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• (0805)

[English]

The Chair (Mr. Rick Casson (Lethbridge, CPC)): We'll call the meeting to order.

Thank you, colleagues. We have a busy agenda this morning between now and 11 o'clock. From 8 to 9:30, we have Mr. Bernier here; then from 9:30 to 10 o'clock, I'd like to go in camera to talk about future committee business; and then at 10 o'clock, as of a motion adopted Thursday, February 1, we'll have briefings by the UN and NATO folks. We'll keep to that schedule as best we can.

We'll start off, Minister Bernier, by welcoming you to the committee. We look forward to your remarks, and then we'll go into a round of questions.

The floor is yours, sir.

Hon. Maxime Bernier (Minister of Industry): Thank you, Mr. Chair.

Thank you, everybody, for being here this morning, at this hour.

Honourable members of the committee, I thank you for the opportunity to appear before you today to discuss an important matter: the administration of the industrial and regional benefits policy managed by my department, Industry Canada.

I'm here today with Richard Dicerri, my deputy minister, on my right, and with Tom Wright, on my left, assistant deputy minister at Industry Canada.

Canada's new government, as you know, is committed to rebuilding our nation's place in the international community. That pledge includes meeting commitments made to our international partners, like NATO, thus making appropriate defence procurements to upgrade aged equipment.

Whether here, at home, or around the globe, the women and men of our Canadian Forces demonstrate their commitment to protecting Canada, its people, and our nation's interests. Through our announced military procurements, this government is demonstrating its commitment to our brave and dedicated soldiers.

[Translation]

First and foremost, ladies and gentlemen, we want to ensure that our personnel have the right transport to move them, and their equipment, to wherever they need to be, when they need to be there. Whether that's here in Canada or abroad.

As you are well aware, we need equipment to move the Canadian military around the world, as well as for rescue missions or disaster relief here in Canada.

[English]

Canada's new government is also committed to fostering a strong, competitive economy that benefits all Canadians. To achieve this goal, I firmly believe in the direction our government is taking to create an environment that encourages and rewards people who work hard, that stimulates innovation, and promotes Canadian industry.

We are strengthening the Canadian economy, giving Canada's industry the chance to participate in shaping future technologies and providing new, high-quality opportunities. Our commitment to a sustainable aerospace and defence sector and strong Canadian economy guides our approach to the administration of the industrial and regional benefits policy.

Ensuring that benefits to Canadian industry come from military procurements has been informally pursued since the 1970s and became formal government policy 20 years ago. The purpose of that policy is to make sure that no matter what company is selected to provide equipment our hard-working troops require, Canadian industry benefits as well. This is often referred to as industrial participation, or offsets, a practice utilized by many governments around the globe.

Our policy can attract quality high-technology work with lasting economic value for the Canadian economy, and that is why I'm here before you today. As you know, our aerospace sector ranks fifth in the world in terms of sales. I saw firsthand our people working in this industry at the Farnborough International Air Show in London last summer, and I can assure you that Canadian companies are global leaders, able to compete with anyone. This sector makes a huge contribution to Canada's economy, accounting for about \$9.2 billion—yes, \$9.2 billion—of our total gross domestic product.

I have had the opportunity to read some of the testimony your committee has already heard. As you have been told, whenever the federal government undertakes significant defence procurements, three departments are involved. The Department of National Defence determines what requirements the equipment must meet; Public Works and Government Services Canada is responsible for the procurement and contracting process; and Industry Canada, my department, develops an industrial benefits approach that looks to ensure there are real, high-quality, strategic benefits for Canadian industry.

[Translation]

As you know, on February 2, 2007, the government announced the purchase of four C-17 Globemaster III aircraft for a total acquisition cost of \$1.8 billion.

The cost includes infrastructure built at National Defence, and the administration of the program done by the Government of Canada.

Infrastructure upgrades, training and administration by the government are direct investments into our economy, with no industrial benefit requirements.

Nonetheless, for the capital acquisition of the equipment, the Canadian industrial benefits will exceed \$1 billion. Once the aircraft have been purchased, the government must also contract for their in-service support, or maintenance.

On this front, a contract has been signed with the U.S. Air Force for \$1.6 billion. This contract is in two parts, the first, services performed by the U.S. Air Force do not qualify under the industrial benefits policy as the U.S. AF does not meet requirements that are in place for foreign companies.

The second part, approximately \$900 million, will be subcontracted to the Boeing corporation. Boeing does meet the requirements of under the industrial benefits policy, thus we see a dollar-for-dollar return on investment.

These are the same types of benefits we will see from the acquisition of the aircraft, and will be spread over 20 years.

The suppliers that win the contracts with Boeing will be in a position to announce the contracts as they are received over the coming weeks and months.

Other procurements have taken two to three years to develop, but I am pleased to say that we have been able to develop the strategic airlift procurement in matter of months, and have secured approximately \$1.9 billion in Canadian benefits on the acquisition and the in-service support.

● (0810)

[English]

As the members of the committee know, we have also announced acquisitions of helicopters, ships, trucks, and tactical airlift. Each acquisition will also bring significant benefits to Canadian industry.

[Translation]

Under the industrial benefits policy, every dollar companies receive from the defence procurement is matched by a dollar of economic activity in this country. That is a 100% return on investment within the contract duration. That is a dollar-for-dollar investment in Canada. And that is not negotiable.

What's more, we require companies that obtain these contracts are not only investing in Canada, but are investing in advanced technology in long-lasting and meaningful ways. The goal is to help Canadian companies become or continue as part of the global supply chains that are so important to this industry.

[English]

This means Canada's industry benefits from our procurements regardless of where the successful contractor is located.

In addition, benefit transactions must meet three criteria to be deemed acceptable to Industry Canada. First, the work must be causal; it should be brought about because of this procurement. The work must occur within the time period stated in the contract. The work must meet the incremental principle, which states that existing business relationships can be used but only the new work will count toward the obligation.

Moreover, for the C-17, we are stating that 50% of the benefit spinoffs will be in the aerospace and defence sectors, with at least 30% targeted into key technologies. The key technologies are as follows: advanced manufacturing and emerging materials, avionics and missions systems, communications and control, propulsion and power management, security and protection, sensors, simulation, training and synthetic environment, space, and unmanned vehicle systems.

We also require that 15% of Boeing's benefits contracts be with small and medium-sized businesses. As you know, small and medium businesses are vital to the growth and sustainability of the aerospace and defence sectors, and in general, small and medium-sized businesses are primary drivers of our economy as a whole.

● (0815)

[Translation]

The ultimate goal of the industrial benefits policy is to allow Canada's aerospace and defence companies the opportunity to demonstrate their ability and form long-lasting, sustainable business relationships with companies in other countries.

Our policy increases Canadian industrial competitiveness, marketing and market access, and investment in high technology sectors. While we encourage contractors to undertake partnerships that make real business sense, we work with the aerospace industry to make the best of the opportunities in this field, and we will continue to do so.

In fact, we have been working to improve the benefits process, making it more smoothly integrated into procurements overall and focusing on real strategic benefits for our industry.

[English]

For example, for the first time, the Aerospace Industries Association of Canada and the Canadian Association of Defence and Security Industries have collaborated with the government to develop the list of nine key technologies that I was referring to earlier. These are technologies that the industry sees as vital to its future development.

In addition, we work closely with the regional development agencies—the Atlantic Canada Opportunities Agency, Western Economic Diversification, and the Economic Development Agency of Canada for the Regions of Quebec—to identify Canadian companies that might be interested in the opportunities available right now.

We also work directly with Canadian companies to highlight the opportunities that are available, that meet their unique abilities, and work with contractors to emphasize the importance of cross-Canada involvement. We work diligently to make sure international companies are aware of our forces and our strength here in Canada and are aware that we are proud of Canadian industry.

[Translation]

Canadian benefits are serious contractual obligations, and Industry Canada requires annual audits and performance guarantees.

Each year, contractors must report on what they have achieved when it comes to Canadian benefits. There can even be financial consequences for non-performance.

Industry officials continue to work with Boeing to help identify the partnerships that make good business sense for Boeing, meet the key technologies list, and provide real opportunities for our industry.

[English]

Our approach to industrial benefits is very much in keeping with the government's overall approach. Over the past year, our new government has taken significant steps to improve Canada's economy. Early in our mandate we presented budget 2006, which contained measures aimed at improving our quality of life by building a strong economy that is equipped to lead in the 21st century. These measures focused on making Canada's tax system more competitive and attractive to international investment and outlined our commitments to reduce regulation on businesses, such as the paper burden, and support science and technology in Canada.

[Translation]

Last fall, we presented a long-term economic plan in *Advantage Canada: Building a Strong Economy for Canadians* focusing on five Canadian advantages that will give incentives for people and businesses to excel and to make Canada a world leader.

We will continue our focus to draw maximum benefit for the Canadian economy through the *Canada First* defence procurement.

And we will continue our work with the aerospace and defence industry in order to capitalize on the opportunities that are presented.

[English]

Thank you very much.

[Translation]

Thank you very much.

[English]

My officials and I are available for your questions.

The Chair: Thank you, Minister.

We open it up for the first round of questions. The first round, when the minister is appearing, is ten minutes.

We'll start with Mr. Coderre.

[Translation]

Hon. Denis Coderre (Bourassa, Lib.): Thank you, Mr. Chairman.

Welcome to the committee, minister.

The problem that you have this morning is that when we speak with all of the other ministers, they always end up blaming you. That means that the puck stops here. We will see if your answers make sense.

Your presentation was very wordy, but I don't recall hearing very much about investments.

There are, of course, a number of points that I would like to raise with you. My colleague Scott Brison, who is our industry critic, can deal with the industrial aspects. And my colleague Mr. McGuire may wish to discuss regional implications. In the meantime, there are a number of questions that I would like to ask you.

Would it be wrong to assume, minister, that the Prime Minister's Office must be advised when you travel abroad on official business, in order to get the go ahead for your trip?

There is no need to take notes. You may respond.

Are you required to have the Prime Minister's permission before you travel? And must you provide him with the exact purpose of your travels?

● (0820)

Hon. Maxime Bernier: Mr. Chairman, I am delighted to be here and to respond to the questions that have been asked by my honourable colleague.

In the preamble to your question, you mentioned industrial benefits. You implied that—

Hon. Denis Coderre: A point of order, Mr. Chairman.

Hon. Maxime Bernier: —the benefits were insignificant. I would like to explain the context—

[English]

The Chair: Mr. Coderre, no, it's not out of order.

[Translation]

Hon. Denis Coderre: Mr. Chairman, I asked a question. I hope that the clock is not running, because this is a point of order.

I have 10 minutes, and my questions were very specific. I was a minister myself, and I know how to play for time.

Minister, we have a number of questions to ask you, and with all due respect, I would like to point out that you had an opportunity to provide us with your viewpoint during your presentation.

I just want a straight answer: either yes or no. I have a number of questions to ask you. Do you, or do you not need the Prime Minister's permission to travel? Is the Prime Minister aware of the purpose of your trip?

Mr. Steven Blaney (Lévis—Bellechasse, CPC): I would like some information, Mr. Chairman. Should the questions not relate to the aim of this discussion, namely procurement? I am not sure that the question is relevant.

[English]

The Chair: You're right.

[Translation]

Hon. Denis Coderre: It is relevant. He met with Boeing before signing the contract. Therefore, Mr. Blaney, we will come back to it.

Mr. Steven Blaney: Thank you for your explanation.

[English]

The Chair: Thank you both for your interventions. I don't think they're points of order.

Mr. Minister, the floor is yours.

[Translation]

Hon. Maxime Bernier: Thank you.

I am happy to answer your question. But before that, I would like to explain the context. I did take note of your question, Mr. Coderre.

What the government has done in terms of military procurement is important. We have announced the acquisition of strategic airlift planes. I explained, in my presentation, that there would be more than \$1.9 billion in economic benefits. And with the tactical transport procurement, which we have also announced, the economic benefits will total \$3.6 billion here in Canada.

Hon. Denis Coderre: Mr. Chairman—

Hon. Maxime Bernier: We have also announced the acquisition of medium to heavy transport helicopters with benefits of \$3.7 billion.

Hon. Denis Coderre: If I may, minister—

[English]

The Chair: Mr. Coderre, the minister has the floor.

[Translation]

Hon. Denis Coderre: Point of order, Mr. Chairman.

The minister's answer is totally unacceptable, and I know where he is heading. We have specific questions to ask and serious work to do.

Minister, we have 90 minutes. If you don't answer our questions now, you will still have to face a scrum, where you will be asked more questions. And it can also be done during question period in the House.

Would you please cooperate with the members of this committee? Did you, or did you not, require the permission of the Prime Minister to travel, particularly when you went to Washington to meet with Jim Albaugh from Boeing and when you worked with the company before the contract was even signed?

[English]

The Chair: Mr. Minister, you've indicated that you're going to answer that question. I'm going to give you the time to do that.

Mr. Coderre, could you please let the minister get to that? He indicated he would answer it.

[Translation]

Mr. Steven Blaney: Mr. Chairman, I think we should let the witness respond. We won't get any answers to our questions if the witness is not allowed to speak.

Hon. Denis Coderre: That's true, you're right. We are not getting any answers to our questions. That is exactly what I wanted to know.

Mr. Steven Blaney: Let him answer. Please have a little respect for our witness.

Hon. Denis Coderre: You are right, Mr. Blaney.

[English]

The Chair: I've recognized the minister, and the minister will have the floor.

Hon. Maxime Bernier: Thank you, Chair.

I just wanted to take 30 seconds to finish saying what I thought, and I will answer that question. I am very pleased to answer that question because it's a good question and I'm proud of what I am doing as the Minister of Industry. So if you can wait 30 seconds, I'm going to finish answering this question.

[Translation]

I said that our government had made public its intention to acquire medium to heavy transport helicopters, which will result in benefits of \$3.7 billion; we will also be purchasing combat support ships representing economic benefits of \$2.3 billion.

This government has done more in terms of economic benefits in 12 months than the previous government did in 12 years. The benefits amount to \$12.6 billion for Canada.

That said, to answer my colleague's question, as the Minister of industry, I must meet with all of the stakeholders in Canada's aerospace industry. I met with most of these people in Farnborough, as I said in my presentation. I also met with the people involved in Canada's industry as well as in the international industry, the presidents of various companies, including Boeing and others.

