

**Remarks for Michael Rousseau
President and Chief Executive of Air Canada
Chamber of Commerce of Montreal
November 3, 2021**

Introduction

Thank you, Michel, for your introduction. Good afternoon everyone.

It is a great pleasure to be here, and I appreciate very much this invitation from the Chamber to speak to you today about Air Canada. It feels very good to be getting together with people again after 20 months of Zoom and Teams calls.

In honor of the occasion, I switched out of my basketball sweats and squeezed into my suit and tie.

More seriously, while technology has allowed us all to maintain contacts remotely through the pandemic, genuine, authentic connections need to be nourished through personal interaction. It is how we celebrate our humanity.

My presence here today is one way I and, even more, Air Canada, are promoting these connections. After all, apart from its emotional and health benefits, connectivity is vital for a company such as ours whose mission, and indeed livelihood, consists of bringing people together

First, a bit on my background. Growing up, and for much of my working life, I lived in Ontario. When I joined Air Canada I moved to Montreal because our headquarters and most of our company's key decision-makers are located here. We are a Canadian global company based in Montreal.

For me personally, Quebec is now my home and I have acquired some conversational French. But while my comprehension is fair, my ability to speak it fluently remains limited.

For this reason, I decided to speak in English today so that I express myself clearly.

This is because what I have to say about Air Canada, our contributions to Montreal and Quebec, the thousands of people we employ here and the billions we spend, the global network we offer from Montreal, and our plans for the future, are all very important to the community. They are also things we can all take pride in.

Impact of Covid

You are all well aware of COVID's impact on businesses.

The global airline industry was particularly hard hit. Demand in 2020 fell 66% from 2019. It was by far the sharpest traffic decline in aviation's 100-plus year history.

At Air Canada, our traffic decreased more than 90% at the height of the pandemic.

The effect was profound in Montreal, where we had grown an incredible 75% in the previous six years, mostly by adding new destinations across the Atlantic to Europe, Africa and the Middle East. In fact, we had made Montreal airport the fifth biggest North American hub serving these regions.

In May 2019, we had 155 daily flights from Montreal to 71 destinations. By May 2020, we were down to 12 daily flights to 11 destinations.

We went from 19,000 seats a day from the city to 1,500.

System-wide, we carried 13.7 million people last year. That sounds impressive -- but we carried 51.5 million the year before that.

Most painfully, we had to lay off over 20,000 employees. More than half of our workforce.

Finally, COVID caused us severe financial hardship. At its worst we were burning \$1 million in cash per hour. This led to an operating loss of \$3.8 billion in 2020, versus operating income of nearly \$1.7 billion in 2019.

Foundations of Recovery

Contained in our financial reports, however, was one vital number. It ensured Air Canada's survival and is the foundation of our recovery.

We entered the pandemic with more than \$7 billion of liquidity. This gave our airline one of the strongest balance sheets relative to our size in the global industry. We reinforced this by raising an additional \$6.8 billion in 2020.

Still, we could not be certain of the length or depth of the downturn. This is why our support agreement in April with the federal government was important. It made available up to \$4 billion in extra financing through fully repayable loan facilities.

To date, we have not drawn on any of this money. Nor do we intend to, except for a smaller, separate facility to help with customer refunds, now mostly paid.

In fact, what the government really provided was insurance. This, along with our strong brand, excellent collateral, outstanding employees and, dare I say, an incredible management team, gave the financial markets confidence, for example facilitating a \$7.1 billion refinancing this past August.

Yesterday, we released our third quarter results. Although COVID is still causing losses there are sure signs of recovery. We showed solid improvement from the second quarter, with increased sales, a strong cargo performance, cash generation and greater stability in our operations. Our liquidity is now \$14.4 billion, including the undrawn facilities available to us.

Now, with our financial position secure and customers returning, we are embarking on other aspects of our recovery.

First, and this pleases me most, we are recalling employees. Since the beginning of this year, we have recalled more than 10,000 people. This will bring our total headcount to 27,000, compared to 37,000 prior to the pandemic. In Quebec, we have nearly 7,000 employees, most in the Montreal area. We plan further recalls and new hiring which is expected to add a couple thousand more positions as we return to normal.

The pandemic has been grueling for our employees, both those who lost their jobs and those who remained. I would like to publicly acknowledge all of them for their sacrifices. I also thank them for their contributions as we successfully managed through the pandemic.

