

THE SNAG SHEET

MONTHLY NEWSLETTER OF CANADIAN
AIRWAYS LODGE 764

Mar 2009



International Association
of Machinists and
Aerospace Workers
Representing Air Transport
Workers in
British Columbia and the
Yukon



President's Message

Today's word boys and girls is "pensions". It is being brought to you by just about everyone. The Federal government is holding consultation meetings across the country in March and April so they are talking about it. I always talk about it, but then I'm feeble minded and easily amused. But the really big presenter this month is Montie. He is talking to you in messages and blogs and he even wanted to send each and every one of you letters and documents and forms to help and support the Company in their quest for fairness and goodness and the American, um I mean Canadian Way.

While the Company is always free to talk to its employees about issues that affect them and indeed we encourage them to communicate with us, there is a limit to what they can do and how they can do it. They cannot enter into what is called "direct bargaining". This means that they cannot sidestep the bargaining agent and enter into direct discussions with you about contractual issues. They cannot poll you on these issues nor can they encourage you to take action or sides on contractual issues.

Your pension is a contractual benefit that forms part of our collective agreement. All discussions regarding the Company's proposed changes to the regulatory legislation that governs pensions in Canada should be directed through the Unions and not around them. Air Canada did exactly the same thing with respect to our pensions in 2004 when they were trying to get us to agree to wind up our DB plan and change to a DC pension plan for our own good. At that time the 5 major Unions were forced to go to the CIRB and get a cease and desist order to stop them from this activity.

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Air Canada is asking its employees to call their MPs to offer your support for their proposed amendments to the Pension Benefit Standards Act and the Income Tax Act with respect to pension regulations. The Union fully supports the need for regulatory changes to protect the long term viability of our pension plans and to ease the burden on the employers; we are not necessarily in agreement with their proposed changes. The Company's proposals put far too much risk on the employees for the funding shortfalls. We feel that this risk needs to be secured if we are being asked to accept it. That can be done in a number of ways. The Federal government should institute a pension insurance program similar to the ones enacted by the Quebec and Ontario governments. Employee pension plan underfunded liabilities should be treated as secured creditors, ahead of all other creditors in the event of a bankruptcy or windup of the company.

Please make sure that you understand exactly what you are being asked to support and the consequences that may flow from any proposed changes to federal pension legislation. The protective measures and regulations built into this legislation was the only thing that enabled us to keep our pension plan coming out of CCAA in 2004 unlike our counterparts at United Airlines and other US carriers. Please help us ensure that it still has teeth when we need it again.

To make sure you get correct, timely and pertinent information, check the Union Bulletin boards, our website or even better, sign up for our email list and we will send it directly to you as soon as we get it. To sign up, simply go to the LL764 website www.iam764.ca home page. At the bottom of the right hand column there is a link "**Join IAM 764 mailing list**". Simply click on the link and input your personal email address that you wish to use. Do not use your Air Canada, MTU or United Airlines email address. We will not send any information or communications to Company email accounts and risk members being disciplined for misuse of company email.

Christopher Hiscock
President
Canadian Airways Lodge 764

Zoom Gets Zapped

On Thursday, August 28 2008, just after 1500 hours, Zoom Airlines filed for bankruptcy. The airline took less than seventy-two hours to evaporate from the Canadian travel scene - - faster than the two other disgraces to the Canadian skies -- Canada 3000 and Jetsgo -- yet with an equal amount of affliction to air travelers. Stranded Zoom passengers, holding worthless tickets, or reservations, or forced to buy their way home, will never forget this date, this time, or this carnage.



In October 2003 I wrote my first article on Zoom Airlines for the Snagsheet. I highlighted how the Boyle brothers of Scotland, who twice sold successful group inclusive tour companies to larger air charter operators in Great Britain, and both times amassed a huge fortune, used their "direct-sell" tour model, and their wealth, to start a similar business based on the same approach, in Ottawa, Canada.

You might recall that I wrote a detailed description of the business approach – how the Boyle's would put together tour packages to warm climates at rock bottom prices, advertise aggressively, assemble a tour group of aircraft charter size, and then charter an aircraft from an established carrier to do the transporting. Their business cut out the two biggest costs in group inclusive tour operation – the travel agent, and the airline with its fees, services, and add-ons.

