

Remarks for Calin Rovinescu

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Air Canada's Global Strategy: Making Toronto a Gateway to the World

Good afternoon and thank you Gordon for your kind introduction.

Introduction to Air Canada

Although we have one of the highest-profile brands in the country, I still find people are surprised when it is pointed out just how global a company Air Canada really is. Despite Canada's small population, Air Canada is among the 20 largest carriers of the more than 1,000 airlines in the world.

We have 27,000 employees – enough to fill every seat in the Air Canada Centre, Roy Thomson Hall, the Sony Centre and Massey Hall ... on the

same night – and they are located all over the world. Our annual revenue exceeds \$12 billion. Each year we carry more than 35 million people; the equivalent of every man, woman and child in Canada. Our fleet of 200 aircraft (or 330 including the regional carriers' fleets) proudly bears our Maple Leaf logo to more than 175 destinations on five continents. Counting our regional partners flying under the Air Canada Express banner we operate 1,500 flights a day, meaning on average somewhere in the world there is an Air Canada plane launching every minute of every day of every month of every year.

Toronto/Ontario

While we are a very large company with a global reach, our main operational hub is here in Toronto. In total, Air Canada directly employs nearly 12,000 people in the GTA – plus 2,200 more if you include our wholly-owned subsidiaries Air Canada Vacations and Air Canada Rouge as well as our Air Canada Express partners - Jazz and Sky Regional, who fly exclusively for Air Canada. In addition, we also support 8,000 retirees in Ontario.

This translates into a significant economic footprint here in Toronto with annual salaries in the GTA alone of nearly \$1 billion. As well, we do business with hundreds of local suppliers with annual expenditures in Ontario exceeding \$3 billion. And, with the 5 – 7 x multiplier effect applied by economists to aviation, our total economic impact in the province of Ontario is in excess of \$20 billion including our own contribution to business and tourism.

Of course, we are also the airline that has the largest footprint in Toronto – in terms of passengers, frequencies and connections. Together with our Air Canada Express partners and Air Canada rouge, we operate more than 240,000 flights a year from Pearson and carry about 18 million passengers. This summer we will serve 123 destinations from Toronto, including 52 internationally, 41 to the U.S. and 30 within Canada.

While Canadian corporations are often criticized for a lack of global ambition and for an overly-conservative approach to investing, I'd like to show that what we've been doing over the last several years is exactly the opposite. So, today I will talk a bit about Air Canada's Strategy for Global Competitiveness – and how an airline that has had its share of challenges can

steadily reinvent itself and aspire to the mantle of a true, high-performance global organization, and play on the fields of the big leagues.

When I spoke to one of the Canadian chambers of commerce in January of last year, the topic was "Charting a Better Future" and I suggested that our transformation initiatives were about much more than just short-term survival in this tough business. I referenced Thomas Friedman, the well-regarded NY Times journalist and author of the "World is Flat", who had then written a brilliant piece in which he argued that for US companies to win in the global arena, "Average wasn't good enough anymore" in this brave new world.

Indeed, it simply isn't good enough to expect to do well by just showing up – Because of price and product knowledge available on the Web. Because of the immediacy of data. Because of access to developing economies and highly skilled labour. Because of intense competition for higher education. Because of emerging economies' greater hunger - indeed imperative - to succeed.

The phrase “average is over” is particularly pertinent to us and the transformation that we have been undertaking to secure Air Canada’s place as one of the world’s pre-eminent international carriers and is a perfect segue to a discussion around our strategy for global competitiveness.

To win you need several unique selling points (U.S.P.s as we call them) - Factors that distinguish you from the rest of the pack, and Canada and Air Canada have several.

(1) **We have the geography.** This is an important USP. Our country is ideally situated between the major regions of the world including Europe, Asia, South America and the U.S. Flying times between Toronto and parts of Asia, for example, are shorter than for those through U.S. hubs like Chicago or New York – and our skies are less congested.

(2) **You need to have operational excellence in all aspects of your game – product, staff, equipment, network.** As an organization, we made it clear in 2013 that we will not accept mediocrity. That, for us, “average” is indeed over. We have strived to improve all aspects of our business over the

last several years, ranging from our aircraft refurbishment program, which made us the first North American network carrier to offer lie-flat suites fleet-wide, to a host of airport and customer service and technology innovations – to improved on-time performance and dispatch reliability.

