned, the first aircraft arrives this year and the end state of 45 should be reached by 2022. We will have 15 in service by year end 2020.

As far as deployment, the first 25 aircraft on delivery are expected to replace Air Canada's existing mainline fleet of Embraer 190 aircraft, with the incremental aircraft supporting Air Canada's hub and network growth.

Beyond that, we see the A220 as a growth engine for new routes. We anticipate announcing our introduction plans in Q2 or Q3 of this year, but I think today I have already given you a good idea of where you will see these aircraft fly.

Thank you.

I would be pleased now to answer some of your questions.