



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Transport, Infrastructure and Communities

TRAN • NUMBER 011 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Wednesday, May 4, 2016

—
Chair

The Honourable Judy A. Sgro

Standing Committee on Transport, Infrastructure and Communities

Wednesday, May 4, 2016

• (1540)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): Good afternoon, everyone. I'm calling to order the Standing Committee on Transport, Infrastructure and Communities, 42nd Parliament, for meeting number 11.

Pursuant to the order of reference of Wednesday, April 20, we are dealing with Bill C-10, An Act to amend the Air Canada Public Participation Act and to provide for certain other measures. We have with us from Air Canada Calin Rovinescu, president and chief executive officer; and Kevin Howlette, senior vice-president, regional market and government affairs.

Gentlemen, as you know, there has been a vote called for later on, so we don't have a lot of time. I'd ask that you make your most critical points so that the committee has a chance to also get some questions out there.

I will turn it over to whoever would like to go first.

Please, the floor is yours.

Mr. Calin Rovinescu (President and Chief Executive Officer, Air Canada): Thank you very much, Madam Chair.

[Translation]

Thank you for allowing me to speak to you today about the importance of modernizing the Air Canada Public Participation Act and, more specifically, about Air Canada's position on Bill C-10.

With me today is Kevin Howlette, our senior vice president of Regional Markets and Government Affairs.

To start, I would like to say that we support this bill, especially because it is designed to allow Air Canada to be more competitive in a global context. The bill recognizes that the airline industry has undergone a dramatic transformation since Air Canada's privatization nearly three decades ago. It acknowledges that Air Canada is a fully private sector company, owned by private sector interests, operating in a highly competitive global industry.

Air Canada is a significant contributor to the Canadian economy and one of its largest employers. Last year, we flew nearly 42 million passengers to more than 200 destinations in Canada, the US and around the world. We employ close to 28,000 people—33,000 if you include our regional partners Jazz, Sky Regional and Air Georgian—and support approximately 30,000 pensioners. Salaries and benefits paid by Air Canada in Canada exceed \$2.1 billion, and our total operational expenses in this country are close to \$10 billion.

[English]

Let me start with a few words on the privatization of Air Canada in 1988-1989.

The company was sold to private investors over two years in two public offerings. The Government of Canada received gross proceeds of about \$500 million for its shares, which would be about \$2 billion in today's dollars. Air Canada derives no ongoing benefits from its prior crown corporation status that would put us in a privileged position vis-à-vis our competitors or for which the Canadian taxpayer hasn't been appropriately paid, none. We receive no subsidies, we have no protected monopoly routes, we have no privileged access to airports or facilities, we get no tax breaks, etc.

I will say a few words also on the evolution of the industry and the competitive landscape. During the first half of the 1990s, the airline industry experienced a worldwide recession, the Gulf War, 9/11, extreme fuel cost volatility, and other adverse geopolitical and economic events. A number of airlines went bankrupt, ceased operations, merged, or restructured. Air Canada went through its own court-supervised restructuring in 2003-2004, which, among other things, resulted in the sale of its heavy maintenance operations.

Low-cost carriers—virtually all of whom outsource aircraft maintenance—also emerged over the last 20 years. Canada's own WestJet launched in 1996 and today operates with about 40% market share domestically, without any restrictions or obligations whatsoever under its constating documents regarding where it performs maintenance or how many jobs it should directly or indirectly protect.

The competitive landscape intensified in other ways too. Today, we have open skies agreements with close to 50 countries, including the United States and the 28 countries of the European Union. More than 70 foreign airlines fly to Canada, competing for our customers.

Legacy carriers around the world have been forced to radically change to survive and prosper, and despite all this change, profit margins in the industry are razor-thin, ranging since 2008 from negative 5% to 4%-5% profit in a good year. Carriers have had to significantly contain costs and capital investments, including those for maintenance, repair, and overhaul.

Turning to maintenance specifically, until the 1980s, network airlines such as Air Canada generally insourced all aircraft maintenance. The maintenance, repair, and overhaul business—so-called MRO—was not the independent and competitive industry it has now become.

Maintenance typically represents 10%-15% of an airline's costs, and it's one of the largest cost buckets. Outsourcing certain activities to qualified MROs around the world, which actively compete for this work, has become a normal, healthy, and essential development in our capital-intensive, highly competitive, and low-margin business.

A report prepared for the IATA found MRO outsourcing worldwide has grown from approximately 30% in 1990 to 65% in 2013, and the trend is projected to increase. It is estimated that outsourcing could reach 80%.

[*Translation*]

When Aveos was created out of Air Canada's 2003-04 restructuring, independent institutions invested \$975 million to acquire Aveos with the objective of building a platform which could attract other airlines besides Air Canada. However, Aveos repeatedly failed to diversify with other airlines. In the 2012 court filings, the company itself said it never achieved the cost efficiencies or productivity of its global competitors. Fundamentally, this is why it failed.

After this failure, Air Canada relocated its heavy maintenance work to other qualified maintenance companies in Canada and around the world. Our aircraft utilization has since improved significantly, with reduced maintenance turn-around times and lower maintenance costs.

• (1545)

[*English*]

MROs today compete globally for an airline's heavy maintenance business based on centres of excellence, not regional work. To be globally relevant, these businesses must maintain significant capital investment in areas that are non-core for airlines, such as equipment, tooling, licences, R and D, etc. Starting a new MRO business without significant third party business would not be realistic. Our own Air Canada line maintenance labour force has more than doubled over the last 10 years. Today we employ approximately 2,400 maintenance employees in Canada, plus more than 1,000 at our regional partners—Jazz, Air Georgian, and Sky Regional. This is far more than at any other airline in Canada, and we ourselves regularly perform in this fashion many specialized maintenance tasks that would previously have been performed in a heavy maintenance environment.

While we have sent some of our heavy maintenance abroad since Aveos closed, we've also significantly increased the volumes of work outsourced to companies in Canada. Premier Aviation in Trois-Rivières performs airframe maintenance for our Embraer fleet. Avianor in Mirabel undertakes aircraft conversions and other maintenance work on several fleet types. Airbase in Montreal performs cabin equipment and other interior maintenance. Hope Aero in Toronto overhauls wheels, brakes, and batteries. These latter two suppliers will soon establish activities in Winnipeg as well. Jazz maintenance for our regional fleet is performed in Halifax, Calgary, and Prince Edward Island. All this work employs thousands of

Canadians and, in an open economy with a private sector employer, competition rather than statutory prescription is the way to create and sustain jobs.

Bill C-10 acknowledges the changes in the industry and provides the greater flexibility and certainty of interpretation Air Canada requires to compete globally. Air Canada will be able to determine, at its commercial discretion, the volume and type of aircraft maintenance it does globally and in Canada, including the work done in Manitoba, Quebec, and Ontario, and who performs this work, based on competitive proposals from suppliers.

No other airline in Canada—and to our knowledge no other airline in the world—is subject to maintenance restrictions such as those imposed on Air Canada by the act—not WestJet, Porter, Air Transat, Sunwing, British Airways, Air France, American, United, Cathay Pacific, Singapore Airlines, etc. These airlines make their decisions based on the competitiveness of the quality and pricing of the services contracted and their turnaround times. We expect the same flexibility to use our business judgment, because at the end of the day we compete in the same markets for the same customers.

We have concluded settlement agreements with the Government of Quebec and the Government of Manitoba, which should create more aerospace maintenance jobs in Canada. We have agreed to collaborate to help establish centres of excellence in each of these provinces, which should be capable of attracting work from other airlines if competitive. GE, among others, has created such centres of excellence around the world to bring together people with particular expertise to focus on and improve specific products or processes through research and sharing best practices.

[*Translation*]

Another very tangible result of Air Canada being internationally competitive is our LOI to purchase the Bombardier C Series aircraft. We are proud to be the first major North American carrier to order the C Series, and we believe it sent an important signal to the market that gave other airlines, notably Delta Air Lines, the confidence to purchase this next generation aircraft.

At list prices, our order is valued at \$3.8 billion for the firm order alone. This is a substantial commitment to the C Series, and to Canadian aerospace which will continue to employ thousands of aerospace workers, based on orders such as ours.

The ACPPA was adopted over a quarter century ago, in the context of an air travel industry that was completely different. Hindsight is 20/20, and I mean no disrespect to its framers when I say that it should have accounted for the possibility the industry would change, even if it was not possible to anticipate all eventualities.

Madam Chair, thank you for your attention. Air Canada is committed to the aerospace industry in this country. By creating a more level playing field, Bill C-10 will allow us to remain competitive and support job creation in the aviation, tourism and aerospace industries in Canada well into the future.

Thank you very much.

[English]

Thank you for your attention.

The Chair: Thank you very much, sir. We appreciate the fact that you went through that very quickly.

I now turn to Ms. Block for six minutes.

Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC): Thank you very much, Madam Chair.

I will be sharing my time with my colleague, Mr. Berthold.

I'd also like to thank our witnesses for being here.

First I'd like to move my motion, which I submitted to the clerk on Monday evening and circulated to members yesterday afternoon. I'd like to read my motion into the record, as it does pertain to this study.

That the Committee request from Transport Canada and the Privy Council Office any briefing notes prepared for Minister of Transport Marc Garneau for his meetings with Air Canada representatives on February 15, 2016, and December 15, 2015, and for Mathieu Bouchard (Senior Advisor, Prime Minister's Office) for his meetings with Air Canada representatives on February 3, 2016, January 27, 2016, January 8, 2016, and December 15, 2015, and that the Committee also request any briefing notes to the Minister of Transport that served as a guide for drafting Bill C-10, An Act to amend the Air Canada Public Participation Act and to provide for certain other measures.

Quite simply, Madam Chair, the Minister of Transport was asked on three separate occasions on Monday whether he would provide any briefing materials from his department that informed his decision. The first time I asked, I didn't receive an answer. The other two times we received the following two responses.

The first was "I think the recommendations that came from the department have made their way into the act as it is proposed and which you are studying at this committee at the moment."

The second was "If you would give us the dates that you mentioned formally".

According to the minister's testimony on Monday, he or a member of his staff remarked that Air Canada was negotiating a settlement with the Government of Quebec and the Government of Manitoba and decided that this was the right time to introduce and pass legislation that would protect Air Canada from future litigation. To say that this legislation came as a surprise to all the maintenance workers present here today would be an understatement.

My intent in introducing this motion is to find out whether the minister received a single briefing note from his department recommending this option. I'd like to find out whether Transport Canada did a financial analysis of the impact of this bill before it was introduced in Parliament, because when asked by the Liberal member from Central Nova on Monday to quantify the benefits Air Canada will gain from this legislation, again the minister responded by saying, "It's a good question. It's one I would have to get back to

you on. I think it's a big, serious question and I don't have the answer at my fingertips, but we'll look into that."

The minister's lack of response to such a basic question makes me wonder whether his own department has provided him with any advice or recommendations on this matter. This motion aims to get the necessary background to Parliament as we review this bill. I hope that all members of this committee will vote in support of this motion.

Thank you.

● (1550)

[Translation]

Mr. Luc Berthold (Mégantic—L'Érable, CPC): Thank you.

Mr. Rovinescu and Mr. Howlette, thank you for being here today.

Ms. Block just spoke about meetings between Air Canada and the government.

The fact that a bill like Bill C-10 is being put forward certainly corresponds to a request that Air Canada has had in its files for a very long time.

In the past few years, particularly since October 2015, which senior government officials have you spoken to about this situation?

Mr. Calin Rovinescu: Thank you for the question.

As you said so clearly, we have been suggesting that the Air Canada Public Participation Act be amended, if not repealed, for a fairly long time. I have here a document we tabled on February 15, 2015, before the committee chaired by Mr. Emerson. The purpose of the document was to review the amendments to the Canada Transportation Act. Our proposal read as follows:

[English]

Today, many of the obligations contained in the Air Canada Public Participation Act are outdated and fail to recognize the increased competition in the market, as well as other new realities, such as changes as to how aircraft are maintained. The act never included a sunset provision to address this—

[Translation]

Mr. Luc Berthold: I'm sorry for interrupting you, Mr. Rovinescu, but since I don't have much time left, I will read the document instead.