(3) Spend capital where it is essential to differentiate your product, your brand or your profitability. Basically, we have put our money where our mouth is with respect to CAPEX. We have invested heavily in new aircraft to both improve our bottom line by reducing fuel cost while also acquiring a leading product for the future. Based on list prices, our 787 program represents an investment of nearly \$5 billion and our 737 program, just announced in December, is a commitment of well over \$6 billion. In addition, we purchased five new Boeing 777 aircraft in 2013 at a list cost of \$750 million in a high-density seating configuration that has proven to be an extremely successful experiment on certain higher demand routes.

(4) Don't use external factors as excuses where things are tough. The airline industry is a challenging, tough and, some would even say, impossible business. As I mentioned Air Canada transports 35 million passengers per year to various corners of the globe. If we estimate on

average 5 customer touch points per passenger – namely the booking process, the airport / boarding process, the onboard inflight / flight operations process, baggage recovery from irregular operations, etc. – that makes for a total of 175 million customer interactions.

Lots of intervening factors can and do conspire to hamper an airline’s performance - from weather to fuel price spikes to regulatory costs to reliance on third party providers.

But we will not permit outside forces to drag us back to “average”, be they legacy work rules, poor aviation or airport infrastructure or services, excessive government taxes, or parochial issues in any one region of the country. As we showed in 2013, we may not always like the cards we’re dealt, but we will play them to the best of our ability and move on.

(5) Results make a big difference and strong results an extremely big difference. Over the past year we have reported some of our strongest results since our privatization in the late 1980s. Records were set in both the second and third quarters. In fact, in our third quarter we reported our best adjusted net income and EBITDAR in the corporation’s history.

For all of 2013, we had a load factor of nearly 83 per cent – meaning our aircraft were on average nearly 83 per cent full system-wide, from the smallest regionals to the largest widebodies - another record for the company.

That we are successfully executing on our corporate priorities and delivering on our commitment is being recognized by the financial community and investors. Since Air Canada returned to the S&P/TSX composite index last year, our shares have outperformed the entire index, being the number one stock for all of 2013 in all industries – more than tripling in value over the year. We were also the leading stock amongst all North American airlines, with the exception of American Airlines, which operated inside Chapter 11 for most of 2013.

I am very proud of these results. And I cannot emphasize enough how they were only possible due to the hard work, dedication and commitment of our leadership team and all of our employees and those of our subsidiaries and our regional partners. We have some of our pilots, flight attendants, Air

Canada rouge representatives and partners here today and I want to congratulate them all for their great work in 2013.

But we know we cannot be complacent – or average – as issues continually arise in the airline industry. For example, the recent decline in the Canadian dollar relative to the US presents us some challenges to manage and also some opportunities to leverage. As part of our annual budgeting process, we forecasted some weakness in the Canadian dollar, although not to its current level. As a result, we got somewhat of a head start to look at ways to mitigate the exposure - such as additional cost reductions or revenue enhancement initiatives. We also have over \$1 billion in US revenues and a currency hedge position that will absorb some of the exposure. Additionally, historically, the price of crude oil and the Canadian dollar have shown some reasonable level of co-relation. We have seen some reduction in the price of WTI crude as the dollar has weakened. On the opportunity side, a lower Canadian dollar can stimulate the economy as it's highly correlated to GDP growth – so it can support higher in-bound traffic to Canada from the US and the rest of the world, consistent with our international expansion strategy.

(6) You need a focused game plan – like any successful sports team.

You need a solid game plan and the determination to stick with it, which is why at the start of our transformation I challenged senior management to identify key corporate priorities to reach our goal of sustained profitability.

I felt it was essential that we articulate these simply and clearly. Partly this was to enforce clarity of thought and impose a disciplined approach on the leadership team, but it also had the added advantage of ensuring everyone in the company was attuned to the plan and understood their role in fulfilling it.

We identified *four* basic priorities (four, not *forty* or *four hundred*) that have become our mantra. Indeed, I would say these are now imprinted on our corporate DNA – cost transformation, culture change, customer engagement and international growth. No catchy phrases, such as “Slim” or “Lean” or “Six Sigma”, just words that 27,000 people can understand and sign on to.

(7) Make sure your foundation is rock solid. As with any structure, we started with the foundation. We implemented a Cost Transformation Program (CTP) aimed at achieving \$500 million in annual non-labour cost

savings and unit revenue improvements. Within three years we exceeded our goal by more than \$30 million, but that was just a beginning.

We followed on our CTP success by modifying certain collective agreement work rules to make our labour costs more competitive with other players who were taking away significant share in some very important markets.