The Boyles were an instant hit with the traveling public. When Zoom Travel could no longer charter commercial aircraft to work to their schedules and convenience, they went out and leased their own airplanes. This is how Zoom Airlines was born.

Zoom Inc. (Canada) temporarily leased an Airbus A320-212 from Monarch Airlines in 2002 and had it repainted Zoom blue. In 2003, Zoom Airlines started its fleet acquisition with

one ex-Air France B767-328ER aircraft. As business got better, Zoom expanded its fleet.

The Boyles acquired another ex-Air France B767-328ER in 2004, then two more B767-306ER's from KLM, one in 2006, and another one in 2007. Advance bookings mushroomed and Zoom was on a roll.

By mid-2007 Zoom needed still more aircraft. The company acquired two B757-28A transports -- one in late 2007, formerly leased by David Ho's Harmony Airlines (which had downsized), and the other, in 2008, recently returned by National Airlines of the USA (and used by the Obama Campaign), to lessor Wells Fargo Bank of Utah.

As advance bookings for their services multiplied, the Boyle's re-entered the British market through subsidiary Zoom Ltd. (U.K.), signing a code-share agreement with United Kingdom charter carrier FlyGlobespan to share flights, bookings, and services between eastern Canadian points and Manchester, Glasgow, and Cardiff. A B737-8Q8 aircraft was sub-leased from Excel Airlines (now itself bankrupt as of November 2008) for a time in 2005 to meet the increased demands, and help mitigate the aircraft equipment shortage at Zoom Canada, prompted by its expanded U.K. Operations.

Undeniably, Zoom Airlines' rapid expansion decisions left their low cost operational basics in tatters. The decision to acquire a dedicated fleet increased Zoom's direct expenses for aircraft maintenance services (which Air Canada Technical Services provided), it required hiring dedicated Zoom flight crews with the associated wages and benefits, and added overhead for flight crew training, scheduling, and management.

All of these services had previously been rented.

When oil reached \$140 a barrel, Zoom had no choice but to pay for aviation fuel at the prevailing rate at airports. Zoom did not have the financial muscle to negotiate fuel price hedging with the oil companies. As the ever increasing price of fuel devoured Zoom's limited cash flow from advance bookings, the unpaid bills from airport charges, air traffic control navigation fees, and servicing companies were constantly deferred, attracting the pernicious interest rates for overdue accounts.

It was the bone-crushing expense of aviation fuel that unmercifully drained the life out of Zoom. Their unmodified business

model had assumed steady operational cash flow -- and profit -- from continuous advance low fare bookings, and operations pegged to stable costs based on competition for rented services.

When cost stability evaporated, Zoom's advance ticket pricing policy precluded adding fuel surcharges to existing booked passenger reservations to recover operational costs.

Low fare carrier economics cannot live with high crude oil prices. In the summer of 2008 the imperative for Zoom management was to have enough money to buy fuel to fulfill scheduled operational commitments, and pray for an oil price drop in the short term. It never happened.

The Boyles tried to tough out the oil price spike, but the price of oil did not fall fast enough or soon enough, and Zoom's unpaid bills increased to a point of concern for its major creditors. Suddenly time became the imperative and the enemy.

By August 2008 the rumours of Boyle bankruptcy for overdue bills were rampant in major financial circles. The Boyles searched desperately for alternative financing to save their enterprise, but the available financing at the time was of the "vulture" variety. When the scavengers saw Zoom's condition, the "vulture funds" decided to fly away and leave the carcass to rot. The "bottom of the barrel" financial market had bestowed upon the Boyles its kiss of death for their greed.

Like a pack of lions bringing down a crippled game, Zoom was immediately set upon by leasing companies, fuelling providers, ground handling service firms, airport authorities, air navigation consortiums, and independent contract firms. Some had lost patience waiting to receive payment for outstanding bills. Some feared not getting their leased asset back. All feared being last in line for monies owed from a clearly bankrupt Zoom.