As part of my official duties, I attended a meeting in Washington, to which my honourable colleague referred; this was in conjunction with the Partnership for Prosperity and Canada's Security. My American and Mexican counterparts and I spent a productive day working on plans to ensure continued prosperity and security in the relations among the countries that share this continent.

On that note, I also met—

● (0825)

Hon. Denis Coderre: No, just a minute please.

Hon. Maxime Bernier: Still in response to the question, I must also say that I met with the people from Boeing and from other companies in my capacity as Minister of Industry.

Hon. Denis Coderre: I am asking you the question because your lengthy response shows that negotiations had taken place earlier, before everything was finally settled. Last June 22, I asked you a question about the procurement of aircraft for the Department of National Defence. At that time, the Prime Minister had said that no choice had yet been made, that things were progressing normally, etc.

However, on that very day, June 22, the file was being given final approval by Treasury Board, which is a Cabinet committee. The Prime Minister had decided to circumvent the truth in order to avoid having to answer to parliamentarians, preferring to embark on a one-week coast-to-coast marketing tour, and in so doing, demonstrating his lack of respect for parliamentarians' questions on procurement totalling \$17 billion, which represent almost 10% of Canada's annual budget; that is not insignificant.

These choices were already so firm that you were dispatched to Washington one week earlier by the Prime Minister's Office to enter into secret talks with Boeing and Lockheed Martin. We see that it works. You claim to not be involved in political interference, but CAE will be given a contract for training. You mentioned the Chinooks and the Hercules, for example, but no mention is made of —

[English]

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): On a point of order, Mr. Chair, I'd like the honourable member opposite to provide the evidence to substantiate the allegation he just made.

Hon. Denis Coderre: That's not a point of order.

The Chair: I'm not sure that's a point of order, but, Mr. Coderre, could you get to your question, please?

[Translation]

Hon. Denis Coderre: Fine, but I hope that my time will not be reduced.

Regardless, in awarding the contract to CAE... Given that you do not interfere, I imagine it's the Prime Minister's Office that does. We're talking about Chinooks and Hercules but obviously not about C-17s because we were swindled on those. You don't want to do anything but we were swindled.

You therefore bypassed all the federal bureaucracy's expertise. This is the first time an industry minister has negotiated before people from his own department and in my opinion it's unacceptable.

For the first time, Canada will not be fully responsible for the maintenance of one of its aircraft fleets, thereby depriving its aeronautical industry of significant industrial benefits related to technological transfers. The cherry on top is that the ITAR regulations were not negotiated. If one wants maintenance, one has to obtain intellectual property. There is absolutely no intellectual property. Even if there was a will to get a percentage for Quebec, that control 60% of the industry, you negotiated peanuts. You took a nice little trip to Washington with nothing to show for it, except making a few new friends for yourself.

You must be aware, minister, that the Government of Canada negotiated licence agreements on engineering and technical data in order to allow Canadian companies to provide maintenance directly to the Defence department, and not to the manufacturers.

Could you tell me if this still stands, and if not, why? Why is it that companies like Lockheed Martin and Boeing now decide on how regional benefits will be distributed? Why is the government now useless? Finally, what is your role in government? What is the purpose of having a Minister of Industry under the Conservative government if he can't fulfil his duties, except for making little trips to Washington, and help people in their regions, especially in Quebec, in obtaining the percentages they have a right to? If you want the industry to be successful, you have to have intellectual property. There has to be research and development as well. We want benefits, not just compensation.

[English]

The Chair: Mr. Minister, the time is up. Just keep that as a thought, and as we go through the rounds, they'll get an opportunity to come back to it.

Mr. Bachand, for ten minutes.

● (0830)

[Translation]

Mr. Claude Bachand (Saint-Jean, BQ): Thank you, Mr. Chairman.

I will try to keep the debate civilized and not stoop too low.

First, welcome. I must admit, minister, that this is an extremely frustrating issue for the Bloc Québécois. I will try to explain why we feel that Quebec is a victim of your method of awarding contracts. The Canadian government will be investing \$16 billion in the aerospace industry. We have analyzed these contracts and have found that there will not be many benefits for Quebec.

I will tell you why I have become more frustrated since July. First there were announcements, and we asked the Minister of Defence in the House if we were truly going to acquire C-17, tactical and search and rescue aircraft. In the last few days of the session, the minister replied that no decision had been made. The following week, when the House rose, he began travelling across Canada making announcements.

On July 7 or 8, I turned on my computer and went on to the Public Works and Government Services Canada's MERX's website. I noticed that the contracts had already been posted, right in the middle of the summer break. You mentioned Farnborough. In fact, the entire aerospace industry was in England for the air show in Farnborough.

I could not let this pass and on July 31st, I decided to meet with the big aerospace industry stakeholders in Montreal. They were somewhat discouraged and felt that things were moving quickly. The call for tenders was closing on August 4th. They asked me why Boeing had 60% of the aerospace content and Lockheed Martin had 50%. Why not 100% for the aerospace industry?

I would like to point out that the Bloc Québécois is currently the only party—I repeat the only party—that stands up for the Quebec aerospace industry. The other parties are established throughout Canada and hesitate to stand up for Quebec. I am speaking for Quebec only and it happens that Quebec controls 60% of the aerospace industry in Canada.

I subsequently met with Boeing representatives at the Ritz Carlton, who brought me up to their royal suite to meet with their officials responsible for industrial and regional benefits. I told that 60% of the aerospace industry was in Quebec, that there was 60% Canadian content...

Mr. Chairman, may I finish? Could you ask my colleagues to calm down? I know this makes them a little uncomfortable, but it does not matter.

[English]

The Chair: Go ahead. The floor is yours.

[Translation]

Mr. Claude Bachand: So I told the Boeing people that 60% of the aerospace industry was in Quebec, that 60% would be in the aerospace contracts and that they would therefore be giving 36% to Quebec. They hesitated and said that it didn't work like that.

We learned later that your government had told Boeing that they could invest wherever they wished to. I don't want to have to tell my red Camaro story again and how my father taught me how to negotiate contracts. Regardless, when I write a cheque out to a garage to purchase a car or anything else, I expect to get what I want because I'm the one paying. But that's not what you did. That's what I would like to hear you comment on.

When you last appeared before this committee, you stated that you signed the Boeing contract on February 2nd. Did you hesitate for one single moment? Did your hand shake when you signed the contract? Did you figure that you were putting Quebec in its place and that Boeing would be allowed to decide where it invested its money? You're a minister from Quebec. Normally you would be standing up for your home region.

I'm sorry if my frustration is apparent but given that this is the first time I have you in front of me I want to take advantage of this time.

Hon. Maxime Bernier: Thank you very much and you're forgiven.

I'll give you some background because your comments and questions raise other related questions. Last July 5th we posted an advanced contract award notice on the Internet; you're absolutely right. That was done transparently. Then, on July 16th and 19th last, I met with Boeing and Canadian companies in Farnborough. In August, in the wake of January's announcement of the Boeing contract, my colleague, Michael Fortier, the Minister for Public Works and Government Services Canada, closed the call for tenders.

I'd like to put this in perspective. Before meeting with you, I read the various party platforms on defence. I was shocked to see that the Bloc Québécois platform paid very little attention to defence. Investing in the armed forces so that they have modern and cutting-edge technology is not one of their priorities. I think it's a little strange that my colleague from the Bloc Québécois is happy with announcements for the military and for economic benefits for Canada.

The government's main role is to acquire equipment for the armed forces. The previous Liberal government neglected the armed forces for about 12 years. I read the campaign speeches and platforms of my Liberal colleagues who were promoting the Canadian Forces. In reality, no investments were made in that sector over the past 12 years.

Therefore, the main purpose of this exercise is to provide equipment to the Canadian Forces at the best price possible. We also have an industrial and regional development policy, like all countries in the world. Under that policy, we must ensure that for every contract dollar awarded to a foreign company, Canada gets one dollar in economic benefits. By "economic benefits", I mean real benefits flowing from technology transfers. Multinational companies such as Boeing, Lockheed Martin and Airbus are used to this because all developed countries have similar industrial benefit policies.

As the Minister of Industry, my role is to make sure, along with the senior public service and the Department of Industry, that these companies comply with our industrial development policy by obtaining benefits for the Canadian aerospace industry.

I am the member for Beauce and the Minister of Industry. I am grateful to the Prime Minister for his trust in me and for giving me the privilege of serving as Minister of Industry. In that capacity, I must serve the general interest, Canadian interests. I decided to go into politics not to partake in patronage or to decide which private company we were going to do business with, but rather to ensure that Canadian laws and policies are applied.

I am very proud, as I announced last January, that Boeing does follow our policy. I would even say to this committee that the contract that the Government of Canada negotiated with Boeing provides for significant financial penalties in the event that the company does not meet its commitment to provide high-quality industrial benefits to Canada.

Boeing has signed contracts with the Government of Canada in the past. Those contracts included provisions for industrial economic benefits and the company fulfilled that obligation. I am confident that Boeing will comply with its contractual obligation.

• (0835)

Mr. Claude Bachand: I will begin by responding to your statement about the Bloc Québécois election platform. Minister, the Bloc Québécois obviously won't just sit back and do nothing while contracts are being awarded. It won't tell Canadians that the contracts weren't part of its platform and therefore they can be awarded to whomever. I am here to speak up for Quebec and Quebec's aerospace industry.

One would think from listening to you, Minister, that the law of the jungle prevails. That's unacceptable. You're the one paying with the taxpayers' money. You're the one who should be telling the company what it has to do, and that if it doesn't do as you say, you'll go elsewhere. Why shouldn't the law of the jungle also apply to the automobile sector? Do you think that Ontario would just sit back if you were awarding automobile sector contracts and you announced that they would be distributed across Canada, including Quebec, which is very important?

You have always said that an industry's critical mass, or industrial clusters, are very important. They're important for the auto industry and they should be just as important for the aerospace industry. There's a double standard.

I'd like to go back to the 40%. You stated that 60% of the contracts will go to the aerospace industry. What about the other 40%? People have said, as I have, that they are not interested in putting the 40% into Northern spruce and B.C. sockeye salmon. These are aerospace and advanced technology investments. One hundred per cent of the benefits should go to the aerospace industry.

• (0840)

[English]

The Chair: Excuse me, Mr. Minister, the time has expired. We're going to have to move on.

Ms. Black.

Ms. Dawn Black (New Westminster—Coquitlam, NDP): Thank you, Mr. Chair.

Thank you, Minister, for appearing here today, and to your officials as well.

We've had the Minister of National Defence here, and we've had the Minister of Public Works and Government Services as well, and neither of them has indicated that he is the lead minister responsible for defence procurement. It's very hard to find out which minister takes the final responsibility on all of this.

I want to ask you if you consider yourself to be the minister who is responsible for industrial regional benefits.

Further to the contract on the C-17s, for every dollar that's spent on maintenance in the U.S., I would like to know how many dollars will be spent in Canada. So regardless of who those dollars are paid to in the U.S., whether it's the U.S. Air Force or to U.S. industry, what is the ratio of those dollars to the dollars that will be spent in Canada, exactly?

My final question in the first round is what your own role, your personal role, has been in determining the industrial regional benefits. In this contract, the Agreement on Internal Trade does not

apply, because the national security exemption was invoked, so I think it's even more important to understand exactly how the regional industrial benefits have been determined.

[Translation]

Hon. Maxime Bernier: Thank you. Your question gives me an opportunity to specify what my role is, as you requested, and to clarify some percentages. Our Bloc Québécois colleague mentioned 60% and 40%. I would like to clarify that. The 100% policy applies to foreign manufacturers. When a contract of that kind is signed, 100% of the money you receive over the course of that contract must be reinvested in Canada in the form of industrial benefits.

In my opening statement, I quoted percentages, including 50%, 30% and 15%. I would like to explain what they mean. Fifty percent is the minimum economic benefits for the aerospace and defence sector. Thirty percent is the minimum in economic benefits for key technologies as I pointed out in my opening statement. Nine-key technology areas were identified, for the first time, through analyses undertaken with the aerospace industry. Officials from my department met with aerospace industry officials in order to determine what the key technologies of the future would be in the aerospace and defence sector, technologies that were the most important for the development of that sector. Together, they drew up a list of nine-key technologies. Thus, 30% of the contracts must be in those key technology sectors and 15% must go to small- and medium-sized businesses. It's important to understand that these are not exclusive percentages. Therefore, a contract between Boeing and a company might fall under the 50% category because it's in the aerospace and defence sector. It might also fall under the 30% category because it deals with a key technology and finally, it might fall under the 15% category because it's with a small business. The percentage categories are not mutually exclusive.

That said, it's important to understand something about the 60%, that we talked about during our press conference with Boeing. Before the contract was signed, 60%—that is, \$577 million—of an \$869 million contract was identified in industrial benefits for Canada, that meet the criteria. As I stated during the press conference, and as I am repeating it now, Boeing will be announcing those contracts over the next few months.

I'd like to take the opportunity to clarify some figures. We announced the acquisition of four C-17 aircraft, totalling \$3.4 billion. How is that \$3.4 billion spread around? An amount of \$1.8 billion goes to aircraft acquisition, including \$869 million for the purchase of the Boeing aircraft. There will be \$869 million in economic benefits—one dollar for every dollar—because the purchase involves a foreign manufacturer.

Also \$660 million will go to National Defence infrastructure development and to various projects National Defence manages. This involves items such as the construction of hangars for the airplanes. That money is spent directly in Canada, and therefore the policy does not apply.

The third part of this \$1.8 billion is \$271 million that will go to the purchase, from the American armed forces, of equipment to support these aircraft. As you know, the policy does not apply to the \$271 million because this is a government-to-government purchase. The policy only applies if the purchase is from a foreign manufacturer. One portion of that \$271 million will go to engines. Under this contract, the American armed forces will work with Pratt & Whitney to make sure that the aircraft have the necessary engines. The dollar-for-dollar policy applies to that portion. There will therefore be 100% in economic benefits for the acquisition of aircraft and engines and we will be receiving more than \$1 billion in benefits.