(8) Look after your employees and retirees who have built the company. Air Canada prides itself on offering industry-leading employment terms and being a desirable employer that looks after its employees extremely well. One of the attractive employment features at Air Canada since the beginning of time is the Air Canada Pension Plan, which is a defined benefit plan established at a time when Air Canada was a Crown Corporation. Employees love the plan and retirees and senior employees counted on it. There is no doubt, however, that our pension plan liabilities, in the current context created a serious impediment to our progress. The Plan had a solvency deficit that, with historically low interest rates, rose to \$4.4 billion at its peak. Over the past four years we have had three primary objectives for our plan – (1) to ensure our employees’ and retirees’ pensions

are secure, (2) to eliminate the pension solvency deficit and (3) to make the costs associated with maintaining them affordable, predictable and stable.

As some of you may have seen, we have made significant progress on all these objectives. We announced last month that based on preliminary estimates the solvency deficit, which was nearly \$3.7 billion at January 1, 2013, is projected to be in a small surplus position as of January 1, 2014.

This is very positive news for many of our stakeholders. The elimination of the \$3.7 billion deficit, which had been treated by several stakeholders as quasi-debt, is a potential significant value enhancement for shareholders as we have materially reduced the overall risk profile of the company.

Combined with improving and more consistent financial results, we would expect our earnings multiple – which is still below that of the American carriers despite our strong stock perform in 2013 – and as a result our stock price, to further increase over time. The earnings multiple is a reflection of the risk profile of the company as well as our growth and earnings potential and consistency.

The elimination of the deficit also provides much-needed reassurance to employees who count on our defined benefit pension plans in an age when retirement security is a major concern.

We have been diligently and proactively working on the pieces of this puzzle and planning for this day for four years. While it happened somewhat more quickly than we had anticipated, it is not as if we have awakened from a “Rip Van Winkle” slumber to an unexpected surprise. We have been making significant payments to reduce the deficit, indeed \$225 million last year. Secondly, apart from a slightly higher interest rate which translates into a more favourable discount rate used to value our future obligations, we also achieved top quartile returns on our pension assets over the last few years – in fact top decile in some years. Finally, we implemented important pension plan amendments to early retirement benefits with unionized and management employees, which materially reduced the deficit. And new hires have been moved to DC or hybrid DB/DC plans which should reduce future volatility.

(9) Reduce Leverage while lowering the overall cost of capital and, above all, increase your liquidity. Another task we faced was repairing

our balance sheet. Our net debt has been reduced by \$1.7 billion since 2009 through debt repayment and good old-fashioned cost control that produced more free cash flow to repay debt. In addition, we used some innovative capital raising techniques - for example last April we became one the first airlines outside the US to raise aircraft-specific funding (\$700M) through Enhanced Equipment Trust Certificates (EETCs). Later in the year, we refinanced our high yield bonds in a \$1.4 billion transaction that involved several alternative forms of debt. Through these financings we were able to raise substantial amounts on the same collateral pool of assets. And we did so at a 30 per cent lower cost of capital because of our improved risk profile. At September 30, 2013 our cash and unrestricted liquidity levels were at a healthy \$2.4 billion.

(10) Take some risk and bring in new products or brands while optimizing your footprint. Another important innovation was the launch last July of Air Canada rouge, a lower cost leisure airline wholly-owned by Air Canada with a dedicated, very strong management team.

It allows us to better compete on leisure routes where our premium mainline brand cannot do so profitably enough. Through modified work rules, lower

labour costs, and aircraft reconfiguration, rouge achieves unit cost savings of 21 to 29 per cent versus the same aircraft operating in our mainline fleet – a huge savings. We continue to grow Air Canada rouge, including new sun destinations announced just this month. And this summer we will be launching new rouge routes to Europe from Toronto and also rouge operations will begin Western Canada.

As I said earlier, another product initiative that allowed us to grow last year was our acquisition of five new Boeing 777s in a much higher density configuration that are targeted for certain long-haul routes with higher leisure demand. This allows us to add capacity - i.e. seats - yet do so at significantly lower incremental cost, thereby lowering our overall average seat cost. With these new aircraft we also introduced a new Premium Economy service, a third cabin between Business and Economy, which gives customers more choice in how they want to fly.

We are very encouraged by both the positive customer response and especially by the very strong economic contribution of these new 777s.

In addition, we launched a special SME product that provides several advantages for small and medium-size businesses that would normally only

accrue to larger corporations. These new products and other measures have strengthened our financial performance.

