

We're building your NEW Canadian North



CANADIAN NORTH

During the week of July 22 to 26, 2019, Canadian North's Executive Leadership team and members of its Board hosted open house presentations in Iqaluit and Yellowknife, where they provided an update on our integration progress and addressed questions and feedback from attendees.

Thank you to everyone who was able to join us for these important sessions. For the benefit of those who could not be with us, we have compiled a list of questions that we received along with summaries of the answers that we provided.

We know that air travel is vitally important to the people, organization and communities we serve, so we will continue to provide regular updates about our progress on our websites, social media channels and day-to-day interactions with everyone we serve:

Canadian North	First Air
Web – www.canadiannorth.com/integration Facebook – www.facebook.com/canadiannorthair Twitter – www.twitter.com/canadiannorth	Web – www.firstair.ca/integration Facebook – www.facebook.com/firstair Twitter – www.twitter.com/firstair

If you have questions about your current or upcoming travel or shipping needs in the meantime, we're always ready to assist:

- First Air Call Centre – 1.800.267.1247 | contact@firstair.ca
- Canadian North Call Centre – 1.800.661.1505 | customercare@canadiannorth

Background Information

Purpose of the merger:

- As Northern airlines that are devoted to well-being of the communities we serve, Canadian North and First Air have shared the same vital mission - to bridge vast distances, bring people together and deliver important goods – always with friendly and helpful customer service.
- We fully understand that our customers depend on us for every aspect of their lives and that in order to fulfill this crucial role, we must maintain safe and sustainable operations at all times.
- The highly inefficient status quo of two airlines operating overlapping flight schedules with aircraft capacity that far exceeds demand on most of our routes has contributed to higher fares and cargo rates and impeded our ability to invest in improving our operations.
- By combining our people and resources, we will be able to operate far more efficiently and the improved sustainability we achieve will create new paths to long-term growth and renewal, for the benefit of everyone we serve.

Our Vision:

- To build a brand that's loved and admired within the North, by maintaining safe and efficient operations regardless of the challenging conditions we face and providing better customer service than anyone else.
- By diversifying into new markets and new business opportunities, we will be able to add scale beyond what we could achieve in Northern markets, enabling us to offer the best possible service to the North while keeping costs down.
- We will develop industry and world-leading Inuit recruitment and development programs, with our goal to be recognized as a top place to work and one of the best managed companies in Canada.

What to expect

- A major priority will be to develop a combined flight schedule that will enable customers of both airlines to book any flight operated by Canadian North or First Air. We will continue to offer passenger and cargo capacity that meets the needs of every community we serve within this schedule.
- We will work to expand Canadian North's popular Aurora Rewards loyalty program to all scheduled flights operated by First Air, so that customers of both airlines have the ability to earn Aurora Rewards points and Aeroplan Miles that can be redeemed for free flights. We invite you to learn more about the many benefits of Aurora Rewards and to sign up for this free program at www.aurorarewards.com if you haven't already done so.
- We will begin to roll-out our unified 'Canadian North' brand, featuring the First Air's distinctive Inukshuk logo and red and white colour palette. You will see this brand in more and more places as time progresses, including our website, uniforms, counter signage and aircraft livery.
- We will begin the process of bringing our dedicated and hard-working team members together under the unified Canadian North banner, combining the strengths of our respective teams. This will be a gradual process that will be completed hand-in-hand with other milestones such as combining our flight reservations systems, fare products, operational processes, fleets and facilities. We expect that it will take between 18 and 24 months to transition to a single Air Operator Certificate, merge our maintenance operations and consolidate our fleets.

- We are certain that there will be even more opportunities for our team members to grow and be recognized for their achievements within the new Canadian North. Our goal will be to lead our industry as a top employer, with continued focus on recruiting Inuit and other Indigenous team members for excellent careers within the aviation sector.
- We will continue to leverage our experience and capabilities to expand other areas of our organization that also contribute to our overall sustainability, such as our successful Charters division, with additional resources available to serve our existing clients and bring in new business. This diversification will enable us to continually grow and evolve, regardless of economic conditions.
- As proud members of the communities we serve, we will continue to lend our support to important community events and initiatives throughout the North.

