



THE SCOOP

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Understanding 'bankruptcy'

The news about Local 2000's biggest employer has not been good.

According to a Reuters story last week: "Debt-laden Canwest Global Communications Corp, Canada's biggest media company, may face bankruptcy as the weak economy wreaks havoc on its stable of television stations and newspapers, and buyers for its assets fail to materialize...."

"They're on the verge of bankruptcy," CIBC World Markets analyst Bob Bek said of the company. "The equity has been reflecting that for some time."

More important than these speculative reports is the fact that Canwest has yet to categorically deny this possibility.

While the union has no more information about Canwest's financial state other than what has been reported in the media, Local 2000 officers met recently with a lawyer who specializes in insolvency to get some answers about possible scenarios.

Among the questions asked were: What exactly does bankruptcy mean? What would happen to our members who work for Pacific Newspaper Group, Canwest Community Publishing or the Victoria Times-Colonist in the event Canwest files for creditor protection? How would Local 2000 contracts be affected? Can the company or courts force us to open a collective agreement? Are there any potential effects to our pension plans or other benefit plans?

The most important point is that once a company files for protection under the Companies' Creditor Arrangement Act (CCAA), the business continues to operate and its

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To help keep members informed about the events and issues confronting our local, The Scoop will be sent regularly as a pdf file by email to stewards and others.

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collective agreements remain in force. This means wages continue to be paid, pension and other benefit plan contributions continue to be made and all other provisions of a union contract remain in force. This includes, of course, seniority, grievance procedure, vacations, etc.

This is, by far, the most likely scenario for a company such as Canwest, which although it has overwhelming debts, is essentially comprised of potentially profitable pieces.

However, two very important things happen the moment a company goes to court and files for creditor protection. The first is that all its debts are frozen, the second is that the judge appoints a monitor who will work with the company, its creditors and other stakeholders to restructure the company, with the primary purpose being to liquidate the debt, but to find a way to keep the enterprises going.

All debts owed by a company that proceeds under the CCAA are given a priority standing, according to a set of rules outlined

in the legislation. This means that some debt holders will typically be repaid completely, while others may only receive a few cents on every dollar owed. Most often, individuals owed money by the company would be considered unsecured creditors and would be at "the back of the bus" when it comes to repayment, while bondholders and banks have "secured" debt that has higher priority.

While a company continues to operate under the CCAA, its various debt holders will try to get the best return possible, likely through the sale of properties. Negotiations are typically complex because they involve many competing interests. Operations that have a record of generating more income than expenses are best positioned for sale because they will spark the most interest among potential buyers. The bulk of Canwest's newspapers certainly fall into this category.

It is important to remember that the essential goal of this legislation is to restructure a company that would otherwise be successful if not for a crippling debt load. And, in fact, there are many examples of thriving Canadian companies today that have been restructured through this legislation, such as Air Canada, Stelco and Algoma Steel. It is not uncommon for a union, as one of the principal stakeholders in these companies, to become a participant in this process.

While somewhat more complex, many of the features of these discussions, for us, are similar to collective bargaining where, of course, solidarity and a careful understanding of the likely outcomes are the keys to a successful conclusion.

Following the contract still important in tough times

As the economy gets worse, our employers have stepped up requests for our members to take unpaid leaves, reduce their hours, or work harder to replace people who have been laid off or accepted buy-outs.

While Local 2000 prefers healthy employ-

ers, one of our core functions is to protect the health of every member and that is why our contracts spell out hours of work, overtime, vacation entitlement, leave provisions and many other benefits.

While working to the best of your ability during the agreed-upon shift is encour-

aged, this does not mean ignoring the contract. For example, overtime must be paid at the proper rate. There are rules governing leaves of absence.

While it is always important to do a good job, if you are given too much to do, ask your supervisor to prioritize the tasks.