The upshot of these and other measures is that in the most recent third quarter report, our unit costs fell 3.4 per cent from the previous year. This is a significant accomplishment for a company of our size and complexity with a high legacy cost structure, which is largely fixed.

(11) Communicate and celebrate small and large progress on culture change with employees constantly. To this end, we have been holding town halls to meet with employees to ensure that our strategy is clearly understood. As importantly, we are listening to their concerns so we can remove roadblocks and enable them to do their jobs better, with greater empowerment and decision-making capabilities.

There are several indicators that we are succeeding with culture change. In October, Air Canada was named one of the Top 100 Employers in Canada – the only airline to make the list – out of an initial sample of 75,000 employers. To me it is telling that where we have historically received about 100 applications for every Air Canada job we fill, Air Canada rouge has

received 300 applications for each available flight attendant job. Since its creation last year rouge has garnered 16,000 applications for crew positions. A pretty good indicator of desirability.

Another indicator of culture change and the breaking down of silos is our airline's on-time performance in 2013. By working together we had by the third quarter of last year improved OTP by 20 percentage points. While the recent Polar Vortex has impacted OTP, the lessons learned from last year's exercise have made us more resilient and increased our ability to recover from adverse circumstances.

(12) Participate in Next Generation Game-changing Technology. Tech companies need to be cutting edge and constantly operating in "beta" to succeed in the global arena. So must airlines. Anticipation is now building for our next great leap when we introduce our Boeing 787 Dreamliners into our fleet starting this spring. We have firm orders for 37 of these next generation, game-changing aircraft that will revolutionize the customer experience. Further, because of their lighter weight, composite parts and new electronics, they will achieve 29 per cent better operating efficiencies than the older Boeing 767s they replace. The first of these two new aircraft enter

regular service in July, flying from Toronto, with one deployed to Tel Aviv and the other dedicated to our new service to the very central Tokyo-Haneda airport.

Complementing this will be the renewal of our fleet of smaller, narrow-body jets used in North America. In December, we announced the purchase of up to 109 new Boeing 737 MAX aircraft to replace our Airbus narrow-body fleet. Deliveries begin in 2017 and will give Air Canada one of the world's youngest, most-fuel efficient and simplified fleets.

We have also invested on the ground. Last month, our new state-of-the art Operations Control centre became fully active. This \$60 million greenfield project, located in the GTA, incorporates cutting edge technology that makes it one of the best OCs in the world. Four hundred employees work there on a 24/7 basis, using more than 500 computer screens connected by 300 kilometers of cable, to keep an eye on and direct our 200 mainline aircraft around the world in real time.

(13) Win a championship or two on an international ice surface. That we are re-engaging customers, another priority, has been demonstrated by

the numerous awards we have won for our service. The most recent was last month, when we were named the Best Long Haul Airline in the Americas by AirlinesRating.com, a well-regarded global traveler website.

Air Canada is the only Four Star network carrier in North America and for four straight years we have been named the Best Airline in North America by the universally-respected Skytrax World Airline Awards. Better than all U.S. carriers. And better than all Canadian carriers. The annual Ipsos Reid study of frequent Canadian Business Travellers found Air Canada is the preferred carrier of 81 per cent of respondents – an improvement of 12 percentage points over five years.

(14) **Be as nimble as an entrepreneur in an Emerging Market.** I have the great privilege in my job of travelling around the world several times each year. I get to see interesting emerging markets such as Brazil, China, Ethiopia, South Africa, Turkey, Abu Dhabi, etc. where we either operate ourselves or have important codeshare or other partnerships. I just returned from Israel, having joined the Prime Minister's business delegation. And I

can tell you that all of these emerging markets share three common traits, almost without exception – speed, flexibility and audacity (chutzpah)!

Developed economics and legacy businesses have a lot to learn from the start-up culture of emerging markets – and developed economies should not wait to fail before implementing some of these lessons. It goes to selecting talent and empowering people to succeed, as we did with the Rouge leadership team. It goes to having regional and local expertise in the foreign countries and importing some of that international talent back home, as we've done with talent from Tokyo, among others.

It also goes to the home country establishing an aviation policy that helps develop and grow markets and eliminates artificial barriers to success – and there are multiple barriers that need to be eliminated in Canadian aviation.

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 infrastructure. To give you an example, the federal government collected almost \$1B from the Air Travellers Security Charge; Airport ground lease payments; and Federal and

provincial government excise taxes on jet fuel. Collectively, these changes are what gives Canada the unenviable 136th ranking out of 144 countries surveyed on aviation rates and charges.

