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December 21, 2011

Sent by mail and facsimile (613) 941-6900

The Right Honourable Stephen Harper
Prime Minister of Canada
Office of the Prime Minister
80 Wellington Street
Ottawa, ON K1A 0A2

Dear Prime Minister,

Re: The Future of Electro-Motive Canada and the Investment Canada Act

The future of Canada's only locomotive manufacturer is in peril. Government inaction and ineffective foreign investment rules could result in the end of more than sixty years of high value-added manufacturing and the loss of 800 good jobs – including those of many of the CAW members that you met personally during your tour of the London, Ontario facility on March 19, 2008.

The Electro-Motive operations create thousands of spin-off jobs across the economy, and serve as the anchor for railway equipment suppliers throughout the London region. With a regional unemployment rate of 9.8%, the second highest in the country, every job counts.

When it was announced that the operations were being purchased by U.S.-based equipment giant Caterpillar in June, 2010, there was hope for a stable future. At the time roughly half of the company's workforce was located in London, and it was the only location for final assembly. With more than sixty years' production experience, London builds the highest quality locomotives, has a highly skilled and productive workforce and remains solidly profitable. Canadian workers have built the brand for world-renowned EMD locomotives.

The acquisition added \$1.28 billion to Caterpillar's assets, roughly half of which rest in Canada. Clearly, the purchase of Electro-Motive is a significant investment, and of strategic importance to the Canadian economy. As such, the acquisition was subject to the rules of the *Investment Canada Act*, which states its central purpose as providing "... for the review of significant investments in Canada by non-Canadians in a manner that encourages investment, economic growth and employment opportunities in Canada..."

As required under the *Act*, notification of the acquisition was filed with the Minister of Industry. The notification was reviewed and approved, and a receipt was issued in September, 2010 declaring that the investment required no further review.

One month later, on October 29, 2010, Caterpillar announced plans to open a 650-person plant to build EMD locomotives in Muncie, Indiana (with millions in State aid). In November 2010, the company awarded a major contract to a third-party manufacturer to start building EMD locomotives in Sahagun, Mexico. And on July 25, 2011 Caterpillar announced plans to build a new EMD locomotive plant in Minas Gerais, Brazil, set to employ 600 people.

London was the only final assembly location, and within less than a year of the acquisition three other locations are now building EMD locomotives.

There is broad agreement among industry experts that Caterpillar's long-term interest in Electro-Motive centers on plans to acquire long-sought after technology and to bring production to the U.S. to gain access to State government incentives and more easily meet Buy-America rules for the passenger locomotive market.

Caterpillar is now coming to London workers demanding to cut wages in half and eliminate the pension, despite the workers' offer of a status quo agreement. It is increasingly looking like the company is trying to force their workers out on the street, providing convenient cover for any plans to move production out of Canada. We had hoped, incorrectly, that the Caterpillar infamous for labour strife and disregard for its workforce had changed.

Had the Minister determined in June, 2010 that the acquisition needed a full review, Caterpillar would have been required to reveal their intentions for the Canadian business, and the federal government could have sought commitments to safeguard the future of this valuable plant.

Caterpillar is not a company hurting for money. In the first nine months of 2011 profits were up 95% to \$3.4 billion. Caterpillar is on track this year to see the highest sales, and biggest profits, ever in the company's 86-year history. Times are so good, in fact, that they could afford to pay their outgoing CEO, James Owens, \$22.5 million for six-months work last year, and provide him with a defined-benefit pension worth \$18.7 million. Electro-Motive sales are up strongly in the latest quarter and the operations remain profitable.

Canada clearly does not need another job-destroying failed foreign investment, like those we've experienced with U.S. Steel, Vale-Inco or Xstrata. The Electro-Motive operations are too important to the Canadian economy to let them slip away.

Will you instruct the Minister of Industry to use his powers under the *Act* to issue a demand and retroactively order a full review of this acquisition? Will you instruct your Minister to issue a demand to Caterpillar requiring them to declare their intentions for the London operations? Will your Minister negotiate investment and employment undertakings with Caterpillar to safeguard the future of these operations?

The workers at Electro-Motive and their families, and the 26,000 people in the London region without work, deserve to know what steps your government will take to safeguard these important and strategic jobs.

I look forward to hearing from you on this most urgent matter.

Sincerely,



Ken Lewenza
National President

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copy: Hon. Christian Paradis, Minister of Industry
Nycole Turmel, Leader of the Official Opposition
Hon. Bob Rae, Leader of the Liberal Party of Canada
Daniel Paillé, Leader of the Bloc Québécois
Ed Holder, MP London West
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