Network

Another clear sign of recovery is the restoration of our network. While this summer we flew 85% more capacity than last summer, we were still down about 65% from pre-COVID, summer 2019.

Our strategy is to first concentrate on the visiting friends and relatives market. Many of us are eager to see people we have not been with for a long time.

Much of our rebuilding is focused on Montreal. From a low of 11 destinations last year, we were up to 61 last month and we are back to 56% of the domestic capacity we had in 2019.

Not only are we restoring suspended routes, we are adding new ones from Montreal. This summer we started non-stop domestic routes to Deer Lake and Kelowna and we announced new routes from Quebec City to Orlando and Fort Lauderdale this winter, and Vancouver and Calgary next summer.

In the Spring, we launched a new route to Cairo. This fall and winter we are beginning new international services to Delhi, Honolulu and Bogota. We will also restart our Sao Paulo flights, but offer them year-round rather than just seasonally as before.

We foresee the recovery accelerating in 2022, with a peak schedule at approximately 75-to-80% of what we had in 2019 for Montreal. Most of the historical markets will be resumed by summer 2022.

We will accomplish this, just as we grew our presence here before, with a special emphasis on connecting Canadian customers, attracting 6th freedom traffic, where international travellers connect through Canada to-and-from the U.S., and by adding new flights when warranted.

Customer service

We are also ramping up and elevating customer service. With the onset of COVID, we suspended many on-board and airport services for the safety of our customers and crew. This was necessary, but difficult, since we had spent years fine-tuning these amenities and had won many awards for them.

We always prioritize safety. So, our industry-leading Air Canada CleanCare+ biosafety program remains in place.

And we continue to refine our biosafety programs. For example, we announced a new partnership last week with Switch Health to offer customers portable testing kits to meet Canadian government requirements for a negative COVID test before coming home. Where people might have been reluctant to travel internationally because of the need to get tested in a foreign country, they can now take a Switch Health kit with them and test themselves in their hotel room.

We have also begun reintroducing on-board and airport services. In Montreal, all three of our Maple Leaf Lounges for domestic, transborder and international customers are operating, and recently our first lounge outside Canada, in Paris, also reopened.

Our aim, though, is not simply to return to where things stood before the pandemic. Many of our safety innovations bring greater convenience. They have moved us further along the road toward the Holy Grail of the airline industry – the frictionless airport experience.

In select airports we introduced virtual queuing instead of physical lineups, touchless check-in and bag drop, and electronic bag sizers for carry-on. Our Maple Leaf Lounges have touchless access and food ordering. We also have a facial recognition pilot project for boarding in San Francisco.

Technology will be key going forward, allowing us to provide a satisfying, individualized experience to tens of millions of customers each year. This is why we are devoting considerable resources to AI, machine learning and analytics, as well as mobile and digital technologies.

Yet as exciting as these tools are, there will always be a need for positive human connection. At the end of the day, airlines are in the customer service business. Nothing can replace the genuine greeting, friendly smile or added assurance that comes from direct, personal attention.

This remained a priority during COVID. So, I was very pleased when last month we won a several customer service awards at the prestigious 2021 Skytrax World Airline Awards. Air Canada won for Best Airline Staff in Canada and in North America; Best Business Class Lounge in North America; and Excellence for our COVID-19 response.

Long Term Programs

Our recovery will be further supported by large, strategic projects started before the pandemic. Although it was tempting to delay or scale these back, we kept them because they were excellent investments for the post-pandemic era.

One example is our new reservation system, which is essentially the nervous system of any airline. This was a massive IT undertaking begun years before COVID, which came midway through its implementation. This new system gives us greater ability to serve customers, manage our inventory, and work with partner carriers.

A second project, our transformed Aeroplan, also pre-dated COVID. It launched last fall and has been extremely well received. Last month, Aeroplan won for “Excellence in Management” at the well-respected Golden Loyalty awards in Dubai, with the judges praising our team for its success despite COVID. Aeroplan’s headquarters are based here in Montreal.

Aeroplan members are finding improved value and certainty on what flight rewards cost, and more options, such as family sharing of points. Aeroplan has replaced the Altitude program to better reward frequent flyers. It is a material improvement over what was already the best travel program in the market.

We are also excited to secure new partners with whom members can earn and redeem points. Uber and Starbucks are two recent notable additions to our already wide range of partners, which includes Quebec-based retailers Simon’s and La Canadienne.

