# Base Closure Viability Study
# Air Canada Component of CUPE
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**Final copy**

## Background

On June 17, 2008, Air Canada announced its intention to cut 2,000 jobs in response to “record high fuel prices”. For the airline’s In-Charge flight attendants (the ‘lead’ flight attendant on an aircraft) and flight attendants, their total workforce of 7,200 would be cut by 7%, or about 500 jobs.

These job cuts were premised on an airline total system capacity cut of 7% effective November 1, 2008. This 7% cut in overall capacity would be made up of:

- 2% less domestic capacity;
- 13% less on US transborder routes; and
- 7% less on international capacity (with minus 18% on Pacific and minus 8% on the Atlantic).

Air Canada representatives indicated that these job losses and capacity cuts were in direct response to the high price of oil at about $135 per barrel oil. The company said if the price of oil increased further to $150 per barrel (or by 11% more), there would be more capacity and job cuts. Today, the oil benchmark price is down to less than $115, about 15% below the June figures that triggered the capacity and job cuts in the first place.

On July 9, 2008, Air Canada confirmed that there would be the loss of at least 300 cabin personnel jobs in Vancouver and the complete closures of the Halifax and Winnipeg cabin personnel bases as a result of an internal company “base viability study”.

Air Canada claimed the ‘soft’ Asian market justified the job cuts in Vancouver. It further claimed that ‘a fundamental shift in flying’ necessitated the closure of Halifax (186 cabin personnel) and Winnipeg (145 cabin personnel). According to the airline, these bases have been ‘on the fringes’ for a long time and their closure is not conditional on the price of oil (even if it fell back to $60 per barrel) because it ‘doesn’t make economical sense to keep bases of that size open and force in flying’.

With these announced base closures, Air Canada had upped the ante on job losses to at least 632 active and inactive cabin personnel, which will reduce the number working for the airline to about 6,600.  There would now only be flight attendant bases in Vancouver, Toronto, Calgary and Montreal.

## Need for a Union Study

Air Canada claims that its 'base viability study' justified the base closures in Halifax and Winnipeg. To date, Air Canada has only provided vague generalities about its decision and its study's methodology (done apparently in only four days), mostly claiming that too much flying was being 'forced' into these bases uneconomically to keep them open or that too many cabin personnel were travelling out of these bases to do flying from other locations. Air Canada did not request any union or flight attendant input for its 'study' and has refused to make the complete base viability study public or available to the Union.

The In-Charge flight attendants and flight attendants, represented by the Canadian Union of Public Employees (CUPE), decided they would conduct their own Base Closure Viability Study to confirm the basis for the company's decision to close bases.

A basic assumption was that there should be a sound business case for the base closures.

The result of this CUPE analysis is that the proposed closure of the two cabin personnel bases is not justified. In terms of efficiently serving the remaining flights coming in and going out of these two communities, the closures will not save the airline money, in fact, it will cost the airline more to do this flying. As well, the closures will jeopardize reliable air service in and out of these communities and regions.

## There is Sufficient Flying to Justify the Two Bases

Contrary to Air Canada's assertion that flying has been forced uneconomically into these bases to keep them open artificially, the Union attempted to determine the 'natural flying' in and out of Winnipeg and Halifax that can be operated efficiently by cabin personnel based in these locations.

This analysis has been difficult because Air Canada, in order to avoid public outcry, has not identified all the planned schedule cuts for these two locations. For example, decreases in the number of flights will obviously affect these calculations. On the other hand, passenger demand seems to be rising. The load factor for July 2008 was 1.7% over July 2007, and equal to that for July 2005, which was a record year for Air Canada.

Nonetheless, based on available published flight schedules, assuming a modest 2% cut in domestic capacity and excluding all flights in or out of Halifax and Winnipeg that could be operated by crew from other bases more efficiently, the Union was able to identify a realistic and very conservative level of 'natural' flying in and out of these two bases (using the flight schedules in November 2007, January, April and August, 2008 as being representative of the new annual, possibly reduced schedule).

