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Chair

The Honourable Maxime Bernier

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•(1530)

[Translation]

The Chair (Hon. Maxime Bernier (Beauce, CPC)): Welcome to the 28th meeting of the Standing Committee on National Defence. As per our agenda, pursuant to Standing Order 108(2), we will continue our examination of the new generation of fighter aircraft, and we have the pleasure of having with us today,

[English]

from the Department of National Defence, Mr. Ross, Assistant Deputy Minister.

Thank you, Mr. Ross, for being with us. You have 10 minutes to express....

Yes.

Hon. Bryon Wilfert (Richmond Hill, Lib.): Mr. Chairman, before we go to the witness, I have a procedural question with regard to the F-35, and it has to do with Thursday's meeting.

My understanding is that at the moment we don't have any confirmed witness for Thursday. I know the clerk is looking into it. I understand from our conversations, Mr. Chairman, that you will not be here on Thursday.

I would be prepared to chair a meeting if in fact we have a witness for our discussion. But if we don't have one, and you are amenable, we should then have a steering committee meeting. If you are amenable to that, we would have a steering committee meeting on Thursday to discuss future witnesses with regard to the F-35.

I'm simply putting that out to you, Mr. Chairman, because I think members should be cognizant of what we may or may not be doing.

The Chair: Thank you.

I know the clerk is working on having a witness, Lockheed Martin maybe, but it's not confirmed as yet.

Mr. Hawn.

Mr. Bryon Wilfert: That's great.

Hon. Laurie Hawn (Edmonton Centre, CPC): Mr. Chair, we also have the Chief of the Air Staff and the program manager for the next generation fighter available for Thursday to answer the questions that have been posed by the opposition on what the requirement is for the aircraft. These are questions they asked. We have people prepared to come and answer those questions. We simply offer that, because that is what the opposition asked for.

The Chair: Mr. Harris.

Mr. Jack Harris (St. John's East, NDP): Mr. Chairman, I really am concerned about the ad hoc nature of this inquiry. I think we do need a steering committee to figure out who it is we need to call. It's all very well to say someone is available, but it may be convenient for someone to have someone available. If we're going to undertake this study, we have to decide who it is we're going to call, how many we're going to call, and in what order we're going to call them.

We can't have this bouncing back and forth based on "Well, you asked this question, so we've got someone who's going to answer it." That's not the way we should run a study.

So I suggest that before we have any further witnesses...I know Mr. Ross was engaged by a motion last week and Mr. Williams the same way before, but let's not carry on like that, lurching from meeting to meeting. Let's have a proper steering committee and decide what witnesses we're going to call. Everybody will have a pretty good idea by now as to the lay of the land, so let's decide as a committee where to go from here.

The Chair: Thank you, Mr. Harris.

I want to remind all the members that we have a list. The clerk has a list right now that all the members agreed to on this study. The question is who is available and when. That's a question of timing, but we still have a list of witnesses that everybody agreed to, and we must follow this decision by the committee.

Mr. Hawn.

•(1535)

Hon. Laurie Hawn: I would agree with that, and I believe those folks are on the list, CAS and Colonel Burt.

The Chair: I agree also that we need to have a steering committee as soon as possible to be able to plan for the future. It would be useful for the clerk to know that in advance, so I agree with you also on that point.

Yes, Mr. Hawn.

Hon. Laurie Hawn: But I suggest we have the steering committee not during one of the main meeting times, because those are limited, and we have a list of witnesses we have all agreed should come. It's a matter for the clerk to sort out when they can make it.

The Chair: We'll know before the end of this meeting about the availability of witnesses. If they're available, I think we'll chair a meeting with witnesses next Thursday and a steering committee the Tuesday after that.

But let's now hear our witness, Mr. Ross, and maybe at the end of the meeting we can have a further discussion on that.

Mr. Ross, you have 10 minutes. Thank you very much.

Mr. Dan Ross (Assistant Deputy Minister (Materiel), Department of National Defence): Thank you, Mr. Chair. I'm delighted to be back.

First I'd like to talk about the operational requirements for a moment or two. Let's remember we are acquiring a fighter for the next 30 or 40 years. I would ask whether you would want your son or daughter or future granddaughter in yesterday's technology or in the most effective and secure aircraft in the future. That's essentially what we're talking about with the fifth-generation fighter. We are talking about new technologies that change the game. It's about stealth, the ability to prevent the bad guy from seeing you and thereby potentially reaching out and killing you.

Would you want the enemy to see your son or daughter pilot 100 miles out, or would you rather they fly unseen into a mission, accomplish the mission, and be back out before anyone even knows they've been there? That's assuming, of course, they haven't dropped a bomb or something and then everyone would know they'd been there.

Stealth means protection and survivability. It's also important to note that this degree of stealth needs to be built in, and it can't be added to an existing platform.

Fifth-generation technology is also about sensor fusion and interoperability, the ability of the aircraft to see and sense all around it and be in constant secure communication with its friends. The system then presents all that information in a simplified logical manner to the pilots, so they can immediately focus on the important elements and not be swamped and distracted by millions and millions of bits of non-essential information.

Secondly, let me address some of the recent statements made about the joint strike fighter program. While no one can deny that the cost of the design and development phase of the JSF program has grown significantly, not unlike most complex military equipment, nowhere is it acknowledged that these costs have been paid for by the United States government at no additional cost to Canada. That's important because it did not increase our costs in any way.

If I could turn now to some of the issues circulating regarding the competitive process and the costs of Canada's participation in the joint strike fighter program, claims have been made that Canada could achieve a 20% savings on the purchase of a new fighter. That's quite extraordinary, as there is absolutely no basis for such claims.

Let's state the obvious: you must have more than one viable supplier to have a competition, and there is only one fifth-generation fighter available. The F-22 Raptor is not a multi-mission aircraft, it is very expensive, and it is not for sale or export by the U.S. government. Nor is it practical for Canada to acquire and operate the new Russian stealth fighter. Even if it met our technical requirements, clearly we would have no interoperability with our key allies.

Thus there are no other fifth-generation fighter programs under way in the western countries. Our CF-18s will largely be retired due to structural fatigue over the next 10 to 15 years. That leaves us with

the F-35 as the only operationally viable fifth-generation fighter solution.

The issue, therefore, is if we are getting the best possible price without being able to conduct the more traditional competitive request for proposal process. The answer is clearly yes, as there is no possible way you could obtain a cheaper price. There are only two ways to buy a joint strike fighter: by exercising your option as a partner under the memorandum of understanding or through the United States foreign military sales program on a government-to-government basis. The U.S. government does not participate in RFP competitions; it will simply give you a sale price to foreign military sales.

Acquiring these jets under the MOU would result in an \$850 million to \$900 million cost avoidance from foreign military sales fees. A competitive process with the F-35 being selected—far from resulting in a 20% cost savings, as some have suggested—would, at a very minimum, result in an 8% to 10% cost increase because we'd have to pay that \$850 million to \$900 million.

In terms of the joint strike fighter MOU, we have to be clear that in order to run a competition, Canada would be forced to withdraw from the MOU. I would point out that that is because the MOU precludes that countries have agreed not to apply the normal IRB process. A Canadian competition would have to entail the normal IRB process, and you cannot do that within the MOU.

● (1540)

If we withdrew from the MOU, we would lose key benefits. We would be subject to penalties, the industrial guarantees we already have would be negated as those contracts run out, and Canada's industrial plans with our partners would be suspended.

Let me make a couple more observations about the costs of the aircraft. First of all, Canada is buying the conventional take off and landing variant—the least costly variant—for which the current estimate is in the low to mid \$70 million per aircraft. And we are buying at the cheapest price point on the production curve.

Second, this program affords Canada access to incredible economies of scale. Upwards of 3,000 to 5,000 aircraft will be produced.

Third, while it is possible that some partners could reduce the number of aircraft they are purchasing, we expect that any reduction in partner buys will be offset by sales to non-partners, such as already witnessed in Israel. I just note that a few minutes ago the U. K. confirmed that it will continue to buy 138 joint strike fighters.

Fourth, while the government has announced up to \$9 billion for the capital program, the \$9 billion covers much more than the cost of \$5 billion to \$5.5 billion for 65 aircraft. It also includes logistics, simulators, spares, weapons, infrastructure, and program management contingency, etc. And all of these items would be purchased regardless of which aircraft we chose.

Finally, the price that Canada will pay is the cost of production per aircraft, as it comes off an assembly line with a Canadian flag on the tail. Many analysts have cited a myriad of numbers that the U.S. government will pay, but you must remember that these numbers reflect the total program cost to the United States government, which is compelled to report to Congress. That includes all the tooling costs, testing, and research and development, etc. Canada does not pay for those costs.

As for joint strike fighter life cycle costs, remember that the current fleet of CF-18s costs money today to keep it running. The money we anticipate paying for the in-service costs of the F-35 will be of the same magnitude. Training a pilot is training a pilot, a litre of fuel is a litre of fuel, and runway repairs are runway repairs.

As a partner in the joint strike fighter program, we have access to all known costs associated with sustaining the fleet. As I said at my last visit, we estimate the cost of sustaining the fleet to be approximately \$250 million to \$300 million per year, but we believe the story will be better. For example, we are looking at pooling our spares with our other international partners. That would mean a 50% reduction in the number of spare parts that we would have to initially buy to create that initial pool of logistic spares.

