

INTERNATIONAL
ASSOCIATION OF MACHINISTS
AND AEROSPACE WORKERS
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IAMAW PRESENTATION
TO THE STANDING
COMMITTEE ON
INTERNATIONAL TRADE

IAMAW Canada

SUBMISSION OF THE INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS TO THE STANDING COMMITTEE ON INTERNATIONAL TRADE

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 Bombardier, Airbus, Boeing, MTU, Magellan, Arnprior Aerospace, and Saffran Landing Systems, Avcorp, Rolls-Royce, Siemens, L3, and Field Aviation with numerous members across Canada who work in aircraft parts manufacturing, aircraft overhaul and repair. Our members in aviation work for Air Canada, Sunwing, Air Transat, Swissport, British Airways, Garda World, G4S, Menzies Aviation, AAS, ATS, Sky Café and others. We also represent members in screening services across airports in Canada, automotive parts manufacturing, the hospitality sector, healthcare, custom paint additives, industrial pump manufacturing, plastics manufacturing to woodworking.

Bill C-18 aims to extend terms and conditions of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) into a bilateral agreement between Canada and the United Kingdom, preserving the elimination of tariffs on 98% of products exported to the United Kingdom. Additionally, under the transitional agreement, Canada would maintain preferential access to the U.K. market for Canadian exporters. Continuation of the trade deal would also result in the elimination of an additional 1% of tariffs on Canadian exports to the U.K. by January 1, 2024, bringing the total elimination to 99% of tariffs on Canadian exports.

Without a transitional agreement, it is projected that Canada could experience a decline in bilateral trade worth US\$1.6 billion. Similarly, Canada's GDP would decline by up to US\$349 million, and there could be up to 2,430 job losses.¹ Given the potential losses to the Canadian economy overall, the IAMAW supports efforts to diversify and expand trade opportunities, and we would like to highlight where we see opportunities, but also, areas that must be addressed before the government proceeds with Bill C-18. CETA's drawbacks were highlighted in earlier consultations, and we hope the federal government gives issues we raise serious consideration.

1. Overview

In 2019, The United Kingdom was Canada's third-largest destination for merchandise exports as a single country.² Overall, the United Kingdom is Canada's fifth largest trading partner, with trade in goods and services totaling \$ 18 billion.³ The UK's top goods imported from Canada were largely in precious stones and metals (£8.9 billion in 2019), representing over two thirds of the total value of goods imported from

¹ https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cuktca-accru/economic_impact_assessment-evaluation_impact_economique.aspx?lang=eng Feb.15, 2020.

² Ibid.

³ Ibid.

Canada.⁴ 75% of total trade consists of natural or cultured pearls, precious or semi-precious stones, and precious metals.⁵

According to a study done by the Trade Commissioner (Aerospace and Defense), there is a niche for Canadian aerospace in the UK market. Although we make up a small portion of the UK's trade portfolio, approximately 1.6%, we believe the Canadian aerospace industry should take advantage of opportunities afforded by the transition agreement.

Similar to aviation sectors across the globe, the pandemic has had an adverse effect on the UK's aviation and aerospace industries. Heathrow Airport, as the country's largest and busiest airport, saw a 97% drop in passenger levels. The cancellation and shift of aircraft orders by airlines is affecting the industry's biggest aircraft makers, Boeing Co. and Airbus SE, in turn creating overcapacity at companies in the aviation supply chains. According to the ADS Group, the postponement and cancellation of aircraft deliveries is set to cost the UK £5bn in lost value in 2020.⁶

Similarly, Maintenance, Repair and Overhaul (MRO) dropped by 50-70% in 2020, and Airbus is reducing production by about a third after booking just 21 net orders for aircraft in March and April (2020). Boeing saw zero orders in April, in addition to requests by customers to defer and cancel orders. Airbus has furloughed 1,500 staff at their wing production facility in Filton, England and 3,200 in Broughton, Wales.⁷

The Trade Commissioner has identified opportunities for Canadian aerospace companies, which would be supported by the continuation of agreement terms under CETA. Disruptions in global markets due to the pandemic are inevitably leading to mergers and acquisitions (M&A), with the Aerospace and Defense industry (A&D) having been flagged as most susceptible. The Trade Commissioner advises Canadian companies with cash flow to consider acquisition targets and invest in the UK. Other opportunities of interest are software solutions that support the digitization of supply chain management, as well as, technologies supporting the transformation of industry due to the coronavirus crisis: such as cyber-solutions, monitoring systems, and CBRN type capabilities that support disinfection.⁸