On this basis, it was determined that Halifax will still need at least 103 to 105 active cabin personnel and Winnipeg will still need at least 90 to 92 active cabin personnel to handle the 'natural' flying originating and terminating at the bases that could not be operated without crew members from another base spending a night at the hotel on a 'layover'. Considering that there are about 25 flight attendants who are 'inactive' at any one time in each of these bases (due to leave, illness or other reasons), the personnel complement for both locations would only be slightly below current staffing levels at these locations – 186 and 145 respectively.

The calculations in detail for these projected 'natural' base-staffing levels are set out below:

*Halifax Cabin Personnel Requirements*

- 33 In-Charge flight attendants and 52 flight attendants on blocks of monthly flying schedules for a total of 85 regular block holders
- An additional 8 to 10 reserve black holders to cover flights in the event of illness, etc. of the originally scheduled cabin personnel
- Coverage for vacation at an average of 30 days per year would require another 10 cabin personnel
- 59 hours of open time or time that was not scheduled
- With 25 inactive cabin personnel, a total staffing level of <u>128 or 130</u>

*Winnipeg Cabin Personnel Requirements*

- 20 In-Charge flight attendants and 53 flight attendants on blocks of monthly flying schedules for a total of 73 regular block holders
- An additional 8 to 10 reserve black holders
- Coverage for vacation at an average of 30 days would require another 9 cabin personnel
- No open time (all available flying time is covered)
- With 25 inactive cabin personnel, a total staffing level of <u>115 to 117</u>

Based on this analysis of 'natural' flying, slightly smaller cabin personnel bases could be still maintained in Winnipeg and Halifax to do their flying efficiently and profitably for Air Canada.

**Additional Layover and 'Deadheading' Costs**

To operate the current (or possibly slightly reduced) schedules in and out of Winnipeg and Halifax, Air Canada needs to ensure that it will have enough flight attendants coming in and out of these cities to operate these flights if there are no bases in these locations. In other words, Air Canada needs to match the supply of flight attendants to the flights it plans to operate during any particular 24-hour period. Where there is any imbalance, Air Canada will have to 'layover' cabin personnel in a hotel with expenses, or 'deadhead' in crew in a passenger

seat that could otherwise be sold to a fare-paying passenger to pick up a flight to operate out.
Based on the projected schedule, the Union identified that the majority of the flights operating through both Winnipeg and Halifax tend to leave early and arrive late in the day. What this means is that flight attendants arriving after the last flight has left for the day will have to layover to operate early flights the next day if there are no cabin personnel based in these locations.

The results of this analysis for Winnipeg and Halifax are as follows:

| First 'flights in' Winnipeg | | |
|---|---|---|
| **Originating from** | **Flight No.** | **Arrival** |
| YHZ | 0 non-stop | |
| YUL | 433/261 | 11:23 |
| YYZ | 259 | 9:47 |
| YYC | 8332 | 11:23 |
| YVR | 294 | 12:10 |

| Last 'flights out' Winnipeg | | |
|---|---|---|
| **Originating from** | **Flight No.** | **Departure** |
| YHZ | 0 non-stop | |
| YUL | 1114 | 16:10 |
| YYZ | 268 | 15:00 |
| YYC | 285 | 14:30 |
| YVR | 299 | 19:55 |

| First 'flights in' Halifax | | |
|---|---|---|
| **Originating from** | **Flight No.** | **Arrival** |
| YUL | 622 | 10:40 |
| YYZ | 602 | 10:45 |
| YWG | 0 non-stop | |
| YYC | 1182 | 6:25 |
| YVR | 0 non-stop | |

| Last 'flights out' Halifax | | |
|---|---|---|
| **Originating from** | **Flight No.** | **Departure** |
| YUL | 671 | 19:50 |
| YYZ | 620 | 19:00 |
| YWG | | |
| YYC | 1183 | 18:25 |
| YVR | | |

If the Halifax base is closed, every cabin personnel on a flight landing after 19:50 must spend the night at the hotel to be available to operate flights out in the morning. When the evening and morning numbers of available and needed cabin personnel do not match, Air Canada will be required to 'deadhead' some cabin personnel in on a seat that could be occupied by a fare paying passenger creating even greater costs.