So far from not knowing the costs of sustaining, we probably know far more about sustaining the F-35 than we have known about sustaining any previous new fleet, and we hope to achieve real savings.

Let me summarize, in conclusion, the major benefits of the joint strike fighter program. First of all, it's the only aircraft in the western world that meets the operational requirements of the CF. It affords Canada and Canadian industry unprecedented access to technology, including detailed cost data. It provides us with the most cost-effective approach to long-term sustainment and follow-on development because we're doing it jointly with eight partners. The Government of Canada will receive millions of dollars in royalty cheques from sales to non-partners. Indeed, we welcome the recent announcement by Israel to purchase F-35s because it will generate a royalty cheque to Canada. It will work to keep the purchase price low for us, as well as generating real work for Canadian industry.

And on the subject of industry, Canadian industry is guaranteed access to the largest military cooperative program in the world—in fact, ever—with benefits being realized every day across this country. To date, Canadian companies have been awarded more than \$850 million in contracts. Opportunities identified in the industrial participation plans with the three major company groups are estimated to be worth, in the long term, \$12 billion U.S. And this only takes into consideration the existing orders of 3,173 aircraft for the partner nations. It does not include the estimated 2,000 additional aircraft for export sales.

To conclude, one thing I have come to appreciate in the job of ADM Materiel is that many of the defence procurements are far more complex than they appear on the surface. We're not buying cars here. There is no magical way to create a more competitive situation or to predict what a different process would or would not save. To generalize, to oversimplify, is to do a disservice to the men and women who put their lives on the line every day for Canada.

Ladies and gentlemen, and Mr. Chairman, thank you very much for your attention.

● (1545)

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

I will give the floor to Mr. Wilfert for seven minutes.

Hon. Bryon Wilfert: Thank you, Mr. Chairman.

Welcome, Mr. Ross.

I have two questions for you.

First of all, I have a comment with regard to the type of fighter aircraft we will need. In places like Afghanistan they suggest that the type of fighter aircraft is really not very effective against insurgencies, and that's the kind of conflict we may be up against in the future. So what is being proposed may not necessarily be very useful for the kind of warfare we may be engaged in. Could you comment on that?

Second, you stated that if we were to withdraw from the MOU to hold a competition, the industrial guarantees we already have would be negated. Could you point out to me, Mr. Chairman, where it states in the MOU that we'd have to withdraw from the program to hold a competition? And how does this reconcile with section 3.2.1.1.1, which clearly states that we are allowed to abide by our domestic procurement practices while remaining JSF partners? What were the industrial guarantees you were referring to, and how would they be negated if we withdrew?

If I have more time, I'll ask more questions.

Mr. Dan Ross: I'm not sure if I got all of that. I'll give it a try. You might have to remind me if I miss a couple.

Hon. Bryon Wilfert: I apologize. I'm deaf in one ear at the moment, so if you could speak up, I'll do my best to hear you.

Mr. Dan Ross: Thank you, sir.

We didn't anticipate the Yugoslavia mission. We didn't anticipate we would have to fly air combat into Yugoslavia. No one anticipated the invasion of Kuwait in the first Iraq war and the second Iraq war. Most people would say you don't need stealth and an F-35 to do the close support missions in Afghanistan.

I would comment that we don't know what we don't know five years, 10 years, or 25 years from now. I would simply state that if you bought old technology today, your sons and daughters would go to some unforeseen conflict with a one-to-one chance of success because we've given them the same tools the bad guy probably has. Twenty years from now, their chance to come back alive would be one in ten or one in twenty. That's not an acceptable situation. We cannot predict the future. You cannot buy old technology that is acceptable for unforeseen threats for 20, 30, or 40 years.

In terms of the MOU, the primary reason you must withdraw from the MOU to run a competition is that one of the primary reasons we run competitions is to allow Canadian industry to have the opportunity of the normal IRB program that is a mandatory requirement for vendors. Dollar for dollar, 100% return of the investment that we pay out comes back to Canadian industry.

Under the MOU, it states very specifically that partner countries will not apply offsets and IRB policies if they intend to remain in the MOU. So you have to withdraw from the MOU to be able to do the competition and get the same or similar industrial benefits.

Sir, you had follow-on questions. I probably lost some of them.

Hon. Bryon Wilfert: What were the industrial guarantees you were referring to, and how would they be negated?

• (1550)

Mr. Dan Ross: Industrial participation is proportional to the partner nations' contributions to the program. In Canada's case, our contributions have been \$168 million to date, and a total of \$551 million over the full 40-year period of the MOU. So we are not necessarily guaranteed, but effectively have opportunities to participate as a partner competitively in the industrial opportunities that are proportional to our contribution. When one withdraws from the program...or, in our case, recently when we did not make a commitment to buy, virtually none of those industrial opportunities were flowing to Canada.

If we completely withdrew from the MOU, the existing contracts would not be terminated, but they would peter out. The current delivery quantities would be delivered and they would end. There would be no new contracts for the fleet of 3,000 to 5,000 aircraft flowing in the future to Canadian industry. That's a fact that clearly comes with participation in the MOU, and it does not come if you withdraw from the MOU.

Hon. Bryon Wilfert: I was going to revisit that. May I ask you the question, then, with regard to Brazil? My understanding is that the F-35 is a contender for the Brazilian Air Force, along with others. Why is it that they have a competition and we don't?

Mr. Dan Ross: The Brazilian Air Force is not a member of the MOU. If they were to select a joint strike fighter, they would have to purchase it under foreign military sales from the U.S. government. The U.S. government will not participate in their competition. The U.S. government will simply tell them that this is our sale price.

Hon. Bryon Wilfert: Do you know what their specs are versus ours, in terms of what it is we want this fighter for, because obviously there are other...? We keep hearing that there are no other contenders on the market for what it is we're looking for. I'm not sure what we're looking for, given the issue of the Arctic versus wanting fighter aircraft to do certain things. There seems to be a misstatement

out there that there's absolutely no other competitor in the marketplace.

Mr. Dan Ross: Mr. Chairman, sir, clearly Brazil and Canada have different geopolitical environments. Canada is a G-8 country. Canada is one of the founding members of both the UN and NATO, and as a G-8 country, we participate in hard things. Brazil is an entirely different world and geopolitical and geographical environment. I would assume that they're more concerned about local irregular activities that perhaps you'd use a different type of air force for.

Hon. Bryon Wilfert: Well, they're concerned about territorial sovereignty there, which is what we're concerned about. They're concerned about intruders, as we are. I still don't see the connection in terms of whether there is something else in the marketplace. The issue we've always raised is that it was a sole-source contract with no ability for anyone else to compete.

Mr. Dan Ross: I would have to leave it to the Chief of the Air Staff, if he appears, to talk to the requirements that perhaps Brazil would feel sufficient versus the requirements Canada would feel sufficient. For the requirements the Chief of the Air Staff has identified, which range from close air support to operations in a high-threat, air-to-air environment, they have made it very clear that the characteristics of the fifth-generation fighter are critical. And that was articulated in the Canada First defence strategy.

My mission as ADM Mat is to deliver the capability required by the Canada First defence strategy.

[*Translation*]

The Chair: Thank you very much.

I will now give the floor to Mr. Bachand of the Bloc Québécois for seven minutes.

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

I'd like to welcome Mr. Ross.

Mr. Ross, memorandum of understanding is translated into French by "protocole d'entente", are you familiar with this?

Mr. Dan Ross: I am not aware of all the details of it.

Mr. Claude Bachand: You are not familiar with all the details. However, earlier, you said that the MOU specified clearly that with regard to the economic spin-off policy, this old practice should come to an end. Minister Clement himself came to tell us that indeed, Canada could not put forward a policy of specific economic spin-offs as it does for all other contracts.

And yet, in section 7 of the memorandum of understanding on industrial participation, which I read, I did not find any provisions stating that we cannot put forth our policy on industrial spin-offs. So I then asked the Library of Parliament to conduct a study of section 7 which specifically refers to industrial participation.

I'd simply like to know if you're fully aware of the section that refers to that. Are you familiar with it?

•(1555)

Mr. Dan Ross: Yes, absolutely.

Mr. Claude Bachand: Which one is it?

Mr. Dan Ross: Thank you.

[English]

The MOU stipulates in section 7.6 that “No requirement will be imposed by any Participant for work sharing or other industrial or commercial compensation”—IRBs or offsets—“in connection with this MOU”. That precludes MOU participants from demanding industrial offsets.

[Translation]

Mr. Claude Bachand: I will continue in English.

[English]

They say you start there, but they go on to say that it is not in accordance with this MOU. However, this will not prevent the participant industries from establishing arrangements with JSF contractors regarding work outside the scope of work of this MOU. You still pretend that it is mandatory that we leave out their policy on IRB(s).

Mr. Dan Ross: But, sir, the second portion of that refers to the ability of Canadian companies to continue to partner with and have business relationships with U.S. firms. I give you the example of Héroux-Devtek. It has bought several American firms that build the big machined bulkheads for joint strike fighters. Héroux-Devtek has acquired those American firms in Texas and produced that material.

