

Apr 2010

THE SNAG SHEET

MONTHLY NEWSLETTER OF CANADIAN
AIRWAYS LODGE 764



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



President's Message

On April 20th nearly 100 of our members who provide world class heavy maintenance for Air Canada in YVR will be rewarded for their hard work and dedication by being laid off. Their crime has been to consistently produce airplanes on time and under budget and for this they must pay with their jobs. They will be joined by hundreds of other IAM & AW members across the country who will also lose their jobs between now and the end of June as a result of their skill and hard work.

The irony of this unfortunate circumstance is that Air Canada could not have laid them off if they weren't as good at their jobs as they are. Because of the high quality of aircraft maintenance that our members consistently produce year in and year out, it has allowed Air Canada to lengthen the time interval between required heavy maintenance visits on the narrow body Airbus fleets. The tremendous quality and safety margins that we put into every aircraft that we maintain has provided Air Canada with the aircraft reliability necessary to stretch out these maintenance visits.

The Company continually strives for increased productivity and better work practices to achieve increased profits. This is how they reward the employees who produce all of those things for them. The deeds and actions of Air Canada's maintenance management team stands in stark contrast to the words of its Chief Executive Officer. Mr. Rovinescu has publicly stated on numerous occasions that Air Canada will not shrink its way to profitability. His preferred course for this airline is to expand and grow itself to be a world leader with the resultant higher productivity and profitability that it will bring. Apparently the people running the maintenance division didn't get that particular

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memo. The Maintenance Labour Relations team continues to call audibles in a hurry up offence from their trusty old play book. I think some of the pages in that book might be missing or torn. Just a hunch.

I know the Company's response will be that airline travel is down and maintenance demand is down and contracts are hard to come by and the world is a mean place. My response is that if Air Canada and Aveos spent half as much time, effort and Company resources on in-sourcing work as they do on sub contracting out work; all of our hangers and shops would be full. The same can be said for the Airports division of the airline which continually refuses to even tender bids on available work that arises such as the YVR de-icing contract in 2009. We will never know if we are competitive enough to win these contracts if we don't even choose to submit a bid.

Sadly a lot of the members who are being laid off now have only been recalled back to work in the last 12 to 18 months. They were lured back from jobs they had obtained out in the real world after this same employer laid them off in June 2007 for a different set of bogus reasons. To quote that noted orator George W. Bush; "Fool me once, shame on you. Fool me twice, um, ah, won't get fooled again." A very skilled and talented group of individuals is being let go and the Company will find it increasingly difficult to ever lure them back after this shoddy treatment. These members must now find another means of supporting their families and try and get back jobs they recently left for the sultry siren call of Air Canada. Let this be a lesson to all of our children when career day next rolls around.

We all deserve better treatment from the companies whose success is built on our labour but there is scant evidence that it will be forthcoming. Most of us remaining are lifers, trapped by our time and service in the pension plan. It is too late for us to leave in search of a fresh start and Top 50 Employer. No sushi bars, pool tables or sick leave and GDIP free from harassment to suck it up and return to work for us. Such is our lot in life. But for those of you still young enough and now being cast free from this uncaring employer I say to you only this – "Run Forrest, Run!"

Christopher Hiscock
President,
Canadian Airways Lodge 764

Talk to your Elected Representative



Six members of Canadian Airways Local 764 met with our M.P. Mr. Sukh Dhaliwal, member for Newton - North Delta, on Friday March 19th 2010.

Mr. Dhaliwal is a Liberal member of the Transportation Committee in the House of Parliament.

Our meeting lasted one hour and Mr. Dhaliwal listened to our concerns about S.M.S. and the large layoffs our members across the country are facing. He is more than willing to go to bat for us, but to succeed in changing the course of Air Canada/Aveos and Transport Canada he will require us to contact a lot more of our M.P.'s all across the country. He is willing to take our plight in front of the Transportation Committee and would like us to provide a delegation to tell the country's leadership our concerns for the safety of the flying public.

I believe we have a friend in parliament with Mr. Sukh Dhaliwal but he will need our support if any progress is to be made.

- John Gregg

The Demise of Skyservice Airlines



On Wednesday, March 31, 2010 Skyservice Airlines joined the carcasses of Canada 3000, JetsGo and Zoom Airlines, amongst others, in receivership. Its nine operating aircraft and 860 employees were consigned to the trash heap of Canadian aviation history. Skyservice's demise was a combination of bad luck and bad management, as this brief article will reveal.

Skyservice Aviation was founded in 1986 in Ontario, commencing operations in the business aircraft charter and air ambulance fields. This business operates today under founding CEO Russ Payson as Skyservice Business Aviation. In 1994, the company expanded, and acquired commercial aircraft which were operated in chartered and scheduled services as Skyservices Airline. It was this segment of the company that collapsed on March 31.

