

Air Transportation in Canada: Industry Preservation and Recovery



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Unifor and the Air Transportation Industry in Canada

Unifor represents 20% of Canada's 75,000 air transportation workers. Our members work in every sub-sector of the industry and include pilots, customer service representatives, air traffic controllers, flight service specialists, aircraft mechanics, airport workers, and flight attendants. They transport both people and cargo to domestic and international locations throughout the world.

The COVID-19 pandemic has devastated Canada's air transportation industry. In a normal year, the industry contributes roughly \$10 billion to Canada's GDP, but in April, GDP on an annualized basis fell to just \$300 million. The industry cut capacity by 90% and thousands of people were laid off. Air transport workers and their employers, including airlines, airports, Nav Canada, and ground control handlers, among others, have done their part to control the pandemic by limiting capacity or even shuttering completely. The lock-down has gone on longer than anyone expected and at this point there is no end in sight. The government must do a combination of the following in order to move forward and ensure a recovery of the industry: preserve and support the industry where travel restrictions remain in place, and lift travel restrictions where it is safe to do so.

A successful return to travel and tourism is an essential part of Canada's overall economic recovery. We believe that with continued vigilance and science-based health and safety guidelines as our roadmap, the travel and tourism sector can confidently and carefully re-open. The sooner businesses in the sector get back on their feet, the sooner they can regain their self-sufficiency and stop relying on various financial support measures from governments.

Current Status of the Industry

The coronavirus lock-down has been more severe and lasted longer than many were expecting. In response, airlines reduced their capacity by more than 90% and airlines and airports have taken the responsibility to protect public health seriously. Most recent estimates suggest the industry will not reach full capacity again for more than three years. This has an effect on revenue for all air transportation related employers including airlines, airports and Nav Canada. Workers and the industry have continued to adjust expectations on return to travel and have implemented health and safety measures in order to ensure safe travel where deemed essential.

With very little revenue coming in, employers have been forced to lay-off workers. The Canada Emergency Wage Subsidy (CEWS) has helped to ensure as many people as possible receive as much of their previous wage as they can, but the take-up has been low. Many employers report it is too expensive to keep people who are not working attached to their jobs through this program. The Large Employer Emergency Financing Facility (LEEFF) has been made available to large employers, but the take-up so far is non-existent. There is probably a variety of reasons for this low uptake, and we have heard from employers that some details of the program – especially interest rates and repayment terms – are financially untenable given the unknown time horizon for an eventual economic recovery. We

believe corporate support will be necessary in order to preserve and bolster this industry as we move through the pandemic.

Due to the uncertainty in the market, employers in the air transportation industry are starting to make service changes by altering pricing strategies or shutting down routes. In some cases, we've seen operators drop prices to attract business, a strategy that could ultimately exacerbate the problem. A permanent reduction in service for small communities cannot be a legacy of this pandemic, as air service is often critical to their economic viability. Government must act to preserve and support the industry.

Around the world, governments have stepped in to shore up their domestic industries. Globally, airlines have received more than \$120 billion US in financial relief with the majority coming in the form of loans and wage subsidies with some additional support from loan guarantees and equity financing. In fact, of the top 20 airlines in the world, Canada is the only country that has not provided sector specific aid. A targeted industry support package for Canada will be required to boost worker and consumer confidence that airlines will emerge in tact and jobs will remain.

Return to Travel

Canada is now considered a safe country by the EU and people are able to travel to the EU from Canada without quarantine. As Canada continues to flatten the curve and learn more about how to prevent the spread of COVID-19, it is imperative that government also create clear criteria for opening borders to safe countries and reducing or eliminating the blanket quarantine requirements. This will assist workers and their employers in planning for the future.

A safe return to travel is dependent upon two factors: the requisite easing of restrictions and orders by government and consumer confidence in the safety of the air transportation and tourism industries.

Unifor has worked tirelessly with many employers in the travel and tourism industry including hotels, airlines, and airports, to implement health and safety protocols that will increase the safety of workers and the travelling public. These protocols include: ensuring workers have access to appropriate PPE, enhanced cleaning and sanitization measures, appropriate social and physical distancing measures, the development of a pandemic response plan, and much more.

Scientists are learning more about the virus and its spread every day, and as our understanding evolves, we are developing better and more effective health and safety plans.

Unifor's Recommendations

The federal and provincial governments must take steps to preserve and support Canada's air transportation now and in the future, including by means of corporate support and wage subsidy programs, as well as by safely opening borders as provinces and countries become safe. To that end, Unifor recommends that government:

- **Develop a National Aviation Plan** that will address the systemic issues that have contributed to making aviation precarious work. A National Aviation Plan would create a comprehensive, national strategy for the sector, addressing critical issues like the creation of good jobs, fair and equitable

access to air transportation for rural and Indigenous communities, and promoting a more innovative and green industry.

- **Develop an industry specific corporate support package:** the air transportation industry has been devastated by the pandemic. Many employers shut their doors completely due to government-mandated restrictions. Government must take action to preserve and support the air transportation industry so that it is ready to operate as soon as restrictions are lifted. Actions should include the following:
 - Customize the LEEFF program for the industry due to the long-term nature of the impact. Increased interest rates in the short term, a component of the program as it stands now, are punitive for an industry that is facing recovery over an extended period of time.
 - Step in to prevent the failure of any airline whose collapse has been made imminent by the pandemic;
 - Set strong enforceable conditions on any corporate rescue package in the airline industry to ensure the industry is preserved, and benefits flow to workers, not executives and shareholders.

- **Fix the Canada Emergency Wage Subsidy:** The CEWS continues to be underutilized. Unifor made a submission to the federal government's CEWS consultation on June 5, 2020. Unifor made numerous recommendations including four that would directly benefit the air transportation industry, including:
 - Include health premiums, pension contributions and other non-taxable benefits in the definition of eligible remuneration;
 - Co-ordinate with provincial governments to alleviate or refund statutory employer health taxes and workers' compensation premiums for employees on paid leave;
 - Allow employers to use projected revenue shortfalls and apply for the CEWS claim period in advance;
 - Develop a mechanism to provide supplementary payroll support to employers in sectors which have yet to reopen or which continue have a large proportion of workers on layoff.

- **Plan for a return to travel with stringent health and safety protocols:** Scientists' understanding of the virus and how it spreads has continued to evolve. The EU recently listed Canada as a safe country for international travel. As Canada continues to flatten the curve and we learn more about the virus and how it spreads, Unifor recommends that government develop safe return to travel protocols including the following:
 - Create clear criteria and plans for opening borders to safe countries;
 - Set clear expectations and guidelines for travelers' use of PPE and behavior in close quarters;

- Develop health and safety protocols based on science and according to guidelines and best practices established by public health officials and health and safety experts. Workers and consumers need to know the highest standards are being met by all participants in the travel experience;
- Contact trace workers and travelers who have been infected with coronavirus and ensure adequate access to testing.

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