The first part refers to the obligatory IRB offset requirements we impose on a major supplier like Lockheed Martin for Hercs that we say under the MOU you can't do. But we say to Canadian firms—or American, British, or Italian firms—you can carry out your normal business arrangements industrially. I think there's a clear difference between normal business and a government imposing an IRB and an offset requirement contractually.

[Translation]

Mr. Claude Bachand: The only thing I can say is that I will await the study by the Library of Parliament.

Do you have any other details to provide?

Mr. Dan Ross: Yes, sir.

[English]

Industrial participation plans have been signed between Canada and three industrial groups for the second engine—Lockheed Martin, Pratt & Whitney, and GE Rolls-Royce. The plans are quite detailed and talk about three levels of new opportunities for contracts for Canadian firms, all predicated on placing an order for fighters. They clearly say they are applied once the country has committed to buy fighters.

The second phrase is also related to the ability to put those industrial plans in place, and that clause is specifically there. Mr. Slack reminded me, because he helped to negotiate that.

[Translation]

Mr. Claude Bachand: Earlier, you talked about Israel. Indeed, Israel is not part of the nine countries who signed the MOU. I was surprised to find out that Israel proceeded with the purchase of 20 F-35 aircraft. The Israeli Defence Minister, Mr. Ehud Barak, said that he'd been assured that there would be \$4 billion in economic spin-offs. The cost of these 20 aircraft is \$3 billion.

Doesn't that clearly demonstrate that we would have been better off not being part of the MOU, and negotiate ourselves in order to get the economic spin-offs? Israel seems to have obtained some advantage here.

[English]

Mr. Dan Ross: I really don't have any idea what the details are in the agreement between the United States government and the Israeli government. The price works out to about \$135 million per aircraft, which isn't surprising because the cost of production now is much higher than it will be four or five years from now when it's a very efficient production line. So the earlier you buy, the more expensive your aircraft will be.

I understand the Israelis are buying 19 or 20 now.

•(1600)

Mr. Claude Bachand: Yes, it's 20.

Mr. Dan Ross: They will buy perhaps 80 over time, and the price will go down.

The foreign military sales program with the U.S. government effectively results in a country being told that's the government-to-government price. But they can also work with a company like Lockheed Martin, or another company, to negotiate offsets separately from the government-to-government agreement.

A very important point is that the joint strike fighter is not a commercial sale. The United States government spends about \$68 billion annually to develop technology—government money. It developed the C-17s and the C-35s, etc., of the world, and it controls who buys those things. It will often restrict commercial sales entirely, saying that if you want an F-35 or a C-17, you must come to the Pentagon and it will give you a price for military sales.

The United States government does not participate in open competitions. It will tell you a price, but it's a take it or leave it price. As I started out saying, it does allow the American company that built it to actually talk about offsets with a foreign government. But that's not a competitive discussion at all. It's a take it or leave it question from the U.S. government.

The Chair: Thank you very much.

Monsieur Harris, you now have the floor.

Mr. Jack Harris: Thank you, Mr. Chair, and thank you for joining us, Mr. Ross.

Mr. Williams, your predecessor, told us the other day that the MOU was not incompatible with the competition for the replacement for the F-18. It's our understanding that within your department there was work being done to provide for just such a competition, to begin this year. In fact, it seems that your minister was of the same view, because he assured the House of Commons on May 27—I don't know if you were there, behind the scenes—at the estimates committee that indeed there would be a competition. Lest there be any doubt, he said it later on the same evening, assuring us that participation in the joint strike fighter program was not to be construed as a statement that this couldn't happen.

If what you're saying today is so self-evident, how does that all fit together? How did we come from the minister's commitment on May 27 to the House to an announcement in July that all of this is now self-evident, that this is the only plane we want, that it is the only plane that meets the need, that there is no competition, and so on? We've seen, even today...you're the assistant deputy minister in charge of procurement, but you sound as if you're giving a PR defence at the beginning of your statement about the need for this plane. How did we get to that from an assurance that there was a competitive process that was going to be in place and that work was being done on a competitive process?

Mr. Dan Ross: There are two things.

First of all, in the department, we were engaged in a very detailed review of the options and the cost of those options from a performance point of view, a cost point of view, and an industrial point of view, working with our colleagues at Public Works and Industry Canada. That was not centred around, in the case of the F-35, being able to do a normal, competitive RFP process, which we knew we couldn't do within the MOU without having to leave.

We did have to consider Eurofighters. We did consider Super Hornets and several other aircraft. We worked with our international allies and so on to identify the cost of ownership. I can't speak authoritatively to what the minister intended at the time. I knew he was well aware of the previous fair, open, and transparent competitive process that occurred to select the F-35 or the F-36. I know that many individuals disagreed that it was a Canadian competitive process, having spoken to Mr. Lagueux, who was the ADM at the time, and Mr. Slack, who was involved at the time.

When we joined the permanent MOU in 1997, we had full-time representation in the joint project office. We had full involvement in the scope of the requirements being stated, on our behalf and on behalf of the other partners, by the United States Air Force and the United States Navy. It was clear at that point, to people directly involved, that this would be the competition for the western world's next-generation fighter. That's why European countries participated back in 1997. They knew that other countries in the world would never be able to afford to move to a next-generation fighter by themselves. It was not affordable.

We joined early because it was important to have access to what was going on and to have a say and input into the scope of those requirements. In the long term, if it paid off and was successful, you could acquire it. If you didn't, at least you had a detailed understanding of what was happening and what was not happening.

I think that would be my response to those two points.

● (1605)

Mr. Jack Harris: Well, it's your response, but it certainly doesn't explain why the department was undergoing plans to have the kind of competition we are asking about now and obviously spent some considerable effort undertaking. This retroactive suggestion that the decision as to who would actually build this JSF being made in the year 2000 was in fact a competition for what Canada needed....

I mean, this is what we're talking about. We're not talking about who is going to build the JSF; we know who is going to build the JSF. We're talking about a competition for the replacement of our F-18s. We obviously have a problem here with what kind of competition we're talking about.

The JSF has been referred to as a particular type of plane, in fact a niche plane with a role as a battlefield interdicator, intended to attack and destroy hostile battlefield ground forces after the opposing air defences are stripped away by more capable, and now cheaper, F-22 Raptors. Even though it's a fifth-generation aircraft, it doesn't have the same capabilities as the F-22, nor apparently is it a capable plane when compared with the fifth-generation jets being developed by the Russian Air Force—one that's in production now, the Su-35S, and another one that's being test flown; I think it's called the PAK-FA.

I've seen criticisms of this program and the F-35 program, and you talked about the safety of men and women flying these. If we're talking about air-to-air defence within Canada, given a situation where if we only have the F-35 and these Russian planes can actually outperform the F-35, what do you say to that?

Mr. Dan Ross: Frankly, I'm unaware of the detailed intelligence knowledge that you have of the Su-35. I'd be actually quite surprised that it's that technologically advanced. The F-35's capability is quite amazing, but that information is highly classified. The F-22 is strictly an air superiority aircraft—air to air.

Dr. Carter, my counterpart in the Pentagon, in a letter, clearly said they had considered it as one of their options. It is not upgradable or modifiable to do the multi-role capability of an F-35 without prohibitive cost, so the United States Air Force are keeping the F-22 to the number they've bought in an air superiority role. But clearly the F-35 is a new level of technology, and it has capabilities that are highly classified.

I don't know what the Russian aircraft can do, but I'd be very surprised if it was comparable. Will it have stealth? Of course, it will. Will it have significant improvements over fourth-generation...? Yes, it will. Will it be equal or better than F-35? I couldn't say.

● (1610)

The Chair: Thank you. *Merci bien.*

Thank you, Mr. Ross.

I will give the floor to Mr. Hawn.

Hon. Laurie Hawn: Thank you, Mr. Chair. Thank you, Mr. Ross.

I would suggest, Mr. Ross, that's precisely why we need an airplane like the F-35, which is the best available, to counter adversaries that...we don't necessarily know what they're going to look like in 10 or 20 years.

I will comment on a couple of things the opposition has brought up. That Su-35 comparison was done by a retired wing commander from the Royal Australian Air Force, who was a Mirage-III pilot. That was the last aircraft he flew. His comparison.... In fact it's not his fault; he doesn't have access to the information on the F-35. He's making a comparison with a fourth-generation look at a fifth-generation comparison, without understanding fifth-generation technology.

We talked about Canada's requirements. We have nine countries within the MOU, and Israel and others are looking at it. Most of the countries within the MOU have similar operational requirements to Canada: we operate in similar missions, in similar areas. Obviously we're going to be operating side by side with them on a lot of missions.

Is it fair to say there's some comfort that all of those countries that operate similarly to Canada have reached the same conclusion? Is that a fair statement?

Mr. Dan Ross: Yes, sir, it's a fair statement. In fact, I think the British government made a statement today to the effect that they are only retaining a small portion of their Tornado fleet, which they have to upgrade, and F-35s, and they will now buy the carrier variant for the joint strike fighter instead of the vertical take off and landing variant, and they'll put flat decks on their two carriers.

They say it's a state-of-the-art aircraft with an exceptionally broad range of capabilities and they expect its service life to be a number of decades. It is specifically designed to operate independently in very challenging environments. The joint strike fighter is designed to be more affordable across its operating life, benefiting from the expected production run of more than 3,000 aircraft. That's what the British said today.