Furthermore, the overall amount of \$3.4 billion includes another \$1.6 billion. That will be spent on services from the Canadian armed forces to pilot training. Out of that \$1.6 billion, \$900 million will go to Boeing in its contracts with the American armed forces for aircraft maintenance. Our policy applies to that \$900 million.

• (0845)

That is why I can tell you that the \$3.4 billion contract for the four C-17 aircraft will result in a minimum of \$1.9 million in economic benefits, as well as \$660 million in direct purchases in Canada. I think it's important to give you that context and I thank you for giving me an opportunity to do so through your question.

[English]

The Chair: Ms. Black.

Ms. Dawn Black: In terms of the response that you gave me, you threw out a great many figures, and it's a bit difficult to sort through them all right here.

My question was very specific. With regard to the C-17 contract, for every dollar that's spent in the U.S. on maintenance, regardless of where it's spent in the U.S., how many dollars will be spent in Canada, on Canadian industry here?

I have a further question on that. Back in November, it was reported that there would be industrial regional benefits to British Columbia from the contracts. I'd like to hear you, if you could, please, outline those for us. It would support what my colleague from the Bloc Québécois said. He said that Canadian taxpayers fund these contracts and fund the maintenance, and surely the regional benefits should be spread to industry across the country, and into the west as well. We had the horrible example a number of years ago, under a different Conservative government, with the CF-18 contract, where Winnipeg won the contract and the industrial benefits did not go to the west.

So I would like to ask exactly where you see the benefits going, and how much of that will go into British Columbia?

[Translation]

Hon. Maxime Bernier: Thank you for the question. First, I spoke to several industry stakeholders and politicians in Canada about this military procurement. Everyone had their own opinion. I can tell you that the Premier of Manitoba was very pleased with our method of proceeding because he was concerned about the price the Government of Canada would be paying for its aircraft. He wanted to be sure that Canadian taxpayers would get the best value for their money. That is why we followed an open and transparent process,

which resulted in a purchase of aircraft at the best possible price, without any political interference and without any dictating. We were able to get the best possible price without having to dictate to anyone who to do business with.

That said, I would like to clarify my role. You asked me a question about the role of the Minister of Industry. That is a very relevant question. I stated earlier that calls for tenders fall under Public Works and Government Services Canada. The role of the Minister of Defence is to establish equipment procurement criteria because he is in the best position to know what the Canadian Forces need. My role, as the person responsible for industrial development policy, is to ensure that the policy is applied. My role is that of a facilitator between businesses and industries. I am proud to tell you that Industry Canada, Boeing and Lockheed Martin undertook several presentation tours, participated in several trade meetings throughout the country with our aerospace industry stakeholders, in the East as well as in the West, in order to ensure that all industry stakeholders were aware of the business opportunities available to them. This is a very important role because we in Industry Canada want to ensure that we fully understand industries' concerns and that the industries also fully understand the opportunities available to them. That also explains why we were able to craft a policy that applies broadly and that is respected by all stakeholders. The Canadian industry is pleased that it can count on us for development, especially in terms of the nine-key technologies that I outlined earlier.

• (0850)

[English]

The Chair: Thank you, Mr. Minister.

Over to Mr. Hiebert for 10 minutes.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you, Mr. Chair.

Thank you, Mr. Minister, for being here. It's a pleasure to have you answer some questions that have emerged over the last number of meetings that we've had.

I want to start my questioning with respect to enforcement. You talked in your opening statement about the obligations that Boeing will have in terms of IRBs, outside of the other portions of the contract. My question is a little bit along the lines of Mr. Bachand's in terms of making sure Boeing fulfills its commitments. You mentioned that over the acquisition portion of the contract, which must be completed in eight years, Boeing has to participate in a healthy way with the IRB process. Could you elaborate for the committee how Industry Canada will ensure that Boeing fulfills those commitments within the next eight years?

Hon. Maxime Bernier: Thank you. It's a very good question.

Each year, with Boeing in this case, they must report annually to Industry Canada, and Industry Canada does a review of the IRBs and the achievement of the commitment that Boeing and other companies offer us in specific contracts. It's very accurate, and with that we're able to know and to follow the IRBs and the commitment by a specific company. We have a verification process, and this process is very fair and transparent, and it outlines the IRB policy in the section. When the contractors sign a contract with the Government of Canada, they know that, and they have to respect that. They know that Industry Canada will do a verification each year. The contractors are required to keep up records and provide annual progress reports to my department, and the government officials and the civil servants do a review each time, each year, to confirm this activity, and they do it very seriously, to be sure the contractor respects his obligations on the contract.

This process is important for us, and it's also important for the contractor, because at the end, there is always the possibility of economic damage if a contractor doesn't meet his obligations. In the contract it's usually well specified that if they don't meet their obligations, the Government of Canada will be able to have liquidated economic damage. They understand what they have to do, and they're used to dealing with our government, and they're also used to dealing with other governments around the globe. They're committed, and I'm very proud to let you know, as I said before, that Boeing had a previous commitment with us, and all the commitments they had were on schedule for the IRBs.

I think it's good news, and it shows that our policy is working and working very well. It's why the industry is happy and proud of our announcement and what we're doing right now for our military.

• (0855)

Mr. Russ Hiebert: When the Minister of National Defence was here, he talked about how the military identifies the requirements that they have. The requirements are then sent along to Minister Fortier of Public Works, and they identify the products, or preferably off-the-shelf items, that will fill those requirements. They refer to it as performance-based specifications for the military.

I understand that Industry Canada has its own requirements criteria. Could you describe for us the strategic airlift requirements criteria that were used by your department in evaluating the IRB package submitted by Boeing for the C-17s?

[*Translation*]

Hon. Maxime Bernier: Thank you very much.

I will ask Mr. Tom Wright, from my department, to speak to that.

Mr. Tom Wright (Assistant Deputy Minister, Industry Sector, Department of Industry): We required

[*English*]

that 100% of the acquisition value of the contract be provided in IRBs. We also required that 100% of the contractor's share of the maintenance contract with the American government equally come back as industrial regional benefits.

Within that, we've also asked that 60% of the requirements be identified up front at the time of the contract signing. Equally, and I think the minister reviewed this briefly in some of his earlier

comments, 50% of the contract value is to be seen in the aerospace and defence sectors. So, too, 30% of the IRBs are to find themselves within the key technology areas. There were nine key technology areas that the government settled upon and were reflected in the RFP. Further, 15% are to be in small and medium-sized Canadian businesses.

Those really are the outlines of the IRB requirements within the strategic airlift program.

Mr. Russ Hiebert: Following up on that, will the same approach be used in future procurements in terms of the requirements established for this particular purchase? Will the same requirements be used for future procurements?

Mr. Tom Wright: The government actually tailors the requirements against the particular purchase. It's conceivable that some of those could shift for subsequent procurement decisions. It's been a mainstay of the policy that 100% is required. The 60% is a number that has varied through time and could vary into the future. This was, to the best of my knowledge, the first time a technology list has been used. It appears to have been successful. I have every expectation that we will be seeing it used again into the future.

Mr. Russ Hiebert: Having a strong defence industry in Canada obviously has major benefits for the Department of National Defence, in that in the future it will give them an opportunity to acquire, hopefully, equipment from Canadian corporations. Could you help the committee understand how the industrial benefits that you've negotiated will lever the opportunities for Canadian R and D companies?

Hon. Maxime Bernier: Thank you.

[*Translation*]

We feel it is very important to hold discussions with industry representatives. That is why people from my department, representatives from the Canadian aerospace and defence sectors, as well as myself, drew up a list of the nine technologies that were key for these sectors. There were areas such as space, communication systems, etc.

For both the aerospace and defence industries, these technologies are important for the future. Aerospace stakeholders have to be on the cutting-edge technologically in order to be competitive and to be able to obtain international contracts. This is the first time that we established with the industry criteria that would ensure that the benefits would be real, advantageous, and of a high-quality for the whole aerospace industry.

As I said earlier, Boeing will be making announcements over the next few weeks about these contracts. As you know, these are private contracts, that is, they are contracts between Boeing and its suppliers. I'm sure my colleagues will be very appreciative of these announcements because they will reflect the diversity of our industry and the size of our country. Boeing deals with suppliers in Quebec, as well as in Manitoba and Western Canada.

Boeing is very familiar with its suppliers in this country. The benefits will allow Canadian industry to position itself. That should also be the case for the Quebec industry, which is important. In terms of the contracts and business opportunities that Boeing will generate through its industrial benefits, I am confident in the Canadian aerospace industry's capacity for positioning itself and for being globally competitive.

I am not pessimistic about Quebec's aerospace industry's future. Contrary to my colleague from the Bloc Québécois, I am very optimistic and I believe that these companies will continue to prosper internationally, especially due to our military purchases. That financial contribution of more than \$12.6 billion over several years represents a solid commitment to our armed forces, but it also represents a solid commitment to the Canadian aerospace industry.

• (0900)

[English]

The Chair: Thank you, Mr. Minister.

That ends the opening ten-minute round. We're into a five-minute round. We start with the official opposition, over to the government, and then back to the Bloc.

Mr. Brison, and then Ms. Gallant.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair.

Thank you, Minister, for being with us today.

In the 2005 budget the previous Liberal government announced \$13 billion of new investment in the Canadian armed forces. That was the biggest investment in the Canadian armed forces in 20 years, which of course spans the previous Progressive Conservative government's period as well as the Liberal government's period. I would remind you of that.

As Minister of Public Works after that, I actually played a role in terms of some of those procurement decisions and in fact worked closely with the previous industry minister, who is now your Minister of International Trade. One of the things he fought for as Minister of Industry at that time, and successive governments fought for, was a significant level of in-service support contract and provision by the Canadian aerospace industry. In fact, the Canadian aerospace industry has built a global expertise in in-service support because successive governments recognized the importance of protecting it in these contracts.

Your government has made a decision to depart from that approach and is in fact contracting ISS through the original equipment manufacturer, the OEM. That is a significant departure from the previous government's approach and in fact the approach of successive governments.

FrontLine Defence magazine, in a recent article in February 2007, says this:

Canadian companies will be denied the ability to directly and independently support DND on these programs.

It goes further:

The years invested in building this component of the Canadian industrial base are being jeopardized by the current ISS procurement strategy by placing Canada's world class Aerospace ISS Industry under the control of foreign American companies...Overall, this new process is not only a threat to thousands of

Canadians jobs but it also increases the sovereignty and security risks to Canada by reducing our independent capability to maintain our own military assets.

I'd like your response to that. It sounds to me as if this is the worst government decision in terms of Canadian aerospace since Diefenbaker killed the Avro Arrow.

Mr. Blaine Calkins (Wetaskiwin, CPC): On a point of order, Mr. Chairman, could I get some clarification from my colleague? He quoted a magazine, and I wonder if he could quote the author of that particular source.

The Chair: That's not a point of order.

Hon. Scott Brison: I have no difficulty with that at all. He's a major Canadian supplier. He's part of the industrial base.

[Translation]

Hon. Maxime Bernier: Thank you.

My colleague reported and confirmed that this represents major investments in defence, for our military, for the past several years.

Those major investments represent over \$13 billion. It is important to point out that at the time the Liberal government had cancelled the EH101 helicopter contract, which was very costly for Canadian taxpayers. Thus, I'm very surprised to note the sudden interest on the part of my colleague for military equipment. At the time, the Liberal government did not seem at all concerned about that.

This contract that was cancelled by the Liberal government had been awarded in 1992. The penalties resulting from that cancellation cost the government more than \$570 million. That's what the previous government left us in terms of military purchases. It cancelled contracts and left it up to taxpayers to pay the \$570 million bill. That's somewhat disappointing, but it reflects the previous government's concerns.

I am proud to confirm that out of the \$1.6 billion going to service support, \$90 million will go to Boeing. That amount will lead to industrial benefits. It is important to point out that our government is not the only one that deals with the American government and manufacturers. In fact, Australia and other countries who have purchased military equipment deal with the manufacturer and the American government for maintenance.

Earlier I mentioned \$90 million but I was mistaken. It is \$900 million out of the \$1.6 billion that will result in economic benefits.

We acted as most major industrialized countries do. We obtained military equipment at the best possible price for Canadians and we made sure that the maintenance would take place where the most competent people in that area are to be found. Canadian companies will benefit from those contracts.

We acted as most other OECD countries do and we did not put a condition on the American government that would have required a maintenance centre in Canada. Imagine what the cost to taxpayers would have been.

• (0905)

[English]

Hon. Scott Brison: Mr. Chair, on this point, what the minister—

The Chair: Your time is up, Mr. Brison, I'm afraid.

Over to Ms. Gallant.

Mrs. Cheryl Gallant: Thank you, Mr. Chairman.

Through you, to the minister, early—

The Chair: Mr. Hiebert.

Mr. Hiebert wants to start for the Conservatives.

Mr. Russ Hiebert: Thank you, Mr. Chair.

I note that Mr. Brison, who is the member for Kings—Hants, just raised some interesting questions for you, Mr. Minister. I was wondering if you have any comment on the following statement:

I have learned since 1997 that politics can in fact be the natural enemy of public policy. In fact, for very short term political reasons sometimes, decisions are taken that have a very deleterious impact on Canadians in the long term. I do not think there is a better example of a case where public policy was sacrificed on the altar of political expediency than the case of the cancellation of the EH-101 contract and the decisions made after that, and I will list some of those.

Of course my colleague from Saint John spoke earlier of the \$800 million in cancellation fees. There are also: the Sea King maintenance and upgrade, \$600 million; Canada search helicopter program, \$790 million; long term service for that program, \$1.7 billion; maritime helicopter project, again \$2.9 billion; and the maritime helicopter project and long term service support, again, \$1.7 billion. The total cost is around \$8.5 billion as opposed to the actual cost for the EH-101s, which would have been \$4.3 billion. Even with Liberal math, this does not make any sense.

This is from Hansard, March 1, 2001, from the member from Kings—Hants.

Mr. Minister, do you have any comments on the billions of dollars that were wasted under the EH-101 contract under the previous Liberal government?

[Translation]

Hon. Maxime Bernier: My first comment pertains to what Canadians now know about our government. We made a commitment during the election campaign. As you know, our government fulfils the commitments and promises it made to Canadians.

