

CANADA

SUPERIOR COURT

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

Commercial Division
(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act, R.S.C.
1985, c. C-36)

No: 500-11-042345-120

IN THE MATTER OF THE PROPOSED PLAN OF
COMPROMISE OR ARRANGEMENT OF:

**AVEOS FLEET PERFORMANCE INC./
AVEOS PERFORMANCE AÉRONAUTIQUE INC.
and
AERO TECHNICAL US, INC.**

Petitioners/Insolvent Debtors/Respondents

and

FTI CONSULTING CANADA INC.

Monitor

and

AIR CANADA

Petitioner

and

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH

and

**INTERNATIONAL ASSOCIATION OF MACHINISTS
AND AEROSPACE WORKERS**

Intervening Parties

**CONTESTATION BY THE RESPONDENTS
OF AIR CANADA'S *DE BENE ESSE* MOTION FOR AN ORDER LIFTING THE STAY OF PROCEEDINGS
TO CONFIRM THE TERMINATION OF CERTAIN CONTRACTS**

TO THE HONOURABLE JUSTICE MARK SCHRAGER, OR TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTREAL, THE RESPONDENTS RESPECTFULLY SUBMIT THE FOLLOWING:

1. Aveos Fleet Performance Inc. ("**Aveos**") admits the allegations contained in paragraphs 1, 2, 3 and 4 of the Air Canada's *De bene esse Motion for an Order Lifting the Stay of Proceedings to Confirm the Termination of Certain Contracts* (the "**Motion to lift the stay**").
2. It denies as drafted the allegations contained in paragraph 5 of the Motion to lift the stay, adding that the Motion demonstrates that Air Canada is now unwilling to cooperate with the divestiture process (the "**DP**") approved by the Court.
3. It admits the allegations contained in paragraph 6 of the Motion to lift the stay.
4. It denies as drafted the allegations contained in paragraph 7 of the Motion to lift the stay.
5. It admits the allegations contained in paragraphs 8 and 9 of the Motion to lift the stay.
6. It denies the allegations contained in paragraphs 10 and 11 of the Motion to lift the stay.
7. With respect to the allegations contained in paragraph 12 of the Motion to lift the stay, it refers this Court to Exhibits P-2, P-3 and P-4, denying anything not in strict conformity therewith.
8. With respect to the allegations contained in paragraph 13 of the Motion to lift the stay, it refers this Court to Exhibits P-6, P-8 and P-9, denying anything not in strict conformity therewith.
9. With respect to the allegations contained in paragraph 14 of the Motion to lift the stay, it refers this Court to Exhibits P-5 and P-7, denying anything not in strict conformity therewith.
10. It denies as drafted the allegations contained in paragraph 15 of the Motion to lift the stay.
11. It denies as drafted the allegations contained in paragraphs 16, 17, 18, 19 and 20 of the Motion to lift the stay.
12. It denies the allegations contained in paragraph 21 of the Motion to lift the stay.
13. It denies as drafted the allegations contained in paragraphs 22 and 23 of the Motion to lift the stay.
14. It denies the allegations contained in paragraph 24 of the Motion to lift the stay.

15. It denies as drafted the allegations contained in paragraphs 25, 26 and 27 of the Motion to lift the stay.

16. It denies the allegations contained in paragraphs 28, 29, 30, 31, 33, 34, 35 and 36 of the Motion to lift the stay.

17. It denies as drafted the allegations contained in paragraph 37 of the Motion to lift the stay.

18. It denies the allegations contained in paragraphs 38, 39, 40, 41, 42 and 43 of the Motion to lift the stay.

19. It denies the allegations contained in paragraph 44 adding that it appears Air Canada had already planned for the possibility of a shutdown before March 19, 2012, and that it was in a position to ensure the continuity of the work:

Aveos has been providing Air Canada with airframe, engine and component work which, in the case of scheduled maintenance checks, is pre-planned. The airline is prepared with a contingency plan to ensure continuity of this work and that it will continue to be performed in compliance with all regulatory and legal requirements. Should Aveos not be in a position to perform work, the airline is prepared to make arrangements with a number of other service providers, located primarily in the United States and Canada, with whom Air Canada has longstanding relationships. (our emphasis)

as appears from Air Canada's press release of March 19, 2012, exhibit R-1.

20. It denies the allegations contained in paragraphs 45, 46, 47, 48 and 49 of the Motion to lift the stay, adding with respect to the allegations contained in subparagraph 49 iii) that the DP is grossly misstated.

21. It denies the allegations contained in paragraphs 50, 51 and 52 of the Motion to lift the stay.

AND IN FURTHER SUPPORT OF ITS CONTESTATION, AVEOS ADDS THE FOLLOWING:

1. Lifting the Stay of Proceedings

22. The lift of the stay of proceedings requested by Air Canada to be allowed to terminate the following agreements:

- a) the General Terms Agreement, Exhibit P-1 (the "GTA");
- b) the Airframe Agreement, Exhibit P-2;
- c) the Engine Agreement, Exhibit P-3;

- d) the APU Agreement, Exhibit P-4;
- e) the Component Agreement, Exhibit P-5;
- f) the Ancillary Services Agreement, Exhibit P-6;
- g) the Training Services Agreement, Exhibit P-7;
- h) the Paint Services Agreement, Exhibit P-8; and
- i) the Outsourcing Services Agreement, Exhibit P-9;

is unjustified from a both a factual and a legal perspective.

23. There is no causal link between the alleged prejudice suffered by Air Canada since the initial order made by the Court in this matter on March 19, 2012, and Air Canada's inability to terminate the agreements listed above.

24. Immediate termination of the agreements would not change Air Canada's position. If it suffers a prejudice from its position, which is denied, it rather results from the current financial situation of Aveos.

25. The stay of proceedings has had no impact on the current efforts by Air Canada to solicit proposals for the services covered by the agreements and Air Canada admits that it has been able to solicit, discuss, negotiate, meet with MROs under Air Canada's ongoing Requests for Proposals.

26. Moreover, the DP was structured with a very compressed timeline for the benefit of the stakeholders, including Air Canada. Major stakeholders, again including Air Canada, were consulted in the course of developing the DP.

27. Air Canada is not close to signing any agreement with a third-party concerning the services provided by Aveos, as admitted by Salvatore Ciotti, Director Corporate Real Estate and Corporate Development at Air Canada and signatory of the affidavit in support of the Motion to lift the stay, in his examination on discovery of May 9, 2012:

164 Q – Were any of these discussions with MROs with respect to future services up to the point where an agreement could be concluded?

A – No, we're nowhere close to any agreement.

165 Q – So there's no agreement that needs to be signed shortly?

A – None.

28. There is no urgency which supports Air Canada's Motion to lift the stay at this stage. In the absence of such an urgency, there is no justification in lifting the stay.

2. **The Divestiture Process and the Assignability of the Agreements**

29. Aveos is currently implementing the DP by which its business will be sold and Aveos may have to request authorization from the Court to assign some, and possibly all of the above-mentioned agreements, to one or more third-parties.

30. If all the agreements were to be assigned, Air Canada's consent is not even necessary provided that certain conditions are met:

28. **GENERAL**

28.1 **Binding Nature and Assignment**

The GTA shall be binding on the Parties hereto and their respective successors and assigns. Neither Party may, nor shall have the power to, assign this GTA or delegate such Party's obligations hereunder without the prior written consent of the other, which consent shall not be unreasonably withheld. (...) Notwithstanding the foregoing, either Party (the "Assigning Party") may assign its rights and obligations under this GTA without the approval of the other Party (the "Non-Assigning Party") to an entity which acquires all or substantially all of its assets, or to any Affiliate or to any successor in a merger or acquisition of the Assigning Party (herein the "Proposed Assignee"), upon the terms and conditions expressly provided below (the "Conditions of Assignment"). The Conditions of Assignment are as follows:

[...]

- (iv) The Proposed Assignee must, in writing, accept such assignment and transfer and agree with the Non-Assigning Party to be bound by and perform all of the obligations under the GTA and all Service Agreements, all as fully and to the same extent as of the Proposed Assignee had been the original party to these agreements;

[...]

31. In the case of an assignment of one or more, but not all of the agreements, the second sentence of section 28.1 of the GTA, Exhibit P-1, clearly provides that Air Canada may not unreasonably withhold its consent.

32. In addition, Air Canada has implicitly acknowledged that an assignment of some, but not all, of the agreements, although this is not its preference, is possible:

“Given the insolvency and unexpected closure of Aveos, we encourage MRO companies from across Canada and around the world to conduct due diligence and assess which of the former Aveos business may be viable in Canada under new ownership,” said Alan Butterfield, Vice President, Maintenance and Engineering. “Air Canada has a strong preference for working with a Global MRO which has an interest and ability to provide component, repair and overhaul services in Canada, with particular emphasis given to Montreal, Winnipeg, Vancouver and Toronto. There exists a pool of well-trained, qualified and talented people available in these cities. Air Canada will favour MROs with globally competitive cost structures that have or will establish some portion of their operation in one or more of these cities employing the skills of Canadian aviation technicians. The company expects to work collaboratively with governments and other stakeholders towards viable long-term arrangements that are cost competitive.” (our emphasis)

as appears from Air Canada’s press release of March 22, 2012, exhibit **R-2**.

33. By refusing to exercise its discretion, and seriously consider an assignment of any of the agreements to any potential assignee in any circumstances under the divestiture process, Air Canada would be unreasonably withholding its consent, in clear violation of section 28.1 of the GTA.

34. Moreover, the defaults alleged by Air Canada against Aveos pursuant to the agreements may not be raised at this stage since they occurred while the stay the proceedings was in force pursuant to the Initial Order made on March 19, 2012.

35. Air Canada’s Motion is also premature in that it would take away the discretion of the Court to adjudicate on the question of the assignment of any of the Agreements. If and when authorization to assign any of the agreements is requested from the Court, the Court will determine, in its discretion, if the proposed assignment should be authorized in accordance with the *Companies’ Creditors Arrangement Act* (the “**CCAA**”).

3. The Termination of the Agreements

36. Prior to March 19, 2012, Aveos alleged that Air Canada was in default of its obligations under certain of the Agreements.

37. The allegations of default and the resulting rights and obligations of the parties are complex questions of fact and law that should not be determined on a summary motion to lift the stay of proceedings.

4. **Air Canada's Obligation to Act in Good Faith**

38. From the outset, and in particular following the issuance of the court order on March 19, 2012 pursuant to the CCAA, Air Canada was aware that its collaboration to the process, and in particular to the DP, was essential to its success.

39. This was acknowledged by Mr. Calin Rovinescu, President and Chief Executive Officer of Air Canada before the Standing Committee on Transport, Infrastructure and Communities of the House of Commons of Canada, on March 29, 2012:

On a longer-term basis, Air Canada is encouraging MRO companies from across Canada and around the world to conduct due diligence and assess whether any of the former Aveos operations may be viable in Canada under new ownership. We have further publicly indicated that we have a strong preference for working with a global MRO provider or manufacturer that has an interest and an ability to provide component, repair, and overhaul services in Canada, with particular emphasis given to Montreal, Winnipeg, Vancouver, and Toronto. Air Canada knows that a pool of well-trained, qualified, and talented people exists and is available in those cities and will favour MROs or manufacturers with globally competitive cost structures that have established or will establish some portion of their operation in one or more of these cities, employing the skills of Canadian aviation technicians.

Governments can get involved through their economic development branches by encouraging these companies to set up or expand operations in Canada or assist them in setting up cutting-edge engine repair lines for new generations of engines, as an example.

Air Canada is willing and expects to work collaboratively with governments and these potential suppliers toward viable, long term, cross-competitive and productivity competitive arrangements. To this end, since the Aveos' filing, we have been in close contact with the office of the Minister of Transport, Infrastructure and Communities, as well as with provincial and municipal officials. In fact, I met personally with Mr. Lebel yesterday afternoon to review this file.

as appears from the transcript of the hearing of the Standing Committee on Transport, Infrastructure and Communities of March 29, 2012 (TRAN, #030, First Session, 41st Parliament), exhibit **R-3**.

40. Air Canada has, both explicitly and implicitly in the course of these proceedings, communicated its support for the DP. The present motion contradicts these expressions of support.

41. Given Air Canada's previous public commitment to collaborate with Aveos for the purpose of a successful divestiture process and the absence of any urgency, the request for a

lift of the stay of proceedings to terminate the agreements does not demonstrate Air Canada's good faith in this matter and is unnecessary and premature.

WHEREFORE, MAY IT PLEASE THIS HONOURABLE COURT TO:

GRANT the present Contestation of the Petitioners/Insolvent Debtors/Respondents, Aveos Fleet Performance Inc., Aveos Performance Aéronautique Inc. and Aero Technical US, Inc.;

DISMISS Air Canada's *De Bene Esse Motion for an order lifting the stay of proceedings to confirm the termination of certain contracts*;

THE WHOLE with costs.

Montreal, May 15, 2012

A handwritten signature in blue ink, reading "Fraser Milner Casgrain LLP", is written over a horizontal line.

FRASER MILNER CASGRAIN LLP

Attorneys for the Petitioners/Insolvent
Debtors/Respondents

AVEOS FLEET PERFORMANCE INC./AVEOS PERFORMANCE
AÉRONAUTIQUE INC. AND AERO TECHNICAL US, INC.

AFFIDAVIT

I, the undersigned, **JONATHAN SOLURSH**, Chief Restructuring Officer of the Petitioners/ Insolvent Debtors/Respondents in the present matter, domiciled, for the purposes hereof, at BAN3, 2311 Alfred Nobel Boulevard, in the City and district of Montreal, Province of Quebec, do solemnly declare:

1. I am the Chief Restructuring Officer of the Petitioners in the present matter;
2. All of the facts alleged in the present *Contestation by Aveos of Air Canada's De Bene Esse Motion for an order lifting the stay of proceedings to confirm the termination of certain contracts* are true.

