



IAMAW CANADA-January 2021

**INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE
WORKERS TO THE STANDING
COMMITTEE ON TRANSPORT,
INFRASTRUCTURE AND COMMUNITIES**

IAMAW-CANADA

SUBMISSION OF THE INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS TO THE STANDING COMMITTEE ON TRANSPORT, INFRASTRUCTURE AND COMMUNITIES

We appreciate the opportunity to present the views of the International Association of Machinists and Aerospace Workers to this committee.

Introduction

The International Association of Machinists and Aerospace Workers (IAMAW) is the leading union in the aerospace sector and air transportation industry. The IAMAW represents over 55,000 members across Canada, of which 22,000 work in the aviation, aerospace and air transportation sector.

We represent members at Air Canada, Sunwing, Air Transat, Swissport, British Airways, Garda World, G4S, Menzies Aviation, AAS, ATS, Sky Café and others. Our members work across the aviation value chain, and have experienced the devastating effects of the global pandemic firsthand. We also represent workers in aircraft parts manufacturing, aircraft overhaul and repair, screening services across airports in Canada, automotive parts manufacturing, the hospitality sector, custom paint additives, industrial pump manufacturing, plastics manufacturing to woodworking.

As the hardest hit sector, air transportation is also a sector that is expected to experience a slow recovery, as well as, a fundamental change. We have been vociferous advocates of support for the industry, and encouraged employers to take advantage of the Canada Emergency Wage Subsidy (CEWS), while acknowledging the gaps in support programs to date. However, it is becoming evident that CEWS alone is not enough as an intervention, direct funding is necessary.

It has been a full year since COVID-19 became a reality in Canada, yet, to date, there has not been any targeted support for this industry. With a full recovery not expected until 2025, it is unrealistic to expect that aviation and air transportation will survive on raising funds independently, as it's proven to be insufficient. Without a well-thought out and planned sector specific strategy, several industries face decimation.

1. A Snapshot of the Aviation and Air Transportation Industry

Aviation and air transportation industries consist of a complex value chain, and the pandemic has had a broad effect on many businesses, not just the airlines. Operation of airports, pre-boarding screening services, aerospace, aircraft and component manufacturing, rental and leasing services, and refined petroleum manufacturing are just some of the industries that have been impacted by the decline in air transportation. Downstream industries such as air cargo, business travel, construction, catering and tourism have also been affected.

Air transportation directly supports jobs in the civil aerospace sector, manufacturing of aircraft, systems and engines, engine repair and overhaul, and other airport related jobs. Air transport in Canada alone contributes C\$51.4 billion to the country's GDP and supports approximately 633,000 jobs. Spending by foreign tourists supports another C\$16.7 billion of GDP, making a total contribution of C\$68.1 billion¹. In total, 3.2% of Canada's GDP is sustained by the inputs of the air transport sector and foreign tourists arriving by air. The most recent figure shows a steady decline in daily flights in Canadian airports, from 140,000 per day on average in January 2020 down to 9,000 per day in 2021. Passenger capacity is more than 90% down, and 28 domestic stations are closed. The impact of COVID-19 has obliterated aviation and air transport, but has also had a ripple effect on an entire ecosystem.

Station closures of regional airports, which are hubs that connect main centres to remote communities not only impact workers who depend on those jobs, but entire communities who are now disconnected from large urban centres. Many of these communities lack in services, and goods, which as a result of closures are that much more difficult to access. Closures also erode domestic regional networks, which as industry experts suggest, will be essential in rebuilding domestic travel, and will be the building block of a recovery.

The global aviation and air transportation industry was expected to grow by 2036 by 110 per cent when compared to 2016 levels. Additionally, the sector was expected to provide 98 million jobs and generate USD \$ 5.7 trillion in GDP.

For workers the decline in the industry has translated into massive lay-offs, bringing the average rate of employment to 8.5% nationally; however, this number obscures the current reality of employment. The underutilization rate of the labour force is abysmally high, as it currently sits at 41.2 per cent. A further 36.4 per cent of workers are unemployed but were working less than their usual hours. Those who wanted a job but were not actively searching for one made up another 14.3 per cent.² For those who were able to find a job, they are more likely to find part-time, precarious work, as evidenced by an increase in these types of work arrangements. Unfortunately, the quality of these jobs is poor, and most working Canadians are at a real risk of financial hardship, if not poverty.