You may recall that I highlighted Aircraft Leasing Companies in the December 2008 Snagsheet. In that highlight, I noted that aircraft lessors had becoming much more diligent and brutal in reclaiming their property from a failing carrier. No lessor wanted their asset tied up in legal litigation for years. Leasing companies strongly believe that possession is nine-tenths of the law, and when they smell bankruptcy, they reclaim their asset without delay, as described in the next paragraph.

On August 28, 2008 -- Zoom was officially bankrupt. One of its B767 aircraft arriving from Manchester was seized in Calgary, and the passengers destined to Vancouver were deplaned and left to fend for themselves. Overnight, the aircraft registration was painted over by an unknown person, and the aircraft was flown out early the next morning by an unknown flight crew to a destination outside of Canadian legal jurisdiction.

One of Zoom's B757's in Glasgow was blocked from departure by airport authority trucks until the British Airport Authority (BAA) charges were secured. Another Zoom B767 flight from Halifax to Great Britain never departed because the unpaid ground handling company in Halifax simply refused to load the aircraft.

Of course, when the Zoom house of cards fell, there was no sympathy from the travel industry or the scheduled carriers.

Travel agents self-righteously mocked the afflicted travelers with the "I told you so!" phrase. Scheduled airlines offered to help the stranded, but only at a premium price. For many, the cheap Zoom vacation turned into an expensive nightmare.

Some Zoom passengers got off lightly. Passengers holding tickets paid by credit card for uncompleted travel got a refund from the credit card company. Some who bought travel insurance saw a reimbursement, subject to the small print. Some received compensation from provincial government authorities from a travel fund, if the ticket was purchased in the province, and others, who booked through travel agents, might get home through alternate arrangements at additional cost.

However, for people without any of these backstops, they found themselves holding worthless vacation travel tickets, or worse, in foreign lands, facing steep one way ticket prices payable to scheduled carriers for a return back home.

The "no backstop" Zoom customers might recover money in the bankruptcy process, but they will be lucky to get any return. Most likely, with the long list of creditors pounding on the court's door for payment from Zoom, the uninsured ticket holders will get nothing.

Zoom Airlines now joins the ash heap history of air transport failures in Canada. The gravestone for Zoom should read that the Boyle brothers were men who loved profit but paid no attention to economics, disgraced their adopted country, and inflicted pain and suffering on their employees, and Canadian

travelers.

The headstone will never bear the employee names -- the multitudes abruptly unemployed, displaced, and now upon the streets -- in the aftermath -- they will become the forgotten.

May the Boyle brother memory be consigned to the sorrowful cemetery of failure and greed for air transport in Canada.

May they also rot in their grave with James Kinnear of Canada 3000, and Michel Leblanc of Jetsgo, to be remembered in infamy by air transport professionals worldwide.

Let me not, however, finish on such a cadaverous note.

A recent news newspaper story (Feb. 2009) suggests that Zoom might not be quite dead yet. Zoom's British code-share partner, charter carrier Fly Globespan, had a successful arrangement for accessing the North American market through Zoom's status as a Canadian air charter carrier, and that business was very lucrative for Fly Globespan.

Fly Globespan may try to revive Zoom, albeit as a new company, in the summer of 2009, to maintain its marketing foothold in the Canada and U.S. charter markets. Let us pray that the Boyles play no part in this enterprise.



David Varnes, ST LL764 and Chair, History Committee

AIRPORTS / CARGO REPORT

Baggage Agents

The Shop Committee is still waiting for Labour Relations to issue 2 temporary recall letters.

The requirements for the Summer schedule have not yet been finalized.

Cabins

The Shift Committee is working on a Summer schedule which the Company hopes to implement April 27, 2009.

There will be a requirement for 5 LCSCA, 11 CSCA and 1 P/T CSCA. The Shop Committee is waiting for these letters to be issued.

Cargo

The Company has not given us any numbers for the Summer schedule.

The summer shift bid is forecast to take effect May 24, 2009.

Ramp

The requirements for the Summer schedule have not yet been finalized.

The Company seems to be focusing quite a bit lately on time loss as well as shift trades.

Overtime for the month of February was **7289 hours** which equates to **46 full time jobs**.

