

ACE and Air Canada Board Liable for breach of pension plan fiduciary duties say Machinists!

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For Immediate Release

Toronto, ON – The IAMAW says the members of the ACE and Air Canada Board of Directors will be liable if ACE goes ahead with its plans to wind up ACE Aviation and distribute the proceeds to its shareholders.

“During the past year, the funded position of Air Canada’s pension plans has deteriorated significantly and has imperilled the financial position of retirees and the future of the pension plan,” said IAMAW General Vice President Dave Ritchie.

ACE Aviation has progressively sold off assets that had previously belonged to Air Canada. The proceeds from those assets sales, some \$2 billion CDN, have already been distributed to the shareholders. “Surely the remaining proceeds should be used to fulfill the obligations that Air Canada owes to its employees and retirees, instead of being distributed to the shareholders,” explained Ritchie. “Don’t shed any tears for the shareholders of ACE, they’ve already profited handsomely in the period since Air Canada emerged from bankruptcy protection in the fall of 2004.”

Given the cyclical nature of the airline industry, Ritchie wrote to the Directors of Air Canada and the federal pension regulator in 2005. “I implored Air Canada to address its pension issues when it had the means to do so, but they never responded to my letter,” explained a disappointed Ritchie. “Air Canada will face substantial increased liabilities over the coming years in relation to the pension plan and the fact that I wrote a letter of warning to the Directors of Air Canada in 2005 will provide support for our legal position.”

Given Air Canada’s current financial condition as well as the current state of the economy, the distribution of assets by ACE at this time is nothing short of criminal. “I would also suggest that the distribution of assets represents a breach of fiduciary duties by the Directors of ACE,” said Ritchie.

“The IAMAW will not stand by and watch ACE distribute funds to certain of its shareholders at the very time that Air Canada is in need of funds to survive,” Ritchie stated. “We intend to oppose the wind up of ACE and we will take all necessary steps in the interim to prevent any further distribution of assets by ACE.”

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