

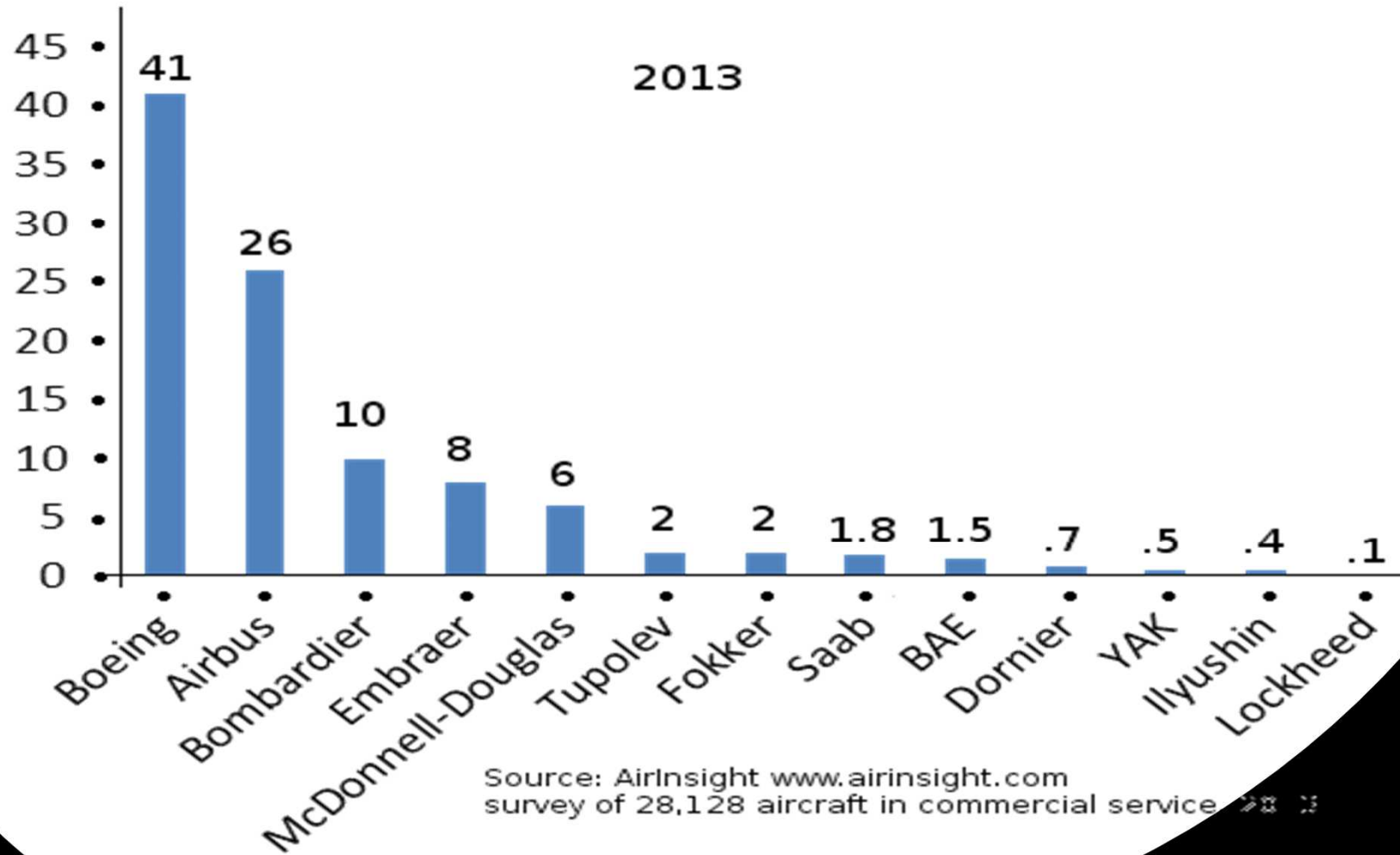
**Brian Kohler**  
**Director – Aerospace Section**  
**IndustriALL Global Union**