AND I HAVE SIGNED:

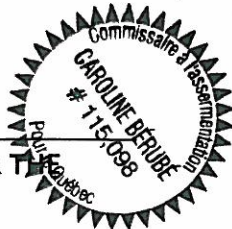


JONATHAN SOLURSH

SOLEMNLY DECLARED before me at Montreal,
this 15th day of May 2012



**COMMISSIONER OF OATHS FOR THE
PROVINCE OF QUÉBEC**



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SUPERIOR COURT

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DISTRICT OF MONTRÉAL

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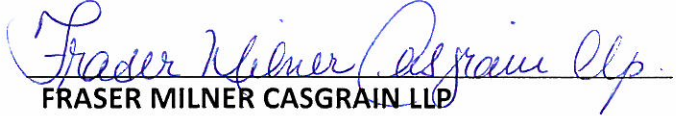
**INTERNATIONAL ASSOCIATION OF MACHINISTS
AND AEROSPACE WORKERS**

Intervening Parties

LIST OF EXHIBITS

- Exhibit R-1:** Air Canada press release of March 19, 2012;
- Exhibit R-2:** Air Canada press release of March 22, 2012;
- Exhibit R-3:** Transcript of the hearing of the Standing Committee on Transport, Infrastructure and Communities, March 29, 2012.

Montreal, May 15 2012


FRASER MILNER CASGRAIN LLP

Attorneys for the Petitioners/Insolvent
Debtors/Respondents
AVEOS FLEET PERFORMANCE INC./AVEOS PERFORMANCE
AÉRONAUTIQUE INC. AND AERO TECHNICAL US, INC.

S.C.M. 500-11-042345-120**Exhibit R-1**

News Releases

Air Canada Comments on Aveos closures and its contingency planning

MONTREAL, March 19, 2012 /CNW Telbec/ - Air Canada today provided the following comments concerning Aveos Fleet Performance Inc. (Aveos), a separate and independently owned and managed supplier to Air Canada, that provides maintenance, repair and overhaul (MRO) services to airlines, including Air Canada.

Air Canada has been advised that Aveos has filed for insolvency protection under the Companies' Creditors Arrangement Act (CCAA).

These events at Aveos, while disappointing, have no impact on Air Canada's day-to-day aircraft maintenance and repair activities, referred to as "line maintenance." The airline's line maintenance has always been performed directly by Air Canada, at the airline's own facilities by Air Canada's 2,300 maintenance employees. The airline typically performs its line maintenance activities overnight or between flights, as necessary.

Aveos has been providing Air Canada with airframe, engine and component work which, in the case of scheduled maintenance checks, is pre-planned. The airline is prepared with a contingency plan to ensure continuity of this work and that it will continue to be performed in compliance with all regulatory and legal requirements. Should Aveos not be in a position to perform work, the airline is prepared to make arrangements with a number of other service providers, located primarily in the United States and Canada, with whom Air Canada has longstanding relationships.

Air Canada has been supportive of Aveos through various means and has been meeting all of its financial and legal obligations of its contractual arrangements with Aveos according to the terms of its commercial agreements.

About Air Canada and Aveos

Air Canada and Aveos are two separate entities. Air Canada sold its technical services division in 2004. This company was then sold to a consortium of private investors in 2007 and subsequently changed its name to Aveos in 2008.

The Aveos workforce is independent from Air Canada and is covered by a separate collective agreement.

Air Canada is Canada's largest domestic and international airline serving more than 180 destinations on five continents. Canada's flag carrier is the 15th largest commercial airline in the world and in 2011 served more than 33 million customers. Air Canada provides scheduled passenger service directly to 60 Canadian cities, 57 destinations in the United States and 63 cities in Europe, the Middle East, Asia, Australia, the Caribbean, Mexico and South America. Air Canada is a founding member of Star Alliance, the world's most comprehensive air

transportation network serving 1,290 destinations in 189 countries. In 2011, Air Canada was ranked Best International Airline in North America in a worldwide survey of more than 18 million airline passengers conducted by independent research firm Skytrax.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Air Canada's public communications may include forward-looking statements within the meaning of applicable securities laws. Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, industry, market, credit and economic conditions, the ability to reduce operating costs and secure financing, pension issues, energy prices, employee and labour relations, currency exchange and interest rates, competition, war, terrorist acts, epidemic diseases, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), insurance issues and costs, changes in demand due to the seasonal nature of the business, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout Air Canada's public disclosure file available at www.sedar.com. Any forward-looking statements contained in this news release represent Air Canada's expectations as of date of this news release and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

Communiqués de presse

Air Canada commente la fermeture d'Aveos et son plan de contingence

MONTRÉAL, le 19 mars 2012 /CNW Telbec/ - Air Canada a formulé les commentaires suivants quant à la situation d'Aveos Performance aéronautique inc. (Aveos), un fournisseur distinct géré de façon indépendante de la Société qui propose des services de maintenance, de réparation et de révision (MRR) à différents transporteurs aériens, dont Air Canada.

Air Canada a été informée qu'Aveos a déposé une demande de protection en vertu de la Loi sur les arrangements avec les créanciers des compagnies (LACC).

Les récents événements survenus à Aveos, quoique décevants, n'ont aucune incidence sur les activités quotidiennes de maintenance et de réparation des avions d'Air Canada, qu'on appelle la maintenance en ligne. La maintenance en ligne a toujours été effectuée directement par les 2 300 employés de la Maintenance d'Air Canada dans ses installations. La maintenance en ligne est généralement assurée durant la nuit ou entre les vols, selon les besoins.

Aveos fournit à Air Canada des services de maintenance des cellules, des moteurs et des composants, suivant un calendrier de visites prévues. Air Canada a un plan de contingence lui permettant d'assurer la continuité de ces travaux, lesquels continueront d'être exécutés conformément à toutes les exigences légales et réglementaires. Si Aveos n'est pas en mesure d'assurer les services prévus, Air Canada est prête à prendre des dispositions avec différents fournisseurs principalement installés au Canada et aux États-Unis et avec lesquels elle entretient des relations depuis longtemps.

Air Canada a soutenu les activités d'Aveos de diverses façons et a respecté toutes ses obligations financières et juridiques au titre de ses ententes commerciales avec cette entreprise.

À propos d'Air Canada et d'Aveos

Air Canada et Aveos sont des entités distinctes. En 2004, Air Canada a vendu sa division des services techniques. En 2007, cette division a été vendue à un consortium d'investisseurs privés. En 2008, elle a été renommée Aveos.

La main-d'œuvre d'Aveos est indépendante de celle d'Air Canada et est régie par une convention collective distincte.

Air Canada est le plus important transporteur aérien du Canada à proposer des services intérieurs et internationaux, desservant plus de 180 destinations sur 5 continents. Transporteur national du Canada, la Société occupe le 15^e rang mondial dans le secteur de l'aviation commerciale et a accueilli plus de 33 millions de clients en 2011. Air Canada fournit des services passagers réguliers directs sur 60 villes au Canada, 57 aux États-Unis et 63 en Europe, au Moyen-Orient, en Asie, en Australie, aux Antilles, au Mexique et en Amérique du Sud. Air Canada est un membre fondateur du réseau Star Alliance^{MD}, le plus vaste regroupement de transporteurs

aériens du monde, qui dessert 1 290 destinations dans 189 pays. En 2011, Air Canada a été classée meilleur transporteur aérien international en Amérique du Nord dans le cadre d'un sondage réalisé à l'échelle mondiale auprès de plus de 18 millions de voyageurs aériens par la firme de recherche indépendante Skytrax.

MISE EN GARDE CONCERNANT LES ÉNONCÉS PROSPECTIFS

Les communications d'Air Canada au public peuvent contenir des énoncés prospectifs au sens de la législation en valeurs mobilières applicable. Comme, de par leur nature, les énoncés prospectifs partent d'hypothèses, ils sont sujets à d'importants risques et incertitudes. Les énoncés prospectifs ne sont donc pas entièrement assurés en raison, notamment, de la survenance possible d'événements externes et de l'incertitude générale qui caractérise le secteur. À terme, les résultats réels peuvent donc différer sensiblement des résultats évoqués par ces énoncés prospectifs du fait de l'action de divers facteurs, dont l'état du secteur, du marché, du crédit et de la conjoncture en général, la capacité de réduire les coûts d'exploitation et d'obtenir du financement, les questions de retraite, les prix de l'énergie, les taux de change et d'intérêt, les relations du travail, la concurrence, les conflits armés, les attentats terroristes, les épidémies, les facteurs environnementaux (notamment les systèmes météorologiques et autres phénomènes de la nature et les facteurs d'origine humaine), les questions d'assurance et les coûts qui y sont associés, l'évolution de la demande en fonction du caractère saisonnier du secteur, les questions d'approvisionnement, l'évolution de la législation, de la réglementation ou de procédures judiciaires, les litiges actuels et éventuels avec des tiers ainsi que les facteurs dont il est fait mention dans les documents financiers publics d'Air Canada consultables au www.sedar.com. Les énoncés prospectifs contenus dans le présent communiqué représentent les attentes d'Air Canada, en date de celui-ci, et ils peuvent changer par la suite. Toutefois, Air Canada n'a ni l'intention ni l'obligation d'actualiser ou de réviser ces énoncés à la lumière de nouveaux éléments d'information ou d'événements futurs, ou pour quelque autre motif, sauf si elle y est tenue par la réglementation des valeurs mobilières applicable.

S.C.M. 500-11-042345-120

Exhibit R-2

News Releases

Air Canada Provides Update on Aveos Contingency Plans; RFP process for new maintenance, repair and overhaul services to favour Montreal, Winnipeg, Vancouver and Toronto

MONTREAL, March 22, 2012 /CNW Telbec/ - Air Canada today provided the following update concerning its plans following the closure by Aveos Fleet Performance Inc. of its maintenance, repair and overhaul (MRO) facilities in Canada this week.

The closure of Aveos's facilities will not have an impact on Air Canada's day-to-day aircraft maintenance and repair activities or on its scheduled operation. This day-to-day maintenance work is performed directly by Air Canada at its own facilities across Canada - including Montreal, Winnipeg, Vancouver and Toronto - by Air Canada's 2,300 maintenance employees.

Transitional Arrangements

On a transitional basis, the airline has identified qualified and government-approved maintenance facilities in Canada and the U.S. to undertake work that was scheduled to be performed by Aveos consistent with the high standards of Air Canada's maintenance programs. The transition to new service providers is already underway and will have no impact on customers. For example, three aircraft scheduled for maintenance this week will go to a Quebec-based maintenance provider currently used by other Canadian and international airlines. In addition, arrangements are being made to complete the maintenance of the three aircraft remaining at Aveos facilities. The airline will continue to source new transitional providers through industry-standard RFP processes.

Long-Term Arrangements

"Given the insolvency and unexpected closure of Aveos, we encourage MRO companies from across Canada and around the world to conduct due diligence and assess which of the former Aveos businesses may be viable in Canada under new ownership," said Alan Butterfield, Vice President, Maintenance and Engineering. "Air Canada has a strong preference for working with a Global MRO which has an interest and ability to provide component, repair and overhaul services in Canada, with particular emphasis given to Montreal, Winnipeg, Vancouver and Toronto. There exists a pool of well-trained, qualified and talented people available in these cities. Air Canada will favour MROs with globally competitive cost structures that have or will establish some portion of their operation in one or more of these cities employing the skills of Canadian aviation technicians. The company expects to work collaboratively with governments and other stakeholders towards viable long-term arrangements that are cost competitive."

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Communiqués de presse

Fermeture d'Aveos : Air Canada présente ses plans de contingence et démarre un processus de demande de propositions s'adressant à des fournisseurs de services de maintenance, réparation et révision préférentiellement installés à Montréal, Winnipeg, Vancouver

MONTRÉAL, le 22 mars 2012 /CNW Telbec/ - Air Canada a fourni les précisions suivantes sur ses plans par suite de la fermeture des installations canadiennes de maintenance, réparation et révision d'Aveos Performance aéronautique inc. cette semaine.

La fermeture des installations d'Aveos n'aura d'incidence ni sur les activités quotidiennes de maintenance et de réparation des avions d'Air Canada, ni sur ses services réguliers. La maintenance quotidienne est assurée directement par les 2 300 employés de Maintenance Air Canada dans les installations d'Air Canada partout au pays, notamment à Montréal, Winnipeg, Vancouver et Toronto.

Dispositions de transition

Pour une période de transition, la Société a choisi des installations de maintenance qualifiées et approuvées par le gouvernement au Canada et aux États-Unis afin d'effectuer, conformément aux normes élevées des programmes de maintenance d'Air Canada, les travaux qui avaient été confiés à Aveos. La transition vers les nouveaux fournisseurs de services est déjà en cours et n'aura aucune répercussion sur les clients. Par exemple, trois appareils dont la maintenance est prévue cette semaine seront transférés à un fournisseur québécois de services de maintenance avec lequel d'autres transporteurs aériens canadiens et internationaux font déjà affaire. De plus, des dispositions sont prises en vue de terminer la maintenance des trois appareils qui se trouvent toujours aux installations d'Aveos. Air Canada continuera de rechercher de nouveaux fournisseurs pour la période de transition au moyen d'un processus de demande de propositions conforme aux normes de l'industrie.

Dispositions à long terme

« Compte tenu de l'insolvabilité et de la fermeture imprévue d'Aveos, nous invitons les entreprises de maintenance, réparation et révision partout au Canada et ailleurs dans le monde à déterminer avec toute la diligence voulue quelles activités dont était responsable Aveos elles seraient en mesure de prendre en charge au Canada, a déclaré Alan Butterfield, vice-président - Maintenance et Ingénierie. Air Canada privilégie fortement une collaboration avec un fournisseur mondial qui aspire et a la capacité à assurer des services de réparation et de révision de composants au Canada, principalement à Montréal, Winnipeg, Vancouver et Toronto, ces villes pouvant déjà compter sur une main-d'œuvre bien formée, qualifiée et talentueuse. Air Canada montrera une préférence pour les entreprises dont la structure des coûts est compétitive à l'échelle mondiale et qui exercent, ou entendent exercer, une partie de leurs activités dans l'une ou plusieurs de ces villes, en faisant appel aux compétences de techniciens en aéronautique canadiens. La Société prévoit travailler en collaboration avec les gouvernements ainsi que d'autres parties prenantes en vue de trouver un arrangement à long terme à un prix

concurrentiel. »

À propos d'Air Canada et d'Aveos

Air Canada et Aveos sont des entités distinctes. En 2004, Air Canada a vendu sa division des services techniques. Cette société fut ensuite revendue à un consortium d'investisseurs privés et renommée Aveos en 2008.