Mr. Calin Rovinescu: All that to say that we have been expressing this desire for a very long time. We spoke about it with the governments of Quebec and Manitoba, as well as with the federal government.

Mr. Luc Berthold: Has the matter been addressed by representatives of the federal government and Air Canada since last October?

Mr. Calin Rovinescu: Certainly since last October. Our people indicated that our preference was that the act be repealed.

Every time the Emerson Report was mentioned, we raised this issue with the three levels of government.

● (1555)

Mr. Luc Berthold: Thank you very much, Mr. Rovinescu.

The Chair: Mr. Iacono, you have the floor.

Mr. Angelo Iacono (Alfred-Pellan, Lib.): Thank you, Madam Chair.

I would also like to thank the witnesses for being here today.

The brief presented by Air Canada as part of the study on the Canada Transportation Act states that the Canadian internal market was relatively saturated and that significant growth meant that we would have to court and attract international traffic.

Air Canada competes with dozens of other foreign airlines to attract international travellers. What would the main competitive factors be in the airline industry?

Mr. Calin Rovinescu: I'm sorry; I didn't understand the question.

Mr. Angelo Iacono: What would the main competitive factors be in the airline industry?

Mr. Calin Rovinescu: There are many. It depends on our networks. In the past few years, we have build fairly powerful networks for our vital niches, such as Montreal-Toronto and Calgary-Vancouver. That's one aspect of competitiveness.

A second aspect is certainly cost, including labour costs and maintenance time for airplanes. How we manage the costs is very important. The most successful companies in the world, like Singapore Airlines, are the ones that are the most profitable.

Mr. Angelo Iacono: How is Air Canada's international competitiveness affected by the Air Canada Public Participation Act?

Mr. Calin Rovinescu: The act creates a certain obligation that our competitors are not subject to, be they Canadian companies like WestJet, Porter or Sunwing, or international companies like British Airways, Air France or Cathay Pacific.

These few restrictions and obligations eliminate the capacity to offer competitive prices around the world, which has affected us for several years.

Mr. Angelo Iacono: To what extent, if any, would the amendments being proposed to the Air Canada Public Participation Act make the company more or less competitive on international markets?

Mr. Calin Rovinescu: I must be very clear with you. This isn't an ideal solution. Ideally, this act should be repealed and we should ensure that we have exactly the same conditions as all of our competitors. That would move us substantially closer to our goal, which is to have a level playing field.

Mr. Angelo Iacono: I forgot to say that I share—
[English]

The Chair: Mr. Sikand, you have three minutes.

Mr. Gagan Sikand (Mississauga—Streetsville, Lib.): Thank you for being here.

With regard to Air Canada's flight routes, which have the most volume?

Mr. Calin Rovinescu: Right now the ones that have the most volume in terms of... We look at it either in terms of revenue or in terms of available seat miles, and historically they have been the domestic routes, but in the last number of years our large growth has been in the international markets.

Mr. Gagan Sikand: Is that in terms of—

Mr. Calin Rovinescu: That's over the Atlantic and over the Pacific, as we have routes, for example, to Seoul, China, Hong Kong, etc. Those obviously have large volume. A large number of aircrafts have now been purchased to be able to accomplish those missions.

Mr. Gagan Sikand: I think you mentioned Singapore, but outside of North America, which regions pose the greatest competition to Air Canada?

Mr. Calin Rovinescu: Frankly, as I said earlier, we have 70 airlines now that fly into Canada, so we have fairly intense competition over the Atlantic and over the Pacific from respective carriers of those countries. For example, we'll face competition to Europe from British Airways, Air France, and those kinds of European carriers, and we'll face competition to Asia from Cathay Pacific, from Singapore Airlines, and those types of carriers. Then in each one of our markets we face enormous competition from Emirates, Qatar, and Etihad in respect of connecting traffic.

Mr. Gagan Sikand: Do you see greater growth out of Asia in terms of competing with Air Canada?

Mr. Calin Rovinescu: As Asia has grown, there's no question that we're facing what we call in the industry “the Pacific century”, so there's no question that there will be increasing competition coming out of Asia.

A lot of Chinese carriers have now come into the market. We used to just see Air China, China Eastern, and so on, but now we see more and more of the Chinese carriers. Hainan has come in to the market. The Asian carriers, of course, have a substantially lower cost of delivery and will be significant competitors going forward—

• (1600)

Mr. Gagan Sikand: Sorry to cut you off there.

Last question, could you confirm for me the number of employees Air Canada employs?

Mr. Calin Rovinescu: Yes. As I said at the beginning, there are 28,000 ourselves, and with our regional partners who work exclusively for us, about 33,000, so it's 28,000 in Air Canada on its own, and if you include Jazz, Sky Regional, and Air Georgian, it's 33,000.

Mr. Gagan Sikand: Of those, how many are in maintenance?

Mr. Calin Rovinescu: There are 2,400.

Mr. Gagan Sikand: Thank you very much.

The Chair: Thank you, Mr. Sikand.

Mr. Blaikie.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

One of the overriding themes of the Bill C-10 issue to date has been a lack of consultation. Certainly I think if you speak to the workers and their families in Winnipeg, they would say that losing the right to overhaul maintenance work is a blow to the aerospace industry in Winnipeg and that they were not consulted sufficiently before moving ahead with that. It's the reason I'm proud that the NDP has tabled a motion at this committee:

That the Standing Committee on Transport, Infrastructure and Communities extend its consideration of Bill C-10 in order to hear from all interested individuals and groups, and that it hold hearings in Montreal, Mississauga and Winnipeg as part of its deliberations.

Having read the motion, I now move it, Madam Chair.

The Chair: Mr. Blaikie, we do have that on our agenda to deal with following our meeting today.

Mr. Daniel Blaikie: Indeed, but given that it's moved, as long as it's in order, I think we can move to debate nevertheless.

The Chair: What is the desire of the committee? Do you wish to deal with this issue now? If we're going to deal with committee business, we're automatically in camera.

Mr. Daniel Blaikie: I don't see that we have to move in camera in order to deal with this motion, Madam Chair.

The Chair: To deal with committee business, we go in camera, so we'll be going in camera.

Mr. Daniel Blaikie: Is that a standing rule of the committee?

The Chair: Yes, our committee business is done in camera. It's on the agenda today following this meeting.

After we had had a chance to listen to the witnesses on many sides of this issue, the intent was to do committee business and discuss both Ms. Block's motion as well as your motion. We have interested witnesses here who are anxious to give their testimony to us.

My suggestion to the committee is that we listen to the witnesses in between votes today, so that everybody gets a hearing, and then we'll have a chance to go in camera and deal with both motions, Ms. Block's and Mr. Blaikie's.

Mrs. Kelly Block: Madam Chair, I concur that we have witnesses we would like to question. I really don't want to waste their time debating what we've already scheduled in committee business. It's my understanding the bells are actually ringing. How much time do we have? When did they start? Does anybody know that?

A voice: Ten minutes ago.

Mrs. Kelly Block: They started 10 minutes ago. Typically, I think when the bells start, committee suspends and we go to the House. I think we probably should do that now.

The Chair: Then we'll have to suspend and go for the vote.

My apologies to all our witnesses. I would appreciate it if you will be patient; we will be back as soon as we can.

I will suspend the meeting for the moment.

•(1600) _____ (Pause) _____

•(1650)

The Chair: We are reconvening our meeting.

Apologies to everyone, but democracy is in play.

We have two minutes remaining for Mr. Blaikie, if you would like to resume the floor.

Mr. Daniel Blaikie: Thank you very much.

My understanding was that I was going to speak briefly to the motion that was on the floor, and then we may decide to deal with it or not. Typically, when you move a motion, it doesn't come out of your time for questions. We may have had a misunderstanding there in terms of...

The Chair: You had—

The Clerk of the Committee (Mr. Andrew Bartholomew Chaplin): The trouble is that when he starts the debate on the motion....

The Chair: And he did that right at the beginning.

The Clerk: Yes.

The Chair: Go ahead, Mr. Blaikie.

Mr. Daniel Blaikie: With respect to dealing with this at the end of the meeting, I'm not opposed to the idea of dealing with it at the end of the meeting, but I do object to the motion that it be dealt with in camera. If it's the case that families in my hometown of Winnipeg aren't going to get to come and provide testimony and speak to the impact the changes in this bill are going to have on them and on their lives, then I think they'd like to know the reasons why.

I think it's appropriate that substantive motions come before committee. I recognize I'm a visitor on this committee, but I am on other committees where we do deal with substantive motions in public. My understanding is that going in camera with every motion brought to committee was a practice that started under the Conservatives, and it's one I'm glad to see that some committees have chosen not to adopt. I'm disappointed to learn that's not the case here, but perhaps we can change that at the end of the meeting when we come to consideration of the motion.

With that, I'm prepared to have the motion discussed at the end of the meeting, but not in camera if it's the will of the—

The Chair: If I could just make sure we have the record straight, we have had discussions among the Conservatives, the NDP, and the Liberals. We agreed on a witness list and asked all of the witnesses that were there to come and be representatives. Anyone that Ms. Duncan had put forward on the list was invited to come, as well as witnesses for the Conservatives and the Liberals. I'm sorry you feel people from Winnipeg won't get to be here specifically, but had they been specifically on a list, we would have been happy to have accommodated them.

My apologies for interrupting. Finish your time.

Mr. Daniel Blaikie: In terms of questions for the witnesses, thank you for being here.

One of the things I've been trying to get my head around on this issue is where the urgency for this request has come from. My understanding is that in annual reports by Air Canada, for the last couple of years, intense labour costs for maintenance aren't listed as a problem for the company. There's no suggestion the company is in financial trouble because of excessive maintenance costs. Can you give us a sense of why those issues weren't mentioned if this is an urgent problem?

Mr. Kevin Howlette (Senior Vice-President, Regional Market and Government Affairs, Air Canada): As Calin said, maintenance costs are about 15% of our operating budget, so maintenance is in excess of 1\$ billion annually. It is a significant figure. That's number one.

Number two is that fleet renewals and fleet requirements are an ongoing assessment that goes on every day in our industry as the industry changes. For that category of airplane, the opportunity was there. There are a number of manufacturers in that category of airplane, and that's what drove the decision. It was the same thing as the decision around the narrow-body fleet going from Airbus to Boeing, as it was from Airbus to Boeing on the wide-body fleet. It's no different.

Mr. Daniel Blaikie: Is it the position of Air Canada that a company can't commit to doing significant aspects of its overhaul and maintenance in Canada and still be competitive?

Mr. Kevin Howlette: I think our point is that the best determiner is a competitive environment. We compete on a global scale. That is not to say that some or all of this work won't ultimately be done in Canada, but we have to compete in a global market.

Mr. Daniel Blaikie: There's been a fair bit of speculation about the connection with the C Series order you placed with Bombardier, the timing, and particularly the sense of urgency the government seems to have in getting this bill through Parliament. Is it the case that Air Canada, if this act wasn't moving through Parliament and wasn't moving through Parliament at the pace that it is, would have gone ahead and bought those planes because they're the best planes for your company?

• (1655)

Mr. Kevin Howlette: As we have said publicly, we like the airplane. We think the C Series is a great airplane. Additionally, from Air Canada's perspective, we are operating on the assumption that the act will be amended pursuant to this process. If that doesn't happen, we will assess the decision at the time.

Mr. Daniel Blaikie: I am curious as to the origin of that assumption. How was it that you came to assume that the act would be changed, as it happens, when you placed that order?

Mr. Kevin Howlette: How did it...?

Mr. Daniel Blaikie: How did it come to be that the assumption was that the act would change, enabling you to make that order?