2. Improving Canadian Competitiveness in Aerospace- A National Aerospace Policy

In order for Canadian aerospace companies to compete in the global market, and capture the UK's aerospace market at this opportune time, the Canadian government must do more. The IAMAW has urged the federal government to address gaps in the domestic industry as a means of strengthening the Canadian aerospace industry, and ensuring its ability to remain globally competitive. The contribution of Canada's aerospace industry should not be ignored; the aerospace industry has irrefutably proven to be the driver of innovation and technology across sectors, employing more Canadians than the auto industry. In fact, the Canadian government relies more on this industry for revenue than Canada's competitors.

Aerospace is a large contributor to the Canadian economy, some \$28 billion annually, and is a source of well-paid, stable unionized jobs that support middle class Canadians. This industry employs more

⁴ Ibid pg.6

⁵ <https://www.britishcanadianchamber.com/post/canada-s-merchandise-exports-to-the-uk> Feb.15, 2021

⁶ <https://aiac.ca/wp-content/uploads/2020/05/Trade-Commissioner-Service-Report-COVID19-UK-Aerospace-Impact.pdf> Feb.15, 2021

⁷ Ibid.

⁸ Ibid.

workers than the auto industry by a large margin, 208,000 versus 123,395 workers, (or 60% more workers than auto), yet to date, the industry has seen little direct support as a whole.

Our recommendations included, first and foremost, the development of a national aerospace policy. Canada's largest aerospace cluster is centralized in Quebec, however, practically every province has an aerospace cluster. The industry is often caught in between provincial and federal governments, which has made a cohesive funding framework and fostering of regional clusters difficult. The approach the government has taken is to fund individual aerospace companies, and randomly transfer money to provinces with aerospace clusters. This is neither an efficient use of money, nor an effective means to ensure Canada remains globally competitive, despite being unsurpassed in production of flight simulators, civil aircraft, engines and MRO.

Our aerospace industry has always been globally competitive, but lack of government support and prioritization coupled with the impact of the pandemic has placed additional challenges for a very fragile industry. We ask that the government support this industry in the form of a national policy, and support aerospace businesses to be more competitive in capturing the UK's aerospace market.

3. Concerns with CETA Provisions- Lack of Protection for Labour Rights

The labour movement's position on CETA has been made clear through a joint statement by the Canadian Labour Congress, and Germany's Confederation of Trade Unions warning about weakening of labour rights in 2016. Specifically, CETA's Chapter 23 did not provide for any binding nor enforceable labour provisions for implementation of core International Labour Standards (ILO). The IAMAW is equally troubled by the fact that the labour chapter is exempt from general dispute settlement. While investors can rely on a binding investment court system, labour disputes are resolved through a non-binding process of cooperation, and recommendations, which companies can ignore without penalties.

Essentially, CETA only contained a process that triggered consultations, but, there were no fines, nor penalties for parties found to infringe labour laws.⁹

CETA also promotes the erosion of labour rights by allowing parties to shift investments to areas where labour standards are lowest, and through challenging new regulations that would negatively impact investments. The original agreement did not place an obligation on parties to implement ILO conventions, which in a global market prevent the dismantling of labour laws, and a race to the bottom. Specifically, the agreement is silent on the ILO Convention regarding Occupational Safety and Health and the Working Environment (No. 155), as well as, No.81 and No. 129 on labour inspections, No.122 on employment policies, and No.97 and 143 on labour mobility and protection of migrant workers.

Under the Temporary Entry for Business Persons provisions, CETA also allows certain classes of workers to move between countries and bypass the Canadian immigration process. CETA limits government's ability to put limits on migrant workers in areas with high unemployment, even if local workers are available. This provision clearly undercuts government's efforts to train and hire local workers. Last but not least, temporary entry provisions do not provide a path to permanent residency or immigration, as is the case in other European Union trade agreements. Moreover, this provision is expected to have a greater impact on Canada than the UK.