Retirements April 01, 2009

Keith Miller, Lead Customer Service Agent – Cargo 29 years.

Respectfully submitted,
Kevin Cox, Chair
Craig Chard, Member

United Airlines Report

One grievance waiting for Step 3 decision.

There was a Union Management meeting February 11. There were several things on the agenda including:

Overtime totals. The Company is failing to keep the overtime totals current for the assigning of overtime per the Contract. The Union has advised that this would be pursued with a grievance if there is no improvement. Also, Supervisors have been found to be soliciting individuals for overtime rather than going 'by the book' to assign it. They have been told this is unacceptable and will be grieved if it continues.

There will be a committee formed to coordinate for the upcoming Olympics. Members interested should contact Bro. Al Webb.

There is a lack of sufficiently trained First Aid Attendants. Management is looking at more training.

There are still no posted Dependability expectations. Nigel Newsome advised that they will be posted in the next two weeks.

There is no information on when a new bid might be held as the flight schedule has no appreciable changes until June.

In Solidarity,
Janet Andrews
Senior Steward

Please update your address/email
information
with the Lodge 764 offices as
Negotiations will be starting up in
2009.

LL764 Pension Report

During the past month there has been a lot of discussion in the workplace as well as several messages and blogs from Montie about the financial health of our pension plan. In the December 2008 report I talked about the negative impact on our pension plan caused by the unique global economic melt-down that is continuing to unfold.

The discussion is now moving on to how the regulatory landscape can be reshaped to provide some interim and long term funding relief to employers so as not to force them into bankruptcy with pension obligations. There is an 8 page joint submission to the Federal Minister of Finance from seven federally regulated companies (including Air Canada) outlining their wish list of such changes. There is a link to a copy of this submission in Montie's March 6th blog on the Aeronet.

The Canadian federal government has reacted to the solvency funding concerns and has established a public consultation process. This includes a document outlining the changes being considered by the government and a schedule of meetings in 8 cities between March 13th and April 17th (Vancouver is April 14th). The details can all be found on the Department of Finance website www.fin.gc.ca. I encourage you to logon and read the Department of Finance document and compare it to the joint submission by the Group of Seven. You can also find the time and place for the meeting in your city. There is also a link on our website www.iam764.ca homepage.

You will notice a great deal of similarity in the regulatory relief being sought by the companies and the changes being contemplated by the government. The 2 major issues being discussed are the extension of the deficit amortization period from 5 to 10 years and changes to the methodology used to determine the solvency deficit. The cornerstone of the deficit determination proposal is a change in the discount rate (interest rate) used in the solvency calculations from a government bond rate to the AA corporate bond rate.

DL 140 and its pension lawyers have been studying these proposed changes and are preparing a submission to the Canadian government as part of the consultation process. The CLC is also making submissions on behalf of all unionized pension members. These meeting are open to the public and everyone who wishes to attend to either listen or

participate is encouraged to do so. It is more important for the politicians to hear first hand from voters who have a vested interest (you) than it is for them to hear from the companies or the Unions. Ask them questions. Tell them your fears or concerns. If you can't get to a meeting, send them an email or a letter.

Montie is encouraging employees to contact their MPs and show their support for the Company's proposed changes to protect the long term viability of our pension plan. I neither encourage nor discourage you from doing so, I simply caution you to make sure you understand **ALL** of the proposed changes being sought by the company before you wholeheartedly support it. This is a complex issue with crucial and lifelong implications. Please take the time to read and understand what you are being asked to support before you hit the "send" button on that email to your MP.

Email is the most effective way to reach me. I may be contacted at pres764@telus.net with any questions or concerns that you may have.

Respectfully Submitted,

Christopher Hiscock

Chairman, LL764 Pension Committee

Clerical Report

There was a shop stewards meeting to get an update from Bro. Fred Hospes about Marty Teplitsky's Arbitration ruling - the five outstanding items dealing with the Air Canada / Aveos split. Still waiting for one more ruling and the translation of the Arbitration.

Mini road show meetings with the Clerical Group.

We have two outstanding grievances.