Questions received, with summaries of the corresponding answers

Iqaluit Open House – July 23, 2019

Q: Will you be keeping the warm cookie?

A: *Yes, of course!*

Q: Will you maintain passenger and cargo operations out of Montreal?

A: *Yes this is a key route and we have no plans to change it. We will maintain service to all of our current markets. We believe that there will be opportunities for future improvements here (and in other parts of our network) thanks to the merger.*

Q: Will Ottawa-Iqaluit flights continue to operate on the same wingtip-to-wingtip schedule?

A: *We're looking to announce a unified schedule soon. Right now, we have aircraft operating side-by-side that do not offer any benefit of choice. It's still too soon to say what the schedule will include, but we're looking at opportunities like this.*

Q: Why did the separate Ottawa-Iqaluit flight times you operated several years ago go away?

A: *This was made possible through the previous codeshare partnership and ended when that agreement ended, with both companies going back to the morning timeslot. This is something we will be able to look at doing again due to the merger.*

Q: Aeroplan tickets are very important for Northerners. Will your Aeroplan partnership continue and will there still only be only 2 seats per flight or would there be 4 seats?

A: *We will continue to offer Aeroplan and Aurora Rewards. In terms of how many seats are available on each flight, this is an agreement with Aeroplan that needs to be negotiated. As a merged airline we expect we will be able to negotiate from a stronger position.*

Q: The Aeroplan booking process is difficult for Northerners. There's no ability to book on the web, the process of booking on the phone is tedious/frustrating and we are charged a \$30 booking fee. We would appreciate an easier way to use our points.

A: *Aeroplan controls the process for redeeming Aeroplan Miles towards flights and collects the booking fee. As a merged airline we will look for opportunities to work with Aeroplan to improve and streamline this process, with a greater capacity to invest in our own booking systems as required.*

- Q: For those with contracts or agreements, is the plan to keep existing contract as-is until expiry date or make changes before then? Will there be significant changes to contracts?**
- A: *Right now all existing contracts will continue to be honoured with no changes. In the longer term when we begin to operate as one entity we will have a new pricing strategy and communicate with contract holders. Our sales team is aware of this and prepared to discuss and answer questions.*
- Q: I understand that the purpose of the merger is to create efficiencies and improve return on investment. When will this begin to be passed onto customers in terms of lower prices?**
- A: *The poor return on investment has not allowed us to invest in infrastructure or training that we need and to fund improvements to our operations. We will use efficiencies enabled by the merger to remedy this. In order to enable lower prices we will need to find additional efficiencies. We are keenly aware that prices are high and will do our best to offer the lowest possible prices.*
- Q: We have lots of sporting events coming – including territorial meets and Arctic Winter Games. We need to plan the movement of thousands of youth to these events and change to the schedule will impact this. We want to make you aware of this and ask when new schedule will launch.**
- A: *We will keep the interests of our customers in mind and will do our absolute best to not disrupt or inconvenience anyone. There will be a significant notice period between when schedule is announced and launches. We are targeting to announce our new schedule in the next month or two, with 60 days' notice.*
- Our Board has directed our company to not disrupt non-profit organizations, compassionate fares and other crucial travel needs. There are important things that we will continue to support.*
- Q: Will prices raise for smaller communities?**
- A: *Our intention is to keep prices as low as possible throughout our entire scheduled network. We will maintain a balance of sustaining safe and efficient operations, finding efficiencies, protecting the investment of our owners and keeping prices as low as possible.*
- Q: Tourism is a sustainable industry. Will the new airline continue to drive visitation to the North? The change of schedule will impact tourism operators. How will the new Canadian North work with tourism operators?**
- A: *We view it as our responsibility to drive tourism and create new opportunities to bring Canadians to the North. We recognize that we need to work with outfitters, hotels and other tourism sector operators to help drive visitation, further diversify our markets and help them build their businesses.*
- Q: Nunavummiut have been frustrated to not have a say in airlines. Will there be Nunavut representation on the Board to ensure our interests are represented?**
- A: *We've worked hard to serve Nunavummiut – for example by introducing Ilak Fares and special rates for shipping country food. We have 6 Board members. We're aiming for there to be a 7th, with negotiations now underway. We're optimistic that Qikiqtaaluk Corporation will come on Board. We're also in discussion with the Kitikmeot Inuit Association. We want Nunavut Inuit to join us as owners of our company.*
- Q: Since there will now only be one choice for cargo, will the gap be decreased between what small and large customers pay?**
- A: *We are open to looking at this. The business environment of the north is unique and should be treated differently. We want to support everyone we serve and understand that all northern businesses depend on air service, regardless of size.*