Our commitment was to equip our troops with the equipment they need to be able to do their job on the international scene. During the last election campaign, we made a commitment to purchase military equipment, and that is what we are doing.

Contrary to the policy of the previous Liberal government, who talked at great length about military procurement but did not take action, our policy is to make purchases, military purchases and not to cancel contracts. We do not want to cancel contracts; rather, we want the armed forces to have the equipment they need to do their work.

• (0910)

[English]

Hon. Scott Brison: Mr. Chair, a point of order, in 2005 the Liberal government got the job done in making the largest defence procurement in the last 20 years of \$13 billion.

Mr. Steven Blaney: This is not a point of order, Mr. Chair.

The Chair: That's not a point of order.

Was your comment finished, Mr. Minister? Were you finished with your comment?

Hon. Maxime Bernier: Yes.

The Chair: Okay.

Back over for the question, you have two minutes left.

Mr. Russ Hiebert: I pass the balance of my time to Mr. Calkins.

Mr. Blaine Calkins: Thank you, Mr. Hiebert, and thank you, Mr. Chair.

Minister, thank you very much for appearing before us today. I appreciate your candour.

Sir, we have heard a lot of words bandied about lately. If you could clarify for this committee and for the benefit of Canadians who may be watching or reading the media with regard to this process, what's the difference between direct and indirect industrial benefits?

[Translation]

Hon. Maxime Bernier: Thank you very much.

As you just said, the policy will generate direct and indirect industrial benefits.

It is a direct benefit when the government, as in the case with Boeing, can purchase an aircraft with parts that may be coming from Canadian suppliers. In that instance, these are direct benefits.

As regards indirect benefits, these are benefits that result from contracts awarded by the Government of Canada to firms other than the one that won the bid.

I'll give you a practical example. The Canadian aerospace sector is asking for numerous indirect benefits, particularly with respect to the 787 project, the new aircraft that Boeing is manufacturing and which should be on the market within a few years. High technology or composite materials are necessary for various parts of this plane or for the wings.

Under the terms of our contract to purchase military planes from Boeing, Canadian firms will receive consideration for contracts related to the 787 project. This is what Canadian industry is asking us to do. If this sector is working on new aircraft which will fly for 20 or so years, that will enable us to be well positioned for the future. That is an example of indirect benefits.

[English]

The Chair: Thank you, Mr. Minister.

We're now going over to Mr. Bachand, and then back to Mr. Blaney.

[Translation]

Mr. Claude Bachand: Thank you, Mr. Chairman.

I would not say that it is deplorable. However, I do feel that we need to have a significant debate on ministerial accountability here this morning. The minister is before us. As we speak, he is the one who is responsible for some \$20 billion from Canadian taxpayers who will watch TV this evening and observe that we are talking about \$20 billion. The people are saying this is about \$20 billion, but I am saying that that is more like \$20,000 million.

Today we are questioning the minister. His plan of attack is not insignificant. We can see that he is well prepared. If the Bloc Québécois asks a question that goes a bit too far, he replies that what we did was not in our program. Furthermore, the minister talks about history: the Liberals are criticized for things that were said when some of them were ministers.

Nevertheless, that does not resolve the issue that is currently before us. I am asking the minister to assume his ministerial responsibilities and defend the figures that have been submitted to us.

I do not want to relate the history of the wars of 1914-18 and 1939-45, and be asked whether or not my father went to Holland to defend the country, so that I have to answer that, yes, indeed, he did go because that is not the issue. Today we need to concentrate on the issue before us.

I am simply asking the minister to focus on this matter. I have two questions for him. After that, he could take the rest of the time to answer.

First of all, you talked about obligations with serious penalties. Minister, don't you think that Boeing couldn't care less?

By the way—I don't know if you know this—as far as the Sikorsky marine helicopter is concerned, you've just been told that delivery will be delayed, that the penalties amount to \$100,000 per day and, believe it or not, your government responded by saying that this was not serious, and that the penalties would not be applied. So don't tell us that there are obligations with penalties, because the Sikorsky example is not a good one.

Secondly, with respect to the Chinook helicopter, there is still \$4.7 billion to come; \$4.9 billion for Lockheed Martin; \$3 billion for the search and rescue aircraft. Will you change your approach, assume your responsibilities and tell these companies that you are the one signing the cheque? Will you ensure that the regional and industrial benefits match the size of the sector and inform these companies that 60% of the economic benefits must go to Quebec? If you do that, you will look like a hero in Quebec, Minister. That may work out very well for you politically. Now, because of the law of the jungle and the *laissez-faire* approach, the people are a bit upset when they see how Quebec is being treated when it comes to the division of these contracts.

Do you intend to continue in the same direction? It is not too late for you. Perhaps \$3.4 billion have already slipped through, but another \$10 billion at least, or maybe even \$12 billion, is coming. It is not too late to change the way things are going. I would like to hear what you have to say on the matter.

• (0915)

Hon. Maxime Bernier: Thank you very much.

You referred to the regional and industrial benefits that the aerospace sector stands to benefit from. I said earlier that we are talking about more than \$12.6 billion. This is a significant amount of money. Consequently, we are making sure that the industry will be able to participate in the high tech projects, as I said earlier.

However, it is important to know something. I would like to go back to what I said in my opening remarks. I said that, in order to

assess the opportunity or the added-value of industrial benefits provided by companies such as Boeing, the government has to base itself on several criteria.

First of all—this is important—it has to be directly connected to the purchase that we are making. That is quite understandable.

Secondly, the industrial benefits have to occur following the signature of the contract. Namely, we will not accept contracts that Boeing may have signed with its suppliers prior to the signature of the contract. These have to be new industrial benefits.

Thirdly, the obligations have to be in line with our industrial benefit policy. That means that, as I said earlier, there has to be a transfer of technology and this has to be significant for small businesses. That is what my department and I, as the minister, are doing.

I would like to add that I am proud of managing this policy with the public service, because we will ensure that the Canadian aerospace sector benefits from contracts that will be very significant to it, so that it is well positioned for other contracts that it may enter into with other international players.

[*English*]

The Chair: Thank you, Mr. Minister.

We'll go over to Mr. Blaney, and then back to Mr. McGuire.

[*Translation*]

Mr. Steven Blaney: Thank you, Mr. Chairman.

Minister, I would like to welcome you and your representatives.

This morning I have three reasons to congratulate you. First of all, Mr. Watson, who teaches economics at McGill University, congratulates you for managing to rise above regional rivalries in managing military procurements. In this manner, we will ensure that taxpayers have good value for their money and that we are fair.

Secondly, you have managed to do this while respecting deadlines. We can clearly see that the C-17 procurement contract process was both rapid and transparent.

Thirdly, you came to see us this morning. We are pleased that you have come here.

Minister, you have been in this position for one year. I would like to know what you have done for the aerospace sector and the defence sector to date. We saw that the previous government had to some extent abandoned everything pertaining to military equipment procurement. In the past year, what have you done as the minister for the defence sector and the aerospace sector?

• (0920)

Hon. Maxime Bernier: Thank you.

In 12 months, we have done more than the previous government did in 12 years.

I was asked some questions earlier about the regional distribution of these contracts, and I would like to go back to that matter.

The CF-18 contract was awarded by the previous government. I would like to put some questions to my colleagues from the Liberal Party, who did not establish any regional minimum amounts in the contracts, and did not tell the Boeing representatives where they had to do business.

The CF-18 contract of the previous government did not impose any regional minimum limits on the firm that won the bid. Today, the same individuals are before us, in the committee, and are asking us to impose regional minimum amounts when in fact they did no such thing when they were in power.

With respect to the regional distribution of contracts for the marine helicopter procurement program developed by the previous Liberal government, Quebec obtained only 22% of the benefits. I can assure that the aerospace companies in Quebec and Canada will benefit and be in a good position for these contracts.

I am very proud to announce that Pratt & Whitney, a Quebec firm, received the largest contribution under the Technology Partnerships Canada program since it was established, namely \$350 million. In Montreal, last fall, my colleague Michael Fortier announced this contribution which will be used for research and development to ensure that the company will remain competitive internationally.

These are concrete facts. This is what we are doing for the Quebec and Canadian aerospace sector. And this is just a start, because there will be economic benefits totalling more than \$12.6 billion for all military procurement. I am certain that all companies, throughout Canada, will be able to position themselves in order to win these contracts.

Mr. Steven Blaney: Are you telling us that the military procurement policy that calls for direct and indirect benefits is being applied by the new government but was not necessarily applied by the previous government in the same manner? Is that what you are saying?

Hon. Maxime Bernier: The fact is that, as far as the CF-18 contract is concerned, when the Liberal government was in power, Boeing had agreed to 75% of the value of the contract in the form of regional and industrial benefits. It was a Liberal government that did the negotiations at that time. Our policy is very clear: there has to be 100% of the value of the contract awarded to a foreign manufacturer in the form of benefits.

Mr. Steven Blaney: You talked about direct and indirect benefits. In your presentation, you mentioned a 15% amount that had been allocated for small- and medium-sized businesses. This is interesting, because we know that small business sales are not the same. You spoke about nearly \$2 billion. It must be said that 15% of \$2 billion is a considerable amount of money and this amount will go to small businesses, which are one of the drivers of the economy.

Could you provide us with more information about the way that this money will be allocated?

[English]

The Chair: Thank you, Mr. Blaney. Your time has expired.

We'll move over to Mr. McGuire, and then Ms. Gallant will finish up.

Hon. Joe McGuire (Egmont, Lib.): Thank you, Mr. Chair.

I'd just like to remind Mr. Blaney that, thanks to the economic policies of the previous government, there is actually money there to make defence procurements and other procurements. That process was well under way before we began experiencing this hiccup that we're doing now.

I have two questions, Mr. Minister. One, according to *The Globe and Mail* this morning, it appears that a contract has been awarded to CAE Inc. of Montreal for training air force crews on the new Hercules and Chinook helicopters. That's a plane contract that hasn't even been awarded yet. I wonder who else was competing for that training contract.

Two, how do you actually award the regional benefits? Do you take into consideration all the government assistance to the aerospace industry, in this case? As you know, a lot of government assistance goes to the aerospace industry, as it does to the automobile industry and so on. Is it all taken into consideration when you decide what region should get what? How does that actually work?

So there are two questions: on the training contract that appears to have been awarded, and the actual way you divide the regional industrial benefits.

• (0925)

Hon. Maxime Bernier: Thank you.

I will ask my deputy minister, Richard Dicerni, to answer the first question, and I'll take the second one.

Mr. Richard Dicerni (Deputy Minister, Department of Industry): I believe the article this morning refers to a process that the Department of Public Works and Government Services has undertaken. They put out the equivalent of an RFP. In this case, it was referred to as a letter of interest. I'm given to understand that a number of companies have responded. This process closed last week, I believe, and is currently being reviewed by the appropriate officials at Public Works.

Hon. Joe McGuire: It's called a sudden shift in the procurement process. Why would you have a sudden shift in the procurement process in regard to this contract?

Mr. Richard Dicerni: I would suggest that I can perhaps follow up with my colleagues at Public Works. They are the ones who do the procurement. I have my hands sufficiently full with Industry Canada.

Hon. Joe McGuire: So we're passing the buck back.

Go ahead, Mr. Minister. We only have a few minutes left.

Hon. Maxime Bernier: Concerning the Canadian content value, I thank you for the question, because it's very important.

What you are looking at are works done here in Canada, in this country. As an example, suppose Boeing, for the IRBs, gives a contract to Pratt & Whitney, but the value of the contract is \$100 million. Maybe Pratt & Whitney, within that, has work done outside Canada for \$20 million. We won't count the \$20 million. We will count only \$80 million on the contract value of \$100 million, because the work has not been done in Canada. That's important. In terms of the way we count the Canadian content, it's something we're doing very precisely, and we're going to be sure a subcontractor, like Pratt & Whitney in my example, will do 100% of the work here in Canada. If, in part, the work is done outside this country, we won't count that as Canadian value.

Hon. Joe McGuire: How can this country really benefit when the intellectual dimensions of these contracts are basically given to the Americans, and we take whatever they might have to offer as compensation? How do we really get ahead in that way of awarding contracts?

[Translation]

Hon. Maxime Bernier: It is important to point out that technology is transferred when a company such as Boeing is awarded a contract. Boeing does business with various suppliers in the country who have access to this leading-edge technology. That is the reason why they are asking us to provide them with a list of the nine state-of-the-art technologies. Industry representatives told us that we should require Boeing to ensure that the economic benefits are directed to these nine leading-edge sectors, because these companies want to benefit from the significant work that will be done, in the future, on the international aerospace scene. That will enable them to work on the latest technologies.

[English]

The Chair: Thank you, Minister.

We just have a few minutes to wrap up. Ms. Gallant, you'll have the last spot.

Mrs. Cheryl Gallant: Thank you, Mr. Chairman.

Minister, first of all, I'd like to commend you on the speed with which you have conducted your role in the procurements. The faster that men and women in the armed forces receive their equipment, the better, and the safer they are.

As well, the way you've distributed the IRBs across Canada is appreciated. Outside of Quebec, we have a growing aerospace industry. In my riding alone, we have Arnprior Aerospace, which has the potential to get more jobs at a time when factory closures are really throwing a lot of people out of work. It is a fledgling, new business to aerospace. Hypermetics is further down the road, and E.T. M. Industries and Haley Industries are even further down the road. So the work is greatly appreciated and the IRBs will be working.

Earlier in the testimony we heard about the EH-10 contract and how the cancellation fees were \$500 million. Now taxpayers face another lawsuit to the tune of \$100 billion on the allegation of political interference. In addition to the fee cancellation and the potential lawsuit, what was lost in terms of IRBs?

• (0930)

Hon. Maxime Bernier: The value of the contract was \$4.4 billion, and the amount of IRBs that this country lost was maybe

\$3.8 billion, so I agree with you that it's a big loss for this country. It's not only a loss in terms of the IRBs, it's also a loss of taxpayers' money and a loss of more than \$500 million in penalties that this government had to pay after the cancellation of this contract. That was a lot of money for taxpayers.

Mrs. Cheryl Gallant: The reason I ask is that the opposition has made no secret of the fact that they would try to cancel the C-17s.

