

TRANSPORTATION DISTRICT 140

DISTRICT DES TRANSPORTS 140

International Association of Machinists and Aerospace Workers
Association internationale des machinistes et des travailleurs et travailleuses de l'aérospatiale

October 23, 2009

The Honourable James Flaherty
Minister of Finance
Department of Finance Canada
House of Commons
Parliament Buildings
Ottawa, ON K1A 0A6

Dear Mr. Flaherty:

RE: AIR CANADA PUBLIC PARTICIPATION ACT (THE "AIR CANADA ACT")

Thank you for your letter of September 24, 2009, concerning Air Canada's compliance with provisions of the Air Canada Public Participation Act (ACPPA), that require it to maintain operational and overhaul centres in Winnipeg, Montreal and Mississauga.

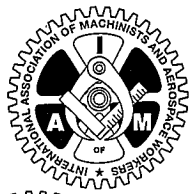
Your letter states, that public documents filed by Air Canada and its parent company, ACE Aviation Holdings Inc., indicate that *"Air Canada does maintain operational and overhaul centres at the three locations... either directly or indirectly through a subsidiary corporation"*.

We therefore wish to draw your attention to the fact that Air Canada's Annual Report for 2008 clearly states, that Air Canada completed the sale of its "wholly-owned maintenance, repair and overhaul subsidiary" on October 16, 2009 to Aveos, with ACE retaining only a twenty-three percent (23%) interest in Aveos (now twenty-eight point four percent (28.4%)). Aveos is not described as a "subsidiary" of Air Canada in any public document filed by either Air Canada or ACE Aviation.

Since the sale of Air Canada's overhaul subsidiary to Aveos, Air Canada has not maintained any overhaul centres in Canada, either at the three locations named in the ACPPA, or in Vancouver. As set out in our previous letter, it is the position of the Union that the protection extended by the ACPPA to the heavy maintenance bases in Winnipeg, Montreal and Mississauga, should also be extended to activities in Vancouver.

The overhaul of aircraft, including Air Canada's own aircraft, previously carried out by Air Canada through its subsidiary ACTS LP, is now being carried out solely by Aveos. It is therefore Aveos, and not Air Canada, that currently maintains the overhaul centres named in the ACPPA as well as the centre in Vancouver.

The aviation overhaul work at these centres is presently being carried out by Air Canada employees who are members of the International Association of Machinists and Aerospace Workers (IAMAW) and who are seconded to Aveos. This arrangement has to-date, provided continuity of employment to the thousands of highly skilled Canadian workers who carry out the aviation maintenance work that the ACPPA seeks to protect.



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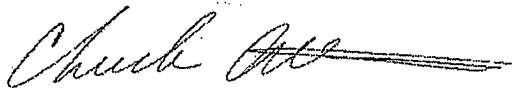
Page 2
October 23, 2009
AIR CANADA PUBLIC PARTICIPATION ACT

As we advised in our last letter, the IAMAW has been able to secure a commitment to maintain the status of these employees, as employees of Air Canada until April 1, 2011, and until Aveos has successfully adopted a viable plan to restructure its business.

As of the date of writing, there is no restructuring plan in place at Aveos. The Union therefore wishes to draw the attention of the Government of Canada to the fact that Canada's aircraft maintenance, repair and overhaul industry would be devastated by the loss of the overhaul centres at the three locations protected by the ACCPA and in Vancouver.

We therefore trust that the Government will closely monitor this situation and take any steps that may be necessary to ensure an outcome that respects the letter and spirit of the ACPA, and to ensure the preservation of the aviation maintenance industry in Canada.

Sincerely,



Chuck Atkinson
President & Directing General Chairperson
International Association of Machinists and
Aerospace Workers
Transportation District 140

CA:glb 

C TDL 140 File
AC Presidents