Hon. Laurie Hawn: Thank you. And the point about the Canadian Forces' or DND's plans on a competition...I'm not sure if you're aware, but that was one line—one line on a briefing slide that covered contingency for future planning. It was not being actively planned within the department to have a competition. Is that a fair comment?

Mr. Dan Ross: Yes, sir. I run the materiel group. I would have known if we had detailed plans to run a competition, but we had to do our due diligence in terms of cost, operational performance, the total cost of ownership, and, obviously, with Industry Canada, the industrial implications. But if it had turned out that we had serious concerns about operational performance or cost or other things, it would have been necessary to seriously consider a competition. We spent a lot of time on that particular question.

Hon. Laurie Hawn: With respect to the price of the F-35, \$70 million, \$75 million is a lot of money. Back in 1980 we paid, per airframe, \$16,090,000 per CF-18. Can you do a price comparison of those in then-year dollars and 2015 or 2016 dollars that we're talking about?

Mr. Dan Ross: My understanding, sir, is that in 2016 dollars, our F-18s would have cost \$62 million. In 2016 dollars we expect an average price of about \$72 million or \$73 million for an F-35.

Hon. Laurie Hawn: And the difference in capability between an F-18 and an F-35?

Mr. Dan Ross: It's astonishing. They're not even in the same league.

Hon. Laurie Hawn: Thank you.

When we're talking about stealth, is it fair to say that stealth is also a deterrent? If you know that your adversary has stealth capabilities, is that going to make an enemy behave differently, potentially?

Mr. Dan Ross: Yes, sir, absolutely. I think potential adversaries... whether it's deployed internationally or continentally or in defence of Canada, when they know that Canada operates that capability and that air power is there and they don't know where it is, they don't know what it's going to do...they could be engaged and never know they'd been engaged until the last second. I think that is a significant issue in terms of deterrence. It certainly would be if I were on the other side.

Hon. Laurie Hawn: Me too.

In terms of the industrial participation plan you talked about, is it possible to table some of those things for the committee without violating agreements?

• (1615)

Mr. Dan Ross: Yes, sir. They're unclassified. They are industrial plans signed by Industry Canada with the three industrial groups.

Hon. Laurie Hawn: Just to go back to re-emphasize what you said about the due diligence that has gone on, we did evaluate the F-35 against airplanes like the Super Hornet, the Eurofighter, the Gryphon?

Mr. Dan Ross: Yes, sir.

Hon. Laurie Hawn: And came to the obvious conclusion that all those other countries came to, that it was what was required.

Here's a philosophical question, I guess. We pay people like you and Mr. Slack and Colonel Burt to acquire the expertise to study complex questions in great detail at highly classified levels over a period of years, and then when you come and give advice, there's a segment of folks who don't think we should listen to you, that we should listen to people who have been removed from the process for five years, who don't have the information that you have, who maybe make aircraft comparisons based on flying a Mirage III, which is a third-generation airplane.

Is that a little frustrating?

Mr. Jack Harris: Democracy is always frustrating, Laurie.

Mr. Dan Ross: My job is to get the best capability within the allocated budget in a Canada First defence strategy. We work pretty hard at being objective and factual. My job here today is to be able to provide factual information and let the members make their own decision.

Hon. Laurie Hawn: Is it fair to say—we're talking about the next-generation fighter capability for the next 30 or 40 years, or whatever—from your knowledge of industry, which you obviously have, that this is also the next generation of industrial capability and it's the next 30 or 40 years, but it's putting us on the ground floor of whatever comes next, that if we're not in at this stage, we're going to miss the stages beyond that?

Mr. Dan Ross: Yes, sir. It is interesting that Mr. Lajeunesse and Mr. Myers recently wrote to members representing the Canadian Manufacturers & Exporters Association and the Aerospace Industries Association. It was interesting. One paragraph says:

By contrast, the JSF project allows Canadian suppliers to develop state-of-the-art technologies as part of the global supply chains of Lockheed Martin and other multinational aerospace contractors. Unlike the traditional IRB model, these companies will not be confined to opportunities for development, maintenance, repair or modification of our 65 aircraft; they will be able to compete for a variety of contracts for a global fleet of between three to five thousand aircraft.

Then it goes on to talk about the knowledge transfer of high technology that leverages their opportunities in other fleets and other contracts worldwide. I think he makes a very good point. It's not on my watch; obviously it's an Industry Canada issue.

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

I'll give the floor to Mr. Regan.

Hon. Geoff Regan (Halifax West, Lib.): Thank you very much, Mr. Ross, for coming today.

Am I wrong in my understanding that no F-35 has been built yet? None is flying. Is that correct, or am I wrong about that?

Mr. Dan Ross: That's wrong, sir.

Hon. Geoff Regan: How many are flying now? Can you tell me that?

Mr. Dan Ross: A fairly large number. They're starting up their first operational squadron next year.

Nineteen are flying, sir.

Hon. Geoff Regan: Thank you very much. I appreciate being educated on that point.

We've recently received a two-page list of high-level, mandatory capabilities for the next aircraft to replace the CF-18, and I have some questions regarding this list. When was this list written, the list we received in the last few days?

Mr. Dan Ross: The statement of requirement for the next-generation fighter has been worked on over the past year. Public Works and Government Services had that in a final form last spring, because we had to consult with them on the question of whether or not to proceed under the PMOU or do a competition.

Hon. Geoff Regan: So those high-level requirements were not given to the JSF program in 2001?

Mr. Dan Ross: No.

Hon. Geoff Regan: When you last appeared on September 15 you mentioned that, “the partners, including Canada, had direct input into the operational requirements document”.

You were talking, of course, about the competition between Boeing and Lockheed Martin at that time. Is there in fact a document that enumerated Canada's requirements and priorities that was given to Lockheed Martin and Boeing so that they could incorporate these types of requirements into their prototypes?

• (1620)

Mr. Dan Ross: We commented on the United States Air Force, the United States' SORD—statement of requirement document—in detail. I'm not aware whether we have a record of formal submissions that we gave to the joint project office. We could perhaps find out. But it wasn't our statement of requirements.

Hon. Geoff Regan: The question is, if there is something that indicates what Canada's requirements were, can it be shared with this committee so that Canadians can have some idea what the requirements were and whether they in fact were communicated and taken into consideration in this process?

Mr. Dan Ross: I will undertake to try to find out.

Hon. Geoff Regan: Thank you very much.

Also, when you were last here on the September 15 you said that when Lockheed Martin was chosen to design the joint strike fighter it wasn't a *fait accompli* that Canada or any of the partners would acquire the aircraft. It wasn't a *fait accompli*.

This would seem to contradict the government's assertions on this point that a previous Liberal government's participation in the project meant that they had already decided to purchase it. You also say that your department only felt comfortable enough to purchase this aircraft “in the last year or so”.

Could you clarify this?

Mr. Dan Ross: The competition between the F-35 Lockheed Martin and the F-36 Boeing, as I mentioned earlier in my remarks, in the view of previous ADMs, really was the competition to select the next-generation, fifth-generation, fighter for the western world, because no one else could afford to do so.

The United States and the other eight countries participated in that, and the United States was attentive to the needs and interests and operational requirements of its partners. It had to be because they would not have continued to participate if they hadn't been attentive to it.

You're right. At that time we had not made any specific decision to replace our F-18s. We were managing their fatigue life to take that fleet to approximately 2015 to 2020, which is the current situation. We didn't need to make a decision at that moment on actually going to government and seeking approval to replace them and buy joint strike fighters. But it was prudent to participate early so you would have access to the information—access to highly classified information—and to allow Canadian companies access to high-technology opportunities early, as they have done extremely successfully.

Then the options were open to us, to subsequent governments. If the joint strike fighter program run by Lockheed Martin was successful, as it has been, and fully met the requirements of partner countries, the government would have the choice at that time to acquire them.

Clearly, we brought those options to government on several occasions. We made it crystal clear on the last occasion that we wanted to continue to participate up to \$551 million over the 40 years, but it did not, absolutely, at the day of question, entail a commitment to buy, and we would come back to government with a recommendation.

Hon. Geoff Regan: Thank you.

As may have been apparent from my first question, and I'm not a regular member of this committee—in fact, I'm not accustomed to receiving speaking notes in advance of the meeting. For that I compliment you and thank you. I don't know if that happens regularly here, but it's a nice thing to see happen.

In your speaking notes you say “in order to run a competition, Canada would be forced to withdraw from the MoU.” But on February 15, you said that the MOU “does not prevent you from entering into another process.”

Which statement is the right one? Where in the 2006 MOU is it stated that a competition would force Canada to withdraw from the MOU? Which article states that?

Mr. Dan Ross: The article that it's related to is 7.6, which says that member countries will not apply industrial regional benefits or offsets, and if they choose to, they have to withdraw from the MOU.

Hon. Geoff Regan: But you said on the 15th that the MOU doesn't prevent you from entering into another process.

Mr. Dan Ross: You could still have another process, but if you chose to buy joint strike fighters outside of that, you'd have to go for military sales.