Another purchase made during that decade of darkness was the submarine procurement. I understand there are two that are finally seaworthy and we're able to use them. With that particular procurement, because there is such an emphasis on IRBs with what the government of the day is purchasing, would you tell us what the value of the IRBs was with respect to the submarine purchase?

Hon. Maxime Bernier: The value of the IRBs was zero. At that time, the previous government didn't ask for any IRBs. Maybe that was in part because it was a purchase by this federal government from another government, but they had the opportunity to give IRBs to Canadian industry and did not deliver any IRBs after the contract was signed. I think it's something we can question right now, but that was something the previous government did in the past.

Mrs. Cheryl Gallant: I understand that as well as direct IRBs, there are indirect IRBs. So that all of our companies in our various constituencies can have a potential chance at sharing in the benefits of this procurement, would you describe the IRB eligibility criteria used by your department when evaluating an IRB package submitted by the prime contractor of a defence procurement contract?

The Chair: Mr. Minister, you have only one minute left.

Hon. Maxime Bernier: Thank you.

What is important for us is to have high quality and high technological value for Canadian industry. That's one of the main criteria. We also want to be sure it's something that will be useful and that the company will be able to use this technology to get other contracts in the future with other foreign clients.

It's something we're proud of, because we worked with industry for the first time and with the nine technology lists. We developed these lists and we just asked Boeing to follow the lists. That was important for the industry, it was important for us, and with it I think we will be able to build and continue to build the aerospace industry here in Canada.

The Chair: Thank you, Mr. Minister.

That brings to a close this portion of our meeting. We're going to suspend for a few minutes while we switch to in camera, so that we can deal with future business.

[*Proceedings continue in camera*]

- _____ (Pause) _____
- _____

[*Public proceedings resume*]

- (1015)

The Chair: We call this meeting to order, please.

I'd like to welcome Christopher Alexander, deputy special representative of the Secretary General for Afghanistan, and James Appathurai, spokesman for the NATO International Staff. We're here for a briefing on the missions of the UN and NATO in Afghanistan.

We finished our Afghanistan study awhile ago. We're working on the report. Right now we're doing procurement, but we welcome you here. We look forward to your comments, and then if there is time for questions, we'll open it up and try to divide it evenly. If not, we're interested in hearing what you have to say.

Go ahead, whoever's going to start.

Mr. James Appathurai (Spokesman, NATO International Staff, North Atlantic Treaty Organization): Thank you.

Chris led an hour ago, so I'll take my turn. I hope we can both stick to 10 to 15 minutes, and then we'll have some time for questions. I will be brief.

[*Translation*]

Let me thank you, at the outset, for inviting us. It's a real pleasure to meet with you. This is my first experience here. I hope that, in 45 minutes, we will be able to talk to you a bit about an issue that has become the number one priority for NATO.

Five years ago, all of the material I had in my office pertained to the Balkans. Suddenly, we started to receive, every morning, information about Afghanistan and South Asia. Things changed a great deal. Every morning, the North Atlantic Council receives a page indicating all the progress achieved in terms of development and reconstruction.

This is something completely new for NATO. We are becoming extremely interested in everything that touches on reconstruction and development. We acknowledge that, without security, there can be no development and that, without long-term development, there will be no security. These are the two sides of the same coin. At NATO, we have a completely new integrated approach.

[*English*]

I think there are in essence three questions we have to ask ourselves about this mission. First, is it still in Canada's national interest, and in the national interest of the 37 countries, to be carrying out this mission and to carry it out over the long term?

As I just mentioned, I went back and looked at who was in Afghanistan in 2001, keeping in mind that this was basically five years ago—in other words, in a political sense, yesterday. In 2001, Afghanistan was a sanctuary for extremist groups from almost 24 countries, all training in well-manned, well-funded terrorist camps. Al-Qaeda had 3,000 fighters, of course, from at least 13 Arab countries. The Taliban also hosted Islamic extremist groups from

Russia, Pakistan, China, Burma, Iran, Central Asia, and several countries of the Far East, all of whom fought for the Taliban while carrying out operations in their own countries. These are the same people who want to take over again.

So I think we need to be clear that with 20/20 hindsight, our national interest in being there, as Canada and as an international organization—in fact there are two international organizations—is absolutely key. Afghanistan was and can become again the Grand Central Station of terrorism, with extremists coming in and leaving better trained and better funded.

The second point is—and I think this is the question that is asked certainly in many of our countries—is it winnable, and are we winning? That is the question I get from journalists from at least the 37 troop-contributing nations. If you watch the daily news you might wonder, because the press corps certainly does not want to cover, will not cover, except in the most extreme circumstances, the positive developments. I sat down personally with the press corps in Kandahar and Kabul twice in the last three months to ask them what I have to do to get them to cover the building of a school or a road. They are very clear: they will not do it. They will do it if the school burns down. I've been told this in private meetings. That's the way it is. It is very hard to get the press—and I say this with due respect to my press colleagues—to write the positive stories, so it's a challenge.

The positive story is there. I will let Chris, who of course leads this effort in Afghanistan on the reconstruction and development side, to speak for it, but let me say this. There are now 17,000 reconstruction and development projects under way in Afghanistan, according to our NATO statistics, of which 1,000 are being carried out directly by the NATO provincial reconstruction teams. Chris will give you much more detail on the other development indicators.

What I can say is that on the security front, the Afghan National Army has grown in the last five years from zero to about 30,000 soldiers. We are aiming for 70,000. They are deployed and fighting all over the country. NATO countries have donated to them tens of thousands of small arms, millions of rounds, 110 armoured personnel carriers, a dozen helicopters. We have operational mentoring and liaison teams embedded in the Afghan National Army. It is an institution that is really just going through its birth pangs. It has difficulties in terms of pay, difficulties in terms of retention, difficulties in terms of recruitment, but we are making progress in all of these areas. It is our exit strategy, as an international community, to help the Afghan national security forces to be able to fight their own fight, and then we can step back and play a more supporting role.

The Afghan National Police is an institution that needs more work. I think they're maybe a step behind the Afghan National Army. The EU has committed to step up its support for them, but this will be a very long-term effort, and we can discuss that in more detail if you want.

•(1020)

The second question—I think the committee is particularly interested in this one—is do we have enough forces, and are the other allies pulling their weight? This is a political issue, I know. NATO's answer to this one is quite clear: we're not quite there in terms of the forces we would like to have in Afghanistan.

Now, you will rarely hear a satisfied NATO official when it comes to force levels. With more we can always do better. But in general, yes, we have what we need. A little bit more can be added, but in general, yes. And yes, the other allies are in general pulling their weight, taking into account the real political considerations in all of their countries.

Since the Riga summit three months ago, we have added about 7,000 troops to the force levels. Most of these are Compact troops. The U.S., of course, is the principal contributor, with the 10th Mountain Division and the 173rd Airborne. The U.K., as you know, has just announced an increase of 1,500 on top of the 500 or so that they had announced earlier.

These are the big-ticket items, but there are also Norwegian special forces, and special forces from other countries who have not made it public. The Danes are looking to increase their contribution, and the Australians are looking to double their contribution with 500 regular forces and 250 special forces, with transport. The German Bundestag is likely to approve the deployment of six Tornados, with about 500 associated troops for reconnaissance purposes, and more UAVs, more C-130s, etc.

In the south, an area particularly relevant to Canada, the number of troops has gone up in the past 18 months from 1,000 to about 12,500. In a year and a half, there has been a 12-times increase in what we have from eight or nine countries, all working together and supporting each other across the zone. So the idea that Canada is in the south alone is simply wrong. The idea that other countries are not contributing or increasing their contribution does not reflect the reality of the 12-times increase in the number of troops in the south, of which, yes, 2,500 are Canadian, but the rest come from other countries.

I might also add that Canada is not bearing the burden alone when it comes to casualties. The Secretary General expressed his condolences just last week to the Spanish, who have lost over 20, and to the U.K., who have lost far more than that; they lost two more last week. Over a dozen NATO countries have lost troops in significant numbers. I can tell you that we have a flag down in front of NATO headquarters on a regular basis.

I would just point out that these sacrifices are being made by everybody, in all zones—in the north, in the west, in the capital, in the east, and in the south. The U.S., of course, has lost far more than everybody else. I think they are up at about 350.

We are also making progress in removing what we call caveats, the geographic restriction on the deployment of forces. I can tell you that Minister O'Connor and General Hillier have been forceful advocates in private NATO meetings. The result was that at Riga there was a commitment from all 26 countries that in extreme situations, in emergency situations, troops can go anywhere in support of any other NATO ally. Just two weeks ago, French Mirage

fighters, which deployed and fired in close air support for Canadian troops, killed a lot of insurgents who were threatening our soldiers. So it has happened, they do it, and it is a good thing. We have made progress in that regard.

I have two more points and then I'll finish.

Where do we need to make improvements? Chris will go into more detail on this, I believe, but I'll mention governance, and stemming the support that is coming across the border from Pakistan. We have to work with the Pakistanis. They have to be part of the solution to this. NATO is doing that through the Trilateral Commission, but of course continued high-level political attention needs to be paid to this issue.

Narcotics are obviously a cancer fuelling the Taliban insurgency. Like any mafia, they are taking their cut and using it. So it is of direct security interest to us that we address this issue. It is not impossible to do. In the 1970s Pakistan was the biggest producer of narcotics, of opium, in the world; 70% came from there. They were producing 900 tonnes a year. By 1997 Pakistan was producing 24 tonnes, and by 1999, two tonnes. That's right next door. As with Thailand, as with Turkey, this can be tackled, and I think we should look at it.

By the way, this is what the Afghan government wants. They want this problem removed from their country—because it fuels corruption, because it fuels the Taliban—and we want to support that.

•(1025)

Finally, let me give you some poll numbers, because there is an idea out in some of the press that the Afghans will reject foreign forces as they have always done in the past, or that they like the Taliban.

There are three major polls that have been conducted in Afghanistan in the past few years—Altai Consulting, Asia Foundation, and the BBC. Seventy-five per cent of Afghans, if you average them out, strongly support the presence of foreign forces. That's five years later, after all of these attacks. Second, 80% support their elected government, and 3%, which is basically a rounding error, want the Taliban back. That's today. These are strongly encouraging numbers. We are getting traction. We are supporting the Afghan people in their struggle, and it is working with all of the great challenges we face. I think it's an encouraging story.

Chris.

•(1030)

[Translation]

Mr. Christopher Alexander (Deputy Special Representative of the Secretary General for Afghanistan, United Nations): Mr. Chairman, ladies and gentlemen, thank you for inviting us here today.

I would also like to thank you for the serious attention that you have paid to the Afghanistan file. The time was right and also crucial for the plight of this country. Following a quarter century of conflicts, Afghanistan is going through a transition and is facing a more promising future, one that is more likely to evolve under the banner of peace and stability.

[English]

As a Canadian who is working in the United Nations and has worked in Afghanistan now for three and a half years, it is a particular pleasure to appear before you with my colleague from NATO, James Appathurai.

Afghanistan is not only a test of wills for the Afghan people and a test of their courage to stand up against the phantoms of the past, represented by the Taliban and other terrorist groups. It's also a test of the ability of the international community to come together, through its national institutions and international organizations, behind a common project of nation-building that deserves the attention it is receiving but is not as well understood as it should be in all the quarters where it should be.

Our challenge is to help you carry the message of what is actually happening in Afghanistan today to the Canadian people and the broader community. There are achievements, and I'd like to signal some of them, but there is still a conflict. I would like to describe that conflict and outline some of the major challenges to which James has already referred.

I'd like to begin by paying tribute to all of my colleagues in the Afghan government and the international community who are working day and night to try to realize the objectives embodied in the Afghanistan Compact. They are objectives that 70 countries and international organizations have agreed to and stood behind, and objectives that, above all, represent the aspirations and hopes of the Afghan people.

If there has been progress, Afghanistan has had the benefit of having exceptional people on the ground. As the Standing Committee on National Defence, you deserve to know that the Canadian soldiers, non-commissioned officers, officers, general staff, and flag officers who have served in Afghanistan have been not only exceptional representatives of their country but among the very best to have served in Afghanistan at all.

General Grant, the current commander in Kandahar; General Fraser, his predecessor; General Leslie; and General Hillier have given exceptional leadership to ISAF and the international effort to bring security to Afghanistan. The soldiers and non-commissioned officers who have served under them have proven their worth and professionalism in ways that, despite blanket media coverage in Canada, are still only dimly understood here at home. They have stood against an enemy and stood for security at a time when an opportunity has been seized to bring positive change to Afghanistan as a nation and as a society.

Let me just run through some of the headline statistics to remind everyone how much has been done.

In only five years a health care system that was virtually non-existent under the Taliban has been able to achieve 85% access levels to a basic package of health care services. That means 85% of the population of Afghanistan can now reach a clinic, can reach a hospital when necessary, and can receive basic forms of inoculation and medical treatment that were not available in the past.

Now 7.3 million children have been vaccinated; 5.4 million children, an historic high for Afghanistan, are attending Afghan schools, and 34% of them are girls.

The GDP was \$4 billion in 2002—I cited a slightly different number to the previous committee because it was from a different international organization, but the scale of growth is the same. The GDP, which was \$4 billion in 2002, is now \$8.9 billion. There has been explosive economic growth in Afghanistan, and we're talking only about the legitimate economy, not the poppy economy, which is estimated to have grown strongly, but not as strongly as the non-illicit side of the ledger.

Four million refugees have returned to Afghanistan. A strong currency has been reformed and has maintained its value. Low inflation continues to be a fact of life, and the budget in Afghanistan is balanced.

What does this actually mean in the lives of Afghans? Let me give you a couple of anecdotal stories.

• (1035)

Some Fridays, when some of us are able to get away from the incessant demands of life in Kabul, we go walking in rural areas within one hour's drive of the city. On one recent occasion I had the pleasure of spending about five hours walking up the valley with a colleague who had been in that valley in 2001, just after the Taliban withdrawal.

In 2001, this valley was full of burned-out houses, schools, and public buildings, all of which had been put to the torch by the Taliban itself. The job at that time was to do an inventory of property that was still standing. Today, every one of those buildings has been rebuilt, repainted, and in many cases restored.

A micro hydro system, financed by the Government of Korea, sits at the base of the valley and supplies 2,000 households in this valley with electricity, households that never had energy in the past. A reservoir that serves the micro hydro station has given a new rationality and new reach to irrigation in the valley.