This situation is highly counterproductive as it makes the Canadian industry less competitive and travel more costly for consumers and businesses. More than five million Canadians a year, enough business to sustain a mid-size airport, travel to the U.S. for a flight. The Buffalo airport openly boasts on its website that it served 2 million Canadians last year. Torontonians, who intensely dislike it when Buffalo beats them at anything, should be outraged because this amounts to a significant economic loss to the Greater Toronto Area.

Another example of troubling airport policy is the entire Toronto Island saga. This is a public facility built at public expense that has been handed over to a private operator who has over 85 per cent of the slots. We have been repeatedly rebuffed in our numerous attempts to expand service at the airport, something we encounter nowhere else in the country or indeed the world. In fact, most airports aggressively lobby us to increase service.

In the case of Billy Bishop, our customers have repeatedly asked us “when are you going to fly from the Island to Ottawa?” or “when are you going to fly to New York from the Island?” The answer is that we will do so the moment the TPA ends Porter’s virtual monopoly and the Island Airport is truly opened to competition.

We view the current discussions of jets at the Island as somewhat of a secondary issue, one that the authorities at all levels need to take adequate time to study, rather than be rushed into some form of precipitous and arguably dangerous decision-making process.

As I have said previously, I view the Island as a good commuter facility, for short haul flights that is well served by turbo prop aircraft such as the Bombardier Q400s. I am in favour of measured growth at the Island that respects the tripartite agreement understandings, and the delicate ecosystem compromises that have been made with the community, provided Air Canada and other competitors have proper and fair competitive access, as exists at every other airport in the country. This is not someone’s private sandbox and it cannot be allowed to become one. This is a proposal that needs sober thought – hundreds of millions of Toronto tax dollars are

involved to benefit primarily one private sector company. And hundreds of millions more are at risk by rushing expansion without proper study. Other airlines, such as Air Canada, have views. The community and nearby residents have views. Therefore, I fully support the prudent recommendations of City staff to take the time to study this properly and deal with complex issues around a public asset and public infrastructure spending in the context of all stakeholders regardless of artificial deadlines tied to municipal elections or otherwise.

Another impediment to be addressed is easing Canadian visa requirements to facilitate travel, at least for those emerging markets where a bilateral air transport agreement is already in place. These are markets, such as our NAFTA partner Mexico, and other Latin American countries like Brazil and Chile, that offer true bilateral traffic and trade opportunities.

Measures such as these will ensure the Canadian airline industry remains competitive, strong and able to support jobs for tens of thousands of Canadians across the country.

(15) **Be globally audacious.** Our intention, somewhat immodestly stated, is to pump Air Canada up into an international powerhouse for global traffic connecting over our Canadian hubs. This entails playing to our numerous strengths to build on our position as one of the world's leading international carriers and leveraging our Toronto Pearson hub, as well as those in Montreal, Calgary and Vancouver.

The International Air Transport Association recently projected that international passenger numbers will rise 25 per cent from 1.2 billion in 2012 to 1.5 billion in 2017. That is a compound annual growth rate of 4.6 per cent – well above the rate expected within North America itself. We aim to capture our fair share and more of this fast growing international market.

While we operate hubs at Montreal, Calgary and Vancouver, Toronto is by far our largest and most important hub and it is Toronto that will play the decisive role in helping to realize our international powerhouse ambitions.

Lying near the centre of North America, Toronto is already an important pivot point, particularly for U.S. bound and originating customers transiting between domestic, transborder and international flights. For example, think of someone travelling from Boston to China who has a choice of New York,

Chicago, Los Angeles or Toronto – we want them to understand Toronto is the fastest, easiest way and our product can be the best. We have seen 21 per cent growth in so-called 6th Freedom connecting traffic at Pearson in recent years and we expect this growth to continue as we bring in new aircraft, introduce new products and start new international routes.

Indeed there is still tremendous potential upside. For example, Air Canada currently has only a 0.3 per cent share of the traffic between the U.S. and destinations in Europe and Asia that flies on non-U.S carriers. If we could grow that to what we think is a reasonable 1.5 per cent share it would yield an incremental 1.1 million passengers and \$400 million in revenue.

Connecting traffic is the lifeblood of international carriers and drawing it through global hubs is a proven model for success. Take for example Amsterdam Schiphol. Holland is a country of 17 million people but 51 million travelers connect through the airport because of its convenient design and location. Now a direct comparison is admittedly difficult given the geographic and other differences, nonetheless if Pearson could achieve Schiphol-like ratios and leverage connecting traffic similarly proportional to

Canada's population, it would translate into 100 million passengers – nearly triple the current number.