La main-d'œuvre d'Aveos est indépendante de celle d'Air Canada et régie par une convention collective distincte.

Air Canada est le plus important transporteur aérien du Canada à proposer des services intérieurs et internationaux, desservant plus de 180 destinations sur 5 continents. Transporteur national du Canada, la Société occupe le 15^e rang mondial dans le secteur de l'aviation commerciale et a accueilli plus de 33 millions de clients en 2011. Air Canada fournit des services passagers réguliers directs sur 60 villes au Canada, 57 aux États-Unis et 63 en Europe, au Moyen-Orient, en Asie, en Australie, aux Antilles, au Mexique et en Amérique du Sud. Air Canada est un membre fondateur du réseau Star Alliance^{MD}, le plus vaste regroupement de transporteurs aériens du monde, qui dessert 1 290 destinations dans 189 pays. En 2011, Air Canada a été classée meilleur transporteur aérien international en Amérique du Nord dans le cadre d'un sondage réalisé à l'échelle mondiale auprès de plus de 18 millions de voyageurs aériens par la firme de recherche indépendante Skytrax.

MISE EN GARDE CONCERNANT LES ÉNONCÉS PROSPECTIFS

Les communications d'Air Canada au public peuvent contenir des énoncés prospectifs au sens de la législation en valeurs mobilières applicable. Comme, de par leur nature, les énoncés prospectifs partent d'hypothèses, ils sont sujets à d'importants risques et incertitudes. Les énoncés prospectifs ne sont donc pas entièrement assurés en raison, notamment, de la survenance possible d'événements externes et de l'incertitude générale qui caractérise le secteur. À terme, les résultats réels peuvent donc différer sensiblement des résultats évoqués par ces énoncés prospectifs du fait de l'action de divers facteurs, dont l'état du secteur, du marché, du crédit et de la conjoncture en général, la capacité de réduire les coûts d'exploitation et d'obtenir du financement, les questions de retraite, les prix de l'énergie, les taux de change et d'intérêt, les relations du travail, la concurrence, les conflits armés, les attentats terroristes, les épidémies, les facteurs environnementaux (notamment les systèmes météorologiques et autres phénomènes de la nature et les facteurs d'origine humaine), les questions d'assurance et les coûts qui y sont associés, l'évolution de la demande en fonction du caractère saisonnier du secteur, les questions d'approvisionnement, l'évolution de la législation, de la réglementation ou de procédures judiciaires, les litiges actuels et éventuels avec des tiers ainsi que les facteurs dont il est fait mention dans les documents financiers publics d'Air Canada consultables au www.sedar.com. Les énoncés prospectifs contenus dans le présent communiqué représentent les attentes d'Air Canada, en date de celui-ci, et ils peuvent changer par la suite. Toutefois, Air Canada n'a ni l'intention ni l'obligation d'actualiser ou de réviser ces énoncés à la lumière de nouveaux éléments d'information ou d'événements futurs, ou pour quelque autre motif, sauf si elle y est tenue par la réglementation des valeurs mobilières applicable.



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Standing Committee on Transport, Infrastructure and Communities

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EVIDENCE

Thursday, March 29, 2012

—
Chair

Mr. Merv Tweed

Standing Committee on Transport, Infrastructure and Communities

Thursday, March 29, 2012

• (0830)

[English]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): I call the meeting to order.

Welcome to the Standing Committee on Transport, Infrastructure and Communities, meeting number 30. The orders of the day, pursuant to Standing Order 108(2), are a study on the closure of Aveos Fleet Performance Inc.

Joining us today for the first hour from Air Canada we have Calin Rovinescu, president and chief executive officer; Louise-Hélène Sénécal, assistant general counsel; and Joseph Galimberti, director of government relations.

I will advise the committee that Mr. Rovinescu has to be out of here at 9:30, so you will want to keep your questions pertinent and to the point. I will be changing witnesses at the end of the first hour.

With that, I'll welcome you. I know you have a brief presentation. Then we'll move immediately to questions. Thank you for joining us.

[Translation]

Mr. Calin Rovinescu (President and Chief Executive Officer, Air Canada): Thank you, Mr. Chair.

Ladies and Gentlemen, I am pleased to speak with you today on the topic of Aveos Fleet Performance and its arrangements with Air Canada and provide some evidence to help with your deliberations.

I am joined today by my colleagues—Louise-Hélène Sénécal, Assistant General Counsel, Duncan Dee, Executive Vice-President and Chief Operating Officer and Joseph Galimberti.

As the committee is certainly very aware, on March 19 Aveos Fleet Performance Inc., a separate and independently owned and managed supplier to Air Canada, filed for insolvency protection under the Companies' Creditors Arrangement Act. Aveos management subsequently chose to permanently cease operations outright rather than accept an offer of emergency financing extended by Air Canada which would have stabilized the Aveos operations to the benefit of its customers, stakeholders and employees and allowed for an orderly restructuring. As an important customer of Aveos, we consider the manner in which the Aveos management and board closed all of Aveos' operations in Canada to have been irresponsible when other options were available. But before expanding on where we are today, a short discussion of how Aveos and Air Canada's relationship came to be is in order.

Eight years ago, in 2004 that is, as part of a court approved restructuring, Air Canada became a wholly owned subsidiary of ACE Aviation Holdings as several of the former Air Canada constituent parts were reorganized as separate business units. This reorganization, mandated by investors who financed the restructuring and approved by the more than \$8 billion of creditors' claims, was supported by the affected labour groups and employees who ratified the new arrangements through a very public court process.

Certain assets and employees of the former Air Canada Technical Services Division were thus transferred to a new company, while Air Canada itself retained substantial maintenance capability and work. Today Air Canada directly employs 2,400 maintenance employees. In 2007, ACE Aviation Holdings Inc. sold ACTS to a group of investors which included some very well-known private equity firms and leading financial institutions, who committed to maintaining jobs in Canada while growing the overall scope of the business and becoming a larger, stronger entity. In 2008, the company changed its name to Aveos Fleet Performance Inc. This group of investors invested more than \$975 million in Aveos.

Air Canada has a long record of support for Aveos. We had signed long-term maintenance contracts at advantageous terms to Aveos which should have provided Aveos with financial stability. We participated in the 2010 out-of-court Aveos restructuring through a \$22 million term note that allowed Aveos to defer payments without interest penalty. We committed up to \$50 million over three years to further assist Aveos as part of the 2010 restructuring. In 2011 alone, our payments to Aveos for work completed were \$440 million.

We offered on several occasions over the last weeks financing support to permit an orderly restructuring and continuance of operations, including the \$15 million in emergency funding that I referred to earlier. While the final amount of our bankruptcy claim has not yet been calculated, a high level estimate of the net amounts owing by Aveos to Air Canada to date is well in excess of \$35 million. So we have certainly tried to help this company financially. More meaningfully, however, Air Canada supported Aveos by faithfully sending our maintenance business to them.

Since the beginning of 2011, Air Canada has undertaken 135 airframe checks and Aveos performed 123, or 91% of them.

• (0835)

In addition, Aveos performed 52 of 56, or 93%, of engine checks performed for Air Canada over that time frame. Work was sent to third parties only when Aveos was unable to perform it and in accordance with the terms of the commercial agreements between the parties and applicable collective agreements.

[English]

Despite this support from Air Canada, Aveos had repeatedly failed to attract new third-party business to its facilities and diversify its revenue stream. By their own admission in court filings, the company had never become cost-competitive and had suffered operating losses for several years. They admit to having had too high a cost structure and not being sufficiently competitive from a productivity viewpoint. Ultimately, their unfortunate decision to terminate operations is symptomatic of those failures and not the result of any action taken or not taken by Air Canada.

Aveos's unexpected closure of their facilities has forced Air Canada to act quickly and to put in place contingency arrangements to ensure that our customers, of whom there are about 100,000 per day, are not inconvenienced and that our airplanes continue with their regularly scheduled maintenance so they can continue flying. Our contingency arrangements are being driven solely by safety and regulatory compliance, and we will select maintenance, repair, and overhaul suppliers to perform scheduled maintenance on this basis. Safety will not be compromised for political or any other expediencies.

On a transitional basis, consistent with the high standards of our maintenance program, we have identified qualified and government-approved maintenance facilities in Canada and the U.S. to undertake work that was scheduled to be performed by Aveos. For example, seven aircraft scheduled for maintenance have already been sent to two Quebec-based maintenance providers currently used by other Canadian and international airlines, and there are a few other MROs—maintenance, repair, and overhaul providers—in Canada that have capacity, capability, and licences to do some of the work that we require. We will also look to suppliers outside Canada, given capacity and expertise constraints in Canada.

Finally, contrary to some irresponsible statements made by others in the media, I would like to categorically state that we have not sent and we will not send any work to Aeroman, the San Salvador-based sister company of Aveos, under any circumstance.

On a longer-term basis, Air Canada is encouraging MRO companies from across Canada and around the world to conduct due diligence and assess whether any of the former Aveos operations may be viable in Canada under new ownership. We have further publicly indicated that we have a strong preference for working with a global MRO provider or manufacturer that has an interest and an ability to provide component, repair, and overhaul services in Canada, with particular emphasis given to Montreal, Winnipeg, Vancouver, and Toronto. Air Canada knows that a pool of well-trained, qualified, and talented people exists and is available in those cities and will favour MROs or manufacturers with globally competitive cost structures that have established or will establish some portion of their operation in one or more of these cities, employing the skills of Canadian aviation technicians.

Governments can get involved through their economic development branches by encouraging these companies to set up or expand operations in Canada or assist them in setting up cutting-edge engine repair lines for new generations of engines, as an example.

Air Canada is willing and expects to work collaboratively with governments and these potential suppliers toward viable, long-term, cost-competitive, and productivity-competitive arrangements. To this end, since the Aveos filing we have been in close contact with the office of the Minister of Transport, Infrastructure and Communities, as well as with provincial and municipal officials. In fact, I met personally with Minister Lebel yesterday afternoon to review this file.

• (0840)

[Translation]

As regards specific questions relating to the Air Canada Public Participation Act, let me state clearly and unequivocally that we continue to be in full compliance with the letter and the spirit of the act, despite the demise of Aveos.

[English]

On December 1, 2010, this very committee heard from officials from the Department of Transport that in their view Air Canada was then compliant with all aspects of the law.

In May 2011, less than one year ago, Mr. Justice Newbould of the Ontario Superior Court of Justice ruled on the issue of whether we were in compliance with the maintenance facility requirements of the act following an application filed by the International Association of Machinists and Aerospace Workers, IAMAW, the union that represents these workers. The court found that Air Canada did meet the act's requirements on the basis of our own overhaul and maintenance functions.

I quote from the conclusions of the Honourable Mr. Justice Newbould:

In summary I find that Air Canada does maintain operational and overhaul centres in those cities...by itself maintaining certain overhaul functions through its line maintenance operations.

Air Canada, irrespective of Aveos, continues to employ 2,400 maintenance employees at various bases in Canada, including those in Winnipeg, Toronto, and Montreal. This, incidentally, is 35% higher than it was in 2007. We are satisfied that the current circumstances do not change the court's finding.

Air Canada, on a going-forward basis, is committed to remaining fully compliant with the act, as long as the act is in force. More importantly, we are also fully committed to encouraging Canadian aviation workers, and we look forward to working with industry players to develop solutions.

Thank you, Mr. Chairman, for the opportunity to present today. I will now take questions that committee members may have.

The Chair: Thank you very much.

Mr. Nicholls, you have seven minutes.

[Translation]

Mr. Jamie Nicholls (Vaudreuil-Soulanges, NDP): Mr. Rovinescu, clearly, when you have a great deal of money, it is easy to hide behind an army of lawyers from large legal firms to circumvent the spirit of the law in order to preserve the bonuses of Aveos' senior management.

At least the former president of Air Canada was honest enough to recognize that these maintenance facilities were important for the cities of Montreal, Winnipeg and Mississauga. They performed not only day-to-day maintenance but also general overhauls. Both aspects are important.

When testifying before the parliamentary committee in 1988, the president of Air Canada acknowledged that, according to the act, it was important to maintain a major maintenance and overhaul facility in Winnipeg. He also added that the increasing demand for maintenance and overhaul would guarantee that much of the work would continue to be done in Winnipeg. Major maintenance and overhaul work is required on every aircraft after a certain number of hours of flight time and therefore it was important that the airport have at least one hangar in Winnipeg and that there be others in Montreal and Toronto.

How do you intend to comply with the obligations set out in the Air Canada Public Participation Act to maintain these maintenance and overhaul facilities in Montreal, Toronto and Winnipeg?

• (0845)

Mr. Calin Rovinescu: Thank you for your question.,

As I just explained, this issue was fully dealt with in the Ontario Court last year. Do not forget, sir, that Air Canada has 2,400 maintenance employees who continue working at Air Canada. These employees are working in all of the cities, including Winnipeg. In fact, we will have an opportunity to hire more people to work in Winnipeg. Our activities are in compliance with both the spirit and the letter of the act.

We also need to look at the way aircraft maintenance has evolved since 1988. The various maintenance procedures have actually evolved over time. The court studied the matter in depth last year. It was an independent court. Following a lengthy process, the court concluded that Air Canada was complying with the act.

Mr. Jamie Nicholls: In 1988, the president said that he felt that the definition of an overhaul facility was quite specific. He said that it was a facility where major structural work was done on aircraft, requiring a certain level of expertise. That means that we are talking about major overhauls, not just changing an aircraft's oil.