A national solidarity program, a rural development program financed primarily by Canada, has been implemented in all villages of this valley. Schools are open every couple of kilometres. They were never there before. There are two clinics in the valley.

This change has transformed the lives of people in this district. It is admittedly one of the better-served districts of Afghanistan; the same story could not be told everywhere across the country, but it shows the impact of concerted international efforts, and Canada has played a very central role in those.

But there is still a conflict. And what is the nature of that conflict? Why is the insurgency stronger in 2006? Why is it continuing in 2007? One of the legacies of the Bonn Agreement is that it was not a peace deal. Several parties who've played a prominent role in the Afghan history of the past 25 years, including in the conflict, were excluded from the Bonn discussions. Mullah Omar and the Taliban obviously were not captured as a leadership structure of the Taliban; they were pushed out of Afghanistan, and they were excluded from the discussions that led to Bonn, that led to elections and the foundation of new institutions in Afghanistan. Gulbuddin Hekmatyar, the leader of one of the strongest jihadi parties for part of the conflict, the strongest jihadi party in the 1980s, was not part of the discussions at Bonn in November and December 2001. Jalaluddin Haqqani, one of the major jihadi commanders from the 1980s, was excluded.

These are the groups that have reconstituted themselves, that have come together to challenge the constitutional order, to challenge the hopes and aspirations of Afghanistan today. And it is, to some extent, Afghanistan's failure and our failure to recognize that the threat still existed, and that it was still as existential to Afghanistan's transition as it has proved to be, that has perpetuated and worsened the conflict. But there has also been, quite frankly, lacklustre performance by some of Afghanistan's neighbours, in particular the Government of Pakistan, to act against Taliban leadership structures.

You will recall that Pakistan at one point considered it an article of faith, part of its national interest, to support the Taliban. This is plain from President Musharraf's memoirs, it's plain from the memoirs of other Pakistani officials, and it's not really denied as a fact. Are groups and interests in Pakistan still supporting these groups, still giving sanctuary to Taliban leaders? Probably. The weight of evidence is on the side of the prosecution in this case. And quite frankly, for those of us interested in the defence of Afghanistan, the defence interest of Afghanistan, in bringing security to Afghanistan, this has to be a high priority.

Let me, in defence of this proposition, note that this issue is not really open to debate any longer. As General Eikenberry, the last commander of Combined Forces Command-Afghanistan, said in congressional testimony only a couple of weeks ago, we cannot win this fight in Afghanistan alone, and "...I do emphasize Al Qaeda and Taliban leadership presence inside Pakistan remains a significant problem that must be satisfactorily addressed if we are to prevail in Afghanistan...".

This is a consensus that is shared within NATO, within the United Nations, and within the principal capitals concerned with the future of Afghanistan. And quite frankly, it needs to be addressed cooperatively through support, through positive, mutually reinforcing dialogue, but dialogue that will lead to a better security situation for the region and for the world.

• (1040)

Security, however, in Afghanistan is an objective that will not be achieved by military means alone. The security equation in the country today includes many more elements and many more challenges than simply prosecuting the campaign against the Taliban and other terrorist groups.

The ministry of the interior and the role of police in Afghanistan remain an overriding priority for the international community, and indeed for the Afghan government. It's important for us to understand how much progress has been made, particularly in 2006 and 2007, quite frankly, after several years of neglect, when the policing in Afghanistan perhaps didn't receive the levels of attention it deserved.

Four tiers of selection, merit-based vetting, and competition have taken place to ensure that a ministry of the interior that was dominated by factional interests and, above all, by the interests of the Northern Alliance comes to be governed by the principle of merit and comes to be dominated by police officers who are, quite frankly, the best available in the country at their jobs. Tier one reform, which affected the senior leadership of the ministry, took place early in 2006. Tiers two, three, and four, reaching right down to the major level and lieutenant-colonel level, are being completed as we speak. With that reform comes a pay and rank reform similar to that implemented for the Afghan National Army, which quite frankly, for the first time puts the ministry of the interior on a professional basis and allows officers to step away from the temptation of corruption, from involvement in the drug trade, and from the factional affiliations that have dominated that ministry for too long.

There is still work to do. Finance and administration remain weak points for the ministry and accountability frameworks need to be strengthened. Civil administration, for which the ministry of the interior is also responsible—that is, administration of provincial and district levels—has not received the same attention as policing has received, and we in the United Nations would invite all interested donors to give more attention to this field. We hope that some of Canada's resources announced yesterday—war reconstruction, development, and institution-building in Afghanistan—will be dedicated to the governance challenge, as we have been given to understand will be the case.

[Translation]

What do we talk about with the people from the Department of the Interior? I will give you an example. Last summer, there was a riot in Kabul following an accident that occurred in the northern part of the city. A coalition truck had crushed several people, including Afghan citizens.

Following this riot, which the Kabul police contained with a great deal of difficulty, a new chief of police was appointed. This individual did not have any of the requirements to fill the position. The international community was very disappointed in the decision made by President Karzaï. He made this decision under very difficult circumstances. Indeed, a riot in a city like Kabul is a destabilizing event these days.

We then initiated some reforms, not only in the process for selecting the Kabul chief of police but all of the chiefs of police for the largest provinces in Afghanistan. On January 13, our hopes with respect to this matter were fulfilled. President Karzaï decided that 40 new chiefs would be appointed to various positions, including the chief of police of Kabul. In all cases, the individuals appointed were professionals representing the ethnic, political and professional diversity of the Afghan police.

In all honesty, I can tell you that for the first time chiefs with a rank higher than that of colonel were selected on the basis of their merit. This was a very important message that was sent to the entire Afghan population and to the international community. These are facts demonstrating our ability to reform Afghan institutions and provide a professional foundation.

• (1045)

[English]

Mr. Chairman, I will not continue to cover all the points I would like to, and I would prefer to leave as much time as possible for an exchange, but let me simply list other areas where important progress has been made.

Disarmament in Afghanistan has been a remarkable story. Funded in very large measure by Canada, it has been the inescapable, necessary complement to the emergence of a professional army and police, which has started to take place, as highlighted by James.

The national development of security institutions responsible for security and intelligence in Afghanistan has had remarkable achievements. In late 2006 and early 2007, they were responsible for dismantling some of the most nefarious networks that were facilitating suicide bombings in Kabul, in Khowst, and of greatest importance for Canadians, in Kandahar. And we hope that success can be perpetuated in 2007.

Finally, the Afghan National Army remains an essential institution that must be stronger if we are to meet our objective of Afghanizing the process of providing security in Afghanistan. As a final point to the committee, I would call on Canada to give all due attention to the forms of support that are possible for the Afghan National Army. The Canadian army has already partnered very successfully with the ANA, but more can be done. There are innovative approaches that can be undertaken, and quite frankly, everything we can do to support the Afghan National Army institutionally will shorten, and not perpetuate, the need for the sorts of military investments and reconstruction investments that have been made so generously by this country and by others.

Thank you very much, Mr. Chair.

The Chair: Thank you very much.

We're going to have to shorten up to get everybody in. We're only going to have about a three-minute round here, so be brief, and we'll hopefully get some more comments. Thank you very much.

Go ahead, Mr. Coderre.

Hon. Denis Coderre: It's going to be brief, because I have a simple question. There is a complex answer, probably, but I'll share my time with my colleague Mr. McGuire.

It seems that it's going well, but I'd like to know your point of view regarding the German report, because it says that it's painfully slow. We believe in the triple-D. I think that not only does the Pakistan question need to be addressed, but we should focus more on the diplomatic issue and be a bit more muscular on that. Maybe we should take a look at that. What's your point of view versus what the German report said?

Second, we spoke a lot about Pakistan. What's the status vis-à-vis Iran? Is there some situation there? Are there some al-Qaeda cells? I think I know the answer, but maybe we should take a look at that.

Finally, what's your point of view on detention? There is a situation regarding the transfer to the Afghan government—we're talking about torture and stuff—through the United Nations. I'm pretty sure you have some point of view. You know that we have an inquiry here and that we're taking a look at that, so I'd like to hear about that.

The Chair: Be very brief.

Mr. James Appathurai: I'll very happily leave the detention issue to my colleague from the United Nations. I'll only say that NATO's policy is 96 hours maximum, and then anyone detained is handed over to the Afghan authorities, with full notification to the International Red Cross. So there are no black holes when it comes to detention, from a NATO point of view.

I think you can easily put "going well" and "painfully slow" into the same sentence and be intellectually coherent. It is painfully slow, but it is making achievable progress, measurable progress.

This was arguably the poorest, if not one of the bottom five poorest, countries in the world, destroyed by war, with all the problems that we all know—the regional problems and so on. People's lives are getting better. They have more money, they have more access to health care, and their kids are in school—not all of them, but slowly, slowly, it's getting there.

I think that's the only way we can look at this. If you just look at the problems, you'll be discouraged. But if you look at the progress, you know you're getting traction. We in NATO believe firmly that we are making progress. Clearly, the UN feels the same way.

Chris may have more to offer on Iran. What I can say is that from a NATO perspective, we have had low-level technical cooperation from Iran when it comes to airspace issues and making sure there are no misapprehensions or confusions when it comes to that. But we certainly have no information that Iran is playing a negative role when it comes to security issues related to us. That, I think, is a very important statement.

• (1050)

The Chair: Your time is up, Mr. Coderre, I'm sorry.

We'll go to Mr. Bachand.

Hon. Keith Martin (Esquimalt—Juan de Fuca, Lib.): I have a point of order, Mr. Chair. Since we started a little bit late, I wonder if you'd be kind enough to ask our guests if they could stay until 11:30.

Mr. Steven Blaney: It's not a point of order. We have another committee here afterwards.

The Chair: It's not up to us. There's another committee at 11 o'clock. We're on a tight schedule.

Mr. Bachand.

[Translation]

Mr. Claude Bachand: I would like to take this opportunity, Mr. Chairman, to express my dismay at the situation. We are hearing from two very important individuals and we have but three minutes to ask our questions and hear the answers. That doesn't make sense. We could discuss the matter later.

I have six questions, but I'm not asking you to answer. I would like you to send me your answers, in writing, because I feel that this is important.

You spoke about reconstruction. We, the members, are getting contradictory information. With NATO, I went to Faizabad and I did not see a great deal of reconstruction. I travelled to Kandahar with the Standing Committee on National Defence and, for security reasons, we were not allowed to leave the camp and see what was actually going on. I would like to know if there truly is reconstruction in Afghanistan and, if yes, where is this taking place. I find it very difficult to believe that much reconstruction is occurring in the Kandahar region, but I would like you to show us, on a map, where this reconstruction is taking place.

Let's talk about the survey. Earlier on, you talked about percentages. I would like to know what you think about the statements made by Gen. Richards, who for the past few months has been saying that if there is no change in attitude or in the mandate of the mission, 70% of the Afghans are going to be heading back to the Taliban.

My next question is for Mr. Appathurai. A little earlier you said that it was important that international organizations agree amongst themselves. I have just returned from Brussels and I don't understand why NATO and the European Union are incapable of agreeing with each other and are incapable of holding a meeting on an issue as important as Afghanistan. I would like you to explain, in writing, why you think this situation is occurring.

We talk about health services that have changed. However, the Senlis Council has just said that the Kandahar Hospital is really a place where people go to die, that is a place where people systematically die. You are telling us that things appear to have improved, but that does not seem to be the case. Once again, contradictory information.

Mr. Alexander, I would like you to talk to us about the amnesty. Currently, President Karzaï is grappling with the decision made by the Parliament to grant amnesty to many of the bandits whereas the international community is objecting. I would like to hear about the latest developments, I would like to know how that is going to work. We even heard that mollah Omar may be given amnesty and that he is being told that, if he ceases his involvement, he will now be part of Afghan society. I find it very difficult to understand some things.

Finally, let's talk about the 3D approach. It was confirmed to us in Kandahar that there are 2,500 soldiers, 6 Foreign Affairs representatives and 6 CIDA representatives. It seems to me that there truly is an imbalance in the mission's mandate. I would like to hear your opinion on the matter.

I heard the buzzard go off. I will expect your answers, in writing, in a few days time.

[English]

The Chair: Are you prepared to do that for us?

• (1055)

Mr. James Appathurai: Of course.

The Chair: I appreciate that.

Thank you, Mr. Bachand.

Ms. Black.

Ms. Dawn Black: Thank you very much.

While I share my colleague's dismay at not having an opportunity to really get into a substantive question and answer period, it was interesting to hear you, Mr. Appathurai, talk about the media not telling the story. The fact of the matter is the Canadian media and most international media are embedded with the military and they tell the story that the military allows to be told from any objective perspective.

I also had some trouble listening to you talk about the casualties that other countries have suffered, because I don't take any comfort that other countries may have suffered higher casualties than Canadians have. I found that a disturbing comparison.

I'm wondering how often you've been in the area of Kandahar where the Canadians are right now, specifically to the internally displaced persons camps, where we see in the media—this is one thing we have seen in the media—people who are obviously not getting enough food aid. That's not getting through. Perhaps Mr. Alexander would respond to that. Why isn't food and clean water reaching the people in these internally displaced camps to the level they obviously need?

You also talked about the situation with Pakistan. You raise it, everybody raises it, but we need to find some solutions for it, and we need to find some action that's going to prevent the insurgents from going back and forth across the border. It's not enough just to raise it; we need some answers to that.

The other question I wanted to raise is around the issue of the detainees. Mr. Alexander, perhaps you can respond to this. Maybe if you don't get time you could do it in writing, also.

What are the conditions of the Afghan prisons? What kinds of situations are we turning people over to? We've been told about torture. We've been told about abysmal conditions. I would like to have some kind of report on exactly what the state of the Afghan prisons are at this point, where people are being turned over.

We know there are investigations going on now by Canadian authorities into this. We know the agreement that was signed by General Hillier is not up to the standards of the agreements that were signed by the Dutch and by the British in terms of following the care or the treatment of prisoners as they go through the system in Afghanistan and whether they're being transferred over to other nations as well. We don't know that, we really don't know that, and I think that's a big problem.