Mr. Kevin Howlette: There were lots of factors that came into play around this whole issue. There is the creation of centres of excellence in Quebec and Manitoba, getting out from under all of the litigation, and the acquisition of the C Series, a Canadian-built airplane. It was all of those things. I don't think there was any one specific issue.

The Chair: Mr. Blaikie, your time is up. Thank you very much.

You have six minutes, Mr. Badawey.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Madam Chair.

To the witnesses, thank you very much for your time this afternoon.

Before it filed for bankruptcy in 2012, Aveos Fleet Performance Inc. reportedly employed on the order of 2,600 personnel, of which there were 1,800 in Montreal, 600 in Manitoba, and 200 in Mississauga. According to the Parliamentary Secretary to the Minister of Transport, at the proposed centre of excellence for aircraft maintenance for the C Series aircraft maintenance work, there are 1,300 jobs expected or proposed in Quebec, while the proposed centre of excellence for aircraft maintenance activities in Manitoba is expected to create 150 jobs.

Does Air Canada intend to make a commitment to create aircraft maintenance jobs in the province of Ontario?

Mr. Kevin Howlette: Our commitment is to the centre of excellence in Quebec and our centre of excellence in Manitoba. With respect to our operations in Mississauga, it is our global hub, and it is by far our largest operation. I don't know the figure off the top of my head, sir, but I would expect that we probably have 60% of our maintenance people employed in the Mississauga area today.

Mr. Vance Badawey: That wasn't my question. My question was with respect to moving forward. Does Air Canada intend to make a commitment in the future to create aircraft maintenance jobs in Ontario? I know what you have there now, but what are you going to have there?

Mr. Kevin Howlette: The very fact that it is our largest operation in the system means there will be ongoing maintenance jobs in Ontario.

Mr. Vance Badawey: Madam Chair, with respect to jobs in Canada in general, what would Air Canada require in order to keep maintenance jobs in Canada?

Mr. Kevin Howlette: That would basically be the capacity to source our work, and to source our work on a free, competitive basis.

Mr. Vance Badawey: Okay. Thank you.

The Chair: Mr. Hardie.

Mr. Ken Hardie (Fleetwood—Port Kells, Lib.): Thank you for being here.

Following on the last question, what price gap are we looking at between the work that had been done in Canada and the work you're getting done elsewhere now?

Mr. Kevin Howlette: Today?

Mr. Ken Hardie: Yes.

Mr. Kevin Howlette: We have maintenance done here in Canada. We have maintenance done in Trois-Rivières, and as we mentioned in our opening remarks, we have maintenance done in the U.S. Is there a ballpark figure? If there is, I don't know exactly what that figure would be, to be quite honest about it.

Mr. Ken Hardie: Okay.

That is a little surprising, because obviously when the economic factors come into play, you're looking to get things done at a reasonable price.

Mr. Kevin Howlette: We source on a global basis.

Mr. Ken Hardie: It's safe to say that it costs more in Canada than it does in these other places. Otherwise you'd have it done here, right?

• (1700)

Mr. Kevin Howlette: Pardon?

Mr. Ken Hardie: It costs more to get this work done here in Canada than it would in the other places where you're currently getting the work done.

Mr. David Rheault (Director, Government Affairs and Community Relations, Air Canada): We outsource work based on competitiveness and on different factors. To answer your question, it depends really on the aircraft type that is subject to maintenance.

The model now in the airline industry and the maintenance industry is that you do business in centres that are really specialized in one product.

Mr. Ken Hardie: Yes, we're aware of that. We had heard that earlier, and then that leads to the question. If you look at your fleet right now, how much of that maintenance can be done in Canada because the maintenance—the line maintenance or especially the heavy maintenance—doesn't require proprietary tools or the specialized centres of excellence that have been mentioned?

What percentage of the maintenance of your fleet would it be safe to say would still be done in Canada?

Mr. David Rheault: At this point, as the model evolves, it's always difficult to assess what percentage of the fleet can be done where. It's always a question of the evolution of the business.

Today, all our regional aircraft are maintained in Canada with our suppliers in Halifax, Calgary, and places like Prince Edward Island. All our Embraer are maintained in Trois-Rivières. It always depends on the suppliers and on the offer you get.

Obviously, as an airline, we go to the place that is competitive, where there is quality. It's always a question of choice between various suppliers around the world.

Mr. Ken Hardie: When Aveos shut down, obviously you started almost right away, I guess, to get your maintenance done where you could get it done, and that probably then involved moving this work out of Canada. Was that the case?

Mr. Kevin Howlette: Correct. It did, yes.

Mr. Ken Hardie: All right. Did you use all of the capacity available in Canada at that time to basically comply with the law?

Mr. Kevin Howlette: Well, some of the work went to Canada. We have work, as David said, in Trois-Rivières. The majority of the narrow-bodied fleet, in large measure, went to the U.S. Some of the wide-bodied fleet went to Israel and Asia. We sourced the globe to find capacity when Aveos failed.

The Chair: Thank you very much.

Mr. Iacono.

[Translation]

Mr. Angelo Iacono: Thank you, Madam Chair.

Those who oppose the bill, unions in particular, expect massive job losses in Canada. Would that be the case if Bill C-10 passes?

[English]

Mr. Kevin Howlette: No. It would not happen.

Air Canada is a growing company. We have significantly grown our line maintenance operations and staff here across Canada. To think that there are going to be job losses if this legislation passes versus what's there today, no. In fact, I see the opposite.

[Translation]

Mr. David Rheault: I would like to add that the regulations that were adopted by Quebec and Manitoba will help to establish centres of excellence, which will create many high-quality jobs in Canada. We expect that the act as amended will improve Air Canada's competitiveness, so that many new jobs could be created.

Take for example our new carrier, Air Canada rouge, which now employs 1,600 people. That's one example of the high-quality jobs in the airline industry that have been created in recent years.

Mr. Angelo Iacono: I have another question for you.

[English]

What would Air Canada need in order to keep maintenance jobs in Canada, precisely? What examples can you share with us today?

Mr. Kevin Howlette: To maintain jobs in Canada, it would be the capacity to establish that those jobs can be done, and done on a competitive basis as benchmarked globally, in the way the industry benchmarks itself.

• (1705)

Mr. David Rheault: Just to add to this, Air Canada is keeping thousands of maintenance jobs in Canada, way more than any other airline at this point.

Mr. Angelo Iacono: I well understand that you want to be competitive, but let's go beyond being competitive. Let's go with facts. What do you really need in order to maintain and keep jobs in Canada?

We all want to be competitive. If you're not competitive, there will be no jobs for anybody anywhere, so we know you want to be competitive. By becoming more flexible, you'll be more competitive. What does Air Canada need in order to keep jobs in Canada?

This is a direct question.

Mr. Kevin Howlette: To keep jobs, it needs to be able to make decisions to establish maintenance work here in Canada based on how competitive it is across the maintenance industry globally.

Mr. Angelo Iacono: Can you give us examples? Apart from being competitive, can you give us an example or two on how you would be keeping jobs here in Canada?

Mr. Kevin Howlette: If we had certain elements of work that were required to be done, that requirement would be subject to a competitive bid from a list of maintenance suppliers on a global supplier list. If the Canadian organization comes in on a competitive basis, then the work could be done here.

Mr. Angelo Iacono: What is the net margin between work done in Canada and work being done outside of Canada?

Mr. Kevin Howlette: I think one of your colleagues asked that same question.

It varies by airplane type. There are certain manufacturers who have certain levels of expertise in certain airplane types. For instance, Premier Aviation is growing in expertise in the Embraer aircraft. There are certain providers, Lufthansa Technik and GE, who have highly specialized capacities in Boeing, Airbus, Embraer, whatever.

The Chair: Mr. Sikand.

Mr. Gagan Sikand: I have two questions.

The Chair: Please be brief.

Mr. Gagan Sikand: Could you confirm the regions you were saying you outsource to? I think you said the United States and Israel.

Mr. Kevin Howlette: There is Canada, the U.S., Hong Kong, and Israel.

Mr. Gagan Sikand: These are the top ones.

Mr. Kevin Howlette: These are the primary ones, yes.

Mr. Gagan Sikand: Could you describe what Air Canada has to do to keep workers here skilled or to give continuous upgrades to their skill sets? What training does Air Canada provide to its maintenance workers?

Mr. Kevin Howlette: We have ongoing training. Our mechanics come to us following post-secondary training at one of the accredited technical colleges that exist across the country. They secure a licence through Transport Canada. Then we have ongoing manufacturer and Air Canada training through which they get endorsements on various airplanes throughout their career.

Mr. Gagan Sikand: This is, I'm assuming, part of some global standard.

Mr. Kevin Howlette: Yes, and a standard that is set and tightly regulated by Transport Canada.

The Chair: Thank you very much.

Ms. Watts.

Ms. Dianne L. Watts (South Surrey—White Rock, CPC): Thank you, and I'll be sharing my time.

Was it the amendments to Bill C-10 that allowed you to purchase the C Series?

Mr. Kevin Howlette: Did it allow us to purchase?

Ms. Dianne L. Watts: Yes. You're saying you want to be more competitive, so did this allow you to make that purchase?

Mr. Kevin Howlette: Well, it certainly allowed us to settle once and for all the litigation that was going on with the Province of Quebec and the Province of Manitoba.

Ms. Dianne L. Watts: Right, so this legislation, in essence, will have freed you up to purchase the C Series.

Mr. Kevin Howlette: I think one of your colleagues asked before whether one was a condition of the other. We're hoping that this legislation will pass. If it doesn't, we'll make a decision. One was not a condition of the other, if that was your question.

• (1710)

Ms. Dianne L. Watts: No, that wasn't my question. If this passes, then you have the ability to keep the purchase of the C Series planes in place. If it doesn't pass, then you'll make a decision to drop it.

Mr. Kevin Howlette: Well, we'll make a decision.

Ms. Dianne L. Watts: Okay. Thank you.

[Translation]

Mr. Luc Berthold: Madam Chair, I see that time is passing quickly, and you know that there's a vote at 5:45 p.m.

A lot of people in the room want to be heard. Could you please tell me how the time will be allocated? Are we going to ask the people to come back and meet with us again? We have only 15 minutes left to hear from three union groups, which will be a bit difficult. I sincerely hope that we will have the time to hear from them. I would like to know what the committee's opinion is on this. Time is passing quickly. I would still like to take advantage of having the Air Canada representatives here, but there is also the fact that a lot of people have travelled to meet with us.

I would like to know what will happen, Madam Chair.

[English]

The Chair: We had already planned to stay late this evening to make sure everyone who wants to speak to this issue gets a chance to speak to it.

If we can finish with Air Canada, with you, and one more round here, then we can go to the House. The vote is at 6:15, so with the committee's permission, we could leave here at ten to six.

[Translation]

Mr. Luc Berthold: The vote is at—

[English]

The Chair: We have a lot of people here, and our intention was to stay late. We can go and vote and come back. This way everybody has a chance to be heard, and I think that's why they're all here.

As chair, I certainly have no intention of cutting them off. I think we should continue with the meeting. They're willing to be patient, so we can go and vote and then come back and take care of both things.

We can continue now.

[Translation]

Mr. Luc Berthold: Fine.

At the last meeting, we talked about several dates relating to meetings between Air Canada representatives and the federal government.

Have any of you attended these meetings with the government since October 15?

[English]

Mr. Kevin Howlette: I did not.

[Translation]

Mr. Calin Rovinescu: I attended a few meetings with government representatives.

Mr. Luc Berthold: Mr. Rheault, could you tell me if the government's intention to pass a bill that would repeal Air Canada's obligation of maintaining the centres as they existed before the introduction of Bill C-10 was addressed during those meetings?

Mr. David Rheault: Could you please repeat the question?

Mr. Luc Berthold: Was the government's intention to introduce a bill like Bill C-10 to enable Air Canada to be discharged from proceedings addressed during one of those meetings?

