

Notes for

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**Air Canada**

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Commerce  
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Check against delivery

Good afternoon ladies and gentlemen.

Thank you for that kind introduction and for inviting me here today.

It's great to be here. I'm just in awe of what your province and your city have achieved in the last ten years. The economy is booming, the business environment is flourishing and opportunities for growth abound.

I know It's all music to your ears. And today, I'd like to play some of that music for you!

I want to start by recognizing what you have accomplished and to talk about what this means for a company like Air Canada.

You know the facts and figures better than I do. But there is no doubt that the booming economy in Calgary and Alberta is good for the airline and the aviation sector in general. Simply put, we are partners in growth –you've created an enormous growth engine and we're working hard to keep it running smoothly.

Over the past decade, Alberta had the highest rate of economic growth rate in Canada. Alberta's exports of goods and services more than tripled between 1995 and 2005. Average annual employment in the province keeps increasing. Almost half a million new jobs were created between 1995 and 2005.

This city will be number one in Canada in 2006 for metropolitan GDP growth. And, as you all know, there's more here than oil and gas companies. Calgary is home to a wide array of companies in a diverse range of activities like: finance, engineering, food production, telecommunications and air transportation. And, Calgary ranks first in Canada as a centre of major corporate headquarters on a per capita basis.

At some point, in some form, all those statistics show up at the airport.

And we at Air Canada have been quick to take advantage of the Alberta boom. Your economic growth means more services and products and more of our planes flying in and out of Calgary.

If you take a look at the daily departures screen out of Calgary on any given weekday, you will see more than 100 Air Canada and Jazz flights listed. That's almost half of all the scheduled flights from this city. Air Canada offers the most daily non-stop flights, the greatest capacity, the only Executive Class service and conveniently located, dedicated airport gates. And it includes staples such as twice daily service to London, England and frequent links throughout Canada and the U.S.

You can even fly to Toronto ten times a day – if you want.

You have to be nimble to keep up with the growth but I think we've done pretty well. Over the past 12 months, we've added services and products geared to meet the growing and varied demands including: Calgary-Abbotsford, Calgary-Las Vegas, and Calgary-Orlando.

In March, we boosted Calgary frequencies to offer hourly flights and greater convenience for travelers to and from Vancouver and Edmonton -- year-round. Also in March, we added Calgary-New York service with our brand new Embraer 190 aircraft, and we're already upgauging to the larger Airbus 320 for the summer due to demand.

In April, we launched what has become the most famous of our new services: non-stop flights between Fort McMurray and Toronto. It just made sense to offer a direct link from Northern Alberta because it meets the needs of oil companies and oil workers. That service has gone from weekly to daily as of last week. It even has a nickname: the 'Newfoundland Express' -- as it offers same plane service to St. John's.

Not only is this the fastest way for Atlantic Canadians to fly to and from Fort Mac, but these flights give the oil companies direct access to Air Canada's worldwide network.

But we're not finished yet.

We will be launching Calgary-Yellowknife in July, and Calgary-Comox in August. And today, I'm pleased to announce to this audience a brand new Jazz service: Calgary-Palm Springs effective on December 15<sup>th</sup>.

This new service will be the only daily non-stop, and the only non-stop with Executive Class service to Palm Springs from Calgary. In the middle of a cold Calgary winter, this service will be a fast link to the links.

What's important for Air Canada and for Calgary is not just where we're flying - but how we're flying and how we're serving this market with the right aircraft, the right products and the right price structure.

That's a far cry from how it used to work. It wasn't so long ago that it was all about spending millions on research on how to extract the greatest amount of money from each of our customers' transactions. I know our customers felt like it was a game of "Gottch Ya". We'd create dozens of different fare types and then prevent you from finding a bargain.

That's all changed at Air Canada. It had to. The old way of doing business just wasn't working and it certainly wasn't in tune with the needs of customers. Today, if you buy a ticket on aircanada.com, you pay for the features you want. No more, no less. Our goal is to make it simple. Just five types of fares. We've stopped telling you when to buy your tickets, how long to stay, when to come back or even where you should be spending your Saturday night. And we've stopped telling your businesses what fares to buy or

how much they should spend on air travel. Instead, we offer more flexibility and bulk purchase travel to use when and where you want.

Why are we doing this? Well, part of it is about survival and building a sustainable airline we can all be proud of – but the other reason is quite simply that flying shouldn't be a pain in the butt. And it has been for far too long.