Again, direct comparisons based on relative population and other dynamics may not be very meaningful, but the point is that connecting traffic is the magic elixir of the airline industry, just like steroids in sports - except they are legal.

Achieving our goal of building a global hub here therefore depends on our ability to attract global traffic by offering an attractive schedule and service, which is why so much of our growth has been centred on Toronto. In each of the past five years we have increased capacity at Toronto and since 2009 it has grown 21 per cent – well in excess of GDP growth that normally dictates airline capacity increases.

Through Air Canada and Air Canada rouge you have seen many new destinations introduced from Toronto, including Copenhagen, Manchester, Edinburgh, Lisbon, Barcelona, Milan, Nice, Athens, Istanbul and Tokyo-Haneda. We have been putting our money where our mouth is. Moreover, there has been a significant capacity increase on certain existing routes,

particularly across the Pacific, which has seen a 41 per cent increase, most notably to China. On the Atlantic, there has been 23 per cent growth and, reflecting our strategy to capture travelers between these regions and the U.S., there has been a 35 per cent increase in transborder flying.

We are doing our part in terms of investing billions of dollars in aircraft, products, routes and services focused around Toronto - but we rely on having the proper infrastructure to compete with other global hubs. I have already mentioned the government policy framework, but there are no doubt other significant opportunities to improve operational performance on the ground at Pearson, particularly in light of recent experiences with extreme weather events, and we look forward to concrete proposals from the GTAA and its Board on how it will deal with such events in the future. While it would be nirvana for our main hub to be in a location of temperate weather such as Arizona, without extreme winters, the fact is Toronto is where it is – so we need to ensure that the “average is over” mantra applies to Pearson as well, if it is to achieve our aspirations as a global gateway.

Nonetheless, there has been some good progress on some fronts. Beginning with the completion of the new pier at Pearson in 2007, Air Canada was for

the first time able to bring all its operations under one roof. Among other things this made it feasible for us to develop and promote Toronto as a place for passengers to connect between U.S. and international flights.

Since then there have been other steps to improve customer flows through Pearson. A new baggage process saves U.S.-bound customers the hassle of having to collect their bags for U.S. customs pre-clearance. Another, launched more recently, was the introduction of Automated Passport Control, which is expected to reduce wait times by more than a third. Factors such as these are often key determinants for travelers deciding whether to go through Pearson, New York, Chicago or some other gateway.

Last year, we reached an agreement with the GTAA that will allow us to more cost-effectively grow traffic at the airport. This was a welcome acknowledgement of the common mantra that “if you don’t have a successful home-base carrier building a hub, you have nothing more than a stub.” Only carriers such as Cathay in Hong Kong, KLM in Schiphol or Delta in Atlanta can build the sufficiently large networks to connect incoming and outgoing flights in a way that draws global traffic to an airport. If you do not have this, you become merely a “stub” feeding your

customers to someone else where they make connections and capture all the economic growth.

Conclusion

2013 was really a great year in which we demonstrated what Air Canada is truly capable of being - an award-winning, sustainably profitable global company. A leader and innovator in aviation that stresses safety "first and last" and produces top quartile operational performance. A bilingual employer of choice that hires, trains and retains the best, offering great working conditions and secure pensions while eliminating complacency and entitlement. A desirable investment that investors recognize as being capable of consistently delivering value. A customer-centric company that takes risks in new markets and with new products while rapidly responding to increased competition in its existing markets, outshining both domestic and international competition. A global enterprise operating in 175 cities on five continents that is nonetheless adequately nimble and adaptable to continue to expand internationally. An impactful leader in corporate sustainability that makes a real difference in the lives and environments of its target stakeholders. In short, a high-performance organization that is a

leading brand ambassador for both Canada and commercial aviation generally.

It would be great if we could simply spike the ball and celebrate victory after ending 2013 as if we were the Seattle Seahawks at last Sunday's Super Bowl. But of course companies who aspire to be high performance organizations can't return to average. So, let me assure you that for 2014, Air Canada won't rest on its 2013 laurels. Despite the knuckle balls or even occasional bean balls that Mother Nature, the Polar Vortex, a weaker Canadian dollar or other imponderables throw our way, we fully intend to keep the momentum going and to produce both results and prosperity for our various stakeholders and for the Canadian economy writ large.

Thank you for your attention and above all your support -- and please keep flying - as regularly and as frequently as possible!