The same argument applies in Winnipeg for any flight landing after 19:55 at night.

With this information, and adding a 45-minute connecting time flexibility, we were able to establish how many flight attendants would be required to layover in each location, if the flight attendant base did not exist in Halifax or Winnipeg. Furthermore, when the flight attendant layovers do not match or coincide, there would be a need for flight attendants to 'deadhead' to staff the required flights.

| Flight attendants requiring Layovers or to Deadhead | | | | | | |
|---|---|---|---|---|---|---|
| Month | AM | PM | FAs Deadheading | AM | PM | FAs Deadheading |
| | Halifax | | | Winnipeg | | |
| Nov. 07 | 297 | 283 | 14 | 238 | 313 | 75 |
| Jan. 08 | 389 | 349 | 40 | 312 | 247 | 65 |
| April 08 | 258 | 360 | 102 | 294 | 251 | 43 |
| Aug. 08 | 147 | 311 | 164 | 374 | 286 | 88 |
| | | | | | | |
| Estimated for 1 year | 3,273 | 3,909 | 636 | 3,654 | 3,210 | 444 |

To maintain early morning departures and evening arrivals in both Halifax and Winnipeg, there will clearly be a huge number of flight attendant layovers in Winnipeg or Halifax. Even at reduced rates for hotel rooms, when all other expenses are factored in, the **cost is estimated to be about $600,000 a year for each city, or well in excess of $1 million more for Air Canada** than if it had maintained the two bases.

While the number of flight attendants required to 'deadhead' for these early flights is relatively less than those required to layover in hotels, the number is still significant. The lost revenues will increase the cost significantly when fare paying passengers are removed to make room for crew members required to travel to crew a waiting aircraft. Assuming lost revenues of about $1,000 per lost seat on only 50% of these flights, these **lost revenues could be in the order of over $500,000 annually.**

Taken together, closing the two bases will cost about $2 million more annually in extra layover expenses and foregone seat revenue to provide current service to these communities.

**Cost of Flight Delays**

Finally, the closure of the two cabin personnel bases will affect the reliability of air service into these two regions.

The climates of both Halifax and Winnipeg pose unique operational challenges. In the event of poor weather conditions or aircraft mechanical problems, flights will be subject to cancellation when crews based in other cities are not able to get to Halifax and Winnipeg to operate their flights, or in other situations when no back up crews are available locally.

Specifically, if the right number of Transport Canada required cabin personnel are not available for a flight, Air Canada will only have three choices: remove fare paying passengers to match the number of available flight attendants; delay the flight until the appropriate number of legally required flight attendants arrive; or cancel the flight altogether. All three scenarios require expensive solutions that are avoidable if there is a crew base in the location.

The direct personal costs of a flight cancellation are relatively straightforward to calculate: the number of stranded passengers and their attendant hotel costs, transport to and from the airport and expenses. **For 150 stranded passengers, to take a simple example, these personal costs could easily total $30,000 per flight.** Other passenger costs are more indirect and intangible in terms of the human effects of missed connecting flights, the inability to return to work and families, etc. Air Canada will also face direct and indirect costs in attempting to maintain the rest of its schedule when aircraft are stranded and unavailable for operation elsewhere.

While these situations are irregular and not to anyone's liking, they are a possibility and should be considered when determining at the full costs of closing the two bases.

**Conclusion**

Very clearly then, there are huge additional costs to the airline if the two bases are closed.
These extra costs include:

- Well in excess of $1 million more each year in layover costs than if the airline maintained the two bases.
- Foregone revenues of about $500,000 annually by having flight attendants 'deadhead' to these bases to operate flights that can no longer be done by locally based crew.
- Direct costs of at least $30,000 per 150 stranded passengers (with additional personal costs and direct costs to the airline) when flights cannot be operated due to the unavailability of cabin personnel.

With the costs of the base closures so high, and the costs in maintaining the current bases so low, one is led to speculate about Air Canada's motives in closing the bases. There could be other undefined reasons the airline has for closing the bases, which have not been identified. But if there is no hidden agenda to these base closures, one has to question the competence of Air Canada decision making and respect for providing essential air service to these communities and regions.

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