Does Air Canada now believe that it can interpret the act differently because it has an army of lawyers behind the scenes telling it how to circumvent the spirit of the act that was passed in 1988? I checked the Library of Parliament archives for Air Canada's position in 1988 and for that of the deputy minister responsible for the privatization of Air Canada. It was clear: the company must be able to provide major overhaul services in those three cities.

Where does Air Canada intend to have major overhaul work done in the future?

Ms. Louise-Hélène Sénécal (Assistant General Counsel, Law Branch, Air Canada): Mr. Chair, I would invite the members to read the ruling made by Justice Newbould of the Superior Court of Ontario, who provides a detailed analysis...

Mr. Jamie Nicholls: That is fine, we have read it.

We can turn to...

[English]

Mr. Pierre Poilievre (Nepean—Carleton, CPC): A point of order, Mr. Chair.

The Chair: Mr. Poilievre on a point of order.

Mr. Pierre Poilievre: Mr. Nicholls asked a question. He was getting a very pertinent answer.

Mr. Jamie Nicholls: I've already received the answer.

Mr. Pierre Poilievre: Well, you asked the question again, so obviously you need to hear it a second time.

Mr. Jamie Nicholls: The parliamentary secretary knows that time is limited, so I pass my time on to—

The Chair: Order, please.

It's not a point of order.

You have used up four minutes and 26 seconds, so you have two and a half minutes to finish questioning.

[Translation]

Ms. Isabelle Morin (Notre-Dame-de-Grâce—Lachine, NDP): Privatizing Air Canada's maintenance facilities is the first step in the eventual transfer of these jobs abroad.

I would like to understand Air Canada's obligations with respect to the lack of funds in the Air Canada employee pension plan, because most of the Aveos employee pension money is still in Air Canada's pension plan.

What impact will the closure of Aveos have on the employees' pension plan?

In addition, Air Canada stopped awarding contracts to Aveos, resulting in its closure. Does Air Canada intend to fulfill its responsibilities to its former employees?

Mr. Calin Rovinescu: Thank you very much, Ms. Morin.

When Aveos was sold, Air Canada did in fact keep certain responsibilities. Moreover, about a year and a half ago, when this issue was before the Canadian Labour Relations Board, Air Canada first made a commitment to cover up to 1,500 premiums for people who would be losing their jobs. Our lawyers are discussing the matter with representatives from Aveos and the court, and so on.

As for our pension fund obligations, Air Canada did indeed have certain obligations and it intends to comply with all of its obligations to these people. This is a process that will take some time. Like everyone else, we were surprised by the way in which Aveos chose to restructure itself or shut its doors. This is currently being discussed. I do not know whether or not Ms. Sénécal has anything to add.

• (0850)

Ms. Louise-Hélène Sénécal: The Aveos restructuring process involves various stakeholders: there is a controller and an Aveos representative. So we need to...

Ms. Isabelle Morin: That is fine, but my time is limited.

You said that 1,500 individuals may be entitled to it, but more than 1,500 people have lost their jobs.

What are you going to say to the half that have lost their jobs? That they are going to get their pension? And what about the other half, will you tell them that they will not get their retirement pension?

Ms. Louise-Hélène Sénécal: Mr. Chair, there seems to be a bit of confusion when we talk about these 1,500 employees. We are talking about two different things. As far as the pension fund is concerned, we have contractual obligations and we will comply with those contractual obligations to that pension fund. That is one thing.

As for the 1,500, this number...

Ms. Isabelle Morin: Fine.

I will go to my...

[English]

The Chair: I have to interrupt there. I'm sorry, but your time is up.

Monsieur Coderre.

[Translation]

Hon. Denis Coderre (Bourassa, Lib.): Thank you, Mr. Chair. I will be sharing my time with Mr. Lamoureux.

Mr. Rovinescu, we do not need lawyers, we are going to talk to each other as one Montrealer to another. Let's understand each other today.

Did you think that Aveos did good work? You did after all give it 93% of the contracts. Was the work done well?

Mr. Calin Rovinescu: Yes, this was a provider that did adequate work.

Hon. Denis Coderre: So there were never any safety issues; there were no problems.

Mr. Calin Rovinescu: There were none.

Hon. Denis Coderre: So the employees did good work. They were former Air Canada employees who should know the job. So they did good work, right?

Mr. Calin Rovinescu: Yes.

Hon. Denis Coderre: Did Air Canada still owe Aveos money? Had all of the money owed under the contract been paid?

Mr. Calin Rovinescu: Yes.

Hon. Denis Coderre: So you did not owe Aveos a cent.

Mr. Calin Rovinescu: No. Actually, as I mentioned, Aveos owes us approximately \$35 million.

Hon. Denis Coderre: Were you going to look elsewhere? Even though you were satisfied, could you have gone to other companies for overhaul work? We know that overhauling involves taking the

engines apart and so on. That is third level maintenance. Were you going to go elsewhere? Did you use companies other than Aveos?

Mr. Calin Rovinescu: Yes, that is right. We deal with approximately 75 suppliers, including several in Canada. So we deal with more than one supplier.

Hon. Denis Coderre: So you agree with me in saying that Air Canada did no overhaul work.

Mr. Calin Rovinescu: No, I do not agree with you on that.

Hon. Denis Coderre: Ms. Sénécal said so in December 2010. You do no overhaul work at Air Canada.

Mr. Calin Rovinescu: No, I did not say that. If you had asked your question properly, as I just explained, if you had listened to what I said before—

Hon. Denis Coderre: Mr. Rovinescu, I am quite capable of asking questions. I have been an MP for 15 years. Unfortunately, I don't get a \$5 million bonus. I have always dreamed of seeing the Six Million Dollar Man, but at least I have a guy who earns \$5 million in front of me today. Out of respect, when I ask you questions, please answer. Is that okay?

I want to know if you do overhaul work. It was clear for Mr. Mazankowski in 1988. He wanted to privatize Air Canada, first of all to protect its headquarters in Montreal, secondly to ensure that bilingualism was respected—not just messages on cassettes, but both official languages, and thirdly, to protect the overhaul and maintenance facilities.

I realize that presently, Air Canada has employees that do maintenance work. However, there is no overhaul facility. The reason Aveos was doing that for you was because it had the overhaul facility.

Now, you can go ahead and serve up Judge Newbould's decision to me; I read the whole thing. As far as I am concerned, you must protect these overhaul facilities. I do hope you are going to rehire those employees. In my opinion, Air Canada's real problem is the fact that the company does not follow the law, because the overhaul facilities are supposed to be in Montreal, Winnipeg and Toronto.

Why are you now doing business with the overhaul facility in Windsor?

Mr. Calin Rovinescu: Mr. Coderre, I just explained that Air Canada is compliant with the act. You can say what you like as many times as you like. You can get as worked up as you like—

Hon. Denis Coderre: I will say it five million times if I have to. That is not a problem.

Mr. Calin Rovinescu: Air Canada is in compliance with the act. If you do not agree with Judge Newbould's decision, what do you want me to say?

Hon. Denis Coderre: Mr. Rovinescu, If I was Minister of Transport, I would not have waited until yesterday to meet with you. I would have met with you immediately.

My work is to ensure that you are compliant with the act. We may disagree on its interpretation. If it were me, I would have hauled you into court. We would have discussed and settled all of this in court. Judge Newbould did not make the distinction between major overhaul and maintenance. As my colleague stated earlier, this is not just about having the oil changed. That was the judge's interpretation; it should have been appealed, but that is another story.

Am I to understand that you now want to turn to Premier Aviation for overhaul work? What is your relationship with Ronnie Di Bartolo?

• (0855)

Mr. Calin Rovinescu: We are going to carry out our maintenance plans with several suppliers. There is not just one supplier, as I just explained to you. We have with us a list of about 62 suppliers in Canada that are located in Alberta, British Columbia, Manitoba, Ontario and Quebec. We intend to encourage several of these suppliers. We are not just talking about repairing aircraft, but also repairing engines and various components. From those 67 suppliers, we will find the ones we wish to deal with.

Hon. Denis Coderre: I am going to give the floor to my colleague Kevin Lamoureux, from Winnipeg. The people of Winnipeg also want to protect their jobs.

Do you intend to reuse the hangars? My interest is in protecting the aeronautical industry, to ensure that there are jobs in Montreal, Winnipeg and Toronto. Your job is to protect the overhaul facilities. Do you intend to do maintenance and take back the hangars that Aveos has abandoned? I agree with you, they are a bunch of yahoos. And today, employees have no money to put food on the table. What are you going to do with these overhaul facilities?

Mr. Calin Rovinescu: As I have just stated about the overhaul facilities, we are not going to buy back Aveos. We are not going to buy back a company that has gone bankrupt. We supported them for eight years, and we have no intention of buying them out. We intend to work with several suppliers, including those in Quebec, in Montreal, to do the work. As I already mentioned, we are in compliance with the act and we will choose suppliers who have the capacity and the necessary expertise to repair our aircraft.

Mr. Lamoureux.

[English]

Mr. Kevin Lamoureux (Winnipeg North, Lib.): Thank you.

I want to be fairly clear on the point that when Air Canada shifted its responsibilities over to Aveos, I was there with the employees, and the employees felt that Air Canada was shafting them. When Air Canada or Aveos then shut down their plant in Winnipeg, I was there at the international airport in Winnipeg, and the employees felt that Air Canada was shafting them. When Air Canada employees went to the Manitoba legislature in large numbers, in the hundreds, supported by many others, I was there when Air Canada was shafting them.

Just the other day on the Hill, we had Air Canada employees from Quebec, from Ontario, and some from Winnipeg, I understand, and they were explaining how Air Canada was shafting them.

It seems to me that people across Canada recognize that Air Canada as a corporation—and if we cut through all the crap—is in clear violation of the law. They're looking to the government to take legal action against Air Canada in order to get Air Canada to fulfill their requirements under the law. These are important jobs to these communities. The jobs that are being taken away are going to have a serious negative impact on those local communities.

Does Air Canada—

The Chair: Mr. Lamoureux, I have to interrupt you there. Your time is up.

I'll give you a brief response if you want. If not, we'll move to the next question. Be very brief, please.

Mr. Calin Rovinescu: I'm not sure there was a question there, but I will say the following. There is no question that Air Canada is in compliance with this act. You may not agree with that, you may not like that, but Air Canada is in compliance with this act.

Running a company like an airline, unless you have not been following what has gone on all over the world, where you've had... In the United States alone, American Airlines has gone through a financial restructuring, United Airlines has gone through a financial restructuring, Delta Airlines has gone through a financial restructuring, Continental twice, U.S. Airways twice.... The great legacy brands, such as TWA and Pan Am.... I hope you watch TV from time to time, because *Pan Am* makes for a great television program today.

For airlines to remain competitive, there are going to be situations where companies are sold. In this case, a company was sold, with a lot of support from Air Canada.

I resent the suggestion that Air Canada is not in compliance with the act. I resent the suggestion.... I'd like you to define the word "shafted", which I think is a ridiculous word to use in a committee, and I'd like very much to understand what it is that was your question, which I failed to understand.

Thank you.

The Chair: Thank you.

Mr. Poilievre.

Mr. Pierre Poilievre: I think all of us share a great deal of sympathy for those who have lost their jobs. I think it's clear that political grandstanding and screaming and hollering is not going to give those jobs back. So I think today my questions are going to focus on the facts, which is the only thing that is going to matter to workers on the ground for Aveos and for other companies.

To start with, you have 2,400 maintenance and overhaul in-house employees...?

• (0900)

Mr. Calin Rovinescu: Yes, 2,400 maintenance employees at Air Canada.

Mr. Pierre Poilievre: Will any of them lose their jobs as a result of the Aveos declaration of bankruptcy protection?

Mr. Calin Rovinescu: No. Indeed, as a result of the Aveos dynamic, we expect that we would be looking to hire more people over the passage of time.

Mr. Pierre Poilievre: In Canada?

Mr. Calin Rovinescu: In Canada. Virtually all of our maintenance employees are in Canada, because that's where we do our own maintenance work, and when the company was sold in 2004 we retained a large portion of that. Since 2007, as I indicated, we actually increased the number of Air Canada maintenance jobs by about 35%.

Mr. Pierre Poilievre: You increased maintenance jobs by about 35%.

Mr. Calin Rovinescu: Right.

Mr. Pierre Poilievre: Can you repeat—your microphone didn't come on early enough—that you do not intend to terminate jobs in-house as a result of the Aveos bankruptcy protection? Is that correct?

Mr. Calin Rovinescu: That is correct. Not only do we not intend to terminate jobs, we intend to increase jobs inside Air Canada as time goes on as a result of that.

Mr. Pierre Poilievre: Can you repeat what percentage of your overhaul and maintenance work you were awarding to Aveos over the last several years?

Mr. Calin Rovinescu: I don't have that, but we can get that statistic to the committee.

Mr. Pierre Poilievre: Do you know what percentage of Aveos's revenue came from Air Canada?

Mr. Calin Rovinescu: We understand that about 60% to 65% of their revenue came from Air Canada last year.

Mr. Pierre Poilievre: You were prepared to provide an additional \$15 million in financing to keep Aveos going.

Mr. Calin Rovinescu: We understood Aveos was running out of cash. We proposed several alternative financing arrangements to them, including this \$15 million, which was referenced as debtor-in-possession financing. If they had chosen to restructure, it would have allowed for an orderly restructuring. It would have provided some time to the organization and the employees so that they would not have had to close down as brutally as they did. But they chose not to take it.

Mr. Pierre Poilievre: Given that there is nothing in the act that would allow the government to force Aveos out of bankruptcy, the only proposal that the opposition could potentially make to keep Aveos operational would be a direct taxpayer bailout. Do you have any estimate of how much taxpayers would have to pay in such a bailout to return Aveos to operation?

Mr. Calin Rovinescu: I really don't, to tell you the truth. We know that in Aveos, when the company was sold, the total amount invested in Aveos through equity and debt financing was about \$975 million. That was in 2007. They've been operating for five years since then. That was the total investment made at the time. That would be one indicator of a benchmark, and the company failed.

Mr. Pierre Poilievre: How much was that?