# **IndustriALL Global Union's World Conference for the Aerospace Industries**

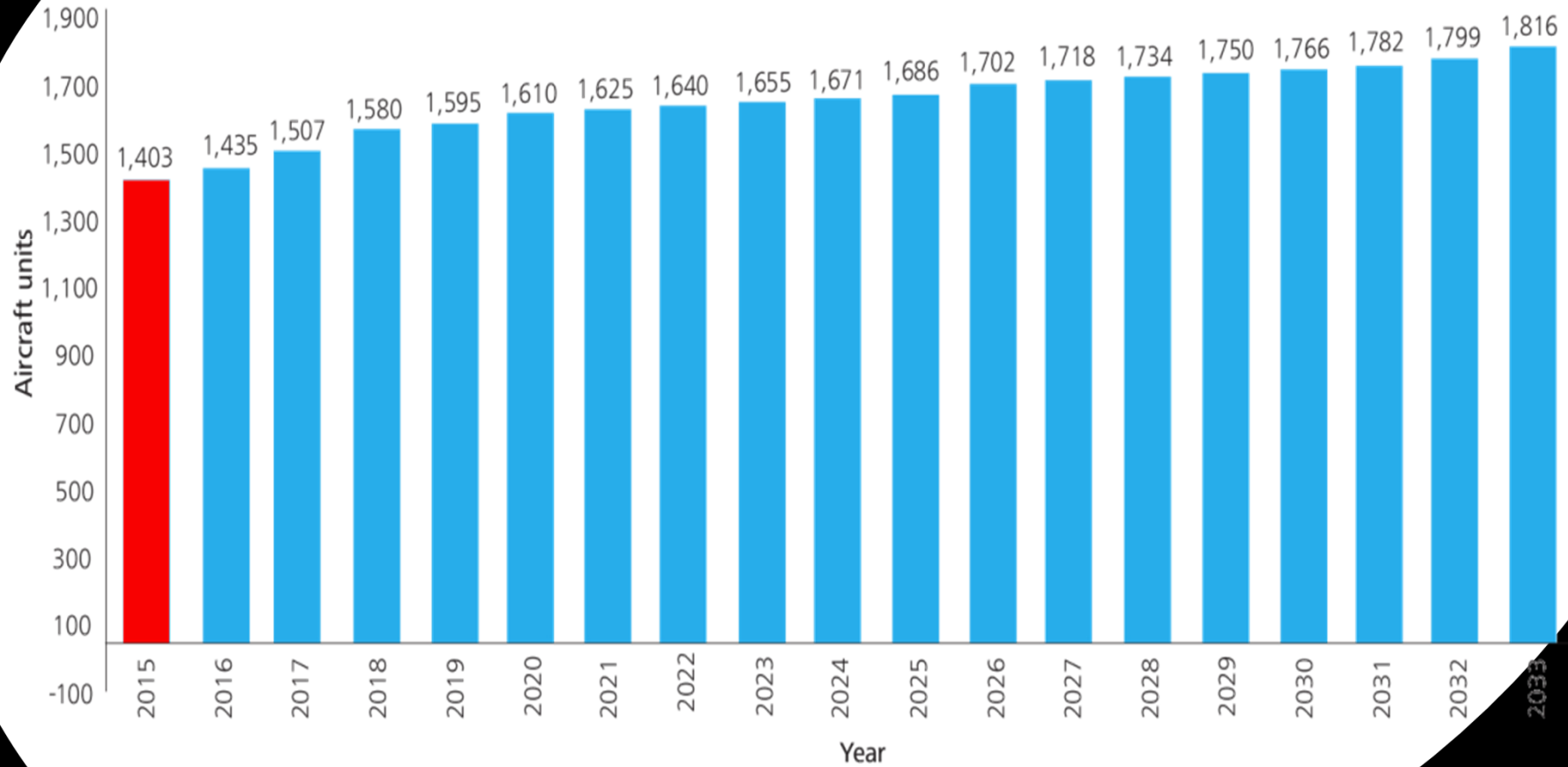
***“Global Sector Overview”***



# Percent Global Commercial Air Fleet



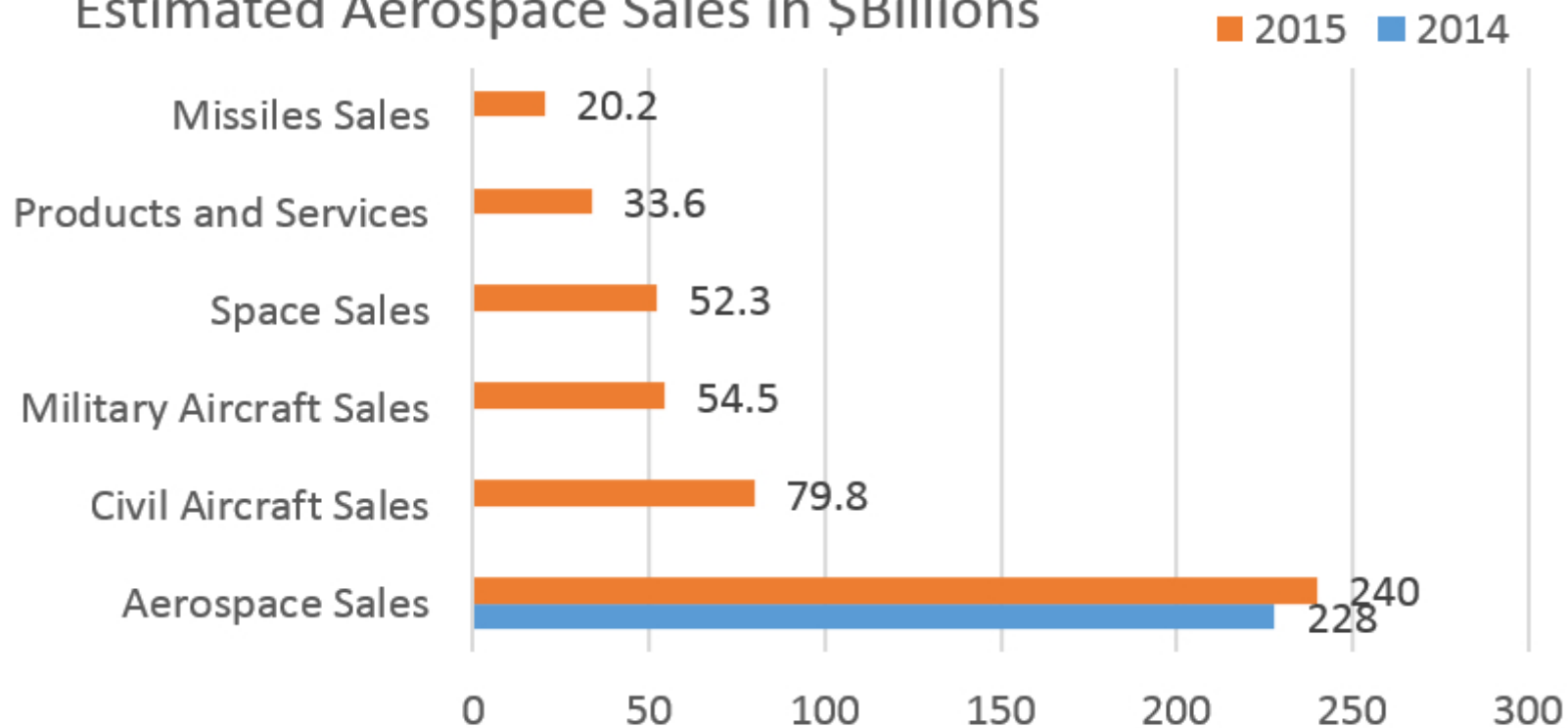
## Aircraft delivery forecast (2015 to 2033) (wide-bodied, civilian)



Source: Deloitte 2015 Aerospace and Defense Industry Outlook

# A Profitable Industry

Estimated Aerospace Sales in \$Billions



Source: iBASEt Roundup of Aerospace Forecasts and Predictions 2015

# Product Regeneration Cycles

- **Average age of operating planes: 12 years**
- **Average age of aircraft retirement is about 24 years and trending younger**
- **More than 50% of existing commercial aircraft could be replaced in the next 20 years**

# Opportunities

- **Top 20 global aerospace and defence companies: Revenues \$365.8b USD for 9-months to Sept 2013, an increase of 4.3%; operating margin ~ 10%**
- **Global GDP forecast to increase at a rate of 3.2% through 2032 coupled with Global trend toward urbanization = increased demand for air travel**
- **Global commercial and business aircraft fleet sales up 50% - 100% over the next two decades.**
- **China, India and the CIS expected to grow by 8.0%, 5.4% and 3.2%**

# Research and Development

- **Development of completely new platforms seems to be declining**
- **Many companies concentrating on incremental improvements of existing platforms**
- **Threat to long-term health of some companies**
- **Technological changes still underway**