Mr. David Rheault: Air Canada shared its recommendations with the government. They are in the report that we submitted to the committee and that was drafted by Mr. Emerson. Obviously, various issues were discussed at the meetings, but the issue of Air Canada's competitiveness and what we call the

[English]

level playing field,

[Translation]

namely, Air Canada's ability to compete on a level playing field was raised during some meetings.

Mr. Luc Berthold: Did you ask the government to act quickly to ensure that Air Canada could be more competitive?

Mr. David Rheault: Obviously, it is the government that determines the legislative aspect, but we think the dispute resolution with the province of Manitoba and of Quebec makes it possible—

Mr. Luc Berthold: Mr. Rheault, I'm going to stop you there. I don't want to know what happens, but what you discussed. I want to know if, following agreements with the two provinces, you asked the government to speed up the process to pass Bill C-10.

Mr. David Rheault: For the regulations to come into force, clearly the amendment must be made. It allows Air Canada to be sheltered from legal action. In addition, having a

[English]

level playing field

[Translation]

and legislation recognizing that our disputes with Quebec and Manitoba have been settled is important. We notified the federal government of our discussions with the provincial government once the disputes were settled.

• (1715)

Mr. Luc Berthold: The Government of Quebec says that the agreement has not yet been reached. It has also issued a press release asking the federal government not to rush with Bill C-10 until the agreements have been completed.

Could you tell me what is happening? On the one hand, the Government of Quebec is telling us that the agreement has not been reached, and on the other hand, you are telling us that it has. You

have not completely answered my question, so I am asking you for clarifications. Have you asked the government to move quickly?

Yet there is no agreement. As parliamentarians, we are having a hard time understanding what is happening exactly.

Mr. David Rheault: To answer your question, let me emphasize that there is an agreement in principle with the Government of Quebec. On February 16 or 17, after the litigation was settled and Air Canada made the commitment to buy up to 75 C-Series aircraft and to service them in Quebec, of course, for 20 years, the Government of Quebec and Air Canada made a joint announcement that they had agreed to drop the legal proceedings.

Now, for the agreement to be implemented, we must finalize it to secure the purchase of the aircraft, which will help materialize and implement our commitment to servicing them in Quebec and creating a centre of excellence.

Mr. Luc Berthold: Thank you. That is all the time I have.

[English]

The Chair: Thank you very much.

Mr. Badawey.

Mr. Vance Badawey: Thank you, Madam Chair.

I'd like to make a point, and of course ask a question, or possibly ask for some more information.

The point goes back to my other question with respect to Air Canada and your intention to keep jobs. I don't want to say create jobs, because you reaffirmed that you're looking at keeping jobs in Ontario. It would be much appreciated if you can have a formal response to that effect, that in fact recognizes the expected jobs that would be in Ontario moving forward.

Mr. Kevin Howlette: Right now, as I said, the majority of our line maintenance jobs are, today, in Ontario. It just stands to reason, sir, that given the size of our operation.... Our operation in Toronto is our global hub. There is not one fleet type within the network that does not pass through Toronto at some point in the day, so it will always be within the Air Canada system—

Mr. Vance Badawey: Once again, if I can have that formalized, I would appreciate it, through correspondence or whatever way you want to formalize that. If I can have something that states that, I would appreciate it.

The second point, Madam Chair, is with respect to tenders. I'm going to drill a bit deeper on the questions that were asked about what will keep jobs in Canada. I do really appreciate the answers we're getting back with respect to different types of aircraft, etc., but let's get to the business side of it, which is that you obviously have an asset management plan. That asset management plan identifies the life cycle on your assets. Your maintenance plan's attached to that, and obviously, down the road, there is replacement after a certain period of time.

I think what we're looking for ultimately, gentlemen, is in the tendering processes you've gone through in the last year or two. It's whether, within your asset management plan, we can in fact get a net difference in terms of the costs that were attributed to that plan in Canada compared to the costs for being outsourced. It doesn't have to be specific to aircraft and it doesn't have to be specific to parts. It's just your overall asset management plan for the assets you have for your fleet.

Once again, it doesn't have to be specific. It's just a total, a total with the tenders that you released, and obviously, as you mentioned earlier, you sourced globally.

What's the bottom line, gentlemen? What's the bottom line in terms of what you sourced globally within your asset management plan? What was actually kept here in Canada, what was outsourced, and what was the difference in that cost?

• (1720)

Mr. Kevin Howlette: The regional fleet is maintained here in Canada, number one.

Number two, the narrow-bodied fleet is maintained primarily in the U.S. As for the wide-bodied fleet, sir, some is done in Asia and some in Israel.

Now, to try to apply a percentage of it, in the case of the regional fleet, I don't know what percentage the regional fleet would be of our total fleet. The Embraers are done in Trois-Rivières, so I would say it's probably 75% to 80% of our fleet.

Mr. Vance Badawey: Let's drill down a bit deeper now. In the case of your narrow-bodied fleet, which went to the U.S., and your wide-bodied fleet, which went to Asia and Israel, you obviously sourced that out through a tendering process to then compare pricing from companies in Canada versus companies for the narrow-bodied in the U.S. and for the wide-bodied for Asia and Israel—

Mr. Kevin Howlette: Can I just correct you, though? I just want to say when we tendered, we tendered globally. What I can't tell you, because I don't know, and I don't even know if there is an organization that's capable, is what Canadian suppliers bid on. I don't know that.

Mr. Vance Badawey: So you don't have a process that you went through that actually compares prices.

Mr. Kevin Howlette: Yes, we do. Absolutely, we have a process.

Mr. Vance Badawey: That's what I'm asking for. What I am asking for is the net difference between what the contracts were awarded at for narrow-bodied in the U.S. and wide-bodied in Asia and Israel, who got the contracts, what the costs were, and what the comparable price was from companies from Canada.

Mr. Kevin Howlette: It would vary by contract. It would vary by fleet type. It would vary by what the actual work order was. Engines are one thing. Components are something else. Wheels, tires, and brakes are something else. The list goes on and on.

Mr. Vance Badawey: Is it possible for your team to actually take that list that goes on and on and simply pull out a calculator, add it all up in terms of what the contracts were actually awarded at in comparison with those companies out of Canada with what they bid?

Mr. Kevin Howlette: If Canadian suppliers bid, I suppose it could be done.

Mr. Vance Badawey: Fair enough. Thank you.

That's the second piece of information I would like to ask for.

Thank you, Madam Chair.

The Chair: Mr. Iacono, a fast question.

Mr. Angelo Iacono: Is being competitive really a matter of finding lower wage rates for maintenance workers?

Mr. Kevin Howlette: Not at all. It's not the exclusive thing. It would be one component; another would be turn time, since to take that asset out of the system and have it in maintenance is an expensive proposition. Another is quality of work, standards, and all of those things.

Mr. Angelo Iacono: If the union would offer to lower their labour rates, would you consider more jobs in Canada? Would this be a factor that could help?

Mr. Kevin Howlette: Not to be pejorative about it, that's a discussion we've had in the past with the unions. It would be one factor, I guess, that you'd have to look at.

The Chair: Thank you very much. Time is up.

Gentlemen, thank you very much for being here and assisting the committee in its deliberations. We appreciate it very much.

Mr. Daniel Blaikie: On a point of order—

The Chair: I'm sorry. Go ahead, Mr. Blaikie.

Mr. Daniel Blaikie: I know I'm a visitor on this committee and clearly I'm used to a more generous culture, but I do think it's customary for the NDP to get a last two or three minutes, depending on the committee, at the end of the other questioners.

The Chair: No, it's not the way.... Next, actually, would have been the Conservatives with their next time, and then we would have gone to the NDP. Given the time constraints we are under in trying to accommodate the pressures the committee is feeling today, and given the vote, I think it time to end this portion of our meeting so that we can get on to our other panels.

Is that all right with the committee, just from a time perspective? It would have been nice if we had it, but we do try to conform.

Thank you, gentlemen, very much. If you would please exit, we could take a few minutes to get the next witnesses to the table.

• (1720)

_____ (Pause) _____

• (1725)

The Chair: I call the meeting back to order.

To the three panellists that we have in front of us, I would ask you gentlemen to introduce your associations and your names as you speak to us today, whoever would like to begin.

Mr. David Chartrand (Québec Coordinator, International Association of Machinists and Aerospace Workers in Canada): Do we follow the order that was given to us?

The Chair: Yes, whichever way you gentlemen prefer to do it.

Mr. David Chartrand: Okay, I believe we were first in the order.

The Chair: Introduce the association and give your name, please.
[Translation]

Mr. Jean Poirier (Official Spokesperson, Association des anciens travailleurs des centres de révision d'air Canada): Madam Chair and members of the committee, thank you for inviting us to appear before you today on behalf of the 2,600 Canadian workers and their families who were affected by the illegal closure of Air Canada's overhaul centres in March 2012.

My name is Jean Poirier. I am the official spokesperson for the association. My purpose here today is to convince you not to approve Bill C-10, which would confer the stamp of legality upon what is currently an illegal act. In addition, I am here especially to make you understand the vital need to retain a cutting-edge economic sector that is the envy of many countries throughout the world: our aircraft overhaul industry.

In the past four years, 355 of Air Canada's aircraft have been illegally repaired in foreign countries. Air Canada's overhaul centres were profit-makers before the company was sold to Aveos in 2007 and before former Nortel Networks managers and the American investment funds KKR and Sageview Capital got hold of it.

The workers who were put out on the street in 2012 are the same workers who were generating profits in 2007. The only things that changed during the Aveos years are: the new management and shareholders demonstrated that they had no knowledge of the industry, and Air Canada proved that it was willing to outsource this work to other countries. They destroyed Canada's leadership in this sector. The workers stayed the same: workers with acknowledged expertise, a positive attitude and, especially, a passion for aviation work. It is important to understand that people who choose to become aviation technicians are looking for more than just a job: they want the opportunity to work in a field they love. Ask any of the students and they will tell you they are there because they are passionate about aircraft. And if you ask them why they are dropping out, they will undoubtedly tell you it is because of the government's willingness to outsource those jobs. You are sending quite a message to our young people.

After Aveos closed in 2012, two companies set up shop in the Montreal area and picked up the pieces of some of Aveos' divisions. Both companies are now turning a profit and have hired Aveos' former employees despite the fact that they are not receiving any contracts from Air Canada. These companies knew how to draw upon the expertise of our workers to develop a profitable business model with foreign contracts.

Today, 2,600 workers are paying for its illegal action with the disruption of their lives, of the well-being of their families and of their financial security. In addition, the federal and provincial governments have been deprived of tax revenue from those workers. If the federal government considered it important to keep specialized jobs in Canada in 1988, why isn't that no longer the case today, in

light of the fact that economic growth continues to slow in both Canada and Quebec? Air Canada was built on taxpayer money. The income tax collected from Canadian workers contributes to our collective wealth, and today Bill C-10 is giving all of those taxpayers the brush-off. And who will gain from all this? Air Canada shareholders, who lined their pockets when this company was dismantled and who now, despite two firm court decisions, will be absolved of all wrongdoing.

Despite our fight to make ourselves heard, we can acknowledge that we have listened to your arguments. What you say is this: the aeronautics sector is a key part of our economic growth in Canada; we must absolutely find a way to provide complete overhaul services to Air Canada at competitive prices; and Air Canada has no wish to go back to being a maintenance service provider. You now have before you a brief with a job creation plan that meets those three criteria. The solution is in your hands.

Today, members of the committee, we are appearing before you as people who want, more than anything else, to find a win-win relationship for everyone. We want to have our jobs back, we want Air Canada to be competitive, and we want the economy in Canada and Quebec to regain traction in the aeronautics sector, where we have always been world leaders. I would like to see you go back to the basics of your political commitment, that is, to serve the nation and to serve Canadians—not to serve the interests of shareholders for whom our country's economic development is an afterthought. Their primary interest is making money, while your primary concern should be the well-being and growth of your community.