Mr. Calin Rovinescu: It was \$975 million.

Mr. Pierre Poilievre: Almost \$1 billion was already invested in Aveos. It was not able to function with that \$1 billion. That indicates how much would be required of taxpayers to provide a full bailout to keep that company operational.

Mr. Calin Rovinescu: That was the value at the time. The people who invested in Aveos in 2007 were sophisticated, private equity investors and large financial institutions, people who had made these sorts of investments before. The company was given the opportunity to have a well-capitalized group of shareholders and it didn't work.

Mr. Pierre Poilievre: If we were to provide, as the opposition seems to suggest, a \$1 billion bailout for Aveos, that money would either have to be borrowed or it would have to be taxed out of the economy. Whether you borrow \$1 billion out of the economy or tax it out of the economy, the effect is the same.

Do you think that borrowing or taxing \$1 billion out of the economy to help this one bankrupt company would be a net job creator or a net job destroyer?

Mr. Calin Rovinescu: I've chosen a life other than politics, federal or municipal, so I couldn't really answer questions that deal with taxpayer money.

Mr. Pierre Poilievre: I'm going to turn the rest of my time over to Mr. Toet.

• (0905)

Mr. Lawrence Toet (Elmwood—Transcona, CPC): I want to start by speaking with regard to the employees, because, for me, what has happened with Aveos and the employees, especially the employees in Winnipeg, is a travesty. These are employees who were delivering a great service, who are highly skilled people. In Winnipeg we want to maintain those jobs, and I can say that across the country we want to maintain those jobs. This is an important industry for the Winnipeg aerospace industry. It is highly important to us, and we'd like to see it grow.

In light of that, you talked a little bit about looking at centres across Canada and encouraging growth in those centres. Are you looking at a plan that would try to bring along this pool of talent and make use of it? Could you give us a sense of what you would hope to accomplish there?

Mr. Calin Rovinescu: That is exactly the direction we are heading in. We want to identify pools of talent, Canadian and foreign MROs that are prepared to hire Canadian workers who have talent.

I might ask Duncan Dee, our chief operating officer, to talk a bit about the kinds of MRO opportunities we are looking at throughout Canada.

Mr. Duncan Dee (Senior Vice-President, Corporate Affairs, Air Canada): Thanks for the question, Mr. Toet.

In effect, the priority of Air Canada going forward is to try to find local suppliers in many of these communities, Winnipeg obviously being one of them, to take advantage of the fact that there are talented workers who are capable of doing the work and managing them so we can have a cost-competitive maintenance, repair, and overhaul centre to work alongside the workers at Air Canada who do much of the same work.

The priority for us is to find local suppliers, global MROs, global players who are interested in investing in these Canadian facilities, in these Canadian workers, to continue the work in Canada. It is not an intent of Air Canada to be sending our aircraft overseas to other places. Frankly, that would be an added burden on Air Canada to have to send aircraft to places to which we don't fly, to do maintenance. If we're able to do the work in our hometowns across this country, that's certainly the objective we've set for ourselves.

The Chair: Thank you.

Monsieur Gourde.

[*Translation*]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you, Mr. Chair.

I would also like to thank the witnesses for being with us this morning.

You said that at Air Canada, the volume of maintenance business will increase over the coming years. As we know, Aveos had to declare bankruptcy. If that had not been the case, would the long-term contracts with this company have held?

Mr. Calin Rovinescu: I did not hear your question.

Mr. Jacques Gourde: If Aveos had not gone bankrupt, would you have wanted to continue doing business with them in 2012, 2013, 2014 and in subsequent years?

Mr. Calin Rovinescu: With some maintenance contracts, we tend to opt for long-term contracts. However, because of the Aveos bankruptcy, we signed some contracts that were quite short-term. In the industry, however, the general practice is generally to commit to longer time periods. For example, we had signed a contract with Aveos that would expire in 2013, next year, that is. We intend to opt for the long-term with several of the 67 Canadian companies that we are now considering.

As I was saying earlier, we have also encouraged foreign companies to set up in Canada. We have approached companies that manufacture engines, particularly MTU, Lufthansa Technik and AAR, as well as other businesses that might consider the possibility of setting up in Canada and make a long-term commitment to us.

Mr. Jacques Gourde: At Air Canada, you have some employees on staff who are responsible for maintenance, but you also have to have some outside people. You spoke earlier about a possible increase in jobs. It would seem that you have more needs, that air traffic is increasing and that you will therefore have to do more maintenance. You spoke of 60 to 67 Canadian companies that could provide maintenance services. Are you going to increase Air Canada's external maintenance accordingly?

Mr. Calin Rovinescu: No. We will probably start doing some things internally again. That is why it is likely that we will eventually hire very specific staff that we will need in-house at Air Canada. We have increased the number of maintenance employees by 35% since 2007 and we will continue to do so. So we will start doing some things in-house again.

In 2014, we are going to start replacing our fleet by introducing the Boeing 787, the Dreamliner. That new plane will require less maintenance. We must not forget that the purchase of new aircraft

results in reduced maintenance costs, and as a result, in the work that needs to be done externally.

• (0910)

Mr. Jacques Gourde: The new companies you hire will need specialized employees. We are talking about high-level technicians and engineers. Aveos' employees will no doubt have the opportunity to join these new companies. In any case, if the contracts you awarded to Aveos before are given to companies that are still active on the market, they will have a lot more work. Do those companies have the necessary staff to meet Air Canada's demand?

Mr. Calin Rovinescu: You are quite correct. What will happen is that Aveos employees who have specific expertise will go find jobs with those other companies. If the companies have the talent necessary, we will give them contracts.

As I said, we have already started talks with some of those companies. We immediately called on two Quebec companies to do some work. They will need more staff to carry out the work, because in the past, they did not take care of those seven planes. That will create job opportunities for specialized people, which will allow Aveos' employees to find jobs in the other facilities. We will encourage those other facilities.

Mr. Jacques Gourde: Will you still give priority to Canadian companies?

Mr. Calin Rovinescu: Absolutely. Not only will we give priority to Canadian companies, but we will also encourage foreign companies to come set up shop here and hire Canadians to do the work.

Mr. Jacques Gourde: Let's talk about the total number of workers necessary for maintenance, including those inside and outside Air Canada. How many employees are needed across Canada? Is it 3,000, 4,000, 5,000?

Mr. Calin Rovinescu: That will depend on the people we find in Canada to do the work.

There were 2,600 people who worked for Aveos, while Air Canada has 2,400. Therefore, in total, there was a group of 5,000 people. I don't know if, with all the other airlines based in Canada, the same number will be needed.

Ideally, for these companies to be viable, they must be able to compete with foreign companies. For us, that will be an important point, as I said during my presentation. These companies that set up in Canada or that hire Canadian employees must be able to compete on a global basis. We have a talent pool of about 5,000 people made up of former Aveos employees and Air Canada employees.

Mr. Jacques Gourde: Thank you.

[*English*]

The Chair: Ms. Chow, you have the floor.

Ms. Olivia Chow (Trinity—Spadina, NDP): Mr. Chairman, I'm going to share a bit of my time later on with my very shy and humble colleague from Winnipeg, Mr. Martin.

Close to the end of this meeting, I have a motion that would ask this committee to issue a summons for the appearance of the senior officials from Aveos, because they have refused to come to meet with us. I'm going to put a motion in to summon them.

Having said that, Mr. Rovinescu, just following your answer to Mr. Gourde, you basically didn't answer the question, so I want to be very precise. Between now and the end of the year, how many jobs in overhaul and maintenance—I'm not talking about your in-house shop, but the 2,600 people who are employed by Aveos—will now be performed outside Canada? Do you know?

• (0915)

Mr. Calin Rovinescu: I don't know that.

Ms. Olivia Chow: You don't, okay. Thank you. That's where I thought it was going. You don't know what percentage, right?

Mr. Calin Rovinescu: No, because the way it will work—

Ms. Olivia Chow: You already explained that, and I understood.

Mr. Calin Rovinescu: Yes, because the way it will work is that we will give—

Ms. Olivia Chow: We want to see what's happening—

Mr. Calin Rovinescu: Let me just finish the answer, please, Ms. Chow.

Ms. Olivia Chow: I already heard your answer, thank you. I don't need to know any more.

Mr. Calin Rovinescu: You need to know what I'll tell you.

Ms. Olivia Chow: It's okay, no.

Mr. Calin Rovinescu: Basically, what we'll be doing until the end of the year—

Ms. Olivia Chow: I'm sorry. That wasn't my question. Let me put my question.

Since 2000 Air Canada has purposely pulled aside their overhaul services outside your shop. You started in 1988. In 2000 you branded it distinct. Then in 2007 you sold it off. By 2011 last year, slightly more than a year ago, the Industrial Relations Board said that these workers are no longer Air Canada workers, but these were Air Canada workers from day one. They feel betrayed.

Canadians feel betrayed, because if you follow through all that paper trail, whether you're talking about the law or the spirit of the law, it was clear that these workers' jobs were supposed to be protected. They feel totally betrayed by Air Canada.

Why would any Air Canada employee trust the company now to believe that their pensions and their jobs wouldn't be privatized, sold off, so that another company or American companies or other companies without the unions, without the pension plan, would then take those jobs away? This is an act of betrayal. That is how the workers are feeling right now.

You can see the pattern. It's deliberate since 2000. How much money did you spend, whether it's in the courts or the Industrial Relations Board, to do this? In 2000, when it first started, that section of your company was making money. That was the ironic thing about it. It was making money, and now it has gone bankrupt.

Mr. Calin Rovinescu: What's your question?

Ms. Olivia Chow: That is the question. Why don't you bring those workers back to Air Canada? That's my only question. Bring them back.

Mr. Calin Rovinescu: Thank you, Ms. Chow.

As I said several times in my remarks and in answer to other questions, I have a tremendous amount of sympathy for the workers who have lost these jobs. We don't like the way Aveos has dealt with this situation. The way Aveos dealt with this situation damaged the workers first and foremost. It also damaged Air Canada.

Air Canada needs to maintain the airplanes, and this has been a major point of contention for us as well, as we've said publicly, and we've not shied away from making it very clear. But I have to say the following.

Ms. Olivia Chow: Why don't you reply?

Mr. Calin Rovinescu: I have to say the following, if I may. Companies are bought and sold every day. Air Canada was privatized by the Government of Canada in 1988 with that provision in the law. Air Canada, if one pays attention to what is going on, as I said earlier, like all airlines, like all legacy airlines, is going through a transformation, has gone through a transformation.

May I continue?

Ms. Olivia Chow: We're running out of time. My colleague from Winnipeg wants to ask a question.

Mr. Calin Rovinescu: Thank you very much.

Basically Air Canada has gone through a transformation, and these companies—

Ms. Olivia Chow: I'm sorry, I know the history.

The Chair: Order, please.

Mr. Calin Rovinescu: These companies that were bought and sold—

The Chair: Order, please.

Ms. Olivia Chow: I just want to leave some time for Mr.—

The Chair: He's been asked a question. He's in the process of answering it. Then we're moving back across the table.

Please finish.

Mr. Calin Rovinescu: Basically, other companies were also sold. This company was created with a good capital structure, with good investors, with good shareholders, and they had eight years to make it work. They didn't make it work, which is obviously not good for us. We take no pleasure in seeing the failure of Aveos. It's not good for us. It's not good for the employees.

There are other companies that Air Canada sold. We sold a company called Aeroplan. The company was very successful. It has a \$3 billion market capitalization. It's doing very well. We sold a company called Jazz.

That was part of the transformation of Air Canada. The company was privatized, and it then went through a transformation that went back to those years. And it's going to go through still further periods of transformation, because it is a legacy airline structure that is facing brutal low-cost competition. I think that is something we may or may not want to have as a reality, but it is a reality.

Thank you very much for your question.

• (0920)

The Chair: Thank you.

Mr. Toet.

Mr. Lawrence Toet: Thank you, Mr. Chair.

I want to pick up a little bit on what you were talking about there. In the short period of time that Aveos basically went through such a huge investment... Obviously that investment plan they had, their business plan, was a solid plan. We don't have people investing that type of money in a company and having it disappear as quickly as it has from the Canadian landscape.

Do you have any sense of where this has come from and what occurred there? I know it's not your company, but as such, is there a perspective you could try to share with us on that?

Mr. Calin Rovinescu: Thank you for the question.

Basically, our sense is that despite the \$975 million investment, and despite the quality of shareholder they had and the lenders, Aveos was not able to be competitive when compared to other international MROs. They were not able to regularly attract third-party business for several of their business units, including, in particular, the airframe area.

They had three business units: airframe, engine, and components. Our understanding is that try as they would, several other carriers came in and found that the productivity was not adequate, which led to turnaround time that was not adequate, which meant that over a period of time these airlines decided to go elsewhere. So the business did not grow.

Contrary to some of the other business units created and sold around that time by Air Canada, this one was not able to attract adequate third-party business to build their business case, largely because of, I believe, productivity issues.

Mr. Lawrence Toet: If the government were to come forward and bail out Aveos and spend all that money... I mean, we've already had a group of private investors that have lost a lot of money through this process. I've done a few investments in my day, and I'd be very shy about thinking about investing in a company that over a period of five to seven years went through this type of investment and was not able to make it go. I mean, it's not like they started with a shoestring budget. I think that's a critical part of what we have to look at going forward here.

I also wanted to direct my comments back a little bit to where I started, and that's the employment issue. That still comes to the heart of it for me. I wonder if you have initiated contact with any companies that would be looking at facilities in Canada, specifically in Winnipeg, Mississauga, and Montreal.

Mr. Calin Rovinescu: Yes, indeed. You know, it's interesting.... As I have said a few times before, there are great opportunities because of the pool of talent. We, of course, have needs. Among the companies we've had early discussions with is MTU, which is a very well-regarded engine facility and which in fact has existing facilities in British Columbia. They could certainly look at operations elsewhere if they were interested. They'd have to do due diligence, understand the business unit, and understand the opportunities there.