# Product Demand, Product Balance

- **Need for massive investment in the development of aircraft**
- **Poor product decisions or market acceptance can jeopardize even the largest companies**
- **present decline in defence spending**
- **Imbalance between the defence and civil aviation sides of the industry is a problem.**
- **Since very few mechanisms for personnel transfer between these areas exist, even within the same manufacturer**



# Risk Factors: Economics

- **Unrealistic return on investment expectations**
- **Financialization of the global economy**
- **It is profitable in short term to park money**
- **Management strategies: to “be the cheapest”**
- **Global economy is still suffering from instability as a result of the 2008 economic collapse and its aftermath**
- **Large fluctuations in demand**
- **Suppliers in particular are being squeezed**
- **Industry mergers, acquisitions, restructuring, redundancies can be foreseen**

# Risk Factors: Energy

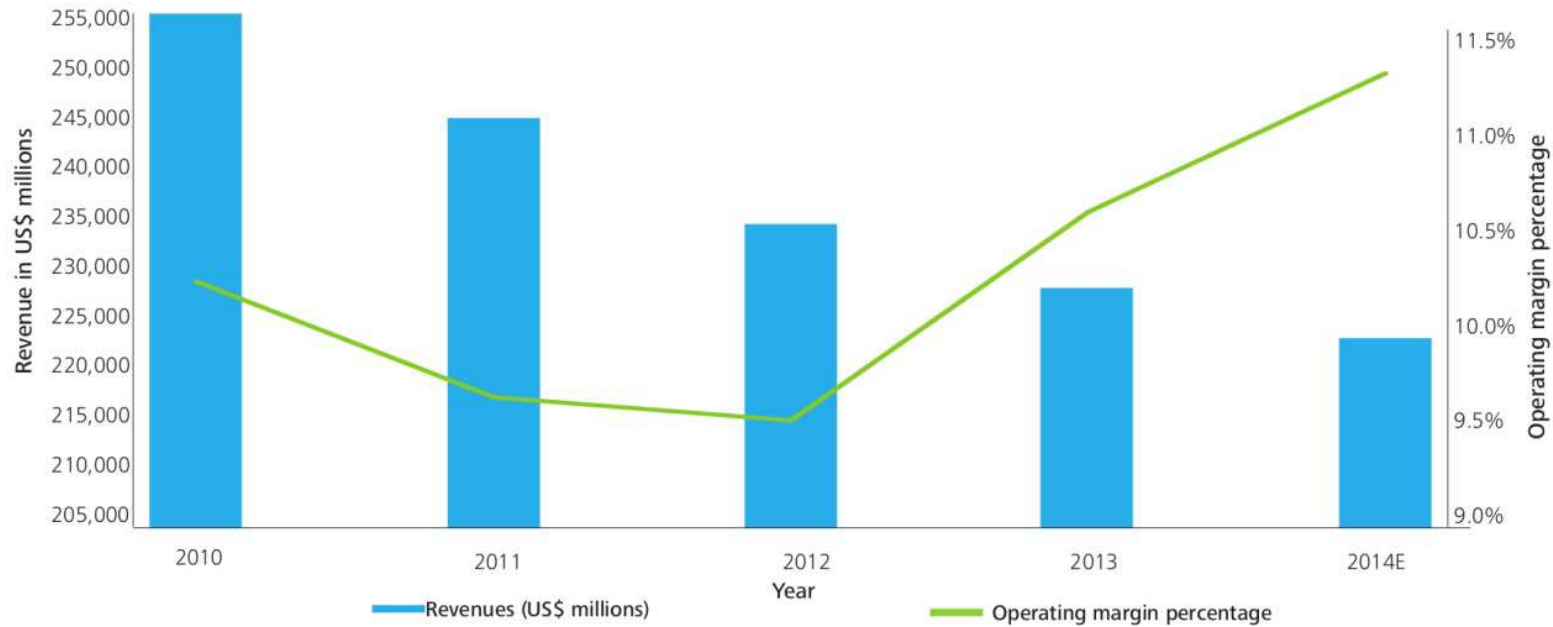
- **Oil prices expected to decrease until 2017**
- **Fuel costs could be considered a risk in that they place increasing cost pressure on airlines and operators, higher fuel costs could also accelerate fleet replacement as operators seek to retire older, less-efficient aircraft**

# Risk Factors: Sustainability

- **Aerospace industry has historically benefited from government industrial/defence policies**
- **today most developed countries lack a coherent, sustainable industrial policy towards aerospace**
- **government relations, political influence could be factors in the success or failure of aerospace companies**