But not for much longer. We're bringing in innovations like expanded check-in kiosks, web check-in, bulk-buying, Aeroplan online reward redemption, simplified rules and regulations and more. Our new approach is simple, it's transparent and it's working.

Nowhere are these innovations more popular than right here in Alberta.

The Newfoundland Express is a great example.

It works because we used a new Embraer aircraft to perfectly match the economics of the route and combined it with a multi-trip Flight Pass specially tailored to meet the travel needs of oil patch workers in northern Alberta. It's an ideal match - a marriage of the right aircraft, the right product and right price to give you, the customer, the maximum value, choice and freedom.

Air Canada and Air Canada Jazz already have the most flights of any carrier to and from Calgary. You can expect that trend to accelerate – especially with the recent addition of Embraer 175s and 190s to our fleet. And you'll see additional flight passes like the Canada West Pass and the Flight Pass to the Sun –West -- specifically created for our Alberta customers.

All of this activity has a positive economic impact on this city and this province. Certainly, Air Canada and Air Canada Jazz's 2,500 employees in Alberta are proud of the difference they make to their communities and their province – with good reason.

The two carriers combined contributed over \$200 million to the Alberta economy in labour income and other expenditures last year. And when we include the rippling effect of our activities within the province- the benefit to the province is in excess of \$400 million annually.

But it doesn't stop there - because of the breadth of Air Canada's international operations, if we include the non-resident visitor spend in the province we're looking at over \$1 billion annually.

So far I've talked about Air Canada and Calgary as partners – in economic growth and air services growth.

But that's just one side of the coin.

In today's airline sector, cost control is also critically important to a viable and sustainable operation. It is on this side of the ledger that Alberta and Calgary excels. This province and this city have set the stage for a strong airline presence with a progressive approach to taxes and fees. That has directly allowed Air Canada to grow and add services and do it in a cost-effective way.

It's important not to take the Alberta Advantage for granted and at Air Canada we don't and we won't.

Alberta has the lowest overall taxes in Canada. It is the only province with no provincial sales tax. And there are no general capital or payroll taxes. Near and dear to my heart is the fact that Alberta has consistently worked to reduce the specific tax burden on airlines. The province took the lead almost ten years ago in reducing the fuel tax from 5 cents to 1.5 cents per litre for both domestic and international air services. Then, in 2004, the tax was eliminated completely on eligible international passenger and cargo flights, including flights to the United States.

All this has a huge impact on businesses like ours. It lowers our costs and increases the number of markets that come into solution allowing us to add new services and help the local economy grow. It is no accident that Calgarians enjoy the greatest number of departing seats on a per capita basis than any other community in Canada.

It's great leadership and I know I'm not the only one in my industry urging other provinces to follow suit.

The team at Calgary International Airport is also taking a leadership role in the area of costs. The Calgary Airport Authority has chosen not to increase terminal or landing fee increases for 2006. This decision recognizes the financial challenges of airlines and creates an environment conducive to growth. It's a smart move and we intend to tell every airport authority in every province about it.

At the same time, airports and airlines still need rent relief from the onerous charges levied by the federal government on airports around the country -- including Calgary and Edmonton. This is a situation which has gone on for far too long. Even though the airports are operated and funded by independent local authorities, the federal government still insists on charging huge rents. In essence, our airports are being tagged with the most expensive condo fees in Canada -- for which no services are actually provided.

This is a big issue. At Calgary International Airport, federal rent is the single largest expense. According to President & CEO Garth Atkinson, the Authority has paid \$250 million dollars in rent to the end of 2005 and will pay another \$200 million in rent over the next ten years alone. Frankly, this is outrageous.

I know the members of this Chamber, along with the airport authority, have been proactive in making the case for drastic reductions in this federal government tax. There has already been some recognition of this problem in Ottawa and some positive developments.

I think that the time is right to take the next step and work together to move forward on this issue for our mutual benefit.

In just 10 days, the federal government will reduce the GST by a percentage point. Tax relief is on the agenda and I can't think of a better time or a better place to advance the notion of rent relief for Canada's airports.

I look forward to working with you on that issue and on all the air transportation issues and challenges that lie ahead. Our pledge to you, and to all Albertans, is to continue to work in partnership to increase Alberta's access to the world in support to support Canada's number one economic performer.

Thank You.