•(1625)

Hon. Geoff Regan: You said that the conventional take off and landing variant of the F-35 unit price estimate is currently around \$72 million.

Mr. Dan Ross: Between seventy and seventy-five.

Hon. Geoff Regan: The low to mid seventies per aircraft.

Can you share with us any documentation that justifies these numbers?

Mr. Dan Ross: That comes from documentation from the U.S. government, from the joint project office. We would have to check whether we have the authority to release that document.

The Chair: Thank you very much.

[*Translation*]

Mr. Bachand, you have the floor.

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

Mr. Ross, I'm pleased to see that you're going to table the specifications for the aircraft that you selected. I imagine that this will be in compliance with the specifications that you requested, of course.

However, we are being asked to make a leap of faith and I have a great deal of difficulty accepting that, because I often say that we're here to defend the interests of taxpayers. I put a question to Gen. Deschamps the other day because I'd read articles on the simulations. During certain simulations, the Typhoon could beat the F-35 whereas we've been hearing from the beginning that the F-35 is unbeatable. I also know that in some cases the Boeing can beat the F-35. The general told me that that information was classified.

Are you in favour of having this information classified?

[*English*]

Mr. Dan Ross: I'm not familiar with any simulations. I'm somewhat surprised that fourth generation aircraft, which can't detect fifth generation aircraft, would be successful, but I have not seen those simulations, sir.

[*Translation*]

Mr. Claude Bachand: That's the problem. We're asked to make a leap of faith here. We're told that we can't see them. Moreover, I am told that the documents that could be given to me would be virtually useless. Thank you very much. I was given documents, they are in front of me. I can see the height, length and size of the plane. I can find all that out by using a measuring tape. I don't like that attitude.

What we are seeking to find out as MPs, essentially, is whether or not we're getting our money's worth. If details are being hidden from us supposedly because of some secret classification, I don't like that. I hope that other witnesses who will appear before us, the representatives from Boeing or Eurofighter, will explain their simulations to us. That might force Lockheed Martin to reveal its own. If Boeing and Eurofighter tell us that in their simulation they are capable of beating the F-35 in various scenarios, I hope that Lockheed Martin will show us its own scenarios demonstrating that they beat them in other situations. I think it's important for us to know that.

Moreover, in your opinion, would there be costs involved if we were to withdraw from the MOU? The minister seemed to be saying that if we withdrew from the MOU, it would probably cost us an awful lot of money. In your opinion, would there be costs if we decided to withdraw from the MOU?

Mr. Dan Ross: Yes, sir.

[English]

The costs of withdrawing are severalfold. There are two cases. In one case you would withdraw and still want to procure the F-35. That would have to be done under foreign military sales, with the foreign military sales fees associated with that. The other cost is if you withdrew and didn't want to buy the F-35, for which you would have to compensate your partner countries for recoupment of the R and D. For example, we have committed to our partners to contribute \$550 million over the entire length of the joint strike fighter program. They have programmed our contribution into the development costs, the set-up costs, tooling, etc., and we have agreed to provide that contribution. If you withdraw, there are actually some contractual pieces in there. We would have to negotiate a certain cost that we'd still have to pay. It would not be automatic or free, in that you could not just pull away and say, too bad, to your eight friends and walk away with our money.

I can't give you a figure for what that cost would be. It would not be insignificant. And I can't quote you the actual article in the MOU, but it's in the MOU.

•(1630)

[Translation]

Mr. Claude Bachand: I have one here in English, which I will quote. This is section 19.4.3 which reads as follows:

[English]

...in no event, however, will a withdrawing Participant's total financial contribution, including Contract termination costs, exceed that Participant's total share of the Financial Cost Ceilings for financial contributions as established in Section V....

[Translation]

In Section 5,—what you are saying is true—the government has committed to earmarking \$550 million for this program.

[English]

Mr. Dan Ross: Sir, all they're saying is that your cost of withdrawing would never be more than 100% of your agreed contribution. But that's normal in contractual agreements.

[Translation]

Mr. Claude Bachand: However, what happens if we withdraw before we spend the \$550 million? Would there be penalties other than those you mentioned, namely would we have to put money into the hat because we benefited from the R&D, and by withdrawing others could divide that amount among themselves and that would bring about costs? In your opinion, if we did not pay out the \$550 million and decided to stop the project, would there be other costs involved?

Mr. Dan Ross: No, because the \$550 million will already been spent.

Mr. Claude Bachand: Has that money already been spent?

Mr. Dan Ross: Yes, but it will be finished in 40 years.

Mr. Claude Bachand: Are you talking about between now and the end of the contract? Right now, approximately how much money has already been paid? Is it about \$150 million?

Mr. Dan Ross: Right now, we have paid out \$168 million.

Mr. Claude Bachand: How much did that bring in up until now? It is about \$400 million? In fact, 144 contracts have been awarded.

Mr. Dan Ross: It's not a question of contracts.

[English]

It's just the contribution we have agreed to pay annually. It's the sum of the initial \$10 million, the \$150 million, and then a portion of the latest MOU.

[Translation]

Mr. Claude Bachand: Right now as we speak, has the money that we paid out been beneficial for Canadian companies?

Mr. Dan Ross: Absolutely.

Mr. Claude Bachand: The amount has tripled, hasn't it?

Mr. Dan Ross: Yes, we paid \$168 million and we already have contracts for a total of \$850 million.

The Chair: Thank you, Mr. Bachand.

Mr. Braid, you have the floor.

[English]

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you very much, Mr. Chair.

Thank you, Mr. Ross, for being here this afternoon.

Just to begin with this, Mr. Ross, to recap, could you please explain what the consequences would be if Canada withdrew from the MOU?

Mr. Dan Ross: As I said, perhaps there would be two scenarios. One scenario would be that we'd still want to buy F-35s, which we could do at an increased cost but at a significantly lower IRB piece, not to exceed the actual contract value, which would be about \$5 billion versus \$12 billion under the MOU.

Most importantly, the future industrial opportunities for Canadian firms would stop dead. Current contracts would continue. They would not be cancelled. They would deliver the items that were under contract to be delivered, but they would not be renewed and new competitive opportunities for the aerospace industry members would not materialize.

Mr. Peter Braid: Is it possible to continue in the MOU and at the same time hold a competitive process?

Mr. Dan Ross: As I explained before, I don't think that's possible.

•(1635)

Mr. Peter Braid: If we withdraw from the MOU and hold a competitive process, what do you think would be the outcome of that competitive process?

Mr. Dan Ross: My sense would be that if you evaluate the contenders for the essential characteristics we need for protection, survivability, affordability, etc., in the future for 30, 40 years, you're going to come back to probably one solution, which is the F-35, and you're faced with a situation whereby the U.S. government won't participate in a competition. It doesn't participate in competitive—it doesn't write RFP bids. It will simply quote you a price. If you want to buy it, there's your price.

You would have to now negotiate with the companies that are building it for some kind of an RRB package, which would be much smaller, obviously, than what you'd get with the direct participation for 3,000-plus aircraft because it would only be on 65 for the period of that initial contract.

Mr. Peter Braid: The outcome would essentially be the same jet fighter at a much higher cost.

Mr. Dan Ross: Yes, sir.

Mr. Peter Braid: I want to read you an excerpt from the testimony or the presentation from our last witness, Mr. Williams, when he was here for our last meeting. He said that ministers claim that this is the best aircraft available. When asked how he knows that, Minister MacKay responded that it was on the basis of briefing notes provided to him from within the Department of National Defence. Unfortunately, in-house analysis will reflect in-house bias.

One, how do you react to that, and two, where else would a minister get his or her advice if not from their own department and their own officials?

Mr. Dan Ross: The information on the available aircraft is a job for professionals who know what they're talking about, but it also entails access to highly classified information, which we have access to through our allies. In terms of the joint strike fighter, we have full access to our membership in the memorandum of understanding with the partners, without which we wouldn't have that access at all.

I'd also say that within the department a pretty rigorous and often bloody challenge function goes on. The vice-chief, his staff, force development staff, challenge the Chief of the Air Staff on their views on capability. I, frankly, am known to be pretty difficult in challenging requirements, not because I disagree with the environmental chief of staff, but they have to be defendable in the town. They have to be defendable to Treasury Board and Privy Council Office and the Department of Finance and the Department of Public Works and Government Services. So although many observers don't get an insight into the interior workings of the program management board, the joint force development board, those are difficult bodies, and when that advice goes forward through the Chief of the Defence Staff to the minister, it is pretty rigorous.

Mr. Peter Braid: Perhaps I have time to sneak in a final question here.

With respect to the statements of requirement for a major military purchase like the F-35, or even the CF-18, is it unusual for some elements of the statement of requirements to be classified and others to be unclassified, and was that the case with the CF-18?

Mr. Dan Ross: Sir, it's absolutely normal. In fact, the classified portions are not of our choosing; that is, U.S. government technology and participation entails that classification. Bidders and many of our contracts have to come with the appropriate security clearances before they're given the classified portions of RFPs. It's normal business.

The Chair: Thank you.

Mr. Boughen, you have the floor for five minutes.

Mr. Ray Boughen (Palliser, CPC): Thank you, Chair. And thank you, Mr. Ross, for sharing part of your day with us.

