# Canada: Further concessions extorted from Air Canada workers

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Air Canada, the country's largest airline, is continuing to use the threat of bankruptcy to impose draconian contract concessions on its workers. In recent weeks, the unions representing Air Canada workers have agreed to $208 million worth of further cuts in separately negotiated agreements.

Just over a year ago, after the unions had balked at the extent of the concessions demanded, the airline sought protection from its creditors under the Companies' Creditors Arrangements Act (CCAA). By threatening the companies' liquidation, management sought to terrorize the airline's workers into accepting massive job and wage cuts, and escape significant (and underfunded) pension obligations. The unions, for their part, took this as the cue to accede to a massive $1.1 billion in concessions—an amount equal to almost 40 percent of the airline's 2003 labour costs.

The roots of the airline's present financial crisis lie in the massive debt Air Canada accumulated during its takeover, in early 2000, of rival Canadian Airlines International. The merger was the outcome of a bitter struggle between rival corporate cliques to see who would benefit from a long-expected "rationalization" of Canada's airline industry, i.e., an assault on the jobs, wages and working conditions of airline workers. Since December 2000, the equivalent of more than 10,000 full-time positions has been destroyed.

Earlier this year Hong-Kong investor Victor Li was poised to make a major investment in Air Canada. But Li pulled out, citing the airline's inability to further reduce its labour costs. Since then, Deutsche Bank and GE Capital Aviation Services have come forward with financing offers. Deutsche Bank has offered $850 million in equity, on the condition that a further $200 million in concessions is wrung from the airline's workers.

All of the unions have now bowed to Deutsche Bank's demands and the bankruptcy court has rewarded the airline with an extension until September of the protection from its creditors.

The Canadian Union of Public Employees (CUPE), representing 5800 mainline flight attendants, has agreed to $51.6 million in new concessions. This includes a 10 percent pay cut, as well as 250 voluntary retirements per year in each of the next five years. A new wage grid for new hires has been established, with the entry wage for flight attendants reduced to $21 per hour from $24.

* The Air Canada Pilots Association, representing 3000 pilots, has agreed to $38.5 million a year in cuts.

* The International Association of Machinists and Aerospace Workers, representing 11,500 technical, ground service and clerical workers (14,500 according to Air Canada), has accepted $35.7 million in concessions.

* The Canadian Autoworkers Union (CAW), representing 6400 reservation agents, negotiated a 2.5 percent wage cut over two years and 1300 voluntary retirements over the next 18 months, for a total of $165 million in concessions.

The concessions have yet to be ratified by the workers. Turning the principle of worker solidarity on its head, the various union bureaucracies are trying to mollify the anger amongst their own members by hanging tough on the need for "equality of sacrifice." Several unions are refusing to hold ratification votes until Air Canada produces documentation proving that all of the different groups of workers have been forced to make concessions as savage as those that they have negotiated.

Pamela Sachs, president of CUPE's Air Canada component, defended the most recent concessions as "creative ways to minimize the pain," which would "turn the airline around," and have been achieved "without layoffs." Sachs justified delaying their ratification on the grounds that the union needed "to have the specifics and figures regarding what other bargaining units have given, and what management has given... until we review the MOUs of other bargaining units, we will not be able to conduct the necessary internal process in which our financial analysts assess whether all groups have given fairly."

This reactionary setting of worker against worker is the tragic expression of the policies pursued by the trade union bureaucracy, both in Canada and internationally, throughout the recent global shakeout in the airline industry. Instead of

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mobilizing their own members and the wider working class against the demands of the big business shareholders and creditors of Air Canada and the other air lines, the unions have encouraged workers to identify with “their” company in its struggle for market share and profitability and to view fellow workers at other airlines as the “enemy.” The leadership of the CAW, for instance, openly sided with Canadian Airlines against Air Canada, supporting the 1999 takeover bid launched by investor Gerry Schwarz and his Onex corporation.

CAW President Buzz Hargrove now places all responsibility for the ongoing parade of concessions at the feet of the federal government, complaining that “after the Liberal government refused to put even one penny in for retirement incentives or voluntary separation payments, your bargaining committee, including myself, were faced with some very difficult decisions.”

Two points need to be made about Hargrove’s claim. First, he and the CAW leadership share Air Canada’s objective of slashing the workforce and squeezing more labor and profits from the workers who remain. Their complaint is that the big business Liberals government did not pony up money from the Employment Insurance fund to make it easier for Air Canada to achieve its objective of slashing the workforce.

Second, to be sure the big business Liberal government has been complicit in the assault on Air Canada workers’ jobs and wages, but it could hardly be expected to play any other role. In terms of socio-economic policy, the ten year-old Liberal government of Jean Chrétien and Paul Martin has been the most reactionary federal government since before World War II.

Throughout Air Canada’s year-long bankruptcy, the Liberal government has insisted that it will not intervene to prop up the airline and has thereby effectively thrown the weight of the federal government behind management’s concession demands. In this, it is faithfully following the marching orders laid down by the big business press.

In 1999-2000, the federal government did ultimately intervene in the airline industry crisis, choosing to facilitate Air Canada’s takeover of Canadian, as part of a “solution” in which the unions committed themselves to supporting an “orderly” restructuring of the industry at the expense of their members’ jobs and working conditions.

But with the rise of WestJet and other low-cost carriers, Canada’s business elite has become progressively more confident that the bankruptcy or even break-up of Air Canada would not cause any significant disruption to air travel and business. The benefits to big business—increased profitability for the industry, lower ticket prices for business travelers on high volume routes, a further weakening of the working class and confirmation of the principal that the “laws of the market” should prevail—are now seen as outweighing any disadvantages associated with the airline’s potential demise.

The criminal policy pursued by the union bureaucracy during the takeover of Canadian Airlines and its acceptance of the need for massive jobs cuts has led to ongoing acrimony between workers at the post-merger Air Canada, thus further facilitating management’s drive for concessions. In recent weeks, different groups of pilots at the airline have engaged in fratricidal struggles with each other over seniority. A group of pilots, employed at Air Canada prior to the airline’s takeover of rival Canadian Airlines, staged marches in Toronto, Halifax and Vancouver to protest a recent ruling on seniority, a ruling which was itself a replacement of an earlier ruling.

Workers urgently need to draw a balance sheet of the debacle at Air Canada. The unions’ subordination of workers’ interests to corporate profitability must be rejected and a new strategy of industrial and political struggle based on the unity of the international working class adopted.

Meanwhile, the threat of bankruptcy is also being used to extract concessions from workers at another “historic” Canadian corporation—steelmaker Stelco. The company, until recently Canada’s largest steelmaker, is using stalled bankruptcy talks in order to refuse to negotiate with workers at the company’s Lake Erie Works (Local 8872 of the USWA), whose contract expires July 31st. The company has also used the bankruptcy proceedings to impose the layoff of 150 workers. A study—commissioned by the company, presumably with an eye towards its value as a threat—concluded that 24,500 jobs would be eliminated, corresponding to $1.8 billion in annual wages, were Stelco to be shut down.

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