Air Canada demands massive concessions

A correspondent
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Air Canada, the country's principal air carrier, is demanding $650 million in annual contract concessions from its 35,000 unionized employees—the equivalent of eliminating 8,000 jobs.

At meetings with union officials earlier this month, Air Canada executives warned that the airline could be forced into bankruptcy unless workers accepts changes in work rules, wage cuts and other concessions worth more than 20 percent of the company's annual labor costs.

Company President and CEO Robert Milton says Air Canada is determined to win the contract concessions and squeeze more labor from its workforce for less wages, rather than simply reduce flights and slash jobs: "It is a fool's game to continue trying to chop the junior-most, highest-productivity, lowest-wage-rate employees."

In threatening Air Canada workers' livelihood, Milton has invoked the language of the Bush administration, claiming that September 11 fundamentally transformed the air travel industry. "Everything is on the table," declared Milton. "The game has changed. The cheese has moved and we're going to deal with it."

In fact, Air Canada's financial woes significantly pre-date the post-September 11 falloff in air travel. The airline has a $12.9 billion debt, much of it the result of a protracted commercial war with Canadian Airlines. In 2000, Air Canada succeeded in buying out Canadian, which was then on the verge of bankruptcy.

Air Canada's principal creditors and shareholders anticipated the merger would result in a profit premium since it left the airline as the sole carrier in large parts of the country. But with the puncturing of the stock market boom in 2000, the air travel industry went into a tailspin. More recently, Air Canada has faced a growing challenge from a new, nonunion, low-cost carrier, West Jet. Even as Canada's overall air travel market has shrunk, Air Canada's share has fallen from 80 percent in 2000 to 55 percent today.

Since the merger, Air Canada has eliminated about 12 percent of the combined Air Canada-Canadian workforce. With the support of the unions, it has also spun off part of its operations to form a new regional subsidiary, Jazz, with increased work-rule flexibility and lower labor costs.

Milton has now announced Jazz is to be sold off. So as to boost Jazz's worth to potential buyers, Air Canada is seeking substantial further concessions from its workers. Declared Jazz President Joe Randall, "There are no sacred cows.... There are things like wages, benefits and work rules to look at. We just need to get [concessions] now in the short term."

Canada's federal Liberal government has signaled full support for Air Canada's drive to improve its profitability at the expense of its workers. "I am very concerned about Air Canada, [and] I have been for quite a while," said Transport Minister David Collenette. "I think the management has done a good job in the last number of years in trying to cut costs, but obviously that isn't sufficient."

In a second interview, Collenette echoed Air Canada's complaints about excessive labor costs and lack of profits. "We have some of the lowest airfares in Canadian history. But it's coming at a great price ... the bottom line for all companies, especially Air Canada. Air Canada's cost structure does not permit it to continue this kind of low-fare regime."

During the corporate struggle between Air Canada and Canadian, the unions worked to mobilize their members behind their respective employers and against their fellow workers at the other airline. In keeping with this corporatist policy, the unions are now falling in line behind Air Canada's concession demands.

"The low-cost carriers are eating us alive," said Jean Jallet, head of the International Association of

Machinists and Aerospace Workers (IAM), which represents 15,000 maintenance workers and baggage handlers. “There is some validity to (management’s) argument.”

Ken Hopper of the Canadian Union of Public Employees’ Air Canada component says CUPE will work with management to find ways to cut costs. But for the moment, it is insisting that the new collective agreement signed with the airline last month not be reopened.

Gary Fane of the Canadian Auto Workers, which represents customer care and service workers, has said his union is prepared to consider changes to work conditions but won’t discuss wage cuts. “At the CAW, we don’t give up wage concessions.... But we’ll talk about anything else.”

The Air Canada Pilots Association (ACPA) is hiring financial advisers to do due diligence on the airline to see if its future is as bleak as Milton claims. “If we are satisfied,” ACPA President Don Johnson told reporters, “then we’ll act appropriately.”