When I look at the information we have before us on the F-35... and I think of what happened a number of years ago when NFTC started at 15 Wing Moose Jaw, and there was a lot of kerfuffle about that in Parliament. At the end of the day, it was found that Bombardier, who ended up with the contract, was the only contractor big enough, sophisticated enough, to put the program on. Is that what we're looking at here? Are we looking at single source because we require a sophistication and only a few companies have the capability to really put such a program together? Could you share with us some of those thoughts?

Mr. Dan Ross: I'm not current, sir, with the situation today with Bombardier.

I would agree that the complexity and difficulty of this program is at a level that no one has ever seen in the world, and to produce three different variants.... Is it only Lockheed Martin that could do it? I'm not sure I could say that. Boeing, obviously, competed. McDonnell Douglas did, and withdrew. But there are very, very few multi-nationals in the world that could embark upon this, and only the U.S. government has deep enough pockets to drive this level of technology development.

As I said in my opening remarks, or close to it, they spend over \$60 billion a year in the development of technology.

• (1640)

Mr. Ray Boughen: Thank you.

One other question. How comfortable would any of us feel if we were putting our sons, daughters or granddaughters, as you said in your opening statement, in a position that is probably going to be less than favourable for them because the other people who also have aircraft have a more sophisticated aircraft than we have? Can you share with us your thoughts on that?

Mr. Dan Ross: I can only speak for myself. From a personal view, I would feel very uncomfortable. But as I also said, there's a difference today in the sort of a one to one chance of coming home alive; 15 or 20 years from now that chance of coming home alive is one in twenty. That's not an acceptable situation. For the investment of, say, \$5 billion for 65 aircraft, that's not an acceptable choice.

Mr. Ray Boughen: No.

Thank you. I will share my time with Mr. Hawn.

The Chair: Mr. Hawn, please, three minutes.

Hon. Laurie Hawn: Perfect.

I want to go back, Mr. Ross, to talk about simulations and other companies coming with simulations that say their piece of equipment is better than—

Mr. Dan Ross: I'm astounded by that.

Hon. Laurie Hawn: Oh, yes, I'm totally shocked.

If we want to talk about biases, I'd like to compare biases. You have a lot of experience dealing with companies who are going to come and tell you that they make the best...whatever. How would you compare the bias of a company that is trying to sell us something, regardless, to the bias we have in the Departments of National Defence, Public Works, and Industry to get the best piece of equipment, whatever it is, at the best price, for the best industrial participation, and a decision that's, as you said, dependable on the street? How would you compare those two biases?

Mr. Dan Ross: I can't afford to be biased; it's not defensible. Industry Canada, Public Works, Treasury Board—they play a pretty aggressive challenge function. They have their own particular mandate and responsibilities and they take those seriously. But the requirement needs to be stated by those people who have to go live and die with that. At the end of the day, that's their call. The Chief of Defence Staff gets a say in that; the minister gets a say in that, obviously.

My experience with the industry is that they work hard, most of them are very honourable, very ethical, but they also believe in what they have and they want to tell you it's the best. I can't speak to their simulations, because their simulations always show that their equipment wins. But they're all winning, so somebody has to be losing. I don't know who that is, but...

Hon. Laurie Hawn: Your bias, if I can use that word, is to do the job, to get the best equipment at the best price and the best industrial benefits.

Would you put more stock in the simulations that have been done by the people who we have paid, who have the expertise to study these over years at a highly classified level, than the ones run by a company that's trying to sell a widget?

Mr. Dan Ross: Only if those simulations are done, for example, by our defence and research and development community. By that, I mean professional scientists and those with Ph.D.s, who have no interest, frankly, in whether product A or product B is better or worse. But we are asking very specific questions about technology and capabilities in very scientific terms. They're not pilots, they're not industrialists. I find them to be very objective, but you have to be careful who you're asking, and you do need to get the companies and the commercial interests set aside from that question.

For example, on armoured vehicles, we insist that we have an independent third party attest to the survivability results, who is not paid by that company or in part of that country. That's what we feel is the measure of independence that's required.

The Chair: Thank you very much.

Mr. Dryden, you have the floor for five minutes. Do you want to share your time?

Hon. Ken Dryden (York Centre, Lib.): I think Mr. Wilfert has a question.

The Chair: Okay, Mr. Wilfert, you have five minutes.

Hon. Bryon Wilfert: I just have one question.

In your response, Mr. Ross, to the question I asked about the benefits, and later in response to my colleague, Mr. Regan, you cited section 7.6 as the part of the 2006 MOU that states that holding a competition would force Canada from the MOU.

I know my hearing isn't very good today, but my eyesight is excellent, so I will read it to you for you to respond. Under section VII, industrial participation, section 7.6 reads:

No requirement will be imposed by any Participant for work sharing or other industrial or commercial compensation in connection with this MOU that is not in accordance with this MOU. However, this will not prevent the Participants' industries from establishing arrangements with JSF Contractors regarding work outside the scope of work of this MOU.

Can you respond to that in terms of this issue?

• (1645)

Mr. Dan Ross: Yes, sir, thank you.

I thought I did respond to that. The first portion—which Mr. Slack helped to negotiate, and who is here—very specifically prevents the MOU participants from imposing IRBs and industrial offsets. There are no offsets allowed under the MOU.

The second portion allows them to make industrial partnership arrangements, as they normally would—and I gave the example of Héroux-Devtek—and also the industrial participation agreements the Government of Canada has signed with Lockheed Martin, Pratt & Whitney, and GE Rolls-Royce, if we acquire aircraft, for contractual business opportunities for production of material directly onto the fighters.

They're not inconsistent at all.

Hon. Bryon Wilfert: I don't read that in there at all. I don't see anything there on guarantees at all, or competition, or anything in there.

Is there somewhere in this that you can point us to? This is the section I would say refers to this, and you had referred to this section. I don't see that. My colleague doesn't see that. If you could....

Mr. Dan Ross: The sentence says, "...this will not prevent the Participants' industries from establishing arrangements with JSF Contractors regarding work outside the scope of work of this MOU."

To me, I read that—and perhaps I'd have to get legal advice—to say that we're not handcuffing companies for having the normal industrial partnerships they would have.

The first part is about government-imposed IRBs and offsets not being allowed. That's very different from the second part.

Hon. Bryon Wilfert: Again, where in the 2006 MOU is it stated that if we held a competition it would force Canada to withdraw from the MOU? Can you point that out?

Hon. Geoff Regan: It's not in section 7.6.

Mr. Dan Ross: It doesn't say it specifically in the MOU. If you wanted to do a competition, as we currently do, with Industry Canada policies—which require in a commercial contract that the contractor deliver IRBs of 100% of the contract value in Canadian content, dollar for dollar, and we're all familiar with that—you can't stay in the MOU and impose that commercially on the company.

Hon. Geoff Regan: You are saying that Treasury Board can't decide what policy it's going to have. You're also saying that for a \$16 billion contract, Treasury Board couldn't tell us we aren't forced to do this by the MOU in this case and we can make our own decision about how we approach it.

Mr. Dan Ross: No, sir. You clearly could stay in the MOU and do another process, but you cannot impose any IRBs then on the company you bought it from.

Hon. Geoff Regan: What guarantees are there of IRBs now? There are no guarantees.

Mr. Dan Ross: Well, we anticipate.... We've already got \$850 million worth of contracts and we anticipate up to—

Hon. Geoff Regan: But they are not guaranteed in the MOU, isn't that correct?

Mr. Dan Ross: Absolutely, they're not guaranteed.

Hon. Geoff Regan: When I asked you where in the MOU it is stated that a competition would force Canada to withdraw from the MOU and which article states this, you said 7.6, which says nothing of the kind.

Mr. Dan Ross: It's two things—

Hon. Geoff Regan: Well, it's not that.

Mr. Dan Ross: Absolutely, it is, sir.

Hon. Geoff Regan: Sorry for interrupting.

Mr. Dan Ross: It is.

Let's say you bought joint strike fighters commercially. You got the price from the U.S. government, \$6 billion or whatever it is, and you bought them from Lockheed Martin. You would want to get IRBs from Lockheed Martin because you are not getting the industrial participation within the PMOU anymore. It's shut off. It's stopped.

Hon. Geoff Regan: It doesn't say that here.

Mr. Dan Ross: No, the reality is that it's stopped. You would want to be able to have negotiations—

Hon. Geoff Regan: When I asked you where in the MOU it says that, this doesn't say that.

Thank you. My time is up.

The Chair: Mr. Ross, can you answer that in 15 seconds?

Mr. Dan Ross: I think I already have, sir.

The Chair: Perfect.

I will give the floor to Mr. Payne.

• (1650)

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Mr. Chair.

If I have any time left, I will share that with Mr. Hawn.

I have a couple of questions, through you, Mr. Chair, to Mr. Ross. In your opening remarks you talked about the only fifth-generation fighter and you talked about the F-22. Obviously, that's not available to us. I believe there were comments from Mr. Harris regarding the Russian aircraft.

Would there be any opportunity for Canada to buy Russian aircraft, and how would that work if in fact we bought one of those stealth fighters? How would we be able to work that with our partners?

Mr. Dan Ross: We are not familiar with the technical capabilities at this point of the Russian fighter. Perhaps my intelligence community is more familiar with it.