⁹ Powershift and CCPA, et al. (2016). *Making Sense of CETA 2ND* Edition. Berlin, Germany, and Ottawa Canada. Pg. 70

A. Public Procurement

For the first time, under any Canadian trade deal, CETA allowed procurement rules to apply to Canadian municipal and provincial governments, in addition to the federal government. Local bodies are prohibited from favouring local suppliers and even applying local content requirements to procurement contracts, as it would infringe on non-discrimination provisions. What is more concerning is that CETA's provisions give unconditional access to Canadian procurement markets to European companies. Moreover, procuring entities are not able to obligate foreign suppliers to contribute positively to local economic developments.¹⁰

In fact, CETA allows foreign governments to exert diplomatic and bureaucratic pressure on signatories to engage in cooperation on regulation. The goal was to harmonize standards, and outline a process that requires signatories to share information about development of policies and regulations as early as possible, allowing a foreign government to provide input on draft regulations. This is hugely problematic, and we now have the opportunity to address this issue.

Under the new transition agreement, we recommend that Bill C-18 outline stipulations for Canadian content requirements in public contracts. A measure that allows the Canadian government to support and guarantee economic benefits must be part and parcel of the new agreement. The IAMAW also recommends that a form of insurance framework is included, with the goal of protecting struggling economic sectors, such as aerospace in the current climate, without facing penalties for breach of the agreement.

B. Trade

CETA also imposed the condition on the Canadian government to treat foreign suppliers at least as well as domestic suppliers, which in some cases would disadvantage domestic businesses. Under the original agreement, our government's ability to regulate entry and activity of foreign firms was limited, even in instances when such regulations didn't discriminate between foreign and domestic service suppliers.

C. Dismantling of Public Services, Quotas and Regulations

CETA's reach is much more extensive than any other free trade agreement that Canada has entered into, in terms of placing limits on government's ability to protect domestic industries, and markets. Technically, CETA deems anything under government authority to be off limits to market liberalization, but even in provision of public services there may be a nominal level of competition, allowing for liberalization and harmonization between signatories. Chapters on investment, cross-border trade in services, government procurement, rules on market access, non-discrimination, investment protection and most favoured nation treatment all open the possibility of privatizing public services.

Various restrictions could affect quotas, such as, prescription quotas that some EU nations maintain to reduce costs of healthcare; under the agreement, this would be challenged as a breach of market access provisions.¹¹ CETA's authors assumed that all sectors and measures pertaining to trade and investment are automatically covered by CETA, unless explicitly excluded. CETA, as originally implemented, absolutely infringed on government's freedom and responsibility to provide and regulate public services in the public interest.

¹⁰ Ibid, pg.73

¹¹ Ibid, pg. 30

Canada is one of the most frequently sued developed nations under NAFTA, with 39 claims against the Canadian government and \$ 190 million paid out in damages. There are many other claims against Canada with investors suing for billions of dollars. The majority of claims are spearheaded by European investors; in fact they have initiated over half of all claims.¹² The most contested issues involved matters related to public health, and the environment, both of which are under the scope of CETA.

The pandemic has underscored the significance of community services during a crisis, for many, this network has sustained them. Moreover, lack of a domestic manufacturing industry for production of PPE, disinfectant and now vaccines illustrates how important healthy domestic industries are to a country. It supports economic health, and social cohesion, and any trade deal that undercuts that must be reviewed and re-evaluated.

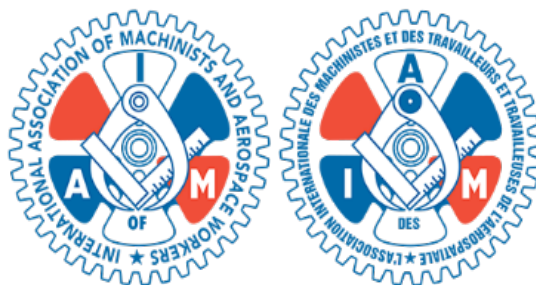
Conclusion

As we originally stated, we support efforts to explore and pursue trade opportunities that are in the interest of our economy, as well as, the public's interest. Certainly, the UK market is one that Canada has an opportunity to benefit from, and we encourage the Canadian government to pursue this avenue through regular consultations with relevant stakeholders, which should also include unions.

As a starting point, we are asking the federal government to review problematic areas of CETA, some of which we've outlined in our submission, which by no means is an exhaustive list. Given the impact of the pandemic on several key sectors such as aviation and sub-sectors like aerospace, it is worthwhile to explore the development of an industrial policy, which includes a strategic national policy for aerospace. Building trade relations is necessary to stabilize and diversify our economy, however, we must not do so at the expense of our domestic industries.

Respectfully submitted,

David Chartrand- IAMAW Quebec Coordinator



¹² Ibid. pg. 79