In 1995, Skyservice Airlines signed a long term contract to supply chartered aircraft service to Sunquest Vacations, which later became a division of Thomas Cook Canada. In 2002, Skyservice signed a similar contract with Signature Vacations. The Skyservice fleet expanded rapidly, and their logo was a familiar sight at every major airport in Canada, as well as vacation destinations in the United States, the Caribbean, Europe, and Israel.

Clearly, the years 1995 – 2010 were perilous times to be in the aviation business in Canada, and Skyservice had its episodes of ups and downs in the industry, as did many other operators.

On the one hand, observers remember its association with ill-

fated Roots Air in 2001, where several Skyservice aircraft were repainted in Roots Air livery and reconfigured in three cabin classes. Six weeks later, the aircraft were parked at Toronto, and then had to be re-painted and reconfigured again back to their original layouts.

In May 2005, Skyservice operated a B767-300 on lease from MyTravel Airways and experienced a hard landing on the nose wheel in the Dominican Republic, buckling the entire forward section of the aircraft fuselage, rendering the aircraft unserviceable for months.

One can only imagine the aircraft repair costs for this episode. No one can imagine the fall-out to Skyservice safety credibility, when photos of the badly buckled aircraft were viewed widely by professional travel advisors and consumers accessing the internet.

On the other hand, Skyservice did well in the leased aircraft market, picking up good used A320's from bankrupt Canada 3000, and other lease bargains, and employing them in a summer/winter capacity swap with other tour charter airlines like Monarch of Great Britain, Airtours International, and MyTravel Airways. Over the years, Skyservice has operated or leased out A319's, A320's, A330's and B757's. On its last day, Skyservice's fleet consisted of nine aircraft – all in high density seating - four Airbus A320-200 series with 180 seats, and five Boeing 757-200 at 233 seats. A tenth aircraft, a B757-200 with mixed seating, is currently leased to Arkefly of Holland.

Some of the names associated with Skyservice are familiar to readers or have graced the pages of the Snagsheet in previous issues.

In 2004, Rob Giguere became the President and CEO of Skyservice Airlines. Many of us will remember Rob as the former VP of Flight Operations of Air Canada in 2003, and then, touring the country as "posterboy" spokesperson for the "New Air Canada". Suddenly, one day, the corporate newsletter Horizons announced that Rob had "left the company to pursue other career opportunities". Most of us understand

this as “corporate babblespeak” for “you’re fired”. Giguere replaced CEO Mark Williams, formerly with Wardair and CAIL, at Skyservice, who ironically, moved on to develop competitor Sunwings Travel Group in 2005.

In 2008 Skyservice Airlines provided capacity to GoFly South, a tour operation headed by one of the Boyle brothers, he of deceased Zoom Airlines fame, now much disgraced by consumers in the annals of air transport history. The relationship lasted a year. GoFly moved on to a cheaper provider in 2009.

The downslide for Skyservice Airlines began with its sale of majority interest in the airline to Gibralt Capital Corporation of British Columbia in August 2007. Gibralt is headed by Sam Belzberg, a financier well known in this province. Gibralt bought Skyservice Airlines through a leveraged buyout – a process whereby you use the target company’s assets to buy the company, leaving the target with a greater debt load. In 2007, with the economy in reasonable shape, Belzberg sold his debt-loaded Skyservice investment to lenders RoyalNat and Integrated Private Debt Fund LP soon after the purchase.

By 2009, the world economy was in a shambles, and consumers were squeezing their last nickel when it came to vacation travel. The vacation travel market became even more cutthroat when the two goliaths in market share in the Canadian skies, Air Canada and Westjet, aggressively entered into the tour travel market with cost-competitive offerings to employ under-utilized aircraft.

The lenders got cold feet in January 2010 when they learned that Skyservice Airlines was about to have serious revenue problems. Signature Vacations had completed a merger with Sunwing Travel Group in January 2010, which had its own fleet of twelve fuel efficient B737-800WL 189 seat aircraft, and applied to terminate its contract with Skyservice early, before the 2011 expiration date. In a panic, the major lenders called in their loans.

The other major contractor, Sunquest Vacations (Thomas

Cook), was prepared to backstop Skyservices’s debt and offered support, buying up the lenders loans in February, conditional upon Skyservice finding other financing. Thomas Cook made it clear that it was not interested in buying Skyservice Airlines.