# Defense: Where does it go?

Defense revenue and operating margin (2010 to 2014E)

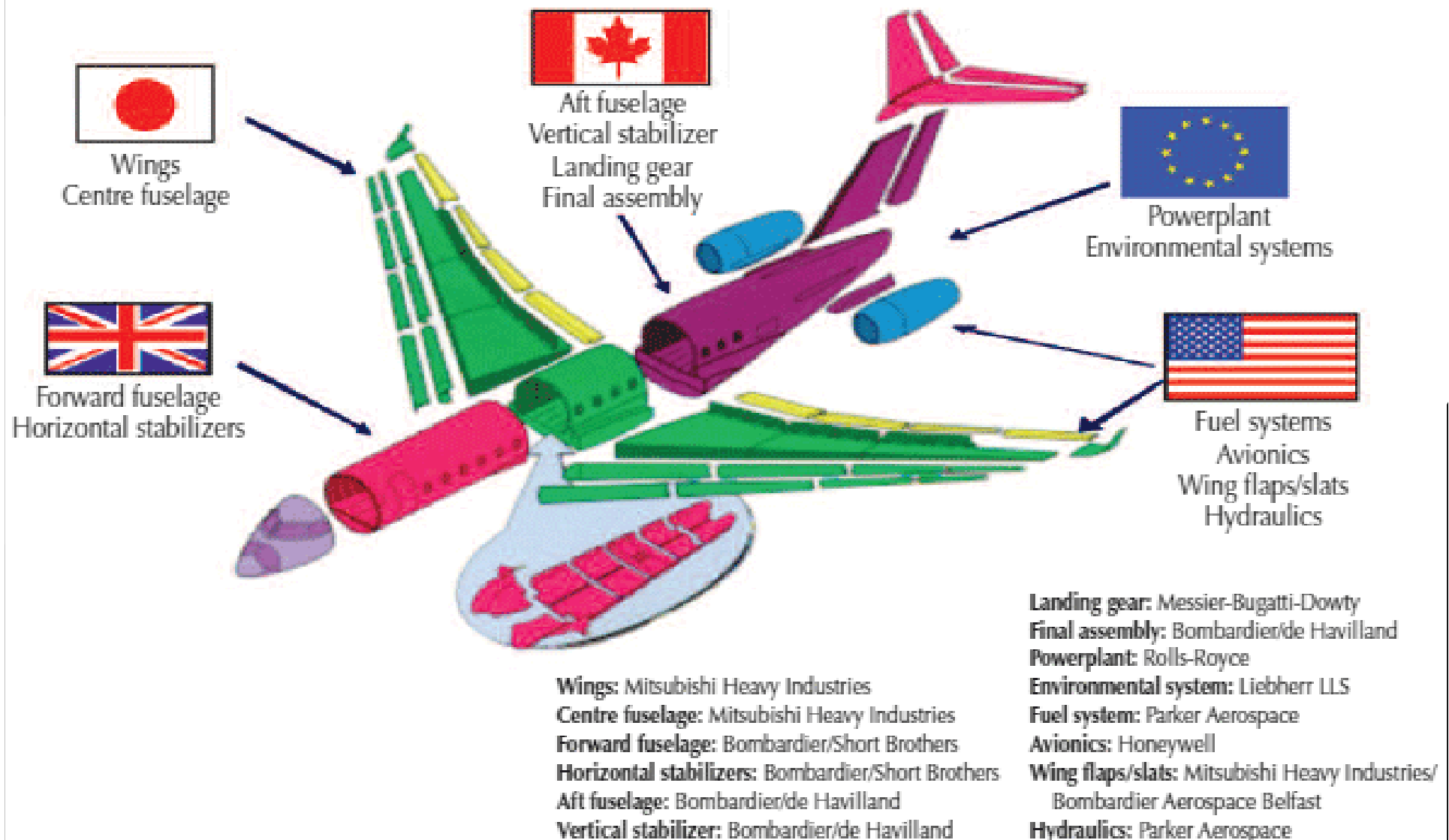


Source: Deloitte 2015 Aerospace and Defense Industry Outlook

# Supply Chain: Outsourcing, Offsets, Trade Deals

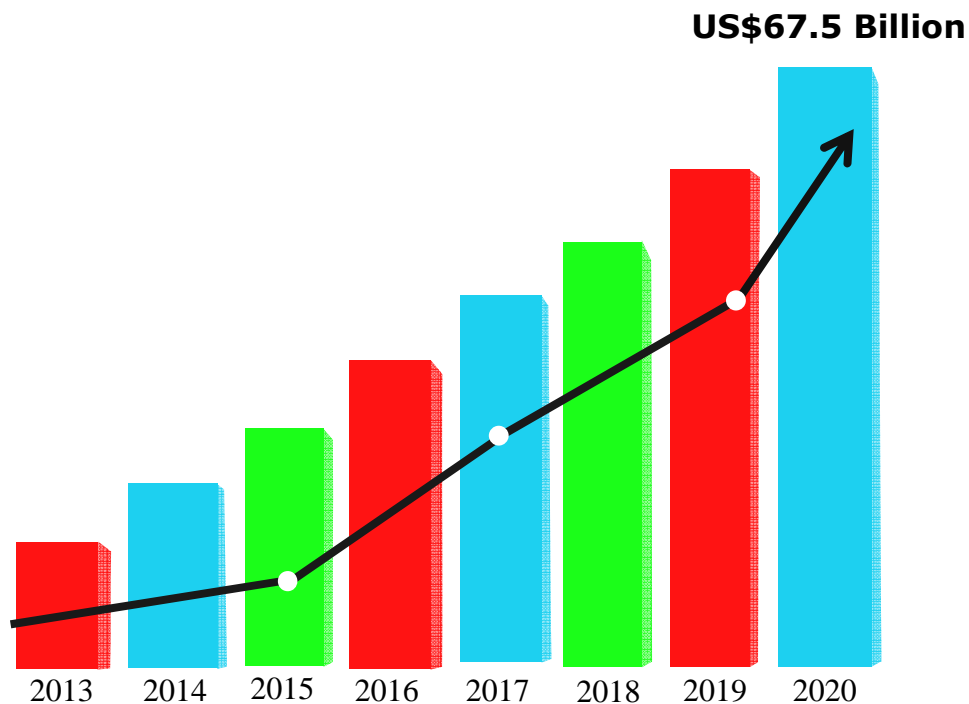
- Offsets are used to obtain contracts in key markets = guarantees that some production will be locally sourced
- Technology will be transferred to the contracting nation
- This results in a company helping to develop future competitors for its products

# Supply Chain in Aerospace Industry



# Aircraft Maintenance, Repair and Overhaul

- **US\$67.5 billion by 2020**
- **New technologies and market trends: growth in low cost carriers**
  - **Growth in Asia-Pacific expected to be fastest**
  - **Increased outsourcing by airline companies**



## Major Players...

- *Air France KLM Engineering & Maintenance*
- *Ameco Beijing*
- *Bedek Aviation Group*
- *Hong Kong Aircraft Engineering Company*
- *Lufthansa Technik*
- *MTU AeroEngines*
- *Singapore Technologies Aerospace*
- *SR Technics*
- *TIMCO Aviation Services Inc.*

# Employment

**Aerospace supports an estimated 58.1 million jobs globally**

- **8.7 million direct jobs : including 1.2 million in aircraft, engines and components**
- **But also: jobs in airports, airlines, navigation services, maintenance and overhaul, etc.**
- **Another 49-50 million induced or indirect jobs in areas from fuel suppliers to construction companies to goods and services suppliers to tourism operators to jobs that these employees create when they spend their wages**

Source: Reefear Eapear, Shahril Redzwan, Masweera Mahadi, Noor Faiziana, Umami Sakinah:  
"Sustainability of Air Transportation", 2013

