



RESEARCH OPINION

April 7, 2006

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Reference: Opinion of AirTrav Inc. regarding increase in service fee for passenger bookings made via Air Canada call centres

ACE Aviation (TSX: ACE.BT)

Effective February 6, 2006, ACE Aviation increased the service fee it charges to passengers booking travel via Air Canada call centres. The service fee increased from \$10 to \$20 CAD per ticket. As multiple travellers can be booked on one passenger name record ("PNR"), the new fee is capped at \$50 per PNR. The service fee will typically apply to call centre bookings that can be made on Air Canada's own website.

AirTrav Inc. has assessed the impact these higher call centre service fees will have on the fiscal year 2006 results of ACE Aviation. Total Air Canada call centre service fees in 2006 will likely reach \$11.6-million CAD, an increase of \$3.7-million over 2005.

AirTrav forecasts no material reduction in bookings to ACE Aviation based on customers switching to other carriers with lower or no call centre fees – the increased service fees will simply drive call centre bookings that can be made via the web, to the web.

Per the table below, the incremental \$3.7-million in service fees this year is equivalent to the revenue generated by 11,585 paying passengers, which in turn is equivalent to the revenue generated by 100 flights operated at average load factors and average yields.

Note that this AirTrav Research Opinion has not taken into consideration other fees charged through Air Canada call centres, such as change fees, or call centre fees from other ACE Aviation units such as Aeroplan. Furthermore, we have not considered the likely favourable impact of reduced call centre labour charges net of marginal increases in IT fees due to increased website usage.

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ACE Aviation (Consolidated, CAD)

CALL CENTRE Sales:	2006-E	2005	2004	2006 vs. 2005	
	(forecast)			\$ and pts Chg	% Chg
Channel share	9.0%	10.0%	12.0%	-1.0%	-10%
Passenger Revenue (millions)	\$837.2	\$826.9	\$877.1	-\$12.4	-1.5%
Passengers (millions)	3.1	3.3	3.6	(0.2)	-5.5%
SERVICE FEE Revenue (millions)	\$11.6	\$7.9	\$4.1	\$3.7	46.8%
% of total channel revenue	1.4%	1.0%	0.5%		

INCREMENTAL Revenue equivalent to:

Number of paying passengers	>	>	>	>	>	>	>	>	>
Number of flights at PLF% ¹	>	>	>	>	>	>	>	>	>

FY 2006
11,585
100

¹ PLF% = Passenger Load Factor = percentage of seats filled

Sources: Air Canada financial and operating data, and AirTrav Inc. estimates.

Per AIRTRAV INC.

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