Air Canada using bankruptcy proceedings to gut jobs and wages

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23 April 2003

With the support of the country's political, financial and legal establishment, Air Canada is using bankruptcy proceedings to impose massive wage cuts and job losses on its 40,000 employees.

Yesterday, Air Canada lawyers urged Ontario Superior Court Justice James Farley to extend his April 1 order giving the airline protection under the Companies' Creditors Arrangement Act (CCAA) until the end of June. Meanwhile, lawyers for five unions and several of Air Canada's corporate creditors argued that Judge Farley had grossly overstepped the bounds of the CCAA when he ruled that the country's largest airline can "terminate or suspend—agreements of any nature whatsoever."

Recognizing that Justice Farley's order has given it the whip-hand, Air Canada told the court it would be ready to meet with union officials beginning next week, with a May 15 deadline for the unions acquiescing to its draconian concession demands.

The offer of "negotiations" was coupled with a claim that Air Canada is not seeking to establish a precedent for companies escaping their labour contracts by resorting to the CCAA—as numerous employers in the US have done by seeking Chapter 11 protection. But Air Canada has already invoked Justice Farley's April 1 order to cancel bonuses and scheduled wage increases.

Although Air Canada has not publicly spelled out its latest concession demands, they are rumored to be well above—and possibly even double—the $650 million in annual labor savings the air carrier said it needed in February.

Citing mounting losses, the airline initially sought the voiding of contractual wage increases and the layoff of 3,600 employees, a full 10 percent of the workforce, as well as other concessions and rollbacks. However, no sooner had the union leadership announced its readiness to work with Air Canada to achieve cost savings, than the airline sprung a further demand for an across-the-board wage cut of 22 percent, a permanent wage-freeze, and an end to all layoff protection—threatening bankruptcy proceedings as the consequence of noncompliance.

The unions, fearing that they would lose whatever credibility they retain among rank-and-file workers, balked at Air Canada's ever-expanding concession demands and the airline promptly sought CCAA protection.

One of Air Canada's principal aims in filing for bankruptcy is to escape its pension commitments. Under the bankruptcy proceedings, the pensioners will become simply one group of creditors among many. At the time of the bankruptcy filing it was revealed that Air Canada's existing pension plan is suffering a $1.3 billion shortfall—a figure that was later revised upwards to $2.5 billion.

The airline's principal aim—whatever its current claims about not setting a Chapter 11 precedent—is to gut its workers' collective agreement. In an affidavit filed with the court April 1, Air Canada's chief financial officer, Rob Peterson, wrote: "If agreements cannot be reached through the course of this [bankruptcy] proceeding, Air Canada may seek to reject its existing collective agreements and replace them with competitive agreements, as Air Canada's United States competitors have done and are doing."

Although Air Canada is based in Montreal, the company filed for bankruptcy in Ontario, hoping to avoid the precedent of a recent Quebec Court of Appeal ruling, in the case of Jeffrey Mine Inc., which overturned a lower court's decision allowing any and all provisions of collective agreements to be disregarded under bankruptcy proceedings.

In pressing ahead with layoffs, wage rollbacks and other demands for concessions, the airline has frequently invoked the US war against Iraq as a pretext. In March, the company cited the war as a *force majeure* necessitating it lay off 650 flight attendants despite contractual job security guarantees.

Not least among the reasons the war pretext is dishonest is that the airline was in a difficult financial position long before the crisis over Iraq, and long before September 11, 2001, for that matter. Air Canada carries more than $12 billion in debt, and reported a loss of $428 million in 2002, down from a loss of $1.3 billion in 2001. The airline faces stiff competition from non-unionized local carrier WestJet, and its share of the country's shrinking air travel market has fallen from 80 percent in 2000 to 55 percent today.

It was this problematic commercial situation that was behind the January 2000 merger of Air Canada with the former Canadian Airlines International. Rival corporate cliques had been vying with each other to see who would benefit from the long expected "rationalization" of Canada's airline industry, i.e., the assault on the jobs, wages and working conditions of airline workers and the cutting of routes. At the time of the merger, the unions encouraged workers to identify with "their" company against their fellow workers in the other airline—a thoroughly reactionary perspective that has led, among other things, to continuing acrimony between flight crews of the two pre-merger airlines.

The unions have responded to Air Canada's recent assault along the same lines, identifying their members' interests with those of their employer. While challenging Air Canada's legal right under the CCAA to set aside the existing contracts, all the unions are agreed workers must sacrifice their jobs, wages and benefits to restore the airline to profitability.

The Canadian Auto Workers (CAW), reputedly the most "militant" of the country's large unions, was by far the most craven in its capitulation to the airline. Before the bankruptcy proceedings, the CAW agreed to the layoff of 1,060 workers at Air Canada, along with 200 workers at Jazz, a regional subsidiary of the airline. The CAW also agreed to cancel a 2.5 percent wage increase that would have taken effect April 1. CAW President Buzz Hargrove justified the concessions saying, "We saw a train coming down [the] tunnel and we're in the way."

On April 3, the five Air Canada unions made a joint presentation before the federal government's House of Commons Transport Committee. The unions called for federal regulation of routes and capacity, reductions in federal airport rents, for the government to back the pensions of Air Canada workers, and for a financial bailout of the airline. The CAW further signaled its acceptance of the market, arguing that "in the long term the federal government must eliminate the bizarre and arbitrary restrictions on Air Canada, which have been imposed through the Competition Act that prevents the airline from competing with its rivals."

The unions, unwilling to mobilize their own members or the wider working class against the corporate assault, are left appealing for intervention by the big business Liberal government. In fact, Transport Minister David Collenette has intervened—praising Air Canada management and voicing support for its campaign to reduce costs on the back of its workers.

Capital's drive to solve its problems at the expense of the working class cannot be fought by begging for help from the parties of big business, still less by abject collaboration with the airline in "mitigating" layoffs and concessions. The defense of airline workers' jobs and working conditions, as those of all workers, requires a political struggle against the subordination of all economic life to the exigencies of the capitalist market. The airline industry, a crucial component in the globalized economy, should be placed under the democratic control of the airline workers themselves, where it can function in the service of human need, rather than to enrich the few.