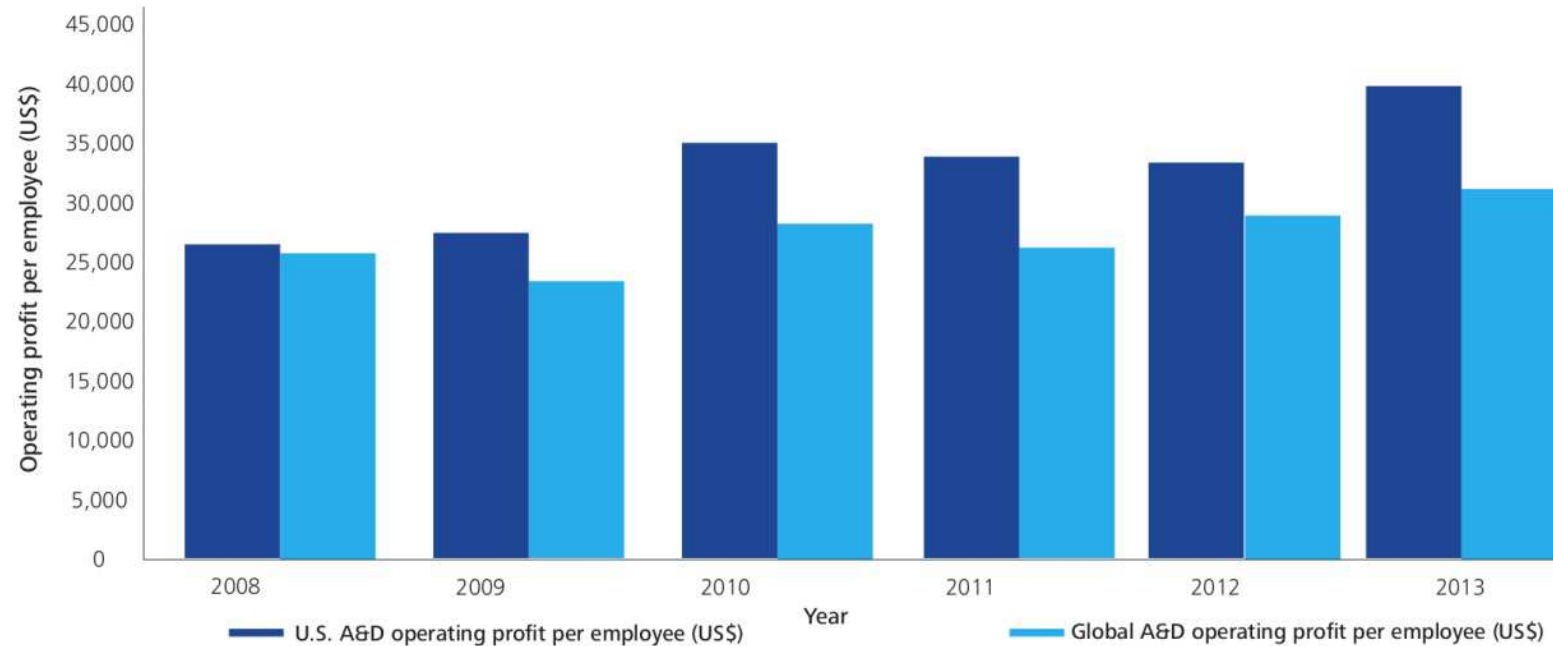


# Employment

- **Aging workforce and a perception that not enough is being done to hire and develop younger workers and women workers for the future health of the industry**
- **Hiring, cultivating and maintaining key employees is problematic for some of our companies, particularly in certain skill areas**
- **Non-standard form of employment is also a growing problem in the sector.**
- **Despite overall profitability, jobs are being cut**

# Productivity

Global and U.S. operating profit per employee in US\$ (2008 to 2013)



Source: Deloitte 2015 Aerospace and Defense Industry Outlook

# Trade Union Perspective

- Weaker settlements, and longer term contracts
- European model is under some pressure
- enormous opportunities for organizing in the sector in emerging areas = India, China, Malaysia, Indonesia
- In North America and Europe where many aerospace contractors pay < \$15/hr
- Good research information is needed
- Solidarity and networking
- At present the sector has only two GFAs: Airbus Group and Saab.

# Towards building genuine global trade union power in Aerospace Industry

## *IndustriALL's Five Strategic Goals:*

1. Build union power throughout the world
2. Confront global capital
3. Defend workers' rights
4. Fight precarious work
5. Ensure sustainable industrial employment

# Pre-Conference Survey

- ***Generalized results: 10 surveys, covering ~ 400,000 workers***
- ***National unionization rates 11.5 - 85%***
- ***Aerospace unionization rates 16.9 - 90%***
- ***Aerospace unionization always > national rate!***
- ***Separation of employers by subsector failed***
- ***Organizing targets chosen opportunistically***
- ***Aerospace membership may be affiliated to multiple GUFs***
- ***158 companies mentioned in the survey with union members***
- ***Results possibly useful in a future campaign or networking***

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**... Thank you!**