Imagine a public corporation paid for by tax payers being privatized so it could grow and expand, only to drop 2,600 jobs illegally, with your assistance. Imagine that that corporation was in your riding, and that it was people you knew who lost their jobs: your friends, your family, your volunteers, your neighbours. Now imagine that this is a bad dream, and that a solution is within reach and that this solution will only be achieved if we all work together to ensure it succeeds.

•(1730)

To conclude, I will leave you with a few words by Franklin D. Roosevelt who said that "democracy is not safe if the people tolerated the growth of private power to a point where it becomes stronger than the democratic state itself."

Madam Chair, members of the committee, thank you.

[English]

The Chair: Thank you very much, Mr. Poirier.

Mr. Cadieux, would you like to go next?

[Translation]

Mr. Serge Cadieux (General Secretary, Fédération des travailleurs et travailleuses du Québec): Thank you, Madam Chair.

My name is Serge Cadieux and I am the General Secretary of the Fédération des travailleurs et travailleuses du Québec.

The FTQ is a union with 600,000 members in Quebec, more than 20,000 of whom are aerospace employees. They manufacture and maintain aircraft and aircraft components, work as cabin crew members or pilots, or are employed in airports.

The FTQ recently intervened in this area by filing a motion with the Quebec Superior Court against Air Canada regarding the maintenance and overhaul of its aircraft. Our motion requesting an injunction was the only possible way to force Air Canada to comply with its legal obligations and to respect the unanimous decision by the Quebec Court of Appeal.

Now, unexpectedly, the federal government has tabled Bill C-10. That is why we are here before you today. We are here to ask you to choose the jobs and health of the aerospace industry as a whole over this bad Bill C-10.

All of Quebec understands today why Boeing is supported by the U.S. federal government and Airbus by the European governments. The people understand that Bombardier cannot be an international player without strong government support. They understand that aerospace is not an industry like any other. It is strategic. An industrial sector may be strategic for many valid reasons, such as national security, the impact on the economy, or jobs. Canada got it right by supporting its automobile industry.

Similarly, it must be understood that the gradual disappearance of Canadian expertise in heavy maintenance of aircraft is a step backward for a strategic industry, a step backward that will have a negative impact on thousands of workers, whose jobs will be either exported or made precarious. In fact, that is what the real issue is with Bill C-10. By proposing an amendment to sections 1 and 6 of the Air Canada Public Participation Act and repealing the provision requiring Air Canada to maintain operational and overhaul centres in Montreal, Winnipeg and Mississauga, the government is siding with Air Canada, which has already outsourced the 2,600 heavy maintenance jobs at Aveos.

Worse still, by doing so, it is endangering another 2,500 Canadian jobs in the field of aerospace maintenance. To do their job properly, MPs should ask Air Canada where the 2,600 jobs at Aveos went, why they were exported, and if the expertise needed to maintain its fleet of aircraft is available in Canada. The answers to these questions will reveal that the jobs did not go to China or Honduras, but to the United States and Israel, that they were exported to create added value for Air Canada's shareholders, and that all the expertise needed is available right here in Canada. This Parliament, which is invested with the mission of defending Canada's public and national interests, can choose either to create and maintain employment for thousands of workers, thereby benefiting the workers, their families and their communities, or to ratify the plans made by Air Canada's shareholders for their own interests. The public must also know that aircraft maintenance and overhaul operations help maintain an important pool of expertise for the development of the aerospace industry.

Aircraft development and maintenance are related. No one could imagine building cars without having garages to repair them in. The aerospace sector is as important for Quebec as the automobile industry is for Ontario. Montreal is the third largest world aerospace centre after Toulouse and Seattle. More than 41,000 jobs in

235 companies create 2% of Quebec's GDP. The concentration of expertise, the availability of capital and the existence of complementary companies support an exceptional industry cluster that must be protected by public authorities. By allowing the exportation of maintenance jobs, Bill C-10 is weakening one of the links in the industrial chain. We find this government negligence difficult to understand.

In closing, today, we are urging you to give jobs a chance. We believe that we have what it takes to get Canada's aircraft heavy maintenance jobs back. We have the necessary expertise. The aerospace industry needs to keep that expertise, and we can be as competitive as any other country.

● (1735)

There is therefore no need to change the current legislation. This industrial sector provides a safeguard against the exportation of quality jobs. It is also a deliberate choice made by Canadian legislators to protect jobs rather than to kowtow to shareholders. We cannot fault senior management at Air Canada for doing what they need to do to perform as demanded by their shareholders, but we can certainly reproach the government and Parliament for failing to safeguard the interests of the majority.

The will to keep Air Canada's maintenance and overhaul centres in designated cities meets national geopolitical imperatives and safeguards the Canadianness of the company by firmly anchoring it in certain regions of the country.

By enacting Bill C-10, Parliament will be sending the message that growth and wealth, even at the expense of jobs, are more important than jobs and the national geopolitical imperatives and Canadianness mentioned in the original text.

The FTQ thanks the committee for allowing us to appear today.

● (1740)

[*English*]

The Chair: Thank you very much, Mr. Cadieux.

Now we have the International Association of Machinists and Aerospace Workers, represented by Mr. Chartrand and Mr. Hospes.

Which one of you would like to speak?

Mr. Fred Hospes (President and Directing General Chairman, District Lodge 140, Richmond, International Association of Machinists and Aerospace Workers in Canada): We'll both be speaking.

Good evening. My name is Fred Hospes. I'm the president and directing general chairperson of the transportation district 140 of the International Association of Machinists and Aerospace Workers. I am here today with Dave Chartrand. I am the Quebec coordinator.

We thank the committee for this opportunity to appear before you to present our views on Bill C-10.

The IAM is the largest union at Air Canada and represents approximately 8,000 workers. When Air Canada was privatized in 1988 through the Air Canada Public Participation Act, we raised our concerns that Air Canada would move its maintenance and overhaul operations outside of Canada. The Progressive Conservative government of the day responded with legislation requiring Air Canada to maintain operational and overhaul centres in Montreal, Mississauga, and Winnipeg. In addition, the government and Air Canada stated publicly that the act guaranteed that aircraft heavy maintenance overhaul employment would be maintained and even grow in those communities.

Following the Aveos bankruptcy in 2012, the majority of Air Canada's aircraft heavy maintenance overhaul work was done outside of Canada. Make no mistake: we also represent the 2,600 Aveos workers who lost their jobs.

We have serious concerns with the introduction of Bill C-10. In particular, proposed subsection 6(4) of the act explicitly allows Air Canada to "change the type or volume of any or all of" its aircraft maintenance work "as well as the level of employment".

[Translation]

Mr. David Chartrand: Good afternoon, and thank you.

My name is David Chartrand, Quebec coordinator for the International Association of Machinists and Aerospace Workers in Canada.

As my colleague said earlier, we have serious concerns with the introduction of Bill C-10. In particular, clause 2 explicitly allows Air Canada to change the type or volume of any or all of its activities in each of the provinces, as well as the level of employment in any or all of its activities. The fact that the Liberal government has brought this bill forward with no public consultation, in an obvious attempt to render irrelevant the recent Quebec court decisions, is particularly troubling.

The Liberals are now trying to fast-track Bill C-10. Bill C-10 will simply allow Air Canada to move all of its maintenance and overall work abroad. It will undermine the entire aviation maintenance and aerospace sector in this country, thus putting at risk thousands of good-paying, high-skilled, high-tech jobs that could provide employment for Canadians for decades to come.

The current version of this bill is too vague. It takes away any leverage that any government currently has to maintain Canadian jobs in this industry. With the current legislation, Air Canada profits were \$53 million in 2012, \$350 million in 2013, \$531 million in 2014, \$1.22 billion in 2015, and in the first quarter of 2016, profits were \$101 million.

This bill allows Air Canada to focus on a race to the bottom, not protecting jobs in an industry for future Canadians.

• (1745)

[English]

Mr. Fred Hospes: This bill allows Air Canada to focus on a race to the bottom and not on protecting jobs in the industry for future Canadians. This bill makes us wonder whether the government has given up on the aviation sector in Canada. We wonder if the government has given up on good jobs this sector can provide across

the country. We wonder if corporate profits have become more important than good jobs to this government.

We urge this committee to send Bill C-10 back to the House with the following recommendations.

One, we recommend that the proposed new subsection 6(4) on maintenance activities be removed, and two, we ask that the jobs and this industry be maintained in Canada and that the government continue to invest in and support the MRO industry in Canada.

In conclusion, we ask that this committee put forward and support these recommendations.

[Translation]

Mr. David Chartrand: We urge this committee to send Bill C-10 back to the House with the following recommendations:

Remove the new subsection (4) pertaining to maintenance activities. We ask that the jobs and this industry be maintained in Canada and that the government continue to invest in and support the maintenance, repair and overhaul industry in Canada.

In conclusion, we ask this committee to put forward and support these recommendations.

[English]

The Chair: Thank you very much. We appreciate that very much.

Seeing our time here is quarter to six, is it the pleasure of the committee to stay for another six or seven minutes?

Ms. Block, you're the first up. Would you like to do your questions now?

Mr. Vance Badawey: The light's gone on. We have to go.

The Chair: We could stay an extra six or seven minutes if the committee wanted to. Is that the choice of the committee?

Ms. Block, would you like to start? We have enough time for one of our questioners, if you want. Otherwise, we can do it later.

Mrs. Kelly Block: Thank you, Madam Chair and committee, for agreeing to get one round in before we have to go.

I also want to thank our witnesses for being here today. I know it is beyond our control that we have to leave, but I thank you for your patience as we work through the motions in the House.

My first question—any of you can answer this, and I think all of you should—is whether any of you have met with Minister Garneau or his parliamentary secretary, either before or since this legislation was introduced, to discuss the implications of this bill.

Mr. David Chartrand: I would like to answer that.

On a number of occasions, since the minute the Liberal government was elected, we have sent letters and started trying to communicate with Minister Garneau, and we also sent 90 letters to different MPs explaining to them that it was important for us to meet with them because we saw this coming. We told them that legislation would be pushed through, that they would try to change this act, and that they would try to give this leeway to Air Canada.

So we started a long time ago doing this lobbying, trying to make the government understand that these jobs were important to us. Not only did we do that, but on the occasion of the certification of the Bombardier C Series airplane, since we also represent the members at Bombardier, when he was there to give the certification to the airplane, we tried to get in contact with him. I was able to have a few minutes with him and I asked him to have future discussions concerning this, and he said there wasn't an issue and that I would be able to. He never got back to us on it.

I'm also vice-president of the Quebec Federation of Labour, and on a number of occasions the Quebec Federation of Labour has asked to meet with Minister Garneau. He has been unable to every time. A week ago we got a meeting with his chief of staff, but we were never able to have a real discussion with Minister Garneau.

[*Translation*]

Mr. Serge Cadieux: The same is true for us in the FTQ.

We asked Mr. Garneau's office three times whether he could meet with us, either in his constituency or here in Ottawa. He has never had the time to meet with us. We stressed the importance of this industry to Quebec. Since he is a member from Quebec, himself, he should pay particular attention to this matter, especially since he made public comments at the time of the Aveos closing. He condemned the Conservative government for not complying with the Air Canada Public Participation Act. We have had only one meeting with his chief of staff, who simply listened to us. Unfortunately, he did not answer the questions we put to him.

• (1750)

Mr. Jean Poirier: Gilbert McMullen, Mario Longo, and I had an opportunity to meet with Mr. Garneau at the end of November. We spent an hour with him. He told us clearly that the matter was before the courts at that time and he definitely remembered that he had supported us in 2012. We even gave him the statements by MPs Marlene Jennings and Stéphane Dion and by Justin Trudeau, the present prime minister. We were pleased that a Liberal government had been elected, a government that accepted this fact and that supported us at the time. Then, given that he had just taken office, he simply told us that the matter was before the courts and he was going to wait to see whether Air Canada would take the case to the Supreme Court. He told us that he would communicate with us about that. We were very happy with the meeting when we left. At least people were going to be looking after things. After that, the door was simply closed. We requested further meetings, but they never materialized.