Finally, in terms of the numbers who are serving in southern Afghanistan, you talked about that. I've tried to question our own minister and officials around how the NATO mission meshes with Operation Enduring Freedom, which is still going on. There are still a large number of American soldiers fighting in southern Afghanistan, independent of the NATO mission. We don't have any information about how those things mesh.

We know that the two-week training program for the Afghan national auxiliary police is simply a two-week program and then—out into the field. It's worrisome. You acknowledge that the training of police is way behind. We were told, when we were in Afghanistan, it was seven years to ten years behind the training of the Afghan National Army, which really is not progressive and not, I think, at the rate the international community had hoped for.

So those are some of my observations. I'm sorry we don't have time for some back and forth.

The Chair: Thank you, Ms. Black.

Hopefully you're taking notes, and we'll get you the blues as well. Do you have any idea, as the questions are coming forward, how long it would take to respond to what you're hearing?

Mr. James Appathurai: I could take three minutes and run through a few of them.

Do you want to go first?

The Chair: Allow me to just finish up with the government, with Ms. Gallant, for three minutes, and then we'll try.

Then I think Mr. McGuire wants to pose a question so that you can respond in writing.

Mrs. Cheryl Gallant: Thank you, Mr. Chairman.

If you are going to send answers to these questions back to the committee, could you provide them to all members of the committee? I'm going to start off with a question that I know will be of interest to my colleague from Quebec, one of many Quebecers who form a nation within a united Canada, who also sits on the parliamentary committee for NATO.

Mr. Alexander, you told us about the many wonderful infrastructure projects that have gone on and the benefits to Afghans as a result of our being there.

Mr. Appathurai, you mentioned the original reason. You alluded to the fact that terrorism was the original reason for our being in Afghanistan.

Now I want to talk about NATO. When NATO was first formed, as you know, the countries grouped together in response to the Cold War. We're more at the ready, a steadfast reactionary group, and it's only in the fairly recent past that we've become an expeditionary force. As you also mentioned, we have casualties, and the greatest of sacrifices is being made by all coalition countries, as well as by countries who aren't a part of NATO. We have seen Jordanian soldiers over there and countries who wish to be part of NATO, but every time we have a casualty come back to Canada in a flag-draped casket, political hay is made out of this, and there are movements about taking our troops out of Afghanistan.

My first question is this. If NATO were to leave Afghanistan before the mission were completed, what impact would that have on NATO as a whole, and on its future? We know that the European Union has its force, so there could be things competing there. I'm curious as to the caveats that France has. That's really important here in Canada, because the leader of the opposition currently has dual citizenship, and anything can happen in politics.

• (1100)

Hon. Denis Coderre: On a point of order, that's a disgrace. That's pathetic.

Mrs. Cheryl Gallant: Seeing as part of his citizenship is French, I would like to know what sort of background and position that country is taking.

Lastly, the Senlis Council presented before our committee, and they showed slides depicting actual Taliban and their families being fed. I'm wondering what—

Hon. Denis Coderre: I have a point of order, please.

The Chair: On a point of order, please.

Hon. Denis Coderre: The issue of dual citizenship is again something that's totally out of order on the issue. I want you to ask her to

[*Translation*]

withdraw his words. Grandstanding like that is unacceptable. That is not appropriate. We have serious questions that we need to ask. If she cannot ask serious questions, we can, but I would ask that she withdraw her words with respect to the issue of dual citizenship.

[*English*]

The Chair: That's not a point of order, Mr. Coderre, as you probably realize.

Mrs. Cheryl Gallant: The Senlis Council depicted them handing out food to the Taliban. I'm wondering how that impacts on the work you are doing in Afghanistan.

The Chair: Ms. Gallant, your time is up.

We've indicated that we'd give these gentlemen a few minutes to wrap up, and then Mr. McGuire would like to pose a question that can be answered in writing. So take a few minutes, please, and try to answer some of the questions. For the ones you don't get to, please respond in writing to us.

Mr. James Appathurai: I'll do the NATO stuff.

General Richards referred to a large percentage of the population looking to which force to back. They're not sure who's going to win.

The Taliban is from there and we are not. It is very important that we continue not only to think but to express our long-term commitment. The Afghan people want the Taliban to not be in charge; they want their democratically elected government in charge. We have to show that we're in it for the long haul. It's a very important message to give. They will come on board as they see the benefits, but also as they understand that we're there for the long term.

You will never hear NATO say they are satisfied with the relations with the European Union in terms of the breadth of discussions we have. I'm happy to explain at length why it doesn't work, but we would like it to work.

President Karzai briefed the Secretary General precisely on this subject when we were there last week. He is going to be working with parliamentary leaders to ensure the bill that has been put to him is adapted so that it reflects Afghan law, the Afghan constitution, and international law as is reflected in their constitution. He is very aware of international views on this, and he will ensure, as he works with his own leaders, that it reflects national and international law.

On journalists and the military, precisely because journalists are embedded with the military, they tell what we call the "kinetic story", the military story. They're there and they move with them. It is much more difficult for them to get out and see the reconstruction story. The kinetic story sells papers. That's the other problem. That's the more sexy stuff. We try, but it is a great challenge for me and for all of my colleagues to convince the journalists to cover these other stories.

On casualties, the reason I mentioned other countries' casualties was in no way to denigrate Canadian casualties. I'm a Canadian, and they are my colleagues. But there is a perception, which I see reflected in the media, that Canada is there alone, that Canada is the only one taking the burden. I have seen this many, many times. It is simply not true. I want to make the point that everybody is there and paying the costs—all of our allies.

There are two final points. If NATO were to leave, it would be absolutely devastating for Afghanistan. They cannot defend themselves on their own. We have the potential to build a NATO right now—and we're doing it in Afghanistan—that is battle tested, highly interoperable, and an effective arm for the United Nations. We have 55,000 troops under UN mandate around the world. We are giving muscle to the UN under UN mandate. For Canadians, that is absolutely primordial. We need to build that, not throw it away. But that means active contribution.

On OEF and NATO, OEF no longer exists as a structure, but there are about 8,000 U.S. troops. Most of them are doing training and equipping of the Afghan National Army. There is a small group that continues to do targeted, intelligence-driven operations with the support of both the United Nations and the Afghan government. We have a command arrangement in place, so it's a different mission from NATO. NATO's mission is to provide security to create the conditions for reconstruction and development. We have a command arrangement in place with a deputy commander who de-conflicts the two missions so they don't step on each other's toes. Where necessary, particularly in extremist situations when soldiers from one side or the other are about to be in serious trouble, we can support each other. In essence, they are different missions with different mandates, and we have a command structure to de-conflict and, where appropriate in emergency situations, to support.

Chris, I'll leave the rest to you.

• (1105)

Mr. Christopher Alexander: With respect to what would happen if Canada and other countries were to withdraw their mission from the NATO mission in Afghanistan, as James just said, Afghanistan

would be plunged back into civil war. The investment and achievements of the past five years—institutional achievements, electoral achievements, development achievements—would go up in smoke, almost certainly. NATO would fail in its top mission, and the credibility of NATO would be critically damaged. The United Nations would fail in one of its principal missions in the world, and its credibility would be damaged, with all attendant consequences for the future ability of the United Nations to influence affairs in the world. And most tragically, none of us around this table would be able to explain to the families of the 44 Canadians who lost their lives in Afghanistan what the purpose of that sacrifice was.

The Chair: Mr. McGuire was—

Hon. Denis Coderre: On a point of order, you're saying that is if we pull out now.

Mr. Christopher Alexander: Yes, I thought that was the question.

With regard to the impact of pictures of the Taliban distributing food, obviously someone was—

Ms. Dawn Black: The Senlis Council distributing food to the Taliban. You never saw them.

Mr. Christopher Alexander: I'm not aware of that report, so I can't really comment on its significance.

We welcome debate about the insurgency and about drug policy, but the United Nations is not going to countenance any move to make opium poppy cultivation legal in Afghanistan or anywhere else. It simply has not worked in conditions where the rule of law is absent. And the biggest priority in Afghanistan today is to establish the rule of law, not to apply policies that have only worked in mature democracies, mature societies, where the rule of law has been established for some time.

What concrete measures should we be undertaking with Pakistan? Well, many. We should share and debate assessments of what is happening on both sides of the border. We should ask Pakistan for specific actions with regard to specific leaders or structures that are of concern to everyone. We should update UN Security Council Resolution 1267 to reflect the current reality of Taliban leadership. This is the list by which Taliban and al-Qaeda leaders are subject to a certain number of sanctions. We should provide additional support—and Canada has an important role to play here—for the issue of refugee returns on both sides of the border to create pull factors in Afghanistan and an enabling environment in Pakistan, and thereby help bring this challenge under control. And, of course, we should address the regional context, which includes not only Pakistan, but also Iran, India and many other countries.

We should also pursue confidence-building measures between the two countries. The United Nations has been particularly active trying to reinforce political dialogue between the two countries, and one of the agenda items we are interested in supporting is this idea of cross-border jirgas to allow civil society in both countries literally to ventilate their views on what it will take to bring security not just to Afghanistan but also to the region as a whole.

What is the role of Iran? On the whole, it's extremely positive: \$250 million of assistance delivered in a principled and timely manner to rebuild roads, to support education, and to bring electricity to the city of Herat. The United Nations, with 59 other countries, is a prominent donor that has done a great deal to support Afghanistan's transition.

Detention is an area of major concern for the United Nations. Conditions in Afghan detention facilities run by the national directorate of security are relatively good; they are monitored extremely closely by the ICRC and the Afghan Independent Human Rights Commission. Our mission is getting more and more involved in this area, and we have made conditions of detention one of our priorities in the human rights monitoring mandate we have.

There is more work to do on the Afghan prison system. The national prison in Kabul, Pul-i-Charkhi Prison, has been partially renovated and standards there have improved greatly, but there is a great deal more to do at the provincial level. I'm proud to say that the corrections adviser at the UNAMA mission in Afghanistan is a professional from the Correctional Service Canada, and we are making progress on these fronts. Obviously we won't achieve the results we want overnight.

James has mentioned the OEF, and there was a reference earlier to slow development. Obviously development has not been as rapid as anyone would like. Stick a microphone in front of any Afghan and they will respond in a predictable way: they would like more. Many of them have lived outside of the country and have seen what a better life is like, and they want it at home.

But slow with regard to what? We are slow in bringing Afghanistan to the standards of living we see in western Europe and North America. Those are distant objectives, but we have been rapid in bringing economic growth from the level at which Afghanistan began as a country suffering for too long from economic depression and decline.

So I would take issue with the German report and with anyone who maintains that nothing has been done. It's very difficult for us as westerners to understand what life is like with \$150 per annum per capita and how much better life could be with \$300 per annum per capita. But we must not trivialize the sort of progress that has been made, and the fact that it has not just been made for a select group in Kabul who are benefiting from government office; it has been made for the bulk of the population, thanks to programs sponsored by the government and funded by countries like Canada, programs that have reached the length and breadth of the country and up to two-thirds of rural communities—and 80% of the population is rural. This is the centre of gravity of the Afghan population, and we have already made a difference there.

• (1110)

That is why people in Afghanistan are continuing to invest their hopes in us. They will not do so indefinitely—we need to show results on the regional front domestically—but for the time being we do have a story that we are proud to tell. It is important to recognize, frankly, what has been achieved if we are going to justify the further investments that everyone is now being encouraged to make.

The Chair: Mr. McGuire.

Hon. Joe McGuire: Thank you, Mr. Chair.

I have a couple of questions coming out of our recent visit to Afghanistan, and on some of the things some of the witnesses brought up to us on our visit. Most importantly, given our additional \$200 million commitment of yesterday, very little of that money actually gets down to the ordinary Afghan. By the time it goes through government officials, governors, etc., it's really difficult to see, because there are no real accountability measures in place. Nobody has to give an accounting of how all this aid money is actually spent.

I guess you just have to look around to see how delighted some of the Afghans were with the cash-for-labour program that the Canadian military gave. It was the first cash they had had in some time. All those billions of dollars are really not getting down, because there's no accountability and no demand for accountability. We just seem to fork it over and let them do what they want, and it's not really doing the job.

The other thing is that people are actually not that interested, first of all, in schools and hospitals. They are interested in getting a bite to eat, and they are not getting a bite to eat. They are not getting food. That's what they were telling us.

Number three is that the so-called Afghan National Army is really a northern army that's trying to operate in Kandahar and Helmand province, and they have no acceptability there, because none of their people belong to that national army. They send people for training in Kabul, and they don't make it through. Now you are trying to impose a national army onto a part of the country that is the most sensitive of the 34 provinces. We're really not getting any recruits from that area in order to have the army be a more acceptable instrument of national policy there.

I'd like you to somehow answer those questions.

• (1115)

The Chair: Just before you respond, we don't seem to have anybody knocking the doors down to get in here. I know there is quite a bit of interest. Does everybody want to fill the time until 11:30 or should we quit? I'll leave it up to the will of the committee.

Hon. Keith Martin: We should check with our guests.

The Chair: I know you had an hour at the other committee and an hour with us. I imagine that was done for a reason. Do you have commitments?

Mr. James Appathurai: At 11:45 we have to be somewhere else.

The Chair: This fits in. We'll have Mr. Martin after you respond to Mr. McGuire, and then we'll go over to the government, and then finish up with the Bloc.

Go ahead and respond to Mr. McGuire's question.

Mr. Christopher Alexander: You're absolutely right that there's room for debate about the effectiveness of aid, and let that debate take place, but let it not convince anyone that nothing has been done. Quite frankly, those donors who have been most principled in their approach, who have chosen implementation mechanisms that are effective, which tend to be through the government, who have chosen not to operate through parallel structures but to use the government budget as the principal mechanism of coordination for policy, these donors have had a very serious impact. There is accountability, and there are results to show for what has been done.

Take Canada's commitment to the national solidarity program. There are 17,000 villages that have received block grant funding for the project of their choice, a project chosen by village *shuras*, village councils, sometimes men and women together, sometimes separate men's and women's *shuras*. This has reached half of the villages of the country. There is a paper trail every step of the way and really quite hard-edged accountability for this and half a dozen other national programs, to each of which Canada has contributed strongly.

And yes, it is very useful to see Canadians funding food-for-work programs in Kandahar, but quite frankly, there was a national emergency employment program as early as 2002 and 2003, under government auspices, that was doing this across the country very effectively.