There are other engine companies, and potentially even some manufacturers, such as, potentially, companies like GE and Lufthansa Technik. We've had, again, very early conversations, recognizing, of course, that the failure of Aveos was sprung on us like it was sprung on the rest of the country.

Mr. Lawrence Toet: Can you share with us at all the reaction to these initial conversations with these companies? Again, you have the facilities there, and you have the pool of talent there. You have two things that should be very attractive to these companies.

Mr. Calin Rovinescu: Again, I've encouraged our maintenance people to get into these early discussions, but it really is premature at this stage. I think, as I said in my remarks, that I'd encourage provincial economic development departments to reach out to some of these companies that are expressing an interest to see what can occur.

In the case of Quebec, the economic development group in Quebec has already met with our maintenance people to try to ascertain what would be within the realm of the possible. I think many of these business units, but not necessarily the whole, are absolutely capable of being resurrected through different ownership by more powerful strategic players.

Mr. Lawrence Toet: In some of these initial discussions has there also been talk of being able to attract some additional business, actually, to these facilities so that we actually potentially grow these facilities?

You talk about a complete restructuring of the airline industry throughout North America. I don't think that's come to an end yet. There are definitely possibilities with some of our friends and partners. We have a lot of partnerships with our friends in the south in the United States. Is that also going to be part of the consideration and part of, hopefully, the incentive package for these companies to move forward in moving into these facilities that are now abandoned?

• (0925)

The Chair: I'm going to ask you to be very brief if you can.

Mr. Calin Rovinescu: Very much so, indeed. Let me say that it is essential to do exactly as you say. For them to be competitive, they have to be able to rely on business from more than just one customer. I think the *sine qua non* to building a successful business is ensuring that they can actually attract third-party business from other North American carriers and potentially from carriers elsewhere in the world.

The Chair: Thank you.

We'll go to Mr. Martin.

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Mr. Chair. I will share my time with Mr. Sullivan.

The Chair: I will advise you that at 9:30 I'll stop the proceedings.

Mr. Pat Martin: Thank you, Mr. Rovinescu.

Let me just say that it is actually more in sadness than in anger that a lot of us are seeing our worst fears realized, those of us who were critical of the original privatization.

We took some comfort in the testimony of your predecessors, Claude Taylor and Pierre Jeannot, when they sat in your place and assured people not only that maintenance meant more than line maintenance of good-to-go aircraft landing and taking off, but that maintenance meant the service overhaul work we talked about.

We also took some comfort in them saying that their maintenance shop, at least in Winnipeg, made them a net revenue profit of over \$10 million a year, which in 1988 may or may not have been a lot of money, but the vertical integration of the company at the time helped them offset other costs with the money they made on maintenance.

If the Ontario Supreme Court found that you were in compliance last year, can you not agree that part of that was because you were giving 95% of your maintenance work to a Canadian company in those three locations? If you intend to farm out and contract out some of this work in the interim to the United States, you're falling out of compliance, surely, by anyone's definition. Is that not a reasonable position?

Mr. Calin Rovinescu: Thank you, Mr. Martin. I'm going to do the first part first.

If the maintenance operations of Air Canada made money in 1988, obviously that was a very good thing, then, at the time. That is precisely what we had hoped the Aveos company could do, just like we hoped the same thing for Aeroplan, just like we hoped the same thing for Jazz, when these business units were sold. Again, this was not a structure designed to fail. The objective for these companies was exactly that, to make money.

Mr. Pat Martin: Some people do feel that it was a structural shell game, designed to offload your unionized, high-cost employees, and farm that out now to a non-union group like this company, Premier Aviation, etc. This is what some people suspect.

Mr. Calin Rovinescu: But you have wonder, scratch your head a little bit, that somebody would invest \$975 million and flush it down the toilet to be able to achieve that objective, somebody other than the so-called beneficiaries of that strategy. I don't buy that comment.

On the second point, we will look to encourage workers in these three cities. There's no question, no ifs, ands, or buts about it.

Mr. Pat Martin: Do you agree that you would fall out of compliance?

Mr. Calin Rovinescu: No, I do not agree.

Mr. Pat Martin: The court ruling was with the full knowledge that all of this work from Air Canada was still going to those three maintenance centres, albeit they were private companies. That's not going to be true, as of today.

If you ran the same facts before that same court today, they would find you have fallen out of compliance.

Mr. Calin Rovinescu: Our view, again, is not. We have sought all kinds of legal confirmations to that effect. Our view is not.

We would look to encourage people in those three cities, in addition to, by the way, Vancouver. Because we are today compliant with the act, and we don't intend to not allow opportunities for people in Vancouver as well. In all four places, we know that there are talented employees, and we look to our MRO partners to find opportunities for them.

The Chair: Thank you.

With that, it is 9:30.

Mr. Mike Sullivan (York South—Weston, NDP): No, it's not.

The Chair: We've given notice that we're going to change the chairs.

Thank you for being here today on such short notice. I suspect that we'll have further comment on this.

We're going to take a short two-minute recess, while our new guests join us.

Thank you very much.

- _____ (Pause) _____
-
- (0930)

The Chair: Welcome back, everyone.

We have new witnesses joining us: from the Department of Transport, Kristine Burr, assistant deputy minister, policy, and Brigita Gravitis-Beck, director general; and from the Department of Justice, Pierre Legault. Welcome.

I know there's a brief presentation, and then we'll move to questions from committee.

I understand, Ms. Burr, you're going to open the conversation. Please begin.

Ms. Kristine Burr (Assistant Deputy Minister, Policy, Department of Transport): Thank you very much, Mr. Chair.

I'd like to thank you for the invitation. We're here today to talk about the Air Canada Public Participation Act, or ACPPA, as it's commonly known.

• (0935)

[Translation]

I will not discuss in detail the history of Air Canada's privatization or the creation of Aveos as a private company. I think you already know the facts about that.

However, I want to highlight a number of points.

[English]

It's worth recalling the context for the legislation that governed the privatization of Air Canada. The late 1980s and early 1990s were a period of major change in the aviation field, as elements that had previously been part of government were privatized or their operations devolved to the private sector. This was a phenomenon that was seen elsewhere in the world and not just in Canada, but it's helpful to view ACPPA in that context.

From a policy standpoint, devolution was intended to put these companies into the private commercial sector and allow them to operate and make decisions based on market considerations, with a view to growth and financial independence. The parameters of the ACPPA legislation that were put in place at that time, and which remain in place today, flow from this philosophy and this approach.

[Translation]

However, certain obligations were maintained in the bill that governed Air Canada's privatization.

[English]

Air Canada was required to maintain official language obligations and it was required to include in its articles of continuance provisions requiring the corporation to maintain operational and overhaul centres in Mississauga, Montreal, and Winnipeg, and its head office in Montreal. I'll come back to the specifics of some of these obligations shortly.

For now, I would like to note that the government of the day and Parliament would seem to have sought a delicate balance between the continuing obligations imposed on Air Canada and the desire to create a private company functioning in a commercial marketplace.

[Translation]

The second point I want to bring to your attention was also raised by Minister Lebel when he appeared on Tuesday. Air Canada and Aveos are private companies that make their own decisions. The separation of Air Canada and Aveos took seven years, which is quite a remarkable period of time in itself, before finally becoming official in 2011.

[English]

Third, I wanted to share with you the context in which these industries operate today. Aviation is a global business, as we heard during the previous presentation. Whether we're talking about carriers or maintenance, repair, and overhaul companies, the environment in which they operate is global. Looking worldwide, we see a consistent focus on competitiveness within this industry while maintaining high standards of safety and security.

The International Air Transport Association, or IATA, recently downgraded the profit outlook for the global air carrier industry in 2012, predicting a profit margin of only 0.5%. We must assume the situation is worse for some carriers than for others.

Furthermore, passengers expect low ticket prices. The committee may be aware of the meeting just last week organized by the Canadian Airports Council on the leakage of passengers from Canada to airports in the United States.

As you are well aware, your colleagues in the Senate are currently undertaking a study on emerging issues related to the Canadian airline industry, and they have received numerous submissions from stakeholders indicating that cost-competitiveness of our aviation industry is an important concern.

[Translation]

In light of this context, I will now talk briefly about the question at issue, which is whether Air Canada is complying with the Air Canada Public Participation Act.

[English]

Section 6 of the ACPPA requires Air Canada to include certain provisions in its articles of continuance. Specifically, paragraph 6(1)(d) provides the articles of continuance to maintain operational and overhaul centres in Winnipeg, Montreal, and Mississauga.

In addition, section 7 of the ACPPA prohibits Air Canada from making any articles or bylaws that are inconsistent with its articles of continuance, and therefore paragraph 6(1)(d).

Articles of incorporation or continuance are documents filed with a provincial or territorial government, or the federal government, that set out a number of corporate governance rules applicable to the corporation. These articles usually set out the company's activities; its ownership structure, usually referred as classes of shares; how the board of directors is established; and its powers.

In simple terms, articles of continuance set the rules within which the companies must operate.

Since Aveos's announcement that it would cease operations, much attention has been directed to the question of whether Air Canada is in compliance with the ACPPA.

Air Canada's articles of continuance on file with Corporations Canada include a clause stating that it will maintain operational and overhaul centres for its aircraft or their components in the cities of Montreal, Mississauga, and Winnipeg. There is no indication that Air Canada's articles do not comply with the requirements set out under the ACPPA.

• (0940)

[Translation]

There is no indication that Air Canada's articles of continuance do not comply with the requirements set out in the Air Canada Public Participation Act.

[English]

Quite apart from the question of whether Air Canada is complying with ACPPA, there is a question as to whether the company is in compliance with its own articles. Prior to the current unfortunate situation at Aveos, Transport Canada had consistently been of the view that Air Canada was in compliance with its articles.

We have re-examined this very question in light of the recent changes in circumstance. At the minister's request, we have sought legal advice to assist us, and this legal advice has now been shared with you today.

I would like to emphasize that compliance with articles of continuance is not driven by ACPPA. It is a requirement that applies to all corporations. For federally incorporated companies such as Air Canada, the Canada Business Corporations Act, or CBCA, is the relevant legislation.

Although questions of corporate governance and compliance with articles are normally better suited for shareholders or directors of particular companies, other parties can seek court remedies. This is what the International Association of Machinists and Aerospace Workers, the IAMAW, did in 2011, when they filed an application in the Ontario Superior Court.

As we've heard today, the Ontario Superior Court decision addressed the very question of whether Air Canada, quite apart from the work carried out by Aveos at these three locations, continues through its own maintenance and overhaul activities to comply with the provision of its articles. In that case, the judge gave strong indication that quite apart from the work done by Aveos, Air Canada would likely continue to be in compliance with its articles by maintaining certain overhaul functions through its line maintenance operations in Montreal, Mississauga, and Winnipeg.

In the absence of Aveos, it will be incumbent on Air Canada to ensure it continues to satisfy the requirements of its articles of continuance going forward, as well as its other obligations under the ACPPA and of course core safety and security requirements that apply to the industry at large.

Despite recent events, we have no reason to believe that Air Canada does not meet its obligations.

I will summarize with our conclusions.

In our view, Air Canada is in compliance with the provisions of the Air Canada Public Participation Act by virtue of the fact that it includes in its articles of continuance provisions to maintain operational and overhaul centres in Winnipeg, Mississauga, and Montreal.

Based on the opinion we received, it would appear to us that Air Canada continues to comply with its own articles of continuance despite the fact that Aveos is no longer providing the services to Air Canada. As indicated earlier, this is not a question of compliance with ACPPA but a question of conformity with the CBCA.

Thank you for taking the time to listen to me today. We would be very pleased to answer any questions you may have with regard to this matter.

I'll just note that in addition to the witnesses before you, we have invited our colleague, the director general of civil aviation, to be here, and if there are questions on safety, we would ask that he be asked to address the members, Mr. Chair.

The Chair: Thank you very much.

Mr. Sullivan, you have seven minutes.

Mr. Mike Sullivan: Your statement that the judge concluded that their line maintenance would in fact be sufficient is not actually true. The judge said, and I quote:

In summary I find that Air Canada does maintain operational and overhaul centres in those cities by maintaining overhaul operations under its contracts with Aveos and by itself maintaining certain overhaul functions through its line maintenance operations.

It said "and", not "or." It did not say "either/or". It did not say it could drop one, and therefore be in compliance. It must do both.

I wonder if someone can explain to me how you've now come to the conclusion that the judge did not say "by maintaining...contracts with Aveos".

Ms. Kristine Burr: Thank you very much for the question.

Given the legal elements involved, I'm going to ask my colleague, Maitre Pierre Legault, from the Department of Justice, to respond.

•(0945)

Mr. Pierre Legault (Assistant Deputy Minister, Business and Regulatory Law Portfolio, Department of Justice): Thank you.

The judge also said that the mechanics association had not proved that Air Canada was not in compliance with its obligations. The judge also said that it was possible for Air Canada to indeed operate maintenance and overhaul generally speaking through its own operations, and that there was no obligation to do it in a certain form.

So if you take different elements of the decision, you do come to the conclusion that in fact Air Canada can operate without Aveos. They have the obligation to maintain and overhaul in Canada, but not necessarily through a specific form.

Mr. Mike Sullivan: With respect, I'm going to disagree.

The essence of this decision was whether Air Canada could contract its work out to Aveos, and not Air Canada itself. The judge's ruling was that as long as Aveos was doing the line maintenance work on behalf of Air Canada in Winnipeg, Montreal, and to a certain extent Toronto, that in itself was compliance. It didn't matter whether those employees were employees of Air Canada, provided that the work continued to be done. The judge didn't say anywhere in this decision that if the work disappears, if Aveos closes, they'll still be in compliance. That's not said anywhere in that decision.

Mr. Pierre Legault: I think it's possible for Air Canada to be in compliance even if Aveos has disappeared, and I think the judge has left that door open.

Mr. Mike Sullivan: With respect, I'm going to have to disagree.

The other public policy issue here is that it has been stated on many occasions, and the judge did say this, that ACPPA was somewhat vague. When a law is somewhat vague, as you know, as a lawyer, when something is not clear on its face, one goes to the statements made around it. One uses the history of the creation.