New financing became hopeless when it was learned that there were debts of \$1.4 million to Nav Canada and the US FAA, and \$700,000 owed to ground handling firms Globe-ground and Ogden Aviation. This was in addition to \$12 million owed to Thomas Cook, of which \$8.5 million was in secured debt for the February rescue, payable in March. When the March bailout payment came due, Skyservice defaulted on its promissory note. Thomas Cook quickly moved to place the airline in receivership.

In a pattern now oft-repeated for air transport in Canada, the Board of Directors of Skyservice resigned on Tuesday afternoon March 30 to avoid liability, and on Wednesday morning March 31, CEO Rob Giguere shut the airline down. Stranded passengers with travel insurance were rescued by Westjet, Enerjet, and Air TransAt. The unlucky had to pay full fare to get home, and will have to get in the litigation line for any scraps left from the bankruptcy proceedings.

Skyservice Airlines employees were given a final paycheque, their vacation pay, and a pink slip at month end. Rob Giguere will soon join them on the unemployment line, sadly clutching his now worthless CEO compensation of 1% of Skyservice Airline shares.

Swiftly and brutally, Skyservice Airlines became just another cinder in the ashheap of Canadian aviation. More sadly and unfairly, long serving Skyservice Airlines employees became just another footnote amongst those historical cold dead embers.



David Varnes, ST LL764 and Chair, History Committee

Pension Report

The Ex-CAIL pension committee met with the Company on April 12th in YUL for our semi-annual meeting. We met the new Manager of Pension Investment for Air Canada and he gave us an overview of the new pension investment strategy and the investment department that has been created to have more direct oversight of the pension investments.

In general, the Company is moving to a more conservative asset mix that will see the current 60 – 40 equities to fixed asset ratio change to a 45 – 55 asset mix. This is in line with a review of the Master Trust fund's asset mix allocation and a letter of intent signed with the Unions as part of the June 2009 collective bargaining agreements to lessen the risk exposure of the plan assets to the vagaries of the equities markets.

There are a couple of reasons for this change. First, fixed income investments (bonds) are not subject to the volatility of equities (stocks) and therefore pose a lower risk to the money invested in them. The second reason is that the rate of return on bonds more closely tracks interest rates and offers a measure of protection against changes in the discount (interest) rates used to calculate the liabilities of the plan. The theory behind this change is to better protect the assets of the Master Trust fund from the increased liability costs created by the low discount rates that have been experienced since 2001 by tying the assets more closely to the liabilities than to the markets.

As with any investment, lower risk also means lower returns. The plan cannot afford to completely move out of the equities investments and move 100% to fixed assets because of the higher rate of return that equities provide. This additional return is needed to help bring the plan back to a fully funded status sooner.

The Master Trust fund was valued at \$9.94B as at 12/31/09. Moving 15% of this money from equities to fixed investments

means selling and buying \$1.5B worth of investments in the open markets. As you can appreciate, deals of this magnitude take some time to complete, particularly when divesting stocks. If you sell too much too quickly, you can actually drive down your selling price by flooding the market with a particular stock. This asset reallocation has been underway for about 6 months now and will take between 2 and 3 years to complete.

A third change in the plan investment strategy is to invest about 20% of the equities assets in what are called alternative investments. Think utilities, infrastructure, commercial real estate, energy generation etc. The money will not be invested in new startup ventures with the possibility for higher rates of return and higher associated risk, but rather with established companies and projects that provide a steady revenue stream with limited risk to invested capital. This is a further hedge that provides the income of equity investments with a lower associated risk potential.

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

Tech-Ops Report

April 14, 2010

Grievance Arbitration Hearings: The last scheduled dates with Chief Arbitrator Martin Teplitsky to address outstanding and immediate Level III grievances were held on March 16th & March 30th, 2010 in Toronto. In addition, the Union and the Company are expected to meet again on April 14th & 15th, 2010 to address further Level III Grievances.

Category 13 work issues: Air Canada has announced its intentions of reducing the quantity of Category 13 personnel in Line Maintenance through attrition with the expectation that Category 1, 19 or 38 personnel would perform that work. This issue was heard by Chief Arbitrator Martin Teplitsky on March 30th, 2010, with the parties scheduled to meeting again on this issue within forty-five (45) days. In the interim, the Union's request to cease and desist was granted. The membership is reminded to advise the Shop Committee of any further efforts by the employer on this issue.

Layoff and Bump Meetings: District 140 General Chairpersons and Shop Committee Representatives from Vancouver, Calgary, Winnipeg, Montreal, Toronto and Halifax met on March 18th & April 6th, 2010 in Montreal to review the Layoff/Bumping Forms submitted by the various members affected by the announced layoffs. The next meeting is tentatively scheduled for April 22nd, 2010 in Montreal.

