

BROKEN SKIES: CANADA'S UNTOLD AIRLINE CRISIS

Imagine if a politician promised to bankrupt every company in an important industry, create some of the highest service charges in the world, cause one of the biggest scandals in Canadian history through backroom privatisation deals, and turn thousands of stable jobs into precarious ones to pay for massive CEO bonuses.

It's hard to imagine many voters supporting this.

Yet this is exactly what happened to Canada's airline industry when it became the first testing ground for the privatisation and de-regulation agenda in 1987. At the time, airline CEOs like Ward Air's Max Ward thought they could dominate the skies if government "got out of the way of business." The privateers promised more competition would create lower fares. Publicly-owned Air Canada became a target for politicians who favoured "less government."

At first this experiment was deemed a great success. New start-up companies and existing airlines went on buying sprees (mostly of each other, with a few Airbus' thrown in). The experiment's supposed "success" was then used to expand this model to other sectors of our economy.

But soon it started to fall apart, with spectacular failures like Wardair, growing debt and increased concentration of airline ownership. By the early 90s the industry was in a full blown crisis. Instead of reversing de-regulation, the newly elected Liberal government took the experiment further by launching "Open Skies" with the U.S. and pushing even more aggressively the de-regulation agenda (including airports). This trend continues today with the government now actively looking at the final takeover of our skies by foreign owned air carriers.

The experiment has been a complete failure:

- Instead of increased competition, there are fewer airlines operating within Canada. In 1985 passengers could travel between Montreal and Toronto on Air Canada, CP Air, Quebecair, Nordair, City Express, Great Lakes and Eastern Provincial Airlines. Today their choices are limited to Air Canada, West Jet and Porter Airlines.
- Every major airline that operated prior to de-regulation has either ceased operations, disappeared through merger or undergone re-structuring through bankruptcy proceedings. This 100% failure rate is unprecedented.
- From 1937 to 1987 only 3 major airlines ceased operations due to economic factors, and the government suspended one airline's operations due to political pressure from the U.S. over its cargo service to Cuba (World-Wide Airways in 1966).
- From 1987 to 2009 there have been 25 airlines that have ceased operations. These failures have caused considerable hardship to the thousands of stranded passengers and the suddenly unemployed workers.

- This instability has caused a decrease in government revenues from profits and workers' wages. In order to make this up, there have been dramatic increases in user fees and service charges. Canada now has amongst the highest such charges in the world.
- Contrary to the hype and gimmicky seat sales, the facts paint a different story. Adjusted for inflation, the price of an airline ticket only showed an annual decrease of 0.4% in de-regulation's first twelve years (1987-1999). Although there are no current stats, overall transport prices appear to be following this trend. However when all additional charges are included, there has been a marked increase in total costs for the travelling public.
- Many of the 80,000 workers directly employed in the industry have been forced to move from airline to airline to stay employed. This instability has caused large decreases in full time jobs with benefits. Those still employed are forced to make ever bigger sacrifices to “keep their jobs.” Today's new airport worker is increasingly on a part time contract and is forced to start over at near minimum wage whenever they are forced to change contracts.

De-regulation has created some winners:

- CEOs have seen their wages and bonuses take off. In 2006, Air Canada's CEO Robert Milton earned over \$39-million at a time of worker concessions.
- Wall Street firms like Cerberus continue to make windfall profits by stripping assets from restructuring carriers.
- Investment bankers continue to pocket rich commissions whenever new share offerings are made.
- Bankruptcy lawyers are always the first to appear when airlines fail because they are always the first to be paid.

In other words; the people who lobbied for de-regulation in the first place.

The collapse of the world's financial sector has shown the bankruptcy of the ideology of removing regulations and privatising our nations. On March 29, 2009 Stephen Harper said on Fox News that the instability of the world markets was due to the "consequence of under-regulation." He could have just as easily been talking about Canada's airlines.

The first step to reverse this instability is to restore the regulations that protected Canadians in the past. Simply put: ensure industry operates for the benefit of the people instead of the corporate vultures.

In the months ahead, Canada's airline workers will be demanding a return to saner skies. Action is needed before the next chapter of “Milton's Millions” is written or the next Karlheinz Schreiber flies into town.

Your support will be critical in making this happen. A good place to start would be to tell your MP that you don't support the “consequences of under-regulation” of the airlines and all other industries in Canada.