It makes it virtually impossible to be interoperable within NATO and NORAD. The supply chain of maintaining those aircraft from a Russian supply base would be extremely difficult. I just don't think it's feasible.

Mr. LaVar Payne: Therefore, we wouldn't have the technical information to actually determine whether this is a superior fighter or not?

Mr. Dan Ross: I think if you expressed a specific interest to the Russian government, you would probably get access to some information.

Mr. LaVar Payne: You referred to a letter that was recently sent out to members of Parliament from the industry in terms of the benefits for Canada. I'm wondering if you can tell us if you have talked to the various industry people who have bid or who have received contracts and the technologies they will acquire through this process.

Mr. Dan Ross: In fact, I talked to Mr. Lajeunesse yesterday. He is the president of the Aerospace Industries Association of Canada. They are very excited. They are very committed and hopeful—I was going to say the word “confident”—that they are going to be able to be successful going forward here in many of these technologies.

Canada's aerospace sector is, I believe, the third or fourth biggest in the world. They don't build big platforms, but they produce components and high-technology pieces for a lot of platforms around the world. Héroux-Devtek, I've mentioned before, builds landing gear for virtually everything in the world and has a huge stake in the joint strike fighter, as does Pratt & Whitney Montreal, Magellan Aerospace, and so on. Those companies really feel this leverage is access to technology for a long time in the future.

Their view, as Claude told me yesterday, is not just about the joint strike fighter; it's about technology and it's about other projects, other aircraft, and being competitive with high technology in those other programs.

Mr. LaVar Payne: So the question is, if in fact we got out of the MOU, would these contractors be able to have access to that kind of technology to develop and make our Canadian aerospace industry competitive worldwide?

Mr. Dan Ross: I don't think we could be emphatic or specific and say they would never have any. Canadian companies have some technology niches that are very good. Perhaps some joint strike fighter multinationals would still come to Canadian companies for some work.

Most of the current contracts would probably peter out, and there would be far fewer going forward; nevertheless, there are several components on a joint strike fighter for which Canada is virtually the only source of supply. But what is the magnitude of that? It's certainly much lower than it would be if we remained in the MOU.

Mr. LaVar Payne: So if we got out of the MOU, our ability would only go as far as the 65 joint strike fighters. What about the other 3,000-odd opportunities?

Mr. Dan Ross: Sir, if the classical IRB policy applies, it is based on the actual contract value only for our 65 fighters. Almost all of that would be direct Canadian content, and the remainder would be made up from indirect offsets provided by, in this case, Lockheed Martin and its partners.

The alternative is, obviously, making those components, those spares and replacements, as well as repair and overhaul for the worldwide fleet of 3,000 to 5,000 fighters over many years.

My sense is that for Industry Canada there are several orders of magnitude of difference there in economic effect back in Canada.

• (1655)

The Chair: *Merci.* Thank you very much.

I will give the floor to Ms. Gallant.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you, Mr. Chairman.

Do I have the full five minutes?

The Chair: Yes.

Mrs. Cheryl Gallant: All right.

The opposition is talking about how they're very concerned about the cost overruns within the process in the United States. They've suggested that this will impact the cost to Canada.

Will their costs and development and so on and the fact that they're going over budget, according to the news, impact the price of the F-35s for us?

Mr. Dan Ross: The U.S. government has specifically made a decision not to pass any of that cost on to the partner countries, and in fact additional time and money for the testing will come entirely from the Pentagon. That's been pretty clear from the beginning.

Mrs. Cheryl Gallant: A prior witness stated that we should undergo the entire exercise of designing and tendering the F-18 replacement from scratch because it would be the transparent thing to do, even if the end result were the purchase of the F-35.

Now in the best-case scenario, how long would this take? Would there be a gap between the F-18 retirement and the replacement availability? What would the financial cost be, not necessarily the price—I know you probably couldn't tell—but perhaps just a percentage increase on the price of the F-35, and of course the cost of the valuable time of our public servants to conduct this exercise?

Mr. Dan Ross: There are a number of issues associated with that. There would be a cost increase at the end of the day if you only had one fifth-generation fighter to procure and you had to do it under foreign military sales. There's an actual cost increase in the acquisition program, as I talked about in my opening remarks.

In terms of the actual process, a program of this magnitude and complexity would take several years, probably no fewer than four years. It would take tens of millions of dollars of support from Public Works, my own teams, etc. It's unlikely that it would be less than \$20 million or \$30 million.

I think the biggest costs would be that the global supply chain is being finalized now for joint strike fighters. They need to nail down who is providing what piece now and drive that into a very efficient production line to get the costs to be as low as possible as quickly as possible. They have clearly made the point that they wanted to nail down their supply chain by the end of 2010.

Waiting till 2013–14 to make a commitment would have potentially a serious effect on Canadian industry and its ability to participate, because unless you make a commitment to buy, you don't get to play in the industrial participation.

Mrs. Cheryl Gallant: There's also the cost of not participating in the royalties program, I think.

Mr. Dan Ross: Yes, Ma'am.

Mrs. Cheryl Gallant: You mentioned supply chain. Because of the increased market penetration in addition to the F-35s—for example take Haley Industries, which the VP for Magellan referred to in this committee, they do the sand castings for jet engines.... As a consequence of being part of the joint strike fighter manufacturing process, its product line is being introduced to companies and countries it may not previously have dealt with. So it stands to reason that Haley Industries may be invited to tender on future contracts in addition to the F-35. Is that a possibility? And not just this company, but other companies that traditionally haven't had the same international market that this project affords.

Mr. Dan Ross: That's the view that Mr. Lajeunesse feels fairly strongly about, that it's not just about joint strike fighter, it's about the reputation of Canadian companies internationally and the opportunities on aerospace programs. And that makes sense.

It's difficult to penetrate the aerospace market. The technical airworthiness requirements are extremely rigorous. Participation in a program like joint strike fighter brings with it the certification under technical airworthiness, without which you don't get sales. So there are a lot of dimensions to that. I'm not an expert, an Industry Canada expert, but I am responsible for technical airworthiness in a department. I understand how rigorous it is for us to qualify suppliers for even the existing craft we have. But to be inside that game is an extremely important advantage.

• (1700)

The Chair: *Merci.* Thank you very much.

Mr. Wilfert, I understand you will share your time.

Hon. Bryon Wilfert: Mr. Dryden will start, and if there's any time I'll follow.

The Chair: Mr. Dryden.

Hon. Ken Dryden: Thank you.

Thanks, Mr. Ross.

You talked about the life expectancy of an airplane like this of around 40 years and you talked in terms of the F-18 and how when it came on line around 1980 no one could have imagined Kosovo, Kuwait, or Afghanistan. And beyond that, nobody could have imagined the fall of the wall and the disintegration of the Soviet Union.

I would assume that as this process is engaged, the Department of Foreign Affairs conducts a review, an examination of what it would imagine the world to be over the next 40 years, even though one is always going to have surprises. But you do the best you can to try to imagine what those needs are going to be. I would also assume that the Department of National Defence does not determine the foreign policy of Canada but would participate in the review that Foreign Affairs would do. I would assume that after Foreign Affairs had done that review, it would be up to the Department of National Defence to develop a plan as to how best one could prepare for those next 40 years.

Is that correct? Is that the process? And if that is the process, where is that Foreign Affairs plan? Is it something you can table with us so we can have the benefit of that? That's a central question to the whole question about the F-35. What is it that we would imagine for the years from 2020 on where this kind of very expensive technology would be used?

Mr. Dan Ross: I'm not aware of a detailed Foreign Affairs assessment of future threats. I do know that the intelligence agencies in the country, including DND's Chief of Defence Intelligence, do contribute to that type of analysis. I'm not personally involved with Foreign Affairs in that process, so I shouldn't speak to it.

But there is a pretty rigorous analysis of current threats by the intelligence community, threats that are developing from actual political and technological capability, and I keep abreast of those current threats.

Hon. Ken Dryden: Sir, I understand that, but I find that incredibly surprising. Here we have an immense expenditure of money, a huge commitment over the next number of years. What you know and what I know also is that in fact what one has as technology is often what one ends up using, and therefore, it isn't just that technology follows policy; often it ends up the other way around.

So the kind of decision we're making about these planes is going to have an immense impact on the nature of our foreign policy over the next 40 years. Just having this kind of intelligence you're talking about is one thing, and I understand that. But I would have to imagine that a decision like this would have been rooted in a plan of imagining what those next 40 years will be. Otherwise, how would one know whether this was the right expenditure of money?

• (1705)

Mr. Dan Ross: I'm not sure if it's doable to envisage what threats we would have that, say, 25 years ago....

Hon. Ken Dryden: Sir, we're always doing that. We do that in terms of health. We don't know, but we have to be able to offer as best a guess as we can, or else how can we make plans for the future? Yes, we can't know that, but that exercise is a crucial exercise to engage in.

Mr. Dan Ross: I'm wandering into a very classified intelligence area here, and I have to admit that I'm not specifically aware of the detailed analysis that goes on there. But there is very significant effort given to anticipating the threats from perhaps Russia or China or Korea and who they market them to around the world and what those threats would entail that you would have to be prepared to face.

