Presentation of the Federation des travailleurs et travailleuses du Québec (FTQ) before the Senate Committee on Transport and Communications on Bill C-10 to amend the *Air Canada Public Participation Act* (ACPPA)

Ottawa, Tuesday June 21st, 2016

The FTQ wishes to thank the Senate Committee members for this invitation to discuss Bill C-10.

The FTQ is a central labour body representing 600,000 members from 5,000 local branches of Quebec, national and international trade unions. More than 20,000 aerospace workers are members of the FTQ; they work in the manufacturing and maintenance of aircraft and their components, act as flight attendants, pilots or airport personnel.

The tree that hides the forest

Your decision concerning Air Canada will be, in our opinion, ill-advised if it does not take into account the industrial ecosystem in which this company operates. Our tendency to consider the issues separately, as we are moved to do with this Bill, is a trap that, in this case, would prevent us from seeing the wood for the trees.

So, I will take advantage of the few minutes that you grant us to share information that strike us as being critical.

The Maintenance, Repair and Overhaul (MRO) sector represents 30,000 direct jobs and 26% of the Canadian aerospace industry direct GDP (in 2014). The remaining 74% come from the manufacturing sector, of which more than half is located in Quebec.

This information is important, insofar as all major aerospace clusters in the world have a well-developed aircraft maintenance industry since the knowledge of the employees in this sector is a necessary and essential part of the production cycle. This expertise opens access to in-depth knowledge of the sector and to product engineering to improve the different components of the aircraft.

Globally, the MRO services sector occupies a much larger place in the aerospace industry than what we see in Canada. The global MRO services market represents 75% of the aircraft and helicopters production value. In Canada, this proportion is only about 36%. There is food for thought here!

In fact, we believe it is essential to improve this ratio if we want to continue to develop the aerospace industry on our territory. However, Bill C-10 will produce the opposite effect.

A growing leading-edge sector

To simply illustrate what I have just said, I invite you to think about the Héroux-Devtek company, for example. The company began its activities in the 1980's, precisely in MRO services. And it is exactly the acquired knowledge in the repair and maintenance of landing gears that allowed them to become the important world-renowned manufacturer that they are today.

I emphasize: the decision concerning the maintenance performed on the Air Canada equipment does not only concern this company. This decision, which is in your hands, will have an impact on the whole of the aerospace sector. So, if you let Air Canada operate in isolation, it is clear that this company will continue to reduce its demand for Canadian maintenance services.

They will argue that it is normal to allow Air Canada to "enjoy the same flexibility as its competitors". But the aircraft maintenance industry is an advanced sector that we feel would be ill-advised to treat as if it were a low priority non-strategic sector. In other words, it is justified for Canada to want that Air Canada remain a Canadian-owned company. And it would also be justified for Canada to want that the maintenance of its aircrafts be carried out on its territory in order to stimulate a local aerospace industry.

A growing strategic sector

It would make a lot of sense, in any case, to do so knowing that the prospects for global growth in the maintenance sector are favourable.

According to the information that we obtained, over the next ten years, the demand for MRO services should grow from US$ 64 billion to US$ 96 billion, an increase of 49%. The market will be driven, among others, by a global air traffic that doubles every 15 years and will drive a significant increase of the aircraft fleet. In 2015, North America accounted for 29% of the demand for MRO services.

A pragmatic economic policy decision

Honourable senators, at one point, it is for the public authorities to take the decisions that the private sector cannot make.

We all well aware here that the invisible hand of Adam Smith is an illusion. There is no invisible hand, there are only laws, regulations and fiercely negotiated international trade agreements.

And therefore, the first pitfall to avoid in the debate surrounding Bill C-10, is to imagine that we are facing a lack of choice because it would supposedly be unfair to

require Air Canada to perform its maintenance on our territory while its competitors do not have this constraint.

This is an area in which there are no international to restrain your role as legislators and in which the Canadian economy has everything to gain. Why not keep these jobs in our country, and why not create the conditions for Canada to stimulate its aerospace industry?

Jobs vs. benefits

From our point of view, Bill C-10 would not result in "freeing Air Canada from the fetters to which it has been tied to for 30 years", to quote words that were heard in this chamber. Its effects, and it is the real choice that this Committee is facing, is to allow Air Canada's executives to maximize the shareholders' performance at the expense of skilled jobs on the Canadian territory.

Yes, this is the real issue behind Bill C-10: do you want to promote Air Canada's shareholders or rather employment and the development of the entire Canadian aerospace industry cluster?

This is a very pragmatic economic policy decision. Allow me, one last time before I conclude, to submit some data that must be taken into account.

According to analysts, 1,000 direct jobs in the MRO services generate 1,457 indirect and spinoff jobs in the rest of the Canadian economy. This information is crucial.

In comparison, 1,000 direct jobs in the aerospace manufacturing sector generate 1,340 indirect and spinoff jobs. This is a difference of almost 9%. The gap is even more important (14%) in the case of the impact on the GDP.

This shortfall is simply explained by the fact that the MRO services use more local subcontractors than the manufacturing sector, which uses more components imported from abroad.

The best decision from an economic point of view

In short, it seems clear that the best decision from an economic point of view would be to amend Bill C-10. Let's be clear: from an economic point of view does not mean from the point of view of Air Canada's shareholders.

I don't have to tell you, honourable senators who just amended Bill C-14 on physician-assisted dying, that there are no perfect decisions. There are no ideal economic policies, there are only those that are possible. In the less than ideal circumstances in which we operate, requiring Air Canada to continue to contribute

directly to the Canadian MRO services industry is the best decision, from an economic point of view, for Canada.

That is why, in conclusion, we propose that the Senate amend Bill C-10. First, in order to stop the hemorrhaging of jobs in the maintenance services sector. In other words, by ensuring that the final text will not allow Air Canada to continue to reduce the amount of maintenance that they perform in Canada. Subsequently, in order to force Air Canada to bring its offshore maintenance activities back to Canada.

Clearly, this means that, as a first step, Air Canada would maintain its current employees in Canada, or roughly 2,500 jobs. Then, in a second phase, the company would gradually repatriate its offshore activities.

Thank you for your attention.