It was abundantly clear in 1988 and subsequently that the intent of Parliament was to ensure that some work remained with regard to overhauling of aircraft and their parts in Winnipeg, Montreal, and Toronto. That overhaul work is now completely gone. There is no more overhaul work for Air Canada airframes or engines being done anywhere in Canada, let alone Winnipeg, Montreal, and Toronto.

We now have a situation in which the clear intent of Parliament has been violated. A judge having said that these words are somewhat vague leads one to the next step: that is, okay, if they are vague, what did Parliament really mean? What we're getting, both from the minister and now from you, is that Parliament meant they could do whatever the heck they wanted. Therefore, they could probably stop offering services in both official languages, because Parliament didn't really spell that out as clearly as it could have. That's clearly not the case.

What's going on here is a clear attempt to union-bust. That's really what's happening. Air Canada has gone to great lengths to carve out this expensive maintenance. They've said it. You have said it: there's a competitive edge that must be had here, and that competitive edge is gone. But that's not why Parliament insisted on something. Parliament insisted on something in the ACPPA in order to ensure that work remained in Canada. We now have the single largest disappearance—laying off—of talent in the aircraft and aerospace industry since a previous Conservative government cancelled the Avro Arrow. It's huge.

Air Canada is saying “Maybe they will get a job in Winnipeg, or maybe they will get a job in Vancouver, Toronto, Windsor, or Trois-Rivières.” Yes, at half the rates. They are not going to take the jobs at half the rates with no benefits and no pension. That's what this is really all about. It's lowering Air Canada's costs. That's not what Parliament said they could do.

With respect, Mr. Legault and Ms. Burr, I don't believe that this decision actually provides us with enough guidance to say whether or not Air Canada today actually does what Parliament intended. That's just not in that decision. For you to now rely on it, and then to say in your opinion that if the government were to now interfere and suggest that they have to would be in violation of NAFTA....

It beggars belief that we are now bringing NAFTA into this equation. Parliament made a decision in 1988 that said we are going to maintain operational maintenance and repair centres in three big places. Now, if we try to do that, we're going to raise NAFTA? Can you explain why NAFTA comes into this thing?

• (0950)

Mr. Pierre Legault: NAFTA was passed subsequent to the legislation we're talking about, in 1988. The legislation is valid under NAFTA, but its application obviously continues to this day.

I'm not here to provide additional legal opinion to this committee. I'm here to explain the opinion and what I wrote, but no more than that.

Mr. Mike Sullivan: Well, you didn't explain how NAFTA.... The way I read your opinion is that if Parliament were to decide, “Oh my goodness, we screwed up, we should have told Air Canada to actually keep those bases open”, you have said in your opinion, I believe, that if we now do that, it's in violation of NAFTA. But if all we're doing is enforcing the law as written in 1988, it's not in violation of NAFTA.

The Chair: I have to stop you there and go to Mr. Lamoureux.

Mr. Kevin Lamoureux: Thank you, Mr. Chair.

Mr. Chair, what I'd like to do is to try, as much as possible, to simplify the issue.

I'm not a lawyer myself. I do believe in the rule of law. I do believe that whether an individual or a corporation breaks the law, there should be some justice that comes out of it.

There's a sense of frustration. The workers of Aveos, who were formerly Air Canada employees, feel that there has not been any justice, that their government has let them down.

Let's look at what the law actually says. This is paragraph 6(1)(d): “...provisions requiring the Corporation to maintain operational and overhaul centres in the City of Winnipeg, the Montreal Urban Community and the City of Mississauga”.

Now, for the average worker, including myself as someone who is concerned about the worker, we read that and interpret it as meaning that Air Canada is obligated to maintain those overhaul centres. Then Air Canada kind of privatizes and pushes that responsibility over to Aveos. A court then makes a decision that because Aveos is now there, Air Canada is indirectly keeping those jobs.

Many of the workers were not pleased with that court ruling, but they could at least understand the ruling. Aveos now is disappearing. The law saying that those jobs are supposed to be there is still in place. How else can the employees interpret the fact that, on the surface, it would appear there is a violation of the law?

If we go back to the time when the law was put into order, this was what was actually said on April 12, 1988, by Minister Don Mazankowski, the Conservative government's Deputy Prime Minister and former transportation minister, who introduced the bill in question. There are five quick points I will quote:

1. Maintenance and Overhaul Centres in Montreal, Winnipeg and Toronto are fundamental to the success of Air Canada;
2. None of these Centres will lose its importance;
3. The Centres will continue to expand;
4. The company fleet maintenance will continue to be done at those locations;
5. The Act would have to be amended if there were going to be any modification concerning the transfer of Air Canada's Overhaul Centres to another location.

Now, if I am an employee and I look at that, that sounds pretty much sealed. I realize that you can get a legal opinion on anything, on different opinions. It really seems to confuse things.

You represent the federal government. Is your recommendation to the federal government that Air Canada is in compliance with the intent and the law itself?

Mr. Pierre Legault: The Department of Justice has been asked to provide an opinion to our client, Transport Canada, on the applicability of the ACPPA to this case. We've looked at it, and we've provided the opinion that is in front of you today.

The requirement in the act, as you've read yourself, is that the articles of Air Canada include the provision that maintenance and overhaul be located in those three cities. That article is in fact in the documents of Air Canada, so Air Canada has met its obligation under the ACPPA.

I understand that it can be hard to make a distinction between the fact that there may be a prime obligation to do something versus the obligation to inscribe in the articles that Air Canada should maintain those operations. That distinction does exist.

Again, Air Canada is in compliance with the Air Canada Public Participation Act.

• (0955)

Mr. Kevin Lamoureux: It would appear there are provincial governments, political leaders of different political parties, all looking at it and saying that Air Canada is in fact in violation of the law or appears to be in violation of the law.

If you were to advise the Prime Minister today, what would you tell the Prime Minister?

You heard the testimony from Air Canada. From Air Canada's perspective, there is no violation of the law. Everything they're doing is perfectly clear. If the Government of Canada doesn't get directly involved in this, there is no future. There is no tangible future for Air Canada to fulfill its commitment to the law.

What is your position, in layman's language? What should the Prime Minister do? Should he be taking Air Canada to court?

Mr. Pierre Legault: Our opinion is in front of you. We've said that Air Canada was in compliance with the ACPPA. That is included in the opinion. The enforcement of the articles of Air Canada is left to the Canada Business Corporations Act. It's normally up to the shareholders and creditors and other complainants to take action if they so wish. My advice in this opinion is that if we were to take any action our chance of success would be low. So the advice that I have provided sits in front of you. That is what has been given to the Department of Transport.

Mr. Kevin Lamoureux: We know that if the Prime Minister doesn't do anything, or the Government of Canada doesn't do anything, then nothing will happen and these jobs will disappear. Aveos or Air Canada will not be held accountable to the law. At least if the Prime Minister or the Government of Canada takes them to court, there is an opportunity to save these valuable jobs for those communities where those jobs are being lost today. That is a fair assessment.

Mr. Pierre Legault: I think it rests with our elected officials to decide what to do with the opinion.

Mr. Kevin Lamoureux: Yes, but your argument is that in your opinion there is an opportunity to be successful. You're not saying that the government has no chance of success.

Mr. Pierre Legault: What I wrote is that for a number of reasons our chances of success would be low. That's what I wrote.

Mr. Kevin Lamoureux: Right, but—

The Chair: I have to stop you there.

Monsieur Poilievre.

Mr. Pierre Poilievre: Who can bring an action under the Air Canada Public Participation Act?

Mr. Pierre Legault: A complainant can do so. A creditor can do so. A complainant can be a shareholder or a former shareholder. It could be the director of the corporation or anybody authorized by the court.

Mr. Pierre Poilievre: The IMAW did so in 2011.

Mr. Pierre Legault: Yes.

Mr. Pierre Poilievre: And they could do so again.

Mr. Pierre Legault: They could try it. They could go to the court and ask that they be recognized as having standing. Whether the court would accept this would be up to the court's discretion.

Mr. Pierre Poilievre: The opposition has provided its legal opinion that ACPPA is being violated. Presumably the union could use that opinion to pursue a legal action against Air Canada under ACPPA.

Mr. Pierre Legault: I have not seen the opinion and I cannot speculate on what they could or could not do. But any party can, under the CBCA, address the court and ask that they be recognized as having standing.

Mr. Pierre Poilievre: What I'm saying is that if ACPPA is being violated now, as the opposition argues, there is nothing to stop a court from independently finding that after a complaint is brought.

Mr. Pierre Legault: Possibly they could do so.

Mr. Pierre Poilievre: Is there anything in the Air Canada Public Participation Act that would require Aveos to come out of bankruptcy protection? Is there any section in the Air Canada Public Participation Act that would compel taxpayers to provide a bailout to Aveos to bring it out of bankruptcy protection?

• (1000)

Mr. Pierre Legault: No.

Mr. Pierre Poilievre: Could the Government of Canada ban Aveos from filing bankruptcy protection under the Companies' Creditors Arrangement Act?

Mr. Pierre Legault: The Government of Canada has no relationship with Aveos itself, so I would not speculate on that.

Mr. Pierre Poilievre: So the Government of Canada does not have the legal authority to compel a company to end its bankruptcy filing?

Mr. Pierre Legault: It's in the hands of Aveos.

Mr. Pierre Poilievre: Can you list the sections in the Air Canada Public Participation Act that require Aveos to continue operating?

Mr. Pierre Legault: Aveos is not mentioned in the act.

Mr. Pierre Poilievre: Is there anything in the act that would render Aveos's filing for bankruptcy protection illegal?

Mr. Pierre Legault: The act is focused on Air Canada itself. The obligations are on Air Canada, not on any other entity.

Mr. Pierre Poilievre: And what sections in the act compel Air Canada to receive its maintenance and overhaul services from Aveos?

Mr. Pierre Legault: All the act provides is that Air Canada has to include in its articles an obligation to continue maintenance in the three cities.

Mr. Pierre Poilievre: Through Aveos?

Mr. Pierre Legault: No, sorry, to Air Canada.

Mr. Pierre Poilievre: Through Air Canada.

In the event that those services are contracted out, which sections of the law ensure that they are contracted out to Aveos?

Mr. Pierre Legault: There's nothing in the act on that specifically.

Mr. Pierre Poilievre: All right. So there's nothing in the act requiring Aveos to continue operating or for Air Canada to keep Aveos operating?

Mr. Pierre Legault: Yes.

Mr. Pierre Poilievre: We learned earlier this morning that Aveos has burned through \$1 billion in five years. It was offered an additional bailout of \$15 million by Air Canada and believed that would not be enough money to keep it operating. Presumably, based on that trajectory, to keep Aveos operating for another five years, it would require another \$1 billion. Given that there are no private investors or lenders coming forward to provide that \$1 billion, taxpayers would be the only ones who come to mind to do so.

Is there a fund at Transport Canada that could provide the \$1 billion that would be necessary to keep Aveos functioning over the next five years?

Ms. Kristine Burr: No, there is no resource whatsoever available.

Mr. Pierre Poilievre: Are you recommending the creation of a fund that would provide for \$1 billion to keep Aveos functioning in the next five years?

Ms. Kristine Burr: No, we are not.

Mr. Pierre Poilievre: You're not.

If such a fund were created to provide for such a bailout, would Transport Canada have to seek additional spending authorizations from Parliament? Or is there an extra \$1 billion within Transport Canada's existing allocation to provide such a bailout?

Ms. Kristine Burr: There are no resources available within Transport Canada's current votes to provide any form of assistance to the air sector such as you described.

Mr. Pierre Poilievre: There would have to be an additional allocation by Parliament for that \$1 billion.

Ms. Kristine Burr: That is correct. I would just stress that this would require, clearly, a decision by the government to do this.

Mr. Pierre Poilievre: And what section of the Air Canada Public Participation Act would make such a \$1-billion bailout mandatory, Mr. Legault?

Mr. Pierre Legault: Nothing. There's nothing in the act.

Mr. Pierre Poilievre: Given all of this information, the proposed bailout for Aveos would involve giving \$1 billion to a company that has already burned through \$1 billion, a company that has said that a \$15-million bailout was not sufficient, a company that has refused to come and explain itself before Parliament and before taxpayers, and a company that has refused to provide any assurance that it would keep the employees on, even if it did receive said bailout.

Given these facts, is Transport Canada prepared to recommend such a bailout?

• (1005)

Ms. Kristine Burr: We are not contemplating any recommendation of that nature at this point in time.

Mr. Pierre Poilievre: Thank you.

The Chair: I have to stop there.

Mr. Holder.

Mr. Ed Holder (London West, CPC): Thank you, Chair.

I'd like to thank our guests for being here today. What I've heard over this last hour and some 15 or 20 minutes are all the technical and broad provisions of what the compliance requirements are, and I understand all that. I'll come back to some of that.

I think what sometimes gets lost in all of this is that there are a whole lot of Canadian employees who are not working today. If I might speak for everyone in this room on all sides, it's the empathy that we feel for those people. If we have a heart, and we all do, it's that these people are very nervous about their futures and they have families to feed. We as politicians and we as Canadians feel for anyone who goes through that kind of a circumstance. I want to put that on the record. I think it's important that this kind of empathy be expressed. I know it's how we all feel or else we wouldn't be in the roles we have today.

I'm trying to assimilate the information that I've heard today. Madam Burr, I would start with you, please.

Just to be clear, what I heard you say, but I want to be sure, is that Air Canada has fulfilled all its obligations as per the act. Is that correct? Is my understanding of that correct?

Ms. Kristine Burr: Yes.

Mr. Ed Holder: Is there anything that they have not done?

Ms. Kristine Burr: Not to our knowledge, no.

Mr. Ed Holder: Therefore from your standpoint Air Canada then continues to comply with the act, from what I've heard you say.

In light of what's happened with Aveos, does Air Canada have any ongoing obligations as a result of the act with employees of Aveos?

Ms. Kristine Burr: I'm going to defer to my colleague on legal matters, but our understanding is that the employees at Aveos are the employees of Aveos, the private company. I believe that Air Canada is in compliance right now under ACPPA and has no further obligation.

