Air Canada’s corporate sustainability report has been first issued in 2011 and the latest issue, Citizens of the World was issued covering year of 2012[[1]](#footnote-1), approved by corporate governance’s committee and is focusing on four main areas of sustainability defined based on internal and external surveys: safety, the environment, employees and community. The report is covering many initiatives in each of the four areas supporting the CSR goals; however, it is not addressing some of the issues and lacks a more thorough explanation about some of their initiatives.

With regards to safety, procedures are in place to ensure nigh safety standards, however, many of the initiatives are undertaken in order to comply with the minimum requirements set by regulations or to maintain registration to recognized organizations like IATA. Only one third of employees participated in Safety Pulse Survey which is a very low rate. No information has been provided to address this low participation rate which could be a sign of employee dissatisfaction.

With regards to the impact on the environment, many initiatives are listed under CO2 reduction, which are primarily focusing on reaching economies of scale, achieving efficiency, cutting cost and lowering fuel consumption, the Air Canada’s largest expense. There have been only two revenue flights suing biofuel operated in 2012 by Air Canada.

About 90% of the employees are unionized which can explain the average age of 44 for workforce. Air Canada’ union environment creates challenges to motivate and empower employees based on results and performance. Labor troubles and pension obligations resulted in problems with unions and consequently considerable cost. After instances of many strikes and lockouts, unhappy employees were banned from strikes by legislation but this could only result in other actions by employees to show their dissatisfaction where 75 flights were cancelled when dozens of pilots called in sick in 2012[[2]](#footnote-2).

It is mentioned in the CSR report 2012 that in order to support its foundation to improve delivery of charitable initiatives, Air Canada planned to establish an employee payroll deduction plan in 2013. Detailed information is not provided about the implementation plan and employees’ consent to absorb the cost and it seems to be a cost pushed to the employees.

In March 2012, Aveos Fleet Performance Inc. Air Canada’s subcontractor went out of business, following a decline in business from Air Canada who gave a 5 year renewable contract to AAR, an American company that would maintain its airplanes with 350 workers, putting 2,600 people out of work in Manitoba, Ontario and Quebec[[3]](#footnote-3). From cost reduction perspective, it is justifiable to outsource support services abroad to countries that can carry the work cheaper and more efficient however these initiatives demonstrates lack of support for local society and economy.

As part of Air Canada’s initiative to reduce cost and increase efficiency and competitiveness, new high density Boeing 777 has been introduced into Air Canada’s fleet to increase the number of seats from 458 to 349. This initiative has a positive impact in reducing fuel consumption and consequently CO2 emission per passenger per flight, however, the main incentive is to increase Air Canada’s profit. This saving on cost is not being translated into price reduction and hence customers eventually bearing the cost for their decreased comfort level.

Air Canada rouge has been launched on July 2013 to enhance margins on leisure routes through its competitive cost structure, however, one of the main elements that enables lower cost operation is lower wages which shifts the costs to employees.

1. http://www.aircanada.com/en/about/corp\_sustainability.html [↑](#footnote-ref-1)
2. http://www.theglobeandmail.com/report-on-business/air-canada-must-cleanse-poisonous-culture-expert-warns/article4239400/ [↑](#footnote-ref-2)
3. http://www.cbc.ca/news/business/air-canada-to-appeal-quebec-court-ruling-on-aveos-1.1402818 [↑](#footnote-ref-3)