Additionally, we have strong relationships with major credit card partners. This includes TD, CIBC, American Express, Visa in Canada and, in the U.S., Chase and Mastercard. The popularity of these was highlighted last month when we won three Reader’s Choice Awards from Rewards Canada: Top Overall Travel Rewards Credit Card and Top Airline Credit Card, as well as its award for Top Airline Loyalty Program.

Aeroplan will be a major differentiator for Air Canada in a more crowded Canadian airline industry. This is especially true in the early stages of the recovery because the Aeroplan target market has been expanded to leisure travelers -- the customers returning first.

Another program proving to be invaluable is our Air Canada Cargo expansion. Although historically an ancillary business, we had begun expanding ACC prior to COVID, for example forming a partnership for drone deliveries. But, with the pandemic, even greater needs and opportunities arose.

Typically, most air cargo travels in the bellies of passenger aircraft. But with so many commercial flights grounded, capacity became scarce. This situation persists to this day, made worse by congestion in other cargo modes, such as ocean container shipping, and by the explosion in e-commerce deliveries.

We were one of the first airlines to remove seats from passenger cabins to accommodate cargo. We have operated over 11,000 all-cargo flights since mid-2020, where before there were none. This has led us to convert eight Boeing 767s into dedicated freighters, with the first arriving next month.

Our investment in cargo is paying off. For the first time, its annual revenue has exceeded \$1 billion, and the year is not over.

A fourth program we actually accelerated due to COVID was our fleet renewal. With decreased demand we removed 79 older, less-efficient and less environmentally friendly aircraft from our fleet early. As a result, we are entering the post-pandemic era with a more efficient, right-sized fleet, making us more competitive.

At the same time, we kept on with deliveries of new narrow body aircraft, including the Airbus A220 built at Mirabel. Air Canada's association with this aircraft predates its entry into service. Our initial order in 2016 has been largely credited with saving the program, along with thousands of coveted aircraft assembly jobs.

Soon, we will take delivery of our 25th A220, representing an investment of more than \$1.5 billion since 2019. With our results yesterday, we also announced that we will acquire two more A220s than planned, bringing the total order to 35. We also accelerated orders for the delivery of four Boeing 737 MAX aircraft. This will help secure jobs in the Canadian aerospace industry.

Environment

Another, deeply important initiative that has taken on greater urgency, is Air Canada's environmental program.

The pandemic has not only reinforced our need for personal connection, it has also laid bare our connection with the environment and amplified our awareness that climate change is humanity's greatest challenge. We must accept our responsibilities in addressing this.

Fighting climate change is a personal priority and I am very proud that Air Canada has been a leader. In the last five years we undertook more than 115 projects to eliminate 145,000 tonnes of GHG from our air operations.

Our commitment to sustainability continued through the pandemic. In fact, we made a major announcement in March when we set a goal of net-zero emissions by 2050.

We are also active in the area of alternative fuel, which will be an environmental game-changer for our industry. We have been involved in supporting such research since our first biofuel flight in 2012. As part

of our net zero-emissions announcement, we committed to invest at least \$50 million in sustainable aviation fuels research, as well as in carbon reduction and removal.

Last week, we joined a consortium of global carriers in the Aviation Climate Taskforce, which will support research into new technologies to reduce emissions, including through investments in alternative, sustainable fuels. We are the only Canadian airline on the Taskforce.

Another demonstration of our commitment was the announcement last month that we have begun offering our corporate customers options to offset or reduce greenhouse gas emissions related to business travel. Through our new LEAVE LESS Travel Program, corporate customers can now purchase Sustainable Aviation Fuels, carbon offsets, or a combination of both. I would like to congratulate Deloitte Canada for being the first to use this program.

Diversity, Equity and Inclusion

I cannot speak about sustainability and our commitment to a better world without saying how proud I am that despite the severe disruption of the COVID-19 pandemic, we have worked on new initiatives regarding diversity, equity and inclusion, as described in our Citizens of the World CSR report. A collaborative, diverse and inclusive culture is not only right, it is also essential to our recovery and future development. We received proof of our success in this regard last month when the global consultancy firm Achievers ranked us among the Elite 8 companies in Canada for human resources, corporate culture and employee engagement.

Another area of social responsibility where we are active is in promoting the health and well-being of children and youth through the Air Canada Foundation. We have long been active in the Montreal community through the Foundation and it supports a number of health and wellness programs in the city.

One that stands out is our involvement with the Breakfast Club of Canada, with whom Air Canada has worked for 15 years. Over that time, the Club's reach has extended outside Quebec to become a national organization serving healthy meals to more than 250,000 students a day.