In the air transportation sector alone, 10,000 of our members are currently laid off. Laid-off workers lose more than just their jobs, they lose health benefits, and their pension contributions cease. Many of our members, as well as most Canadians who have been impacted by the economic crisis are relying on government programs, and the EI system to sustain themselves and their families. Majority of Canadians who have lost their jobs due to the pandemic, are in an economically precarious situation. Many more will face this grim economic reality and rely on an overburdened, ill-equipped public services system for assistance. To avoid additional burdens on the system, air transportation companies need assistance to help maintain their workforce.

A speedy solution is necessary, however, the solution must address the entire aviation and air transportation ecosystem to protect the industry and ensure its viability. In 2020 alone, forty

¹ IATA "IATA Appeals to Canadian Government for Immediate Relief for Airlines in Face of COVID-19 Crisis"

² CICNews

airlines have filed for bankruptcy protection, 150 have suspended flights entirely. We urge the federal government to recognize the true impact of the pandemic, by acknowledging that this is a sector specific issue, which requires an urgent sector specific response.

Recommendations

The Canadian government was quick in responding to the economic crisis triggered by the pandemic, and made available CEWS. The program was effective in helping affected businesses, but unlike most foreign governments, the Canadian government did not provide specific aid to aviation and air transportation. Employers were given leverage in how they applied the subsidy, and despite its intent, most employers did not top up 25% of worker's wages, and would only use the subsidy for active employees. This went against the original intent of the program, which was to reduce lay-offs and help employers maintain workers on payroll.

A study by the International Air Transportation Association (IATA) examined countries responses to the pandemic, and found that Canada was one of few countries that did not provide sector specific assistance.

Two case studies are instructive and provide some guidance in crafting a Canadian sectoral policy response; France and Australia.

France

France has targeted aviation and aerospace by providing direct support to Airbus and Air France in the form of subsidies, and loans guarantees totaling 15 billion Euros. A special fund was established and jointly funded by government, Airbus and other large manufacturers to support small suppliers in the country. Air France secured 7 billion euros in loans and guarantees, and the government has pledged to help Air France buy Airbus aircraft, and has also committed to ordering refueling tankers, drones and helicopters from the military arm of Airbus. In exchange, companies are required to invest in electric, hydrogen and other lower emission aircraft as the French government hopes to move in the direction of green technologies. Notably, the French government engaged unions to develop long and short-term work schedules with the goal of preserving jobs.

Given the importance of preserving both air transportation and aerospace, we recommend that the Canadian government also provide direct funding such as low interest loans, and subsidies. Stimulating aerospace through incentivizing and subsidizing narrow body aircraft that is more energy efficient should also be captured.

Australia

Australia's sector oriented policy is especially instructive given similarities in the Canadian and Australian aviation and air transportation market. Through its policy, the Australian government has provided support to both large airlines, as well as, smaller regional carriers. \$ 715 million has been made available in relief from taxes and government charges. Another \$ 198 million has been made available to maintain the regional air network and another \$ 100 million for smaller regional airlines. Several packages are in place, as briefly outlined below.

The “Australian Airline Financial Relief Package” provides refunds and ongoing waivers on various government charges, such as, fuel excise, and domestic airline operations. These savings also reduce cost base expenses faced by air operators.

The “Domestic Aviation Network Support” is aimed at maintaining, at least, minimal connectivity within Australia. Support is also available in the form of shortfall subsidies to four domestic commercial airlines to operate flights between state and territory capital cities, which is approximately 50 routes.

“Regional Airlines Funding Assistance” provides assistance in the form of cash flow assistance to airlines providing essential services to regional and remote locations. The government also underwrites key routes that aren’t currently commercially viable.

The “Regional Airline Network Support” gives direct assistance to domestic airlines to maintain a basic level of connectivity across the network of regional routes.

“Regional Airports Screening Infrastructure” assists smaller regional airports through necessary capital and initial operating costs of complying with enhanced security screening. The goal is to reduce these costs for smaller airports to avoid costs being passed on to airlines and airport users.

Industry experts anticipate that the recovery will be led by domestic travel, and predominantly business travel in the early stages. The Australian response to the pandemic is not just responsive to immediate needs, but is aimed at ensuring the industry is ready for rebound by providing support for regional carriers and maintaining regional networks. Their policy also ensures that the pandemic doesn’t result in monopolization of the market, by providing support for smaller carriers.

