Comments of R. Thomas Buffenbarger, International President
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U.S. International Trade Commission Hearing: "Business Jet Aircraft Industry: Structure and Factors Affecting Competitiveness"
Investigation No.332-526

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The International Association of Machinists and Aerospace Workers (IAM) represents over 700,000 active and retired workers in North America in a variety of industries including aerospace, general aviation (including business jets), defense, shipbuilding and ship repair, electronics, woodworking, defense, and transportation. We are the largest union representing workers in the aerospace industry in the world with over 100,000 of our members working in the aerospace industry building commercial, defense-related, and general aviation products. IAM members work for prime and sub-tier contractors producing, assembling, and maintaining almost every imaginable product that is involved in the aerospace and related industries, including general aviation which covers business jets. We are proud that our members have helped to build some of the most successful general aviation plane manufacturers in the world, including, Learjet, Cessna, and Hawker Beechcraft. IAM members have also helped build some of the world's most successful general aviation parts manufacturers in the world, including Spirit Aerosystems, Raytheon, Goodrich Aerostructures, Amphenol, Hamilton Sundstrand Power Systems, GKN, Labinal, General Electric, Triumph, and Lockheed.

General aviation and its related industries are critical for our nation's economy and our local communities. According to the General Aviation

Manufacturers Association (GAMA), the industry "contributes more than $150 billion to the U.S. economy annually and employs more than 1,265,000 people". (2010 General Aviation Statistical Databook and Industry Outlook, GAMA) The industry also continues to export more than we import. Without these exports, our record breaking trade imbalance would even be worse.

A healthy and robust U.S. business jet industry is not only needed to restore our current economy—it represents our nation's future. The business jet industry's impact on our nation's economy goes far beyond the U.S. aviation industry. It is responsible for the development of leading edge technological innovations that lead to other industries such as those concerning avionics, composites, electronics, microwaves, etc. The jobs created by this industry represent the critical jobs that will enable us to rebuild our nation's economy and put it on firm footing for years to come. These are the high technology, high skilled, high wage jobs that the President referred to in his speech earlier this month before a joint session of Congress: "and we are going to make sure the next generation of manufacturing takes root, not in China or Europe, but right here, in the United States of America."

Despite the importance of the business jet industry, the industry is struggling and U.S. general aviation jobs are disappearing. While much of this crisis is the result of the down-turn in the world economy, the crisis has been exacerbated by the mischaracterizing the industry as a caterer to the extravagant luxuries of the rich. The truth in fact is that business jets are an essential tool for today's fast-paced global economy, as explained by the general aviation industry.

The fact that corporate jets are abused by some unscrupulous individuals says everything about today's lax corporate ethical standards and obscene benefit packages and nothing about the importance of the business jet industry to our present and future economy.

We urgently need our government to take a leadership role in recognizing the importance of this industry and the jobs it provides to our nation's economy. While we abstain from any attempt to formulate policies to bolster the industry, other countries are implementing comprehensive policies to create and expand their own aerospace industries. We should do the same.

One country that is aggressively developing its own aerospace industry is Mexico, often at the expense of U.S. workers. Bombardier, Hawker Beechcraft, Cessna, and others have extensive operations in Mexico performing sophisticated elements of production. This work represents thousands of U.S. jobs that could help restore our economy. Bombardier, for example, now employs several hundred workers at its new plant in Queretaro. These and other investments in Mexico are attracting other companies to move aerospace production to Mexico, costing even more U.S. jobs and job opportunities.

Mexico's efforts to develop its own aerospace industry is meeting with success at the cost of U.S. aerospace workers. Total imports from Mexico to the U.S. are now valued at hundreds of millions of dollars. Mexico has moved rapidly from the twentieth greatest exporter to the U.S. of aerospace goods to seventh. These growing exports to the U.S. are having a direct impact on U.S. jobs and regional economies, like Wichita, Kansas. Thousands of aerospace

workers in Wichita have lost their jobs—as their work has been shifted to countries like Mexico.

It should come as no surprise that China is also building its aerospace industry out of the billions of dollars of production and technology that has been transferred to it from Western companies. At times, it seems as if U.S. aerospace companies are only too willing to lend their assistance by outsourcing work in order to obtain market access and/or cheap labor costs that is often achieved by China's failure to adopt and enforce international labor standards.

Commercial aerospace companies and their suppliers have procured parts and components from China valued at billions of U.S. dollars. Work for Boeing includes various programs. Airbus is operating an assembly facility for the A320 and had announced additional work involving wings. China is also involved with the production of parts for regional jets. Other aerospace companies are involved in China, including general aviation and jet engine manufacturers.

We must create incentives for companies to keep production here at home. One solution is to provide financing support t that conditions recipients to manufacture, assemble, and service business jets in the U.S. Support of this nature could come from the U.S. Export-Import Bank. The Bank, however, must tighten and improve the implementation of its domestic content rules. It must make certain that production remains in the U.S.

We must also enforce all trade agreements. Unfair subsidies given to China's aerospace industry must be challenged by filing a trade complaint. USTR also should look into unfair subsidies by Mexico. Moreover, as we continue to

demand, the adoption and effective enforcement of international labor standards as defined by ILO Conventions is urgently needed, so that we can stop the downward spiral towards a labor economy that is not based on a fair market economy—but one that is based on violations of fundamental human rights.

In summary, the business jet industry greatly contributes to U.S. employment and our economy. Comprehensive support for the industry is urgently needed. Transferring our work and the technology that has been paid for by U.S. taxpayers is no answer. Instead, activities like providing support for financing exports in the industry when properly tied to domestic production, assembly, design and servicing could have a positive impact on the domestic business jet industry, employment, and, of course, our economy. The USTR should enforce trade laws to stop unfair subsidies made by other countries to support their own business jet industries. We also must move quickly to adopt international labor standards in all of our trade agreements.