Government Role

I now turn to the role of governments. Rebuilding a society and an economy requires more than lifting health measures, it requires concrete, constructive action.

For us this means setting policies for a competitive and efficient airline industry, which benefits all Canadians. Indeed, governments must be prepared to change policies in what has become a changed world.

Apart from making travel fun, convenient and affordable, a healthy air transport sector is a major economic contributor. We spend significant sums running our business. We estimate that prior to COVID, our economic contribution was \$21 billion to Canada's GDP and that we supported the employment of almost 190,000 people.

In 2019, our last normal year, we spent nearly \$3.8 billion on total operating expenses in Quebec and nearly \$13 billion in Canada as a whole.

MRO

Of great importance to the Quebec economy is the amount of money we spend on new aircraft, the repair and maintenance of our fleet, and other related services we buy, such as flight simulators. To give you an example, in 2019, our last regular year, we spent about \$616 million on aircraft maintenance in Canada, with more than 80 per cent of that in Quebec.

I have mentioned our purchase of the A220, but beyond the initial acquisition we must also spend significant sums maintaining these and our other aircraft so that they are kept safe, comfortable and equipped with the latest features for our customers.

Much of this we do through partnerships with other Quebec companies. This includes AAR at Trois Rivières and Avianor at Mirabel. We have long-term contracts with these companies to maintain not only our A220 fleet, but also our A319, A320 and A321 fleets -- more than 70 aircraft in total.

In addition, there are other projects they assist us on from time-to-time. One such example was the conversion of nine A321 aircraft into our new Air Canada Rouge configuration at Trois-Rivières. Another example was the temporary refitting of four A330s and five Boeing 777s so they can carry additional cargo.

These projects involved millions of dollars and hundreds of jobs.

Beyond this, our investments support hundreds more high-skill jobs at companies such as engine maker Pratt & Whitney, which makes engines for the A220, and CAE, from which we not only buy simulators, but with whom we also recently signed a five-year maintenance training agreement.

But in order for us to operate at our potential and keep making this contribution, there are things governments must do.

We were pleased last month when the Federal Government announced it will implement a standardized Canadian COVID-19 proof of vaccination to facilitate travel. It followed this by removing its travel advisory against foreign travel. These are both very welcome moves.

Having recognized travel is safe for vaccinated people, the government should now take a science-based approach to further safely relax travel restrictions by removing costly PCR testing requirements for fully vaccinated travellers entering Canada. I was encouraged when Canada's Chief Public Health Officer, Dr. Tam, recently committed to review this, something the Government's own expert panel recommended.

Governments can also learn from the experience of COVID to fix the funding model for this country's air transport infrastructure. Canada is an outlier among developed countries in terms of the extent to which it relies upon users to pay the cost of the air transport system.

COVID exposed the shortcomings of this model. Once the users disappeared, the infrastructure came under immediate pressure. This led to airport debt payment deferrals, higher fees for things like navigation and airport improvements, and even a requirement for direct government financial support.

Finally, and this is less specific to airlines and applies to all businesses: Governments and Corporate Canada must encourage all Canadians to get back to the office to work together. Our social and economic fabric needs the same attention that we put towards fighting the pandemic.

This can begin by establishing effective safety guidelines for people to return to the office, to start meeting again just as we are doing today, and to venture out, whether to the office, across Canada or around the world, to conduct and generate new business.

Or, frankly, just go out and have coffee with a colleague or client.

Everywhere, the world is adapting to the new normal taking shape. Our governments and our business leaders working together and independently should now be encouraging Canadians to do so safely, so that we do not fall behind.

Conclusion

I am convinced based on everything we have been through and the very positive indicators we are now experiencing, that the worst of the pandemic is behind us.

At Air Canada, our attention is now upon safely restarting and rebuilding our business.

Our vision for recovery rests on leveraging our strengths as a Canadian global champion. This will involve: restoring our global network; providing seamless connectivity with Air Canada's partners; delivering consistent and superior customer service with innovative technology; and diversifying our revenue base, such as through Aeroplan and Air Canada Cargo.

These are all means to an end, which is to continue to serve our customers in connecting them to the world and to the people and places they care most about. Many of you who are here today are part of our broad customer base, and I want to thank you for your loyalty and for choosing to fly Air Canada.

I hope you share our optimism. And we very much look forward to welcoming you back on board.

Thank you.