We must not lose sight of the fact that it is Afghanistan as a whole that we are trying to heal and that we are trying to stabilize, not just one province, not just some villages. There is a tendency on the part of some members of NATO to now define the challenge for themselves, given the location of their PRTs, given the location of their troops, in terms of one province. It has been one of the great achievements of Canadian development assistance to Afghanistan up until now to have chosen national delivery mechanisms, and our argument in the United Nations would be that these have been the most effective.

Yes, people want food, particularly in the southern provinces. The insurgency has been particularly disruptive to food distribution networks in southern Afghanistan, where most communities face a food vulnerability and a food deficit, which they usually fill by going to market and by selling their labour on whatever market is available. All too often, that's the drug harvesting market these days.

A huge amount of food has been delivered by the World Food Programme, with the support of Canada and many other countries this year. The coverage hasn't been universal. We agree there are major pockets of vulnerability still in Afghanistan, and for that reason we in the UN are hoping to strengthen our humanitarian coordination capacity by bringing eight new professionals into the field, to be located in places like Kandahar, to look after just this kind of issue, and the Government of Norway is supporting us generally in this regard.

Is the army unbalanced in its makeup? Perhaps, but much less unbalanced, much more balanced than it was two or three years ago. Recruitment is now taking place across the country. The officer corps is more or less balanced province by province, but there is a historical challenge here. If you ask President Karzai and others who know pre-conflict Afghanistan—the Afghanistan of the sixties and

seventies—there were not many recruits from Kandahar, Helmand, or Oruzgan in those days either. People preferred to serve in traditional structures, in the police, and not to come to Kabul and leave the hearth and home and the tribal affiliations that were so strong in that region.

So we're not simply trying to overcome the legacy of 2001, a Northern Alliance victory. We're trying to overcome a deeper legacy in Afghan history, and one of the tools for doing that is the Afghan national auxiliary police, not an unqualified success yet, but certainly a good effort to recruit people locally into the security equation and put them under the right form of discipline, command and control in the places that count most for the security equation, namely, Kandahar, Helmand, Oruzgan, and Zabol.

• (1120)

The Chair: Thank you.

Mr. James Appathurai: Can I add one thing? Everything Chris has said I agree with.

You did refer, sir, to one point about the military having cash in hand and the effectiveness of that. I can tell you that the strongest, clearest impression that we in NATO have gotten, and certainly I have gotten from very many trips to Afghanistan and in regular consultation with the militaries, is that this is very valuable. It has an incredible impact, and not having it has a negative impact.

I know there are discussions within Canada about this, but I would make the case from a third party advocate that putting cash into the hands of your military when they go in, in the immediate post-reconstruction moment, is very valuable, and it's something that, as a committee, I think you should consider.

The Chair: Thank you.

Mr. Martin.

Hon. Keith Martin: Thank you, Mr. Chairman.

Mr. Alexander and Mr. Appathurai, thank you for your hard work. Your putting your lives on the line for this project is not lost on Canadians, and we thank you very much for what you are doing and have done.

There are a couple of things. One is that we know the insurgency has increased. Open production has increased. The maternal mortality figures, the most sensitive indicator for the health of a population, is still the worst in the world, despite what you said and the good work you're doing.

I have three things. One is opium. Why on earth are we destroying the opium crops when this will simply drive disaffected groups into the hands of the Taliban? It's going to be an unmitigated disaster for our troops and will increase the insecurity of our troops. Why don't we take that opium and divert it toward pharmaceutical grade narcotics, for which there is a massive need in the developing world?

Second, on the insurgency, we know that the base of the Taliban is in Quetta, Pakistan. You know as well as I know that no insurgency has ever been able to be removed when the bases are outside the country in which the fighting is taking place. Do you not think that a regional working group made up of Iran, Pakistan, India, and Afghanistan would be a way to try to deal with the insurgency?

Last, with respect to the timetable, can you give us a sense as to whether we're talking about a few years or a generation with respect to ISAF troops on the ground? Obviously your answers are going to factor into our calculus in this defence committee.

Also, from your side, keep pushing that. We have a Canada fund equivalent with our embassies and high commissions, the most effective way of delivering aid, the most underused way of delivering aid. Keep pushing that for the reasons you said, Mr. Appathurai, and if you can also push for a *loya jirga* to bring in those disaffected groups from the Bonn Agreement, that would be greatly appreciated. Anything you could say about that would also be appreciated.

Thank you.

The Chair: Mr. Appathurai.

Mr. James Appathurai: On opium, I agree, and many militaries agree, that simply destroying crops is going to drive farmers into the arms of the Taliban, but the Afghan government is very clear that they want drugs removed from the country. They believe it is very un-Islamic to do this, so it is their desire. It is a democratic country, so we have to support their views.

Second, if you do it as part of the comprehensive strategy with alternative livelihoods, effective law enforcement, effective justice, and a prison system, then you can actually do it, and that's what they want. I agree with you that if you do it wrong it has that effect, and that's why we're being very cautious. If you do it right, you can choke off a source of 90% of the heroin in Europe. That's point one.

Point two, we all agree this has to be tackled in partnership with the Pakistanis. They have to be part of this solution. It is very complicated. We can discuss offline why it is so complicated, but it is very complicated.

On the timetable for NATO troops—and then I'll stop—I have said this before. We must see this as a long-term commitment. Our interest in being in Afghanistan is the same as it was five years ago. It has not gone away. The shape of that commitment can change, of course, and that is absolutely a government decision, but it must be long-term. With training and equipping of Afghan national security forces, there will come a point where we can take a step back.

I can tell you that the Afghan National Army does not shy away from a fight. They are fighting for their country and they will run into the teeth of bullets. There are no cowards in this armed force. They will do it. In fact, many times we tell them courage is not running over the hill; it's waiting a week for us to bring in direct fire support. They are an institution that absolutely can be built, and we can take a step back, but our interest will be the same in 10 years as it is now.

So I believe we must look at this, without giving timelines, as a long-term commitment, and the message we give about withdrawal feeds those in Pakistan who believe they need to support the Taliban. It feeds the Taliban and it makes people in Afghanistan very nervous that one day we'll all be gone, and the Taliban guy is going to walk into town. Until we are consistent with that message, we'll be giving the wrong one.

●(1125)

The Chair: Respond quickly, please, and then we'll wrap up.

[*Translation*]

Mr. Steven Blaney: Thank you, Mr. Chairman.

I listened to you carefully. I would like to thank you for coming to meet with us this morning and to provide us with a realistic and constructive outlook on the situation in Afghanistan and on the mission. You have also informed us about the difficulties and issues of the mission. As we are about to complete a report on Afghanistan, your recommendations will be duly noted and will certainly help us with this work.

Mr. Appathurai, you just mentioned an issue which is extremely important in my opinion. It touched on engagement, and that is often the same situation that applies to everything. You demonstrated the negative impact of challenging the mission because of some medium- and long-term benefits that could be derived from it, as you just explained. I would also like to hear from Mr. Alexander on the same issue.

One aspect is clear. I travelled to Afghanistan, to Kandahar, in January with the members of the committee. It is true that we find it very difficult here, in Canada, to observe the real progress achieved in Afghanistan. It is difficult, it is a real challenge to really explain and make people understand the progress achieved by the mission there. You provided us with some examples this morning.

There is also the diplomatic aspect. You were also very clear about that. You indicated that the solution was not simply a military one, but that there were other aspects as well. I would like to hear what you have to say with respect to the diplomatic approach. Has any thought been given to using a diplomatic approach with those factions that may be more willing to negotiate? I would like to hear a brief response on this issue.

Thank you, Mr. Chairman.

Mr. Christopher Alexander: Thank you.

With respect to diplomacy in Afghanistan, and as an instrument to resolve and overcome the obstacles we are dealing with, all of the key partners of Afghanistan could play a big role. We need to have an enhanced dialogue on security not only with Pakistan but with all of the other regional players, including India, Iran, the countries of Central Asia, Russia, China and others. We had this dialogue in a more structured fashion during the time of the Taliban regime, which was referred to as the group of "Six plus Two" which met primarily in Geneva, but which also included Afghanistan's six neighbours. We may need another type of format now, but we certainly do need this dialogue, particularly with Pakistan, but also with the other countries.

We also need to take a diplomatic approach to deal with the economic issues in the region. In the autumn of 2006, a conference was held in New Delhi regarding economic cooperation in Afghanistan. There were discussions about developing linkages in the energy and infrastructure construction sectors to commence the transportation systems of Afghanistan's neighbouring countries, and there were also discussions about trade and conditions to promote investment in Afghanistan. The World Bank, the Asian Development Bank and other players are very active in this sector, and you would probably be surprised to see just how much progress has been achieved. We've had difficulty explaining where progress has been achieved, but it has occurred.

• (1130)

[English]

To return very quickly to the question of timetables, we in the United Nations are of the view that Balkan-like timetables are probably appropriate in Afghanistan. No one wants to name an end-date or to be drawn on the question of how long this will take. We simply don't control the factors that are driving the insecurity. We are trying desperately to understand them better and to bring them under control. But let's look at the research that's been done. The RAND Corporation has a very exhaustive piece of research on all the insurgencies and counter-insurgencies fought since the Second World War. Their conclusion is that it takes 14 years to lose a counter-insurgency and 17 years to win one. That's on average.

Clearly, however, as James has said, the major challenge for us all today is to show resolve, to show will, and to demonstrate unity of effort. If we are rushing for the exits, if we are trying to cut things short, if we are flagging in our commitment to achieving the objectives set out in the Afghanistan Compact, we will be giving comfort to the enemies of this transition. And we will, quite frankly, be undermining the achievements and the effort that is under way today to bring stability to Afghanistan.

No one thinks that eradication of poppies alone will have any significant impact on the industry. There are eight pillars to the national counter-narcotics strategy, of which eradication is only one. Eradication can only be successful, if it can be successful at all, when the other seven are in play. That is simply not the case in southern Afghanistan right now. We in the United Nations will be vocal in arguing for a more comprehensive approach, when all the lanes are filled and all activities are taking place on the ground. It is, however, not a solution to simply dump this product onto the international pharmaceuticals market. If that legalization were to take place, you would see a spike. You would see Afghans cutting down their orchards, turning over new soil to cultivate opium, to meet the demands of both the legal market and the illegal market, which in this country, where the rule of law has not been established, would probably continue to experience astronomical growth.

With regard to Quetta, what is the forum for discussing these issues? Quite frankly, perhaps this should be a forum. Perhaps some of the regional players involved in Afghanistan's transition, involved in the security equation in Afghanistan, deserve to be part of your discussions. We are certainly very active in reaching out to various players in Pakistan as often as we can, and in trying to put these questions clearly and squarely before those who may have an

opportunity to influence better outcomes. But there are some differences of opinion.

President Karzai says that Mullah Omar lives in Quetta or nearby. President Musharraf has said several times over the past six or eight months that Mullah Omar is happy and well and living just outside of Kandahar. We all have an interest in establishing what the facts of the matter are.

One of the tools we have available is UN Resolution 1267. But debate on this issue, candour on this issue, and clarification of the facts of the matter with regard to Taliban leadership structures are going to be required more, not less, in the months to come.

The Chair: Mr. Bouchard, you could have some time. Do you have just a brief intervention, please?

[Translation]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman.

I would like to thank you for coming and for your useful information.

You said that we cannot win the battle by ourselves and that we had to resolve this problem. I understand that some members of the international community were thinking about the possibility of withdrawing. If that is the case, why do you think that these countries are thinking about withdrawing from the Afghanistan mission?

• (1135)

M. James Appathurai: This question concerns me directly because I am the spokesman responsible for promoting support from the people and the parliaments of every country that contributes to the mission. Therefore, I am highly aware of this issue. As we already heard, this is a great challenge.

The people and their parliaments want progress, but they do not see any. It is difficult for us to explain and show the progress that is being made. The more we can show that the quality of life is progressing and that there's hope for improvement, the more we'll be supported by the people. They want to carry on with it. I think that this mission has the advantage of being very easy to explain from the point of view of security and human rights. If, in addition, we can show that we are getting results, we will get more support from the people and the parliaments. They will want us to hang in there.

A few days ago, I was at the Kajaki dam. In my opinion, the work that we are doing there really shows why we are in Afghanistan. I invited some journalists to come and see it. They were absolutely fascinated. Currently, we are protecting the construction of a road for bringing in a turbine. When the turbine is installed, there will be electricity for nearly 2 million Afghans with all the industrial spin-offs that come with that. There'll be permanent jobs for 2,000 persons and irrigation for farmers in the area.

Obviously, the Taliban absolutely do not want us to install this turbine. Therefore, they shoot at us every day. We are using paramilitary personnel to protect our work. It will take two years. After that, we will see results. What does this mean? We are not there to kill Taliban fighters, that is not the goal of our mission. We are there to protect reconstruction and development. The process will be ultimately beneficial for Afghans. After that, they will support the government. We must show these projects. It is difficult. To get there, we needed two Chinook helicopters, two Apache helicopters and two F-16 aircraft as protection. It is not easy to show the progress, but that is what we have to do.

[*English*]

The Chair: Thank you very much.

I appreciate the fact that we were very rushed for time and the fact that your testimony is of such interest to us all, and we appreciate your doing that. We will be supplying you with the blues concerning the questions that were asked that maybe you didn't get to. If you could please offer that to us in writing, we would appreciate it.

Go ahead.

[*Translation*]

Mr. Christopher Alexander: Mr. Bouchard put a very important question, and we must understand the answer. People are not withdrawing and leaving. Various countries are rallying to the cause. We must not confuse the situation in Iraq with what is happening in Afghanistan. The United Nations see a very clear difference between the two. Canadians also see it very clearly. France is on our side in Afghanistan: it has a very strong presence in Kabul. In addition to Canada, the United States and the United Kingdom, Denmark, Estonia and Australia are also present in the south of Afghanistan. Other countries could also come, especially if we can show the good things that are happening there. Currently, we are benefiting from a very positive momentum. In no way should we under-estimate the amount of international consensus that currently exists with regard to the issues and challenges of Afghanistan.

[*English*]

The Chair: Thank you very much, ladies and gentlemen.

The meeting is adjourned.

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