Mr. Ed Holder: Do you have a thought on that, please?

Mr. Pierre Legault: Again, the only obligation of Air Canada under the act is to include in its articles the fact that they have to do overhaul and maintenance in three cities.

Mr. Ed Holder: Is that a monitoring function that you hold in regard to that, or is that something that, either by complaint or by some form of expression of concern, you monitor whether or not organizations like Air Canada are in compliance? How do you respond to that?

Ms. Kristine Burr: If I may, I would want to make the point that where we are particularly concerned on a regular basis is whether or not all the safety obligations are being met for overhaul, maintenance, and general arrangements regarding the safety of the aircraft. In that sense, we monitor what is going on very closely. Our colleague, the director general of civil aviation, is in the room if you would like further elaboration on that point.

With respect to the question around the articles of continuance, we check from time to time to make sure they're still in Air Canada's documentation, but we're not scrutinizing every year in any regular, formal way what's going on.

Mr. Ed Holder: You mentioned, Ms. Burr, you have a representative here who could talk to the issue of safety. The issue of safety as it relates to passenger traffic has not been brought up in this last hour and a half. From the standpoint of the Department of Transport, as it relates to safety, are there any concerns that you have today with respect to the safety of Canadian passengers? I think they're the ones who want to know this. With this change of relationship that's occurred, obviously, with Aveos and liquidation, should Canadians be concerned about their safety as they travel Air Canada?

• (1010)

Ms. Kristine Burr: We asked that very question, and thank you for raising it. I can assure you that the advice we've been given is that there is no concern at all with respect to passenger safety at this point in time.

Mr. Ed Holder: It's interesting. My colleagues opposite, who are as concerned about the employees of Aveos as we all are, as I've heard them talk about it, if they could redirect the world it would seem that they'd like to see a place where all the employees of a separate company go to Air Canada. The other side of it is—and it's not been said by members opposite—that with that is the obvious financial obligation to Canadian taxpayers to provide the kind of money that would take what ultimately, I gather, was an unsustainable company and keep it going.

As someone having been in business most of my life, when you've got smart investors putting almost \$1 billion into a company that doesn't go, it doesn't work.... And I can't tell you why, and Aveos is not here to respond to that. It just strikes me that if it didn't work for them, going forward—and I don't know the reasons why—I don't see how that works.

I come back to Air Canada's perspective. I heard testimony earlier that talked about decisions that were made to relieve themselves of certain divisions within their company. They mentioned the aspect that Aveos purchased. They talked about the Aeroplan program, and all of that. From your standpoint, you've indicated safety, clearly, is not an issue, that Air Canada had the right to do what it did, that it's in compliance.

That's more of a statement, Chair, than a question. I know that Mr. Watson had just a couple of questions, if we still have some time.

The Chair: He has 20 seconds.

Mr. Ed Holder: I'm sorry.

Mr. Jeff Watson (Essex, CPC): I do have a quick question, or what I hope will be a quick question.

Mr. Legault, in page 6 of the opinion that's been provided here you indicate that you consulted with the trade law section and that ACPPA could run afoul of—or more specifically that amendments to the act that would more define the requirement with respect to Winnipeg, Mississauga, and Montreal may rule afoul of—article 1106 of NAFTA, but also of the Canada-U.S. Free Trade Agreement, which was the precursor agreement.

Can you provide an answer to the committee concerning what aspect of what article of the Canada-U.S. FTA would have bound the understanding of ACPPA at the time?

Mr. Pierre Legault: As I said before, when it comes to additional opinions, if you wish, about what is found in this opinion, my role is not to provide advice to this committee. I'll leave it at that.

The Chair: Thank you.

Monsieur Caron, welcome.

[Translation]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much.

You currently have a legal opinion that you yourselves prepared. A legal opinion is used to interpret the provisions of an act. Do we agree on that?

In preparing the legal opinion, were the members and ministers who were in office in 1988 consulted?

Mr. Pierre Legault: The legal opinion was written by the Department of Justice, by me. It is an objective opinion based on the facts given to us.

Mr. Guy Caron: Actually, the question I am asking you is the following: did you talk to Benoît Bouchard, who was Minister of Transport at the time of privatization?

Mr. Pierre Legault: No.

Mr. Guy Caron: Did you talk to Mr. Mazankowski?

Mr. Pierre Legault: No.

Mr. Guy Caron: How can you interpret an act today without having talked to those who prepared it in 1988, to find out what their opinion is?

Mr. Pierre Legault: We give our opinions on the basis of the act as written, on the basis of case law and on the basis, of course, of our knowledge and our experience. We do not consult politicians on what they may have thought at a certain time.

Mr. Guy Caron: A legal opinion is there to provide an interpretation. The interpretation of the people who designed the act, who created the act, who privatized Air Canada should have been a priority in forming a legal opinion.

A legal opinion is there to interpret the intention of the legislators. The legislators have publicly said that if they had known that the maintenance facilities would be taken out of the three cities, they would not have privatized Air Canada.

How can you believe a legal opinion is valid without having talked to the people behind that act, the people who wrote that act, to find out what their intention was?

• (1015)

Mr. Pierre Legault: I would say that, very generally, we do not consult politicians or members of Parliament who may have worked on the act at the time. We examine the act as it stands; we interpret it.

Mr. Guy Caron: Was the act the same in 1988?

Mr. Pierre Legault: The act has been in existence since that time.

Mr. Guy Caron: So, Benoît Bouchard and Don Mazankowski wrote the act, presented it and made the case for it. Mr. Bouchard has been quoted publicly, he has said himself that the intention of the act was clear, and you are coming to a different interpretation today.

How can you justify a different interpretation, not only from that of the Minister of Transport at the time of privatization, but also that of the Minister of Transport who was in place last year and who had the same interpretation as Mr. Bouchard had at the time?

Mr. Pierre Legault: Once again, we provide an objective opinion based on the act as written.

Mr. Guy Caron: Mr. Chair, I will give the rest of my time to Mr. Nicholls.

[English]

The Chair: Mr. Nicholls.

Mr. Jamie Nicholls: I'd like to move, Mr. Chair, that the Standing Committee on Transport, Infrastructure and Communities issue a summons for the appearance of Joe Kolshak, the president and CEO of Aveos, to appear before the committee on Tuesday, April 3, 2012, in relation to the study on the closure of Aveos Fleet Performance Inc.

The questions raised have been clear that the parliamentary secretary asked how the company ran through \$1 billion in five years. Other members, such as Mr. Holder, have questions for Aveos. I think it's time to take legal action and ask Mr. Kolshak to come to answer questions that we as parliamentarians have for him.

I think it's our role as good public administrators to ask these questions of a company that has benefited from the hard work of its labourers and from the support of a private company, Air Canada, that used to be a crown corporation. We have valid questions to pose to the head of this company.

We would hope that all parties agree here today to summon Mr. Kolshak to the committee.

The Chair: For the sake of the committee, the motion is in order and is subject to debate.

I have Monsieur Poilievre and then I have Mr. Lamoureux.

Monsieur Poilievre.

Mr. Pierre Poilievre: In a sense, Aveos has testified. The company's refusal to be here today indicates to us their unwillingness to explain themselves or to provide clarity as to how they burned through a billion dollars in five years and still went bankrupt.

We are not going to provide Aveos with a bailout; this government will not do that. It has been proposed, it has been rejected, and taxpayers cannot afford it. Frankly, to pull a billion dollars out of the economy to fund such a bailout would kill far more jobs than it would create.

As such, we are going to be voting against this motion.

Thank you.

The Chair: Mr. Nicholls has a point of order.

Mr. Jamie Nicholls: This has nothing to do with the motion, Mr. Chair. Mr. Poilievre is playing politics.

He's trying to paint the opposition as requesting a bailout, which is not contained in the motion whatsoever. No mention of a bailout is made in our motion, and therefore what Mr. Poilievre is saying presently does not pertain to this motion in particular.

We have a legal obligation and we have legal tools to call Mr. Kolshak to this committee.

The Chair: It's not a point of order; it is debate.

Mr. Poilievre, do you have a final comment?

Mr. Pierre Poilievre: The reality is that we've heard the advice from our esteemed non-partisan public servants—who, by the way, are the best in the world. We've learned from this opinion that there is no provision under the Air Canada Public Participation Act to force Aveos back into operation.

The opposition claims it wants something done. The only remedy left to the opposition, given the aforementioned opinion, is a bailout.

The "billion dollar" number comes from the fact that this is the amount of money the company has burned through in the last five years. We are not prepared to support a billion-dollar bailout for a bankrupt company that refuses to explain itself before a parliamentary committee. Their testimony is their refusal to be here. It tells us everything we need to know.

Thank you.

• (1020)

The Chair: Mr. Lamoureux.

Mr. Kevin Lamoureux: I don't want to address the issue of a bailout. I don't think that's the point of the discussion here today, nor has it been anywhere near the discussion since Aveos closed its doors.

What interests me—and the reason we would support the motion being brought forward—is it's important for us to note that there must have been some form of a fairly strong relationship between Aveos and Air Canada. I talked with numerous employees of Air Canada, who were ultimately shifted over to Aveos. I can recall very clearly that many of the employees who made that shift indicated they were concerned that this was just a shell game Air Canada was playing, and Aveos was just executing what Air Canada wanted: to be able to ultimately facilitate the demise of those very important jobs.

Individuals who worked for Air Canada and were transferred over to Aveos said they were wearing Air Canada clothing at Aveos, and they didn't even change over until recently. There's a very strong correlation between those two companies. I think it's worth the effort to try to get some clarification on that issue through Aveos.

I would like Aveos to be given the opportunity to come before the committee so we can at least address these issues head-on. We owe that to the former employees of both Aveos and Air Canada. That's why I think there's a great deal of merit in this. At the end of the day, the employees who have been affected by this want to hear the truth of the matter.

The only way we're going to get to the bottom of this is to get Aveos to come before the committee and tell us why they took the actions they did over a year ago. For us to push them to the side or not recognize them as a significant player in this would be wrong. We would be doing a disservice to the employees and ultimately to all Canadians. We need to get down to what actually transpired and deal with some of the conspiracies that many employees believe took place. I'm interested in finding out the truth on this issue. We owe it to the former employees of Air Canada who were changed over to Aveos.

Thank you, Mr. Chairperson.

The Chair: Ms. Morin.

[*Translation*]

Ms. Isabelle Morin: I will be brief, Mr. Chair.

In response to the three or four questions he was asked on Monday and the five or six questions he was asked on Tuesday, our Minister of Transport told us that what he is going to do to take action on this file is to call Air Canada, the Department of Transport and Aveos to appear before the committee.

So I am surprised to see that the parliamentary secretary refuses to follow up on what his minister told us, namely that Aveos should appear before the committee.

Furthermore, no one here, aside from the Conservatives, is talking about giving \$1 billion to Aveos. I am surprised to see the Conservatives talking about that. We do not want to give \$1 billion to Aveos; that is not at all what we are asking for. We are asking for Aveos' representatives to appear before us to explain what happened. I can imagine that the Conservatives may have no other solution than to give \$1 billion to Aveos. On our side, that is not what we think. We think we should call Aveos in and question its representatives in order to find out what did not work and what we could do so that things go better in the future.

In my opinion, if we want to follow the Minister of Transport, we should have Aveos appear.

• (1025)

The Chair: Mr. Caron.

Mr. Guy Caron: During this committee meeting, I have been quite amused by some of the questions from my colleague opposite. No one talked about a bailout, except Mr. Poilievre. Neither the union nor the opposition parties talked about that.

I think there are very valid reasons to have Aveos here and discuss the situation. I think that even some Conservative colleagues mentioned their deep interest in speaking with Aveos. There are many unanswered questions, among others the corporate game that is being played.

[*English*]

the shell game that's being played right now. It is important, if we want to get to the bottom of this, to actually have the representatives from Aveos here to answer the questions we will have for them.

I can assure you that from this side there will be no question about a possible bailout. That's not our intention, and it's not the intention of the union, as far as I know. It might have been the intention of Aveos behind closed doors; I have no clue about that.

If the government is as interested as we are in getting to the bottom of this to understand what has happened in the last two weeks, they should be voting for this motion. It's in their power to do so.

At this point I will ask for the vote.

Mr. Jamie Nicholls: A recorded vote.

The Chair: I see no further comments.

A recorded vote has been requested. The question is whether the committee shall summons executives from Aveos, with the specifics of the names.... I just don't have that front of me. The motion is put, and I'll ask Alexandre to call the vote.

(Motion negatived: nays 6; yeas 5)

The Chair: Seeing that it is 10:30, I will thank our guests for being here. We appreciate your time today.

The next meeting will take place on Tuesday at the regular time.

Thank you, everyone. Have a good weekend.

The meeting is adjourned.

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SUPERIOR COURT (Commercial Division)
DISTRICT OF MONTREAL

IN THE MATTER OF THE PROPOSED PLAN OF COMPROMISE OR
ARRANGEMENT OF:

AVEOS FLEET PERFORMANCE INC./
AVEOS PERFORMANCE AÉRONAUTIQUE INC.

and
AERO TECHNICAL US, INC.
Petitioners/Insolvent Debtors/Respondents

and
FTI CONSULTING CANADA INC.
Monitor

and
AIR CANADA
Petitioner

and
CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH
and
INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE
WORKERS

Intervening Parties

Me Roger P. Simard/cb

 #548732-1

CONTESTATION BY THE RESPONDENTS
OF AIR CANADA'S *DE BENE ESSE* MOTION FOR AN ORDER LIFTING
THE STAY OF PROCEEDINGS TO CONFIRM THE TERMINATION OF
CERTAIN CONTRACTS
AFFIDAVIT, LIST OF EXHIBITS AND EXHIBITS R-1 TO R-3

ORIGINAL



Fraser Milner Casgrain LLP
1 Place Ville Marie, Suite 3900
Montréal, Q.C., Canada H3B 4M7

MAIN 514 878 8800
FAX 514 866 2241

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