Today, we are here before you and we are looking at a bill that should not exist. The law is clear. We have won twice, in the Superior Court and the Court of Appeal. There was a unanimous judgment of five judges. There are 400 aircraft outside the country.

We are in proactive mode. We want to make a plan with you, the government of Quebec, and Air Canada so this matter can be resolved to everyone's satisfaction, in the interests of the Quebec and Canadian economy.

[*English*]

Mrs. Kelly Block: Thank you very much.

Some of you may have been surprised, then, when this was the first piece of legislation that Minister Garneau introduced. Maybe others of you had seen it coming.

I want to move to another question. Given your serious concerns with subclause 1(2), where it reads that there's the ability to “change the type or volume of any or all” of its maintenance activities, what do you believe the intent and the outcome of this bill will be?

Mr. Fred Hospes: The issue we have with this particular section, if you read it, is that the corporation “may” eliminate those activities in those provinces and change the type or the volume of any and all activities in each of those provinces, as well as the level of employment.

The word “may” is one of the issues. As a representative of members at Air Canada, I can tell you that these types of words have a different meaning from what some of us would think those words mean. I've been at the negotiating table with Air Canada on many occasions. They will use those types of words, and there will be no guarantees that even the excellence centres that they speak about will be around, because they may do it or they may not do it.

That is a big issue with us, the word “may”. It should be that they “shall.”

The Chair: I'm sorry, Mrs. Block; your time is up.

Given where we're going, I think we should suspend the meeting at this particular time.

Gentlemen, I would ask that you please stay. We will be back. The committee has a lot of questions, and we would appreciate your remaining. Our apologies for the time constraints.

I will suspend the meeting at this time.

• (1750)

(Pause)

• (1850)

The Chair: I am calling the meeting back to order.

Thank you all for waiting.

Thank you to my colleagues for their endurance and for coming back so that we can continue to ensure that we get a fair hearing.

We are going now to Mr. Hardie.

Mr. Ken Hardie: Thank you, Madam Chair.

I am sure the machinists visited me in my office. My goodness, I think it was just yesterday or perhaps the day before, probably in anticipation of this meeting.

When we talk about good-paying jobs, jobs that are sustainable and support families, there are two partners in this: you and the company you are working with.

My question to you gentlemen is this: where are your companies? Why aren't they here to tell the story of the business they could do or the business they want to do?

Mr. David Chartrand: In my mind, any company that could obtain a contract with Air Canada would not be seen very well coming here and talking against what Air Canada wants to do. Air Canada wants this bill to go through, and I don't believe that any employer who wishes to obtain work would be comfortable coming here and talking against the will of the employer who could give them those contracts. For us, it's as simple as that.

Mr. Ken Hardie: What is your assessment, then, of the competitiveness of the companies that remained after Aveos went down?

Mr. David Chartrand: My assessment is that we can be competitive in Canada. I did not hear anybody say the contrary to that, even in the testimony of the two people who were here before us. Nobody said we cannot be competitive. That's number one.

Number two, they were saying that maintenance costs represent 15%. In that 15%, you include everything that is done. Of the price of a plane ticket, 50% is taxes, administration fees, and all kinds of other fees. It represents a small portion of those huge profits that you saw earlier today.

Mr. Ken Hardie: The question then becomes, in your view, why isn't Air Canada choosing to do more of its heavy maintenance with the existing companies and the existing workers here in Canada?

[Translation]

Mr. Jean Poirier: If I could comment, Madam Chair, I would say this.

Mr. Hardie, if you want to talk about competitiveness, let's do that.

In 2007, when Air Canada Technical Services was sold, Air Canada was profitable. It was sold for over \$925 billion to two consortiums: KKR and Sageview Capital, former managers of Nortel Networks Corporation. I was there. I was working in the hangars with the workers who are here today.

Management did not succeed in retaining those services. Why? Because of bad moves they made, such as taking over the Nortel Networks buildings, which cost several tens of millions of dollars and was a flop in terms of computer systems.

[English]

Mr. Ken Hardie: With respect, sir, I don't wish to cut you short. I just needed to get a sense of that answer.

There are companies still in the business of heavy maintenance today. Why is Air Canada not choosing to do business with them?

Mr. Fred Hospes: I would like to respond.

There are two corporations that we currently represent. We represent workers at A J Walter, which was a subsidiary that was sold off from Aveos during the bankruptcy, and we also represent Lockheed Martin. We just came through negotiations with both of these corporations.

A J Walter operates here in Canada and actually had a small profit this year. Although Lockheed Martin didn't have profits, they are competitive, and they can compete here in Canada on engine work.

• (1855)

Mr. Ken Hardie: That gets us back to the question.

Why isn't Air Canada doing business with these companies? What is your assessment of that?

Mr. Fred Hospes: I don't understand why they are not doing business with those companies. I know that they do a very small portion, emergency slides only, with A J Walter.

Over at Lockheed Martin, they do not do any work that I am aware of with Air Canada engines, but they could. They have the capabilities to perform that work.

Mr. Ken Hardie: What about Air Canada's competitors, like WestJet or Porter? Are they using these companies, or are they shipping jobs away like Air Canada wants to do?

Mr. Fred Hospes: I can't speak to that.

[Translation]

Mr. Jean Poirier: We operate in a competitive sector.

You have a plan at present to respond to this competitiveness. Air Canada published the Wall of Fame of the best maintenance and repair centres in the world, the places where maintenance should be done. We are talking about Lufthansa Technik and Air France-KLM. Those companies are attached to an airline.

Air Canada made a business decision to sell off those activities, and it did that illegally, according to the law. That is one thing. The aircraft hangars are standing empty, in terms of the general maintenance that could be done. Air Canada tripled its prices for Aveos so Aveos would move. The same thing happened for components.

Today, the only thing left to do is resume operations in the hangars near where the planes land. That will answer your question as to why A. J. Walter Aviation and Lockheed Martin do not have contracts. The hub is the hangar. We are talking about a 767 going into a hangar.

I am just trying to answer your question, but you are not letting me finish.

[English]

The Chair: Your time is up. We'll try to get that in an answer to someone else's question.

Mr. Blaikie.

Mr. Daniel Blaikie: Thank you guys for your patience today.

When I met with machinists in Winnipeg and asked if they had been consulted by the federal government before Bill C-10 was tabled, it was a clear no. I think what we've heard from you today was a clear no. We had the minister here on Tuesday. He said that he didn't talk to Air Canada about this before presenting the bill. Today we heard Air Canada resist saying that they had meaningful exchanges with the government on Bill C-10. It's a significant decision for the aerospace industry in Canada, yet there seems to have been no consultation.

Can you guys speak to what this means with respect to the government's ability to leverage getting that kind of work here in Canada in the future?

Mr. Fred Hospes: None of the deals that Air Canada speaks about with regard to the centres of excellence are signed. When they speak about a centre of excellence in Winnipeg, I have concerns, because the type of work in Winnipeg is not the same as what they were performing there prior to Aveos' ceasing operations.

The work they're talking about there is with Hope Aero Propeller. We don't know what they're going to be doing with Hope Aero Propeller in that hangar. They're talking about Airbase, meaning low-skilled jobs. They're not the same high-tech jobs that we had when they were overhauling aircraft. It's basically doing galley repairs. As for Cargojet, we don't have a clue about what they intend to do with that. Nobody has had any discussions, whether it's Air Canada, the Winnipeg government, or the federal government.

Mr. David Chartrand: I'd like to address that question as well. You have a company that says it will work to create a centre of excellence. If they can't be competitive in maintenance here, why would they do that? That's the question you have to ask yourself. They're saying that they're going to create a centre of excellence here, and if it's competitive, it will get the work. Those were the exact words that were used: "if it is competitive".

So it must be competitive if they're going to create a centre of excellence to repair, maintain, and overhaul the C Series airplane. We are competitive. Everything is in U.S. dollars. Workers here are paid in Canadian dollars, so they have a 20% advantage right off the bat. I don't see why they would make a centre of excellence here if it wasn't competitive, or why they would even think about it.

• (1900)

Mr. Daniel Blaikie: In spite of the fact that the government maintains that there is no deal with Air Canada, no deal with Bombardier, I think it's fair to say from the minister's testimony the other day that the government wants to claim some responsibility for the jobs that are going to be created out of these centres of excellence, even though the government denies that there's any deal. We're meant to understand that this is great for workers, that we should all be happy and cheerlead this deal.

Losing this legislation and not being able to pursue the case that was being pursued in the courts, not being able to take it to the Supreme Court for what would likely be a victory—what does that mean to workers in Canada?

Mr. David Chartrand: It means that we have to go on good faith with a company that for four years did not respect the law, and that we have no signatures. It was said here today that there are no signatures. It was said that there is a possibility of 1,300 jobs. For

me, I have an issue with the possibility of 1,300 jobs when the law says we should have 2,600 jobs here and that law is not being respected.

I would like that, if it's going to exist, to be in the bill that you're presenting. Why, if it's going to create jobs... It doesn't say in there that it's going to create jobs. Why doesn't it say in the bill that there are going to be 1,300 jobs? If there is one thing that is clear right now with the current law—and it was interpreted by two courts—it is that those jobs should be here. The only thing this will do is not clarify the act. It's going to make it clear that the work can stay outside of Canada and that we can send more out. That's the only clarification that this is going to bring.

Mr. Fred Hospes: I would like to add to that, if I may.

To your question about this bill, you'll see that any of the work they're talking about is not Air Canada work, whether it's in Quebec or whether it's in Montreal. On the work that Air Canada testified to here earlier today, none of it is Air Canada work.

[Translation]

Mr. Jean Poirier: On the question of centres of excellence, they have to stop throwing up smokescreens. In Manitoba, Air Canada is going to lease hangars that it will then rent to Cargojet. That is somewhat like renting our hangars in Montreal to Air Inuit. It does not mean anything. Let's stop talking about a centre of excellence in Winnipeg. It is not one.

And then there is talk of jobs in Montreal, but when will that be? In 2019? We will have new planes then, and in 2025, there may be another change to the legislation. If Air Canada was unable to abide by the law that governs it, do you think it will honour a contract? The company does not want to be involved in maintenance.

We were talking about competitiveness a minute ago. I am going to give you some figures about that.

These days, maintenance on a Boeing 767, which takes 30 days, costs \$1.3 million. We are not talking about specialized equipment here, we are talking about the workforce. It takes a team of 80 people to do the checks on a 767, lasting 30 days. That will bring in \$1.3 million for the company that does it. If we do a quick calculation, that represents an annual cost per worker of \$195,000. If we take instead a wage of \$60,000 per year, at \$30 per hour...

[English]

The Chair: Sorry, sir, I have to... My apologies. I have to interrupt—

[Translation]

Mr. Jean Poirier: Madam Chair, I never manage to finish a sentence.

[English]

The Chair: My apologies. I have to interrupt. I tried to give you enough time to get your point out there, but maybe you can tag it on to one of the answers to one of the other members.

Mr. Sikand.

Mr. Gagan Sikand: Thank you. I'll be splitting my time.

Gentlemen, thank you for being here today and expressing your concerns.

I heard what you had to say about the billion-dollar profit and I apologize if you think this question is ignorant, but could you indulge me in a hypothetical? If Air Canada couldn't succeed as a company for whatever reason, such as perhaps not being competitive, could you speak to that? What position would that perhaps leave you in?

[Translation]

Mr. Jean Poirier: It is not accurate to say that Air Canada was not competitive in general maintenance and overhaul. I can give you copies of all the press releases about the profits made with the sale of Air Canada Technical Services. We are talking about \$1 billion. This company was profitable.

You have a plan in front of you now, and it would be worth talking about it. We want to start the company back up, but we need your help. We need the Government of Canada. I am not even talking about money. I am simply talking about getting the hangars back and letting us go back to work. We want to start up a project. I am surrounded by professionals who support me. If the governments of Canada and Quebec decide to support us, we are going to make it happen.

