Air Canada pushes Aveos into bankruptcy, eliminating 2,600 jobs

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Having mounted only a token campaign against the closure of the airplane maintenance company Aveos, the International Association of Machinists and Aerospace Workers (IAMAW) is now working alongside the provincial Liberal government and the Quebec Federation of Labour's Solidarity Fund to find investors to relaunch the company at its members' expense.

On March 19, Aveos, a subcontractor for Air Canada, announced the immediate closure of its aircraft maintenance centers in Winnipeg, Mississauga, and Montreal, throwing 2,600 workers, including 1,800 in Montreal, onto the street without any warning.

In addition to stripping them of their livelihood, the Aveos closure and bankruptcy have cost many of the workers large sums in the form of back wages, vacation pay and other forms of banked and accrued time, and placed their pensions at risk.

Recently, Quebec's Superior Court rendered a decision limiting to $2,000, for a total of $3.6 million, the amount each sacked Aveos worker can collect from the company. By contrast, all Aveos officers and directors are considered priority creditors and are entitled to $5 million from the company's assets. Moreover, $300 million is to be paid to shareholders in connection with the company's liquidation.

The shuttering of Aveos is the result of years of restructuring at Air Canada that was encouraged and supervised by the federal government in order to increase the company's profitability and its international competitiveness.

Until 2007, Aveos was a subsidiary of Air Canada, the most important airline carrier in the country. Following Air Canada's privatization in 1988, several of its divisions were spun off into limited partnerships enabling the company to increase its profits by cutting corners, along with worker pensions, job security and other benefits.

Air Canada's 2003 bankruptcy was followed by a long series of reorganizations that repeatedly involved job cuts and other significant worker concessions. It was during this period that the company's maintenance division, Air Canada Technical Services (ACTS), was established. In 2007, workers were forced to quit Air Canada when ACTS was sold to Aveos. According to union claims, the sale meant that jobs could now be transferred to El Salvador, where Aveos had its own subsidiary that paid its employees poverty wages.

In the months preceding Aveos's bankruptcy, Air Canada, which accounted for almost all of Aveos's business, significantly reduced the maintenance work it contracted out to the company. Air Canada complained that outsourcing to Aveos was too expensive due to "productivity problems."

The leadership of IAMAW Local 1751 protested the company's closure, but these *pro forma* protests essentially ceased after Stephen Harper's federal Conservative government made it clear that it would not intervene to keep the company alive. Transportation Minister Denis Lebel stated: "This is an issue between two private companies. We will not manage any company in this country." To silence opposition critics, Lebel produced a legal opinion indicating that Air Canada had not violated the 1988 privatization agreement, which stated that the company must "maintain service and maintenance centers in Winnipeg and Mississauga and urban Montreal."

In fact, the government has played a key role in Air Canada's restructuring and in its assault on its workers. Over the past year, the federal government has repeatedly intervened to prevent or break strikes by Air Canada workers and to support the company's concession demands, particularly its attempts to slash pension benefits and to create a new low-wage subsidiary specializing in the charter-vacation business.

Most recently, the government rushed emergency legislation through parliament that strips Air Canada pilots and baggage handlers and other ground workers of the right to strike and provides for their wages and working conditions to be determined through arbitration. The anti-strike law is drafted so as to legally compel the arbitrators to favor Air Canada's concession demands.

Last year, the Harper government threatened customer service agents with similar legislation and used the Canada Labour Relations Board to illegalize an impending walkout of flight attendants and to subsequently impose on them by decree contract terms that they had repeatedly rejected in membership votes.

Each time, the union involved capitulated before the government's threats, telling its members that it was powerless to oppose the Harper government. Indeed, during the recent round of negotiations at Air Canada, the union leaders repeatedly invoked the threat of government intervention to justify their support for concessionary tentative contracts that the rank-and-file voted down.

While the Conservative government has given the green light to the Aveos closure, Quebec's Liberal government has suggested, at the urging of the Quebec Federation of Labour and the opposition Parti Quebecois (PQ), that it will support a court case alleging Air Canada has violated its 1988 commitment to keep much of its maintenance work in Montreal.

On the part of Quebec's political elite, support for a possible court challenge and/or the relaunching of Aveos under new ownership is part of a campaign to keep corporate profits in Quebec. This perspective was articulated by François Legault, a former PQ cabinet minister and the head of the right-wing *Coalition Avenir Québec* (CAQ—Coalition for Quebec's Future): "The aviation industry is one of the spearheads of our economy. It is imperative to signal Air Canada and the Harper government that we will not allow this industry to erode away to the benefit of other provinces or abroad."

On the part of the unions, which have time and again participated in Air Canada's corporate restructurings, the court challenge is a hypocritical diversion from a genuine struggle to defend jobs and wages based on the mobilization of the working class. It is based on the reactionary perspective that workers can defend their interests by appealing to the big business politicians and the courts; and it is fully in line with the unions' promotion of protectionism, which pits workers against each other in a fratricidal struggle for jobs, while accepting and enforcing the subordination of economic life to the profit interests of investors.

With the full support of the Machinists, the Quebec Federation of Labour's Solidarity Fund (a $7 billion investment fund controlled by the QFL bureaucracy) is now working with the provincial Liberal government to find a buyer for the defunct Aveos. Undoubtedly, any such revival scheme will be conditional on speed-up and further reductions in the laid-off Aveos workers' pay and benefits. Over the past quarter century, the Solidarity Fund has repeatedly "rescued" companies by assisting employers and investors in imposing concessionary contracts.

A few months ago, when the Liberal government intervened to prevent the closure of White Birch Paper, it made financial aid to the troubled company conditional on drastic wage and benefits cuts. The restructuring agreement promoted by the union leadership resulted in a loss of up to 70 percent of the monies accumulated by workers in their pension fund and a 40 percent cut in the retirement benefits of current retirees. Those workers who have not lost their jobs have had their wages cut by10 percent and will have to endure years of further real wage cuts due to a wage freeze.

Following the Aveos closure, laid-off workers peacefully protested outside Air Canada offices near the Montreal-Trudeau airport and blocked Côte-Vertu Boulevard, a major city artery. The company immediately responded by obtaining a court injunction barring the workers from blocking access to its offices. When the workers refused to move, the riot police were rapidly deployed. Having used tear gas to disperse the workers, police escorted Air Canada executives into their offices.

While picketing continued on subsequent days, the union refused to mount anything more than routine protests, saying it did not want to "precipitate economic disruption."