Canada’s Sector Specific Policy

To facilitate policy development, the IMAAW recommends establishment of a Sector Council Working Group consisting of government, industry and union representatives. Consultations with unions will help ensure government funding is tied to creation of well-paid and safe jobs. Unions should also be consulted on crafting mitigation strategies against job loss.

The starting point of policy development must be based on devising the most effective form of direct assistance to the industry. We propose low interest loans, cash flow assistance, and subsidies. Support for smaller air carriers, and fostering regional air networks is essential, even if, at this moment, certain routes are not profitable. The Australian government is subsidizing routes that aren’t profitable, but that are necessary for air regional networks, and we recommend the Canadian government follow suit. Clear boundaries must be set on how public money is used, and prevent paying out bonuses, share buybacks and any other scheme that does not directly benefit the industry.

We also recommend a repatriation plan that secures jobs of Canadian maintenance workers. The IMAAW represents maintenance workers across the country and their main concern is that work that would have been done by them, is now done outside of the country. 79 aircraft have been grounded permanently, and 200 aircraft have been grounded outside of Canada, leaving

maintenance workers out of jobs. Many of these highly skilled trades people will not find comparable work in the current labour market.

Other than direct assistance, we also recommend that Canada develop programs, much like the Australian government has done, that support smaller air carriers, airports, and help maintain regional networks as the recovery will largely depend on domestic travel.

We also draw attention to the close relationship between air transportation and the aerospace industry, which has also been impacted by the decline in travel. Air carriers have either cancelled or put on hold orders for aircraft, resulting in a slowdown on the civil side of the aerospace industry. Cancellations of twelve A220 aircraft, and ten 737 Max plans has directly affected the work of our members in aerospace. The IAMAW encourages the government to assist air carriers with new aircraft purchases to prepare for the uptake in domestic travel, which in turn stimulates the aerospace industry. As airlines have retired many of their large body aircraft, we must prepare for the future, and ensure assistance is provided to purchase next generation aircraft.

A comprehensive and sound policy will ensure the long-term viability of Canadian air carriers, large and regional. Acting in the interest of Canadian carriers also requires placing limits on foreign ownership, protecting domestic routes for domestic carriers, and actions to stop asset-stripping. At a time of great fragility of the air transportation industry, the government has an opportunity to protect and enhance the entire ecosystem with the goal of poising Canada's industry for a quick recovery. Missing this opportunity is not only disastrous in the short-term, but, the failure to act will have far reaching, devastating, consequences.

Training

The IAMAW has been advocating for a national labour strategy in both aerospace and air transportation. Numerous studies and organizations have voiced concerns regarding the sustainability of the industry due to an aging workforce. Now is the time to enhance education and training of the next generation of workers, by investing in colleges, but also supporting companies that establish mentorship programs between young workers and those with more experience.

Once again, we ask for coordination between federal and provincial governments to finance training of workers in industries at highest risk of labour shortages. We also propose incentivizing mentorship programs through tax cuts for companies that facilitate on the job training programs. Incentivizing on the job training not only provides an opportunity for young workers to gain skills and experience, but also allows mature workers to stay on the job.

2. Coordination of Border Closures and Openings with The US

We will work with all relevant stakeholders to stimulate and rebuild the industry. However, the health and safety of the traveling public and our members is at the forefront of any plan and strategy. We will not advocate for actions that perpetuate the spread of COVID-19 and pose a threat to communities, travelers and workers.

3. Exclusivity Purchase Agreement between Air Canada and Transat

Both companies are publicly traded, and disclosure of information relating to the agreement could affect the share price of either company. Additionally, the companies would be at risk of insider trading charges from Securities regulators. For these reasons, this information has not been shared with the IAMAW, and we will not speculate on details, or the implications of the merger. However, we will look out for members' best interests in both companies, and represent all of our members fairly and equally.

Concluding Remarks

The IAMAW is committed to working with all relevant stakeholders and, ultimately we call for development of a sector specific action plan. The basis of a sector specific policy must be premised on dialogue, and consultation at all stages between the government, industry and unions.

We thank you for the invitation to participate, and for your time.

Respectfully Submitted,

Derek Ferguson- Political Action Representative, on behalf of IAMAW