• (1905)

[English]

Mr. Gagan Sikand: I'm sorry to cut you off. I didn't mean if they weren't competitive in maintenance. Let's suppose they are, and that due to other factors the company doesn't survive. What would be your possible course of action? What would be your next steps if Air Canada—

[Translation]

Mr. Serge Cadieux: It is important to know that over the last ten years, Air Canada has already asked its employees twice to make sacrifices. It has sought protection under the Companies' Creditors Arrangement Act. The workers made sacrifices when the pension plans were reopened. Air Canada's subsidiaries negotiated dual wage scales. The wages being paid now to new employees at Air Canada, Air Canada rouge and Jazz Air are much lower than the former employees' wages.

What is at stake now, and what you need to know, is that we have lost 2,600 jobs in Canada because Air Canada decided, as I said earlier, to send jobs offshore, not to China, but to the United States. The American workers are not paid less than Canadian workers. Labour is not less expensive.

Earlier, the Air Canada representative refused to answer questions you asked him, including the question of whether the company was prepared to guarantee that the 2,400 maintenance jobs located here are going to stay here. The answer is not yes, because if the bill is passed, there will be no more maintenance jobs at Air Canada in two years. An Air Canada employee will just have to check the tires in order for the requirements in Bill C-10 to be considered to have been met.

You need to be aware of this. You are elected by Canadians so they can continue to support their families, but you are agreeing to export well-paid jobs abroad. In fact, they are not all that well paid. We have to look at things in context.

Why, in 1988, when Air Canada was privatized, did parliamentarians ask for guarantees that jobs would be preserved in Canada? Things have not changed. The other global carriers subsidize their aerospace industries. They are partners, because they want the good jobs to stay in the country.

Why is Canada not doing the same thing?

[English]

Mr. Gagan Sikand: Thank you for that. It's because I'm sharing my time with my colleagues.

The Chair: Mr. Iacono.

[Translation]

Mr. Angelo Iacono: Thank you, Madam Chair.

Thank you for being with us today, gentlemen.

I am going to ask you a very direct and very simple question. In your answer, I would like you not to reiterate what you have already said, including about job losses.

Given that Air Canada is a private sector company, why should it operate on different terms from those that apply to its competitors, for example, WestJet?

Mr. Gilbert Mc Mullen (President, Association des anciens travailleurs des centres de révision d'air Canada): Before being privatized, Air Canada had always been considered to be the national carrier. An illustration of this is that, whenever there is a labour dispute, Air Canada is the only company that gets special legislation from the government to make the employees go back to work. We can say that it is considered to be an essential service. When the company was privatized in 1988, obligations were imposed.

It is very important for the economy that these jobs stay here. I'm sorry, but I have lost my train of thought somewhat.

Mr. Serge Cadieux: I would like to add that, in 2008, during the automotive crisis, the government decided to invest \$13.9 billion in General Motors. And yet General Motors is not a public enterprise. It is a private company. Why was that done? Because the government wanted to keep those jobs in Canada. All governments do that. If you do not see things that way, it comes down to saying that all of the jobs in Canada can be sent offshore because the job can be done in China for \$1 an hour. That is not an economic system.

• (1910)

Mr. Angelo Iacono: I would like you to give me an answer other than by talking about jobs. We are familiar with the issue of jobs. We would like to be told about other details that could help us.

Mr. Serge Cadieux: We represent employees, not shareholders of the companies.

In Canada, before privatization, this public carrier guaranteed jobs for Canadian workers. The government decided to agree to the privatization of Air Canada on certain conditions, including that aircraft maintenance be kept in three large cities in the country in order to preserve jobs. What was true in 1988 is still true today.

Mr. David Chartrand: I agree completely with Mr. Cadieux, but you are asking us why a restriction would be imposed on Air Canada, which is trying to compete with companies like WestJet.

I wonder about something. At present, the government is delaying giving assistance to Bombardier, which is a private company, saying—and I have nothing against this—that it wants to protect and guarantee jobs before giving it money. That is what the government is saying.

Well, Air Canada is also a private company. There is a guarantee of jobs in legislation, and now they want to remove it. I do not understand that.

In terms of competition with other companies, Air Canada often talks about the fact that the competition is coming from China and other countries. If we consult the International Civil Aviation Organization, we can see that over 60% of carriers are companies that are more than 50% public.

[English]

The Chair: I'm going to have to interrupt. We've taken a minute out of Mr. Badawey's time already. I'm trying to be lenient to make sure that our machinists have an opportunity to get really important points across. I'm not trying to give anybody extra time. I just want to make sure that you get your points across.

Mr. Badawey.

Mr. Vance Badawey: Thank you, and no problem. I think we're all of the same mindset here. We're all in the same train of thought here. I want to keep running with this because I think it's important to come to these solutions, and that's what we're trying to do, to draw out of you what can we do. We're all on the same page here. We're all trying to get to the same end result.

With that, it's not just what we're talking about today; it's trying to have the industry be sustainable too so that you guys don't have a five- or ten-year contract and you can be here for 25, 30, or 50 years down the road. So let's try to be sustainable here and ask what can we actually do to do that. How can we accomplish that?

My first question is this: four years after Aveos went bankrupt, what would you say is the status of the training and recruitment of the aircraft maintenance industry?

Mr. David Chartrand: I can tell you right now about the province of Quebec. I can't speak for the whole country, but I know the two witnesses yesterday told you that there was a bunch of people who are being trained out west. I can tell you there are about 600 people right now in schools hoping to get some of those jobs, and if they're not there when they come out of school, then we're going to start having problems.

Mr. Vance Badawey: So basically those people are still being trained today?

Mr. David Chartrand: We have people coming down the pipeline.

Mr. Vance Badawey: Okay. Thank you.

With respect to the aircraft maintenance sector, do you see it growing right now, stagnating, or dropping?

Mr. David Chartrand: It is growing everywhere in the world. We're not taking our fair share of it here. It isn't growing here.

Mr. Vance Badawey: So going back to the question, in Canada what is it doing?

Mr. David Chartrand: It's not growing.

Mr. Vance Badawey: Is it decreasing, is it stagnating, is it flatlining?

Mr. David Chartrand: Yesterday you were told that in certain sectors it is, but overall we're not doing as much as we used to do.

Mr. Vance Badawey: Is it going down, flatlining, or what's it doing?

Mr. David Chartrand: I don't have the exact statistics, but I can tell you that we don't have as many jobs now as we did before.

Mr. Vance Badawey: So it's not growing.

I have a second question, and I want to drill a bit deeper now.

In response to some of the questions that I asked earlier, the sense I was getting in some of the communication I was getting back from Air Canada and others was that some of the contracts that were actually being let out and being bid on were not being bid on by Canadian maintenance companies. Why?

Mr. David Chartrand: I would just say that I don't think that's what I understood. What I understood is that they didn't know who bid on it.

Mr. Vance Badawey: I've been told point-blank that some of the contracts that were being let out were not being bid on by any Canadian companies. Why is that?

Mr. Fred Hospes: There are Canadian companies that are interested in bidding on some of that work. They haven't had an opportunity to bid on that work, but there are companies such as Premier that are interested in performing some of that work.

I'd also like to speak on one other piece in relation to your question about growth in the industry. There has been no growth in the overhaul sector. That needs to be clear.

• (1915)

Mr. Vance Badawey: Let's go back to that last question. Why didn't these companies bid on these contracts?

Mr. David Chartrand: Some of these companies do bid. You've been told point-blank, but from our understanding, from the information we have, some of these companies bid on some of that work.

Mr. Vance Badawey: Going back to the question, for those contracts that had no Canadian companies bid on them, is there a reason they did not?

I don't know. I'm asking the question. I'd like to know why. Is it labour-related? Is it...?

[Translation]

Mr. Jean Poirier: Let's talk about general overhaul companies.

In Quebec, the focus has been mainly on parts repair, but the hub is the aircraft hangars.

At present, Premier Aviation has a small base. We are asking to become as competitive as Air France, KLM Royal Dutch Airlines, and Lufthansa, which represent Air Canada's wall of fame. Very simply, we are asking the government to act as arbitrator when it comes to costs. We are prepared to start up that kind of company again. However, we are asking the government to agree to look at what is being done in France, not by foreign subsidiaries in Costa Rica or El Salvador, but by French workers who pay taxes in France and who contribute money to the public treasury.

[English]

Mr. Vance Badawey: I get that, and that's what we're trying to do here. We're talking from the same page.

[Translation]

Mr. Jean Poirier: That might be your job, as—

[English]

Mr. Vance Badawey: If I may, hold on. I'm going back to the question. Why are Canadian companies not bidding on some of these contracts?

[Translation]

Mr. Jean Poirier: At present, the big maintenance, repair, and overhaul centres are outside Canada. The biggest of those centres in Canada, Aveos, has been closed. It was closed and it no longer exists. Air Canada decided to sign agreements with its friends at Star Alliance and have the maintenance on its planes done outside the country.

Do you think a company like Lufthansa is going to come and open an aircraft hangar here when it can put its employees in Germany to work? Do you think Air France is going to put people to work here? No, those companies are going to put their workers in their countries to work. Air Canada made a business decision when it said it was over.

We have something to propose to you, and you are part of this plan. You could act as arbitrator and tell us to be as competitive as Air France, and give us a list of costs and we would do the work at that cost. We are prepared to present a business case. Give us 12 months, and we will present you with one. In the meantime, shelve Bill C-10.

[English]

Mr. Vance Badawey: Okay, so my last question is going to your point. I'm glad you answered the question that way, because to some extent that's what we're trying to do here. When we look at the centres of excellence, they are an attempt, when I read into it, to do exactly what you're saying. It's to create a critical mass, to give an ability to a company, a centre of excellence, and then to accrue over time a critical mass in terms of expertise.

It goes back to my first question about sustainable human resources. You have the critical mass in terms of those 600-plus employees who are being educated and who are coming into the market. You have the ability with that critical mass to do the work, and therefore you are able to tender on the work because you have the human resources. You have the ability not only to maintain the

assets that are being managed by Air Canada, but you also have an opportunity to maintain the assets from other companies.

The Chair: Thank you very much.

Mr. Poirier, keep it short—a short answer for a tough question.

[Translation]

Mr. Jean Poirier: I would simply like to say that companies like A. J. Walter Aviation and Lockheed Martin, which produce components, will go there automatically. They will no longer go anywhere else. That is the solution and it will not cost you a cent to do that. You only have to act as arbitrator to ensure that the prices are as competitive as elsewhere.

[English]

The Chair: Thank you.

I'm sorry, Mr. Badawey; that's it.

[Translation]

Mr. Jean Poirier: It will cost you a bit of money, but that is another story. We will talk about that later.

[English]

The Chair: Mr. Berthold.

[Translation]

Mr. Luc Berthold: Mr. Poirier, I have never seen a new business project start up with no money. Honestly, I was a little surprised to hear that.

I am pleased to see you here again. You have been patient, and for that, I thank you. I think it is important. There are things we need to hear.

A little earlier, you said you had heard a number of ministers, who were in opposition at the time, tell you all sorts of things or make all sorts of promises concerning Aveos. This past March, Mr. Garneau said that Bill C-10 was good news for the aerospace industry. From your testimony today, I understand that is not the case.

How many of you and others who are in the room were present when Mr. Trudeau made his speech in the House of Commons, on Parliament Hill. Could you stand up?

• (1920)

Mr. Jean Poirier: I was there. I could even tell you an anecdote about it.

Mr. Luc Berthold: One moment, Mr. Poirier. I know you have a lot of things to say.

At that time, to the Liberals, it was important to preserve the obligations and the quality of the maintenance work, and that involved centres here in Canada. Am I interpreting what went on correctly?

Mr. Chartrand can answer to begin, and then it will be Mr. Poirier's turn.