One Operations Sr. Coordinator in the Flight Attendants Area is being recalled - member accepted)

One Coordinator being recalled into the onboard library - (not yet filled)

Bro. Fred Hopes drew up two MOA's to allow the retired members to return to work for two months, in order to train the new members,

(with concessions).

Contacted Labour Relations. There are many problems with the Seniority List - many members are time expired.

Will be attending Negotiations Training at the Winpisinger Centre,

April 4 – 10, 2009.

Lise Diakow (22 years) and Szyan Chang (35 years) both retired at the end of February.

In Solidarity,
Ron McKelvie, Chief Shop Steward
Local Lodge 764 Clerical

Tech-Ops Report

March 11, 2009

Arbitration Hearings: The Union met with Chief Arbitrator Martin Teplitsky on March 3rd, 2009 in Vancouver to present Third Level grievances. The next scheduled date with Chief Arbitrator Martin Teplitsky is May 21st, 2009 in Toronto.

UMCM Meeting: The next UMCM Meeting is scheduled for May 5th – 8th, 2009 in Montreal.

YVR Base Permanent Recalls: The Shop Committee has not been provided with an update as to the “Second Wave” of recalls to support the Heavy Maintenance Production Lines in the YVR North Hangar. The Shop Committee expects to have an update shortly as the Airbus A330s are nearing completion and the second and third heavy maintenance production lines are scheduled to commence near the end of April.

Air Canada/Aveos Transition: The Shop Committee has been advised that Chief Arbitrator Martin Teplitsky has issued his decision pertaining to the five (5) outstanding issues contained within the Transition Document and is currently being translated. The Membership is reminded to check both websites; District Lodge <http://www.iam140.ca/> and Local Lodge <http://iam764.ca/> on a regular basis for any updates.

Basic Shop Stewards Training: The Local Lodge Education Committee will be providing all new Tech Ops Shop

Stewards with a one (1) day Basic Shop Steward Training Course. This training will take place on March 24th and March 27th, 2009 at the Local Lodge.

Collective Bargaining 2009: TMOS, Finance and Clerical Negotiation Committee Representatives have tentatively been scheduled for Collective Bargaining Training at the William W. Winpisinger Education Technology Center on April 5th – 10th, 2009.

Line Maintenance Vacation Principles Agreement: The Shop Committee and Local Management have agreed to a Vacation Principles Agreement to address vacation selection changes that occur throughout the calendar year. This Agreement pertains to any Category that does not have a Category/Classification specific Vacation Agreement within the Line Maintenance Formation.

Line Maintenance Category 33 Shifts: The Shop Committee and Local Line Maintenance Management have entered into shift discussions pertaining to the Category 33 Cleaners working within the Line Maintenance Formation. The Shop Committee will inform these Members as more information becomes available.

Tech Ops Retirements: The Shop Committee would like to congratulate the following Members; Barry Packer – Category 8, Patrick Chung – Category 19 and Don McIlhargey - Stockkeeper who retired on March 1st, 2009. The Shop Committee would like to wish them a long, happy and healthy retirement. The Shop Committee also requests the assistance of all Shop Stewards in notifying the Shop Committee of any Member considering retirement.

In Solidarity,
Joe Toth, L/L 764, Tech Ops Chair
Glenn Cooper, L/L 764, Tech Ops Member
Glenn Girard, L/L 764, Tech Ops Member

Next General Meeting

Apr 08, 2009

5 PM

**7980 River Road
Richmond, B.C.**



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WWW.IAM764.CA

IN MEMORIAM
NONE TO REPORT

Local 764 Executive Board

Chris Hiscock – President

Mike Sanghera – Vice-President

David Varnes – Secretary Treasurer

Laura Sharpe -Recording Secretary

Steve Daechsel -Trustee

Wes Sim – Trustee, Educator

Cam McDonald -Trustee

Dan Cooke – Conductor/Sentinel

Gordon Taylor – Communicator

Joe Toth - Tech-Ops Shop Chair

Kevin Cox - Airports/Cargo Shop Chair

Neil Carter – Senior Steward MTU

Janet Andrews – Senior Steward UAL

Ron McKelvie – Clerical Chief Shop Steward

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