AIR CANADA

News Releases

AIR CANADA RECOGNIZED FOR MARKET LEADERSHIP AND INNOVATION BY INDUSTRY EXPERTS; RECEIVES COVETED 'AIR TRANSPORT WORLD' ACHIEVEMENT AWARD

MONTREAL, January 26, 2007 – Air Canada has been recognized as the airline industry leader in market innovation. In an announcement today by the prestigious Washington D.C.-based publication, Air Transport World, the editors said they selected the airline based on Air Canada's success in implementing an innovative and transparent pricing structure, its effectiveness in using online technology to meet consumers' needs and its fleet-wide renewal with a consistent, market-leading onboard product among North American airlines.

"We are thrilled that Air Canada has been recognized as the airline industry's market leader," said Montie Brewer, President and Chief Executive Officer. "I am proud to share this honour with all Air Canada employees. This achievement is a reflection of the incredibly hard and ground breaking work that our employees have undertaken to innovate and re-invent the business model in order to earn consumers' loyalty."

Air Transport World's Market Leadership Award recognizes those airlines that have developed wholly new markets or have dramatically altered the existing market structure to become leaders. Recent past winners include AirAsia, which brought the low-fare revolution to Asia and GOL, which has done the same to Brazil. In selecting Air Canada in 2007, ATW's editors recognized that new thinking and new ways of doing business are not limited to new airlines.

Said Air Transport World Editor-in-Chief, Perry Flint: "In the view of*ATW's* editors, Air Canada's development of transparent branded fares, accompanied by the introduction of "à la carte" pricing and travel passes, mark it as a Market Leader in reversing the commoditization of air travel and reestablishing a positive price/value equation for the customer.

"Under President and CEO Montie Brewer and parent company, ACE Aviation, Chairman and CEO Robert Milton, Air Canada has become the leader in bringing new thinking to the industry, including carrying out the world's first and only monetization of a frequent-flier loyalty program, Aeroplan.

"Air Canada rolled out a new domestic pricing structure consisting of five branded fares, each with its own price points and attributes. All are sold on a one-way basis right up to the time of departure and none requires a Saturday night stay or advance purchase. They range from Tango, the everyday deep discount product, through Tango Plus, Latitude and Latitude Plus to Executive Class.

"Since introducing the new pricing model, Air Canada has tracked steady improvements in unit revenue and load factor. There was another important benefit: Customers are more comfortable using aircanada.com to buy their seats and Air Canada distributes more than 60 per cent of its domestic sales via the Internet, the kind of figure one would expect from a low cost carrier rather than a full-service global airline.

"Air Canada is moving beyond a transaction-based business model toward a subscription model via its pass products targeted at both business and leisure travelers, offering a fixed price for a pre-set number of segments. Last October, TELUS became the country's first major corporation to purchase the carrier's Corporate Pass for employee travel.

"A further step occurred at the end of October when Air Canada introduced "à la carte pricing" for tickets purchased on its website, enabling customers to choose the features and services they desire in an airline ticket and pay or not pay accordingly. Important to Air Canada's vision is delivering a consistent product across a fleet that ranges from 70-seat regional jets to 349-seat 777-300ERs that start arriving this spring," concluded Mr. Flint.

ATW's Airline Industry Achievement Awards program was created in 1974 to recognize excellence in the airline industry. Nominations are solicited from the magazine's experienced editorial staff around the globe, and also are accepted from individuals and organizations within the airline and commercial air transport industries. Award winners are chosen by ATW's editors, who collectively have more than six decades' of experience writing about the airline industry, after a lengthy consultative process.

ATW is the leading monthly magazine devoted to serving the information needs of the global airline and commercial air transport communities. It was launched in 1964 and has more than 38,000 subscribers around the world. In addition, ATW offers Daily News at its website ATWOnline.com and has more than 40,000 subscribers.

Air Canada's achievements have been honoured recently by consumers and the industry. Air Canada was voted 'Best Airline in North America' and 'Best Airline in Canada' by the readers of U.S. frequent flyer magazine, Global Traveler, and the carrier was voted 'Best Business Class to Canada' by the readers of Business Traveler magazine. In addition, Air Canada President and CEO, Montie Brewer, was named one of the 25 most influential executives of 2006 by Business Travel News editors for successfully leading Air Canada's distribution strategy that leverages the convenience and economics of online technology through innovative product offerings at www.aircanada.com.

Air Canada is Canada's largest domestic and international airline and the largest provider of scheduled services in the Canadian market, the Canada-U.S. transborder market and in the international market to and from Canada. Together with it regional affiliate Jazz, Air Canada serves 31 million customers annually and provides direct passenger service to 157 destinations on five continents. Air Canada is a founding member of Star Alliance providing the world's most comprehensive air transportation network.

Contacts: John Reber (514) 422-5676

Internet: aircanada.com

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