Mr. David Chartrand: It is exactly as you said.

Justin Trudeau's remarks at that time were that this country's wealth is not extracted from the soil; it comes from the hard work and minds of the workers. Today, however, the government is doing the complete opposite.

The Prime Minister, Mr. Garneau, and Mr. Dion, and a number of other members have said that the company broke the law and the government had to bring it to heel, but that was not done. Today, instead of requiring this company to do what it should do, the government is legalizing a certain way of doing things by bringing in a bill.

Mr. Serge Cadieux: If I may, I am going to say that we can engage in this kind of debate, which is good for the gallery, but the real reason we are here is to say that the legislation guaranteed jobs in Canada, and to sound the alarm because 2,600 of our jobs have been exported outside the country. If Bill C-10 is passed, then a year from now, another 2,400 jobs will disappear. I think you need to be aware of the situation. We are telling you that this is the reality. You can dodge the problem if you like, but you will be accountable for your actions if you do.

We went to court to have the legislation interpreted. Six judges in Quebec have interpreted it the same way. We had got to the stage of enforcing the judgment when the president of Air Canada came before you to make threats, saying that he was not sure he would give Bombardier a contract if you refused to amend the legislation. That is shameless blackmail. As guardians of the public interest, you have to rise above partisan politics and determine whether or not jobs will be lost if Bill C-10 is passed. The answer is yes. I hope my words are being recorded. If you pass this bill, we will repeat what happened, over and over again, when we lose all of our jobs.

Mr. Jean Poirier: Concerning Mr. Trudeau, we did not twist his arm to come with us. He came on his own initiative. At that time, I was working on this with Denis Coderre and Mr. Trudeau came to see me and said: "Jean, I want to go and see the workers. Jean, we have to meet simply to address this issue." At the time, he found the situation to be disgusting.

Mr. Luc Berthold: Mr. Cadieux, you beat me to my next question, because you have put your finger right on the problem.

What I wanted to say is that, when the time comes to make decisions that affect the workers, the idea is not just to impress the gallery; we have to be able to act and to make good decisions.

You have made us aware of the dangers of job losses and that is what I have taken away from your presentations. That is also what I take away from your last remarks, and that is exactly what I wanted to get to. That is the reason why I told you it is easy for politicians to put on shows, but today, what is being done? I noticed that the word "may" that appears in the bill causes you considerable concern. Is it sufficient to change only the word "may" in the bill, or must Bill C-10 in its present form be simply withdrawn? Even Ms. Anglade has asked us not to pass this bill. I also noted the remarks by the Air Canada representatives concerning Bombardier. I think it is important to know your opinion so we can then share it in the House.

Mr. Cadieux could answer, and we could then go around the table.

Mr. Serge Cadieux: I have one failing in my life: I am a lawyer by training. When an enactment says "may", it means something may be done, and it may also not be done.

It means that Air Canada is given complete discretion as to whether or not to preserve the jobs. When I saw the fancy footwork and the answers I heard from the two Air Canada representatives, I was not reassured, particularly because the legislation was clear: Air Canada had to keep maintenance services in the three large Canadian cities and it failed to do so. Now Air Canada is being given complete freedom to subcontract those jobs.

If you read between the lines even the least bit, it is clear that the two representatives who came here told you that the jobs must be competitive and the wages must be competitive. Someone asked the question of whether wages are the only thing at issue and whether the unions should lower their wage demands. They certainly did not say no. Last year, Air Canada negotiated a reopening of the collective agreement to get two wage scales. A pilot at Jazz earns \$38,000 a year. That is a lower wage than a Montreal city bus driver. At some point, it has to stop.

•(1925)

Mr. David Chartrand: To add to that, don't forget that the workers have made \$2 billion worth of concessions to keep their jobs in Canada.

Mr. Jean Poirier: Politics should never be mixed with legal issues.

There are two clear judgments, and that took four years. These people suffered for four years. There are people who have died. The Castonguay judgment is clear: the aircraft have to be overhauled. Air Canada has to bring its fleet of 400 planes back here.

At present, we are here to find a solution. I have presented you with a solution. We simply have to have collaboration between yourselves and the government of Quebec to revive a sector in the aerospace industry that may disappear forever. The airplane overhaul sector is not the Bombardier sector. Bombardier builds airplanes. It is the airplane overhaul sector that some people are trying to sell off today.

[English]

The Chair: Okay. Thank you very much.

You may have a couple of short questions, Mr. Badawey.

Mr. Vance Badawey: Thank you, Madam Chair.

I just want to go back to our discussion, Mr. Poirier, and give you the opportunity to finish up what you were telling me when you were cut off. If you want to continue on the question I asked earlier, you're more than welcome.

[Translation]

Mr. Jean Poirier: I come back again to the plan we have submitted to you.

We simply want a pause, a 12-month suspension, in the examination of Bill C-10. We want to sit down with you and discuss it. We want you to act as arbitrator in the dispute between us and Air Canada so the list of our demands—which I will not read, since you have them in front of you—is known. We will need the help of Transport Canada. At present, there are people who no longer have their aircraft maintenance technician licence. That would be simple to solve.

People are working alongside me to make our plan achievable. If we submit a good business plan to you, then, like any good federal government and any good provincial government, you are going to help us financially, for example, if we need to buy equipment. We do not need a lot of specialized equipment to start the hub up again, because A. J. Walter Aviation and Lockheed Martin are behind us. So together, we can succeed.

I appear before you today so that we can find a solution. I am asking you to suspend the examination of Bill C-10 and discuss an agreement.

Mr. Serge Cadieux: I would like to add one point that we have to be aware of.

When we read Air Canada's financial statements, we see that it is making profits. Mr. Chartrand mentioned that a few minutes ago. The problem is that Air Canada comes and tells you that it wants to do even more to satisfy its shareholders. Your job, however, is not to satisfy the shareholders of this company; it is to serve the public interest. You are representatives of the public.

Certainly, capitalists want to make more money. I have nothing against capitalists, but your duty is to ensure that there is a balance between capital and labour. In fact, Air Canada is not coming here and saying it is not making money; it is saying, rather, that it would like to operate on the same terms as its competitors, who are not subject to any constraints. That is not how the situation must be judged. We are starting from the fact that Air Canada, which is a former public corporation, has become a private enterprise, but on certain conditions. As a private enterprise, it has twice knocked on governments' doors seeking subsidies. It has knocked on the unions' door to have them reopen their collective agreements and allow it to do certain things.

Remember the battle that took place between Canadian and Air Canada. Air Canada has benefited from subsidies that came from the taxes paid by all the working men and women in Canada. Workers and the general public have made concessions to enable Air Canada to survive. In return, Air Canada puts people in Israel and the United States to work. That is too obvious. If you do not see this, there is a real problem.

Mr. Jean Poirier: Suppose that we start the maintenance shops back up tomorrow morning. Companies like WestJet are going to want to have the work done here. Other Canadian companies will want that too. Today, no foreign company is going to come and operate here. Foreign companies prefer to employ people who live in the countries where they are located.

[English]

Mr. Vance Badawey: Perhaps I could just jump in there—and thank you; I appreciate that information.

How much time do I have, Madam Chair?

• (1930)

The Chair: You have two and a half minutes.

Mr. Vance Badawey: Beautiful.

I did already establish two requests to Air Canada. One was with respect to formalizing a response to expected jobs in Ontario that they alluded to when I asked that first question. I also am going to expect to see some responses on the tenders that were given out. I know it is going to be very challenging for them to do that, because not all Canadian companies tendered for all the projects that they actually put out there, but for the ones for which they do have the comparisons, I would expect to receive that information.

I'm looking at three areas, guys, and please don't use the word "demand". That doesn't fly here. Let's work together on this. We're on the same page here. We're trying to get to the same goal here, so let's not go there. I just don't take very kindly to that.

I want to go back to sustainability again.

Jobs are one part of it, having a sustainable industry for you folks in the maintenance sector as well as keeping these jobs here in Canada.

There is also training and retraining. We're finding that 600 people are coming out annually. That's great. Where they are ending up, we don't know. They are not necessarily staying here in Canada, so question number one is, how do we keep them here in Canada? How do we keep those 600 who are being trained in Canada here within that sector? Sustainability is the first part of it.

The second part of it is, how do we get all companies to actually bid on all these tenders? How do we do that?

Go ahead.

Mr. David Chartrand: On the first part of the question, what I can tell you is that some of those students are coming out of school as technicians, and they're supposed to do repair and overhaul of airplanes. They are certified, and instead of doing that, because those jobs are not available, they're working on doing smaller things in other companies. That's number one.

Number two, we have sustainability in the training, but we also have, if anybody looks at the news, an industry that has been through incredible waves of layoffs. We have many certified technicians who right now are doing other things because those jobs are simply not there for them anymore. Those jobs should be there. If the law were enforced, those jobs would be there. That is one of the issues.

I'm not worried about the manpower. I have no issues with manpower or with our capabilities. We have a worldwide reputation of being some of the best.

Mr. Vance Badawey: Good. Now let's take that worldwide reputation and put it into a centre of excellence. With respect to creating those centres of excellence, creating that critical mass, and thereby giving the opportunity for those centres of excellence to be able to bid on all the contracts that are coming out, do you not think that would be a good direction to take?

Mr. David Chartrand: The issue that I have there is that we're talking about specializing on one single aircraft.

Mr. Vance Badawey: That's a good point.

Mr. David Chartrand: If I may, Air Canada currently has 244 airplanes that used to be maintained pretty much here and that are now maintained somewhere else.

Now we're talking about Air Canada purchasing—

Mr. Vance Badawey: Hold on.

Is that because they're being built somewhere else, or is that for other reasons?

Mr. David Chartrand: Not necessarily. No, it's not because they're being built somewhere else. There are planes that are built in other places that used to be maintained here.

Mr. Vance Badawey: Okay.

My last question, Madam Chair, if I may, is this: do you think, when you look at the overall sector, that there is a bigger issue attached to this? Is there a bigger issue attached to this, not with respect to just Bill C-10, but to actually being able to sustain the industry in a broader manner?

Mr. David Chartrand: It's not only MRO. It's difficult when you're not in the industry and you don't understand, but I can give you a clear example.

When you look at MRO, everybody thinks it has nothing to do with manufacturing. That is completely false. A company like Héroux-Devtek is one of the beautiful examples. They started out as an MRO company. What they used to do was take apart landing gears from other companies—because they were maintaining them and fixing them—figure out what was wrong with them, innovate, and find ways of making them better.

This company, because of the know-how they developed and all that, now build to print, and now they have a big footprint here, not just in MRO but also in manufacturing. We obtain the know-how as MROs. When you get your hands in there and you take things apart, that's when you see what's not working after so many hours of flight, so it is an integral part of the aerospace industry in Canada.

Mr. Vance Badawey: Thanks, guys. That's what we need to hear. Thanks for being so candid.

The Chair: Thank you.

I need to turn to Mr. Berthold for a short intervention.

[*Translation*]

Mr. Luc Berthold: Thank you very much, Madam Chair.

There is someone in the room who would like to say something. Unfortunately, we do not have the time to hear him. He sent me a copy of his letter, which is written in French. If the committee members agree, I would ask the clerk to have it translated so they can at least see what it says. We will still have the information that way, and that person, who came here to meet with us, will not be deprived of the opportunity to speak.

Do my colleagues agree?

[*English*]

The Chair: Does that have approval and acceptance?

Some hon members: Agreed.

The Chair: Thank you very much.

Well, gentlemen, we've had quite an afternoon.

Thank you so very much for being patient with us. We appreciate your coming and trying to answer the committee's questions, which were very important, and I think you did a wonderful job of answering them as directly as possible.

I now have to suspend because we still have committee business to do, so I'm going to suspend the meeting and ask that you vacate the room as quickly as possible because we'll be going in camera.

Thank you very much.

[*Proceedings continue in camera*]

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the Parliament of Canada Web Site at the following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : <http://www.parl.gc.ca>