The Onex-Air Canada struggle: unions pit worker against worker

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For months a bitter struggle for the control of Canada's skies has been going on between airline giants in the Star Alliance, including United Airlines, Lufthansa and Air Canada, and the One World partnership, which includes American Airlines, British Airways and Canadian Airlines International (CAI).

The fight took a new turn Friday when the investment group Onex, which, with the support of American Airlines and One World, has sought to acquire Air Canada and Canadian Airlines International in order to consolidate them, was forced to withdraw its takeover bid. It did so after a Quebec Superior Court judge ruled that it violated the law under which Air Canada was privatized in the late 1980s.

Onex, which owns shares in CAI, has been unwilling to take over the financially weaker company unless it can also purchase Air Canada. The Air Canada Public Participation Act, however, forbids any single shareholder from owning more than 10 percent of Air Canada's common voting shares. Onex had hoped its effort to acquire the companies would be allowed to proceed, pending the outcome of various government and parliamentary reviews of Canada's air transport policy.

The withdrawal of the Onex offer has resulted in still more confusion as to which corporate clique will reorganize Canada's airline industry and profit from the elimination of at least 15 percent of the workforce. But the Onex-Air Canada dogfight has already shed a spotlight on the incapacity of the trade unions to offer any perspective on which workers can mount a struggle in defence of their genuine class interests. On the contrary, the union bureaucracy's corporatist program—its insistence that workers must subordinate their interests to their employers' profit margins—is undermining the solidarity of airline workers and blocking any common struggle against the destruction of jobs in the industry.

In recent weeks, Air Canada and CAI workers have been told by the unions to line up behind their respective investor group in order to ensure that the bulk of job cuts falls on workers at the rival company.

This reached its climax last week when Buzz Hargrove, President of the Canadian Auto Workers (CAW), appeared alongside Onex head Gerry Schwartz to announce his union was supporting Onex's, or more rightly One World's, takeover bid.

Since the airline-merger war erupted in earnest last August, Hargrove, who is frequently lauded in the press as a "militant," has been the most forthright among top union leaders in voicing his readiness to work with investors to reorganize and downsize the industry. The CAW president has repeatedly said the union recognizes that there are too many workers in the Canadian air transport industry. The union's role, Hargrove insists, is to assist in an orderly rationalization of the industry, in return for buyouts of high seniority workers and, if possible, a guarantee against layoffs.

Hargrove's support for the Onex bid was viewed by the press and investor analysts as a coup for Schwartz that could very well tip the balance in a pending Air Canada shareholder vote on the Onex offer. Hargrove claimed that in return for the CAW's support, Onex had given a written guarantee that for two years there would be no layoffs of CAW members at Air Canada or CAI. All job cuts would be achieved through retirements, attrition and buyouts.

This deal caused an immediate outcry from the 5,000 CAW members at Air Canada. CAW officials at Air Canada denounced Hargrove for making a deal with Onex without any discussion with union members and

organized noisy demonstrations outside CAW offices in many cities across Canada. These protests were no doubt also encouraged by Air Canada itself.

Addressing Hargrove one protest leader, a ticket agent, declared, "You are in bed with Gerry Schwartz, you are in bed with [federal Liberal Transport Minister, David] Collenette. You have the greatest *menage a trois* in the country. And you didn't have the guts to come to us first." Hargrove only response was to complain, "We lose our bargaining power when people turn on their union" Some Air Canada workers have threatened to start a campaign to decertify the CAW as their bargaining agent.

Subsequently, all the unions at Air Canada (with the exception of the International Association of Machinists) held a joint press conference to denounce the Onex takeover bid. Significantly, one reason advanced by the union bureaucrats that an Air Canada-Onex merger wouldn't work was that there is too much bad blood between the airlines' respective workforces. This bad blood is a direct consequence of the unions having encouraged workers to identify their interests with those of the employer and to support their respective companies in the battle for market share and profits. "The merger will not work," claimed ticket agent union representative Blaise Wojcik, because Air Canada workers will not be willing to make the sacrifices for Schwartz that they have been making for Air Canada president Robert Milton. "We do it for Mr. Milton. We will not do it for Mr. Schwartz."

Hargrove has claimed the two-year job guarantee offered by Onex justified his throwing his support behind its takeover bid. But many Air Canada workers were skeptical of such guarantees. Over the last decade, airline workers have repeatedly had to reopen their contracts to accept wage cuts, workload increases and other concessions. Many investor analysts shared the perception that Onex's guarantees were unsustainable. According to some, as many as 10,000 jobs need to be slashed before the industry will be able to provide a "competitive" return on investment.

Air Canada workers opposed Onex's plan to fuse the airlines because they feared that, since they generally have less seniority than workers at CAI, they would suffer the lion's share of any job cuts. The more profitable of the two, Air Canada, has expanded over the past decade, while Canadian has imposed successive rounds of job cuts.

CAI workers, meanwhile, grasped at the Onex offer, as a way to escape the airline's probable bankruptcy.