Q: Will larger customers still receive better priority?

A: *We will work to apply priority evenly and fairly to all customers. We are particularly mindful that many priority items we ship are critical for business needs or community infrastructure and that these items need to urgently move. We won't prioritize large over small customers. Our goal is to ship cargo as quickly as possible, regardless of who it's for.*

Q: It's good that you recognize that you provide an essential service. How does that translate to how you will operate?

A: *It starts at the top with our owners and leaders, with a responsibility to be caring, compassionate and invested in our communities. Our Board has asked for stats on which communities our Executive Leaders have visited. It's something we will continue to focus on so that we understand the needs of our customers and are prepared to assist them. Ultimately if we cannot provide good service and pricing with the needs of our customers met, then we will not be successful. We'll lead all of our team members to have this same approach to caring service.*

Q: How adjustable will the schedule be? Will you be able to adjust to respond to seasonal travel, special events, sports tournaments etc.?

A: *It comes down to increasing our scale. The more assets and resources we have, the more flexibility we will have to respond to these needs. Our vision is to first and foremost serve the North and take advantage of opportunities to expand our charters business to increase our scale. More scale = more ability to keep our prices low and be more flexible.*

Q: Would the merged entity consider a Iqaluit – Rankin Inlet – Cambridge Bay route?

A: *We'll consider requests and suggestions that will improve connectivity – a huge priority for us as we achieve new efficiencies. The idea of improving connectivity between Cambridge Bay and Iqaluit was raised at the most recent Kitikmeot Inuit Association Annual General Meeting in 2018 and at that time we committed to explore options for changing our schedule timings to improve connectivity between Cambridge Bay and Iqaluit – we expect these improvements to be part of our upcoming schedule change.*

Q: What will beneficiary fares be like?

A: *Our intention is to continue to offer beneficiary fare programs comparable to Ilak, Pivut and QFAL, making improvements where there are opportunities. We understand the importance of these fares and they will remain a key part of our pricing strategy.*

Q: Donated flights for non-profit organizations and charities are crucial for their sustainability. Will you be merging your existing community support programs and in so doing, reduce the overall number of donated tickets?

A: *It's important to be aware that we have 2 main priorities for this year:*

- 1) Merge First Air with Canadian North while maintaining service levels that our customers depend on us to provide*
- 2) Grow and enhance our community support programs*

We will work to move from a reactive approach where we respond to requests, to a proactive approach with a senior community relationships manager who will be continually engaged with our communities to ensure we're aware of important initiatives and ready to lend our support. We're not there yet, but we will be developing a strategy.

We will continue to maintain our combined levels of support – this is **not** an area where we are looking for efficiencies.

Q: What is your stance on inter-community travel? Many traditional routes have been lost over the years, making it difficult for families to stay connected. I recognize that much of this has been directed by the GN travel contract that focuses on using Iqaluit as a hub with routes to other communities emanating as spokes.

A: *Increasing our scale through our vision will enable us to have new flexibility to add new flights and new seasonal routes between communities, particularly around important travel times like holiday seasons and special events. Enhancing connectivity is a major priority.*

Q: Will there be any changes to air service within the Kivalliq as a result of this merger?

A: *We have concluded that Kivalliq can only support 1 airline, and entering as a competitor would not benefit pricing. We will continue to partner with Calm Air on a codeshare basis to ensure the seamless ability for our customers to travel and ship within the Kivalliq, recognizing that we want to partner and not push others around. There are lots of other opportunities to grow our business in the North, in charters and to provide ancillary services that take advantage of our skills and experience (i.e. aircraft maintenance, training etc.). Our owners are acting on what's best for those we serve. Every decision we have made has been based on how we can make life easier in the North, not on how to increase profits.*

Q: Both airlines have made significant investments in fleet, equipment, infrastructure and inflight entertainment. How much have you spent and will this continue?

A: *We cannot publicly share sensitive info. We can say that we're still in the early stages and learning about our respective operations. Once we have ensured the business is stable and continuing to function smoothly we will start to make decisions.*

If we are not making returns, we need to do something or we will not be around for long. We are confident that we will be successful and will be able to reinvest in improvements, but first and foremost we need to always ensure the needs of the communities we serve are addressed.

Q: Are there still plans to build a new cargo facility in Iqaluit?

A: *Yes this is still being considered, since it will create new operational and cost efficiencies that will benefit all communities within our eastern network. The location is still under discussion but we will continue to move this initiative forward.*

Q: Are you going to take the info you have collected tonight to produce an FAQ so more people can access it and understand your plans and intentions?

A: *Yes we are carefully capturing our discussions with you tonight and will look for opportunities to share it amongst our customers and shareholders.*

Yellowknife Open House – July 25, 2019

Q: In order to maintain your northern credibility, would you consider repatriating your headquarters to the North?

A: *Our headquarters will be located in Ottawa. That said, our Board will continue to expect that our management team travels through the north to maintain our connections to the communities we serve. We all understand that we need to be part of the communities we serve and we can't serve the North well if we are continually in an office in Ottawa.*

Q: Will this merger enable new opportunities to capture new interline business that WestJet and Air Canada currently have?

A: *We currently have interline agreements that enable our customers to seamlessly connect onto WestJet and Air Canada networks. The merger gives us the chance to invest in more international partnerships to drive travel into the North. Air Canada and WestJet don't have a network beyond Yellowknife like we do.*

Q: Is there any consideration to offering morning and evening southbound departures from Yellowknife?

A: *Developing and implementing a unified schedule is a priority for us. We're just beginning to share information between each other so there's lots of work to be done. Our priority will be to maintain capacity and service to our existing destinations. We will look for opportunities like this to provide more choice where it makes sense to do so.*

Q: What will happen with the existing corporate codes and contracts?

A: *For the time being, all existing corporate contracts will continue to be in effect. If you have contracts with both carriers you can choose the one you prefer. We will be developing a new price structure and communicating changes to our customers when we get to that stage. Our sales team has been briefed and is able to answer questions on this.*

Q: What is the anticipated fleet size for the West?

A: *It's still early stages and we need to carefully consider our existing assets and needs before we make these decisions. We'll optimize our fleet to best meet the needs of our market and look at opportunities to grow and revitalize our fleet in the future.*

Q: Will community support continue to be important to the merged airline?

A: *Yes, one of our 2 corporate priorities is to grow and enhance our community engagement strategy. As a proud member of the communities we serve, we will continue to lend our support to important initiatives across the North.*

Q: Are there infrastructure priorities that the government could invest in that would enable us to provide better service and lower our costs?

A: *Yes, any investments in runways, lighting or approaches will lift our operating limits, enabling us to fly into communities on more days with fewer flights turned around or cancelled. When we have to cancel a flight or turn back, it's extremely expensive and disruptive for our customers. As a unified airline we'll be able to lobby much more clearly and strongly to the government.*

We received National Trade Corridor Funds to build a new cargo facility in our Iqaluit hub that will enable us to move cargo to communities much more efficiently with fewer bottlenecks. This is still in the works.

Once again, thank you to everyone who was able to participate in our open house sessions in Iqaluit and Yellowknife. We will continue to share updates as we make progress. If you have questions in the meantime about your current or upcoming travel or shipping needs, we're always ready to assist:

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