Layoff Mitigation Programs: The following programs; Deferred Payment Leave Plan (DPLP), Special Voluntary Leave of Absence Program (SVLOA), Vacation Purchase Program (VPP) and the Special Time Bank Mitigation Program have been applied to mitigate staff reductions within many Categories at the YVR Base. Local Shop Stewards have been canvassing the affected groups for their participation in these mitigation programs.

2010 Shop Steward Training: The Education Committee held another Basic Shop Stewards training session on April 12th, 2010 at the Local Lodge office. The Shop Committee would like to thank Bro. Glenn Cooper for providing this training.

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

Airports/Cargo Report

AIRPORT & CARGO – SHOP COMMITTEE REPORT.

RAMP:

The Ramp Shift Committee has presented the Company their proposal for the 2010 Summer Shift. They have received some requests for a few minor changes and will meet with the Company again on Apr 15, 2010. The new implementation dates is tentatively May 09, 2010.

Promo Bulletin #2010-13 for S/A Leads closes Apr 16, 2010.

The Company is looking to hire 25 Part Time S/A(s)

CABINS:

The Cabins Shift Committee has presented their proposal to the Company for the 2010 Summer shift. Linda Daigle is currently on Vacation and negotiations will resume on her return.

There is a promo for a Lead CSCA that closes May 05, 2010.

CSA's:

The Summer Shift has been bid and is in effect. The Shop Committee would like to thank Andrew Chan for his efforts in this.

Cargo:

The Cargo Shift Committee has received the Company's proposal for the 2010 Summer shift and will begin the process.

The anticipated implementation date is May 23, 2010.

General:

The Shop Committee has recently been involved in an investigation with Corporate Security and would like to advise all members to familiarize themselves with the rules regarding Pass Travel and make sure they adhere to said rules.

The Company has a new mandate to return members back to work on an accommodated basis, based on the member's physical restrictions.

The Shop Committee would like to thank Brother Cooper and Brother Sims for their efforts in the Shop Steward's training.

Retirement: Apr 01, 2010 - Dave Lewis – Lead Station Attendant – 25 Years Service.

Kevin Cox—Airport/Cargo Shop Committee Chair
Craig Chard - Airport/Cargo Shop Committee Member

Partners for Life

Local Lodge 764 is pleased to announce that we have partnered with Canadian Blood Services as a member of their **Partners for Life** program. This is a program whereby companies and organizations such as LL764 can participate and encourage their members to donate blood. We have made a pledge that our members would donate 50 units of blood in 2010.



We extend our thanks to all of our members who already donate blood and would encourage you to register as a *Partner for Life* member with our organization ID.

We also invite any of our members who have not donated blood to consider doing so at least once and also joining as a LL764 *Partner for Life*.

The Local Lodge 764 *Partner for Life*
identification number is: **INTE010909**

The **organization** is:
**International Association of Machinists and Aerospace
Workers Local Lodge 764**

You can register in person when you go to donate or you can pre-register online at www.blood.ca/partnersforlife.

When you open the *Partners for Life* website scroll down to the *Forms* box on the left hand side and select "*Become a Partner for Life Member*".

You can donate at any Canadian Blood Services location anywhere in BC or Canada.

We thank you for taking the time to participate and "giving the gift of life".

MTU-C

Policy Complaints:

- Process Planer/DC duties (step one)
- Reassignment of machinist duties (step one)

Personal/Group Grievances

- Removal as a Lead (resolved)
- Denial of call in pay (step 2)
- Article 2.04 - Welding

Please join me in welcoming Steven Yang (component mechanic), Herbert Samonte (document controller) and Manveer Dhesi (machinist mechanic).

The Company and the Union continues to have discussions regarding a Sick time Incentive program, Flextime program and Benefits Review. Progress is slow but is moving forward. Please contact your Negotiations Committee for more details.

Dr. Funk CEO of MRO will be visiting the facility the week of April 12, 2010.

The Union has brought concerns forward to the Company regarding the DB/DC Pension Plan. Specifically the asset mix and the provisions regarding the wind up plan. We have had a meeting with the Employer and will continue to discuss this issue.

The Company continues to interview for positions in the GTE Mechanic, Accessory Mechanic, Machinist, Document Controller and Cleaning positions. Those who are interested are encouraged to send a resume to:

MTU Maintenance Canada
6020 Russ Baker Way
Richmond, B.C.
V7B 1B4
Attn. Neil Carter

OR

Email – cssmtu@telus.net

Attn. Neil Carter
In Solidarity,
Neil Carter
Senior Steward

Next General Meeting

May 12, 2009

5 PM

7980 River Road
Richmond, B.C.



WE'RE ON THE WEB!
WWW.IAM764.CA

IN MEMORIAM

BROTHERS

TOM FLADELAND

MICK MCPHERSON

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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