Hon. Ken Dryden: But you, sir, said in your original comment how all of this is a question of risk or less risk for our children and our grandchildren. Whatever decisions we make in foreign policy, they are choices. If we don't go in this direction, we go in another.

The Chair: Thank you very much.

I will have to give the floor to Mr. Bachand.

[Translation]

You have five minutes.

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

Mr. Ross, I would like to read you an excerpt from a document that was produced by the Israeli armed forces. I will read it in English because as usual it is in English.

[English]

Lockheed Martin, meanwhile, is trying to ramp up orders for the F-35 quickly, even though the aircraft are now expected to remain in testing until 2015. A large order book would allow the firm to offer early buyers much lower prices for each plane, using dollar averaging over a substantial initial batch, instead of charging \$150 million-\$170 million for early production aircraft and \$100 million or so for the same plane 3 years later.

That's pretty interesting, isn't it? We would have a tendency to think that we might as well wait before ordering the planes.

The dynamic is standard for military aircraft of all types, but the F-35 is about 5-7 years late versus its market ideal market window. Potential customers with air fleets that are reaching their expiry date are reluctant to pay those early production costs, and if enough of them defect, the F-35 program as a whole could find itself in trouble.

[Translation]

I would like to know if you agree with what I just read. When you explain your view, could you tell us whether, at this moment, the approximate cost of the aircraft that we will be buying from Lockheed Martin is known?

[English]

Mr. Dan Ross: It's in Canada's interest that the current pricing scheme stay the way it is. If you, for example, averaged out the price now for the most efficient and least efficient and brought it all up, it would actually come up a little bit.

We don't want to pay that price. We have planned our F-18 fleet to be life expanded, to actually be at its worst fatigue life when it's cheapest to buy F-35s, during the most efficient portion of the production run.

Earlier buyers would really like us to average that price up higher, and they would pay less now—bring their price down and bring ours up, at 2016 to 2018, trying to bring it up higher. We haven't gone there because it would cost us money.

Now, the U.S. Navy and the United States Air Force will buy early. They have to. Their F-16s, F-18s, and F-15s are being retired, and they have no choice. They really do need their joint strike fighters delivered. They will pay the higher production price earlier, and they will obviously as well share the low part of the curve with us when we want to buy.

We're well aware of that issue and we're happy with where we are.

[Translation]

Mr. Claude Bachand: So you are not in a position to tell us right now that an F-35 aircraft that Canada will buy will be worth \$100 million, \$120 million or \$175 million, because if any countries withdraw, the aircraft may cost us more. So we do not have any idea, at this point, how much this aircraft will cost when we take delivery.

• (1710)

[English]

Mr. Dan Ross: Sir, we have a very good idea of the price—a very good idea—and the actuals are tracking below.... There was a very significant review done in the Pentagon by an independent budget office, and they predicted a certain cashflow as the production goes. They are actually performing below that line, and our expected price, when we buy, is between the \$70 million and \$75 million range. We hope, as the testing is finished, as the global supply chain is firmed up and becomes more and more efficient, that they will continue to beat those predictions and drive it lower.

[Translation]

Mr. Claude Bachand: Could you give us some idea of the partnerships? There are three types of partnerships: partnership No 1, where the United Kingdom is the only one; partnership No 2, which includes Italy and the Netherlands, and partnership No 3, where Canada and a few other countries sign the agreement. What does it mean to be a level 3 partner with Lockheed Martin?

[English]

Mr. Dan Ross: I can't describe it in accurate detail. I'd have to get you more information. It has no specific disadvantage for Canada. We contributed somewhat less money than the British, but, frankly, the price to our aircraft is exactly the same price that any partner will pay at the year of production. It's exactly the same price that the British would pay, and our Canadian companies have done amazingly well. So we contributed less as a tier three partner, but we're getting exactly the same, so it's worked out very well for us.

[Translation]

Mr. Claude Bachand: Point of order, Mr. Chairman. Since Mr. Ross graciously offered to give me the details of what a level 3 partnership means, would it be possible for him to table this with the clerk so that members of the committee can consult this document?

The Chair: Thank you, we will take note of that.

Mr. Dan Ross: It will be my pleasure.

The Chair: Fine, thank you.

[English]

Now we'll give the floor to Mr. Harris.

Mr. Jack Harris: Thank you, Chair.

I'd like to clarify something, Mr. Ross, because there's a lot of talk about withdrawing from the MOU. The MOU seems to have done us very well so far. Going back to 1997, we've so far spent \$168 million; we've committed to spending \$551 million over the MOU life, which I think is up in 45 years, from my reading of it. So far, for our \$168 million, we have achieved \$850 million in benefits.

That seems to be very consistent with what Mr. Williams told us of the intention of Canada's involvement in the joint strike fighter development program, even as a stand-alone operation. It was good for Canadian industry, we learned things, we got involved in the high-tech development—all of that. Mr. Williams also tells us that we don't have to withdraw from the MOU, even if we don't buy these planes. Is that not true?

Mr. Dan Ross: Sir, technically we don't have to make a decision to physically withdraw. But what we experienced over the past year...as the consortium of companies and the U.S. government were consolidating and bringing together their global supply chain to produce aircraft, Canada had not committed and the industrial opportunities for our Canadian companies virtually dried up. We had not made a commitment and we were not in the game. There were no contracts that I was aware of from late last year until the summer, where Canadian companies had new opportunities. The message clearly was that they needed to put their global supply chain together and they were going to do it with the countries that had made commitments to purchase aircraft.

Clearly, you could stay in the MOU—

Mr. Jack Harris: But isn't that contrary to the MOU, which says that all the participants are entitled to have access to the contract?

Mr. Dan Ross: The Canadian companies had done very well already—very well.

Mr. Jack Harris: Now you're saying there was an add-on to the MOU that says we won't include you in the supply chain if you don't commit to buying.

Mr. Dan Ross: There was a difference between the development portion and the long-term production portion. In the development portion, Canadian companies have done very well, but that's a different story, and clearly we got more than our share.

Mr. Jack Harris: We got five times as much as we put into it.

Mr. Dan Ross: Absolutely. We didn't get the last \$500 million until after we signed. It was \$350 million prior to making a commitment. The \$500 million—and it's increasing and will continue to accelerate upwards—occurred after making a commitment to buy, because the real opportunities are in production for the 3,000 to 5,000 aircraft.

We could have stayed in the MOU and continued to contribute small amounts of money, and it would have eventually been \$500 million over 45 years. But if you had not made the commitment to ever participate in production and acquire aircraft, the real economic opportunities for Canadian companies would have diminished and just tailed out. That's not unreasonable for our partners. They have actually bought aircraft.

• (1715)

Mr. Jack Harris: I'd also like to clarify this issue of the IRB versus the program that the MOU implies. You can't impose an IRB if you're going to buy the joint strike fighters. If you turn around and say, "We're going to stay in the MOU, have a competition, and give the contract to Lockheed Martin", you can't have IRBs.

Mr. Dan Ross: That's right.

Mr. Jack Harris: That's what section 7 is about.

Mr. Dan Ross: Exactly.

Mr. Jack Harris: But that doesn't mean you can't have a competition and say, "We have this MOU, where if we choose to participate and buy the JSF, we can do it under the MOU."

Mr. Dan Ross: Which is where we are now—

Mr. Jack Harris: Yes.

Mr. Dan Ross: —and with the opportunities for up to \$12 billion over the lives of 5,000 planes.

Mr. Jack Harris: I understand that side of it and I understand that argument. That's speculation and hope on behalf of the industry, and I'm very glad they're optimistic. But that doesn't mean you can't see what else is out there in a competitive bidding process so you can then compare.

Mr. Dan Ross: You can see what's out there, but the U.S. government would not participate in your competitive bidding process.

Mr. Jack Harris: That's fine. You don't necessarily need them to participate if you are so certain, as you seem to be today, about what your costs are, what you're getting, and what it's about.

Mr. Dan Ross: I'll go back to the first point of my opening address. When you have a competition and you only have one player, one supplier, it's not a competition. It's about the available fifth-generation fighters, and there's only one that you could actually buy. It's not a competition, and the one you have to buy already has the best price and industrial opportunities within the permitted MOU.

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

I will give the floor to Mr. Hawn.

Hon. Laurie Hawn: Thank you, Mr. Chair.

Mr. Ross, I want to go back to some things that Mr. Dryden was talking about. With your background in the military, of course, you will understand this.

We didn't invent this process of buying equipment for the long term. Governments of Canada of both stripes have been doing that forever. The process has unfolded, with whatever research was done—whether it was by intelligence agencies or whatever—and whatever DFAIT involvement there was through DND that wound up with the Canada First defence strategy. Is that a reasonable outcome?

Mr. Dan Ross: Yes, sir.

Hon. Laurie Hawn: Obviously we don't know what's going to happen in the next 40 years. If we don't equip our folks with the best equipment available today and project it against whatever we do know, we would not be responsible. Do you share that view?

Mr. Dan Ross: That's where I am. The world is an uncertain place. Perhaps in an ideal world we would have clarity, from a foreign policy point of view. I'd be delighted to have that. But if you don't have it and you have to replace your fighters because they are not going to be life-extended.... If the fatigue factor kicks in and gets to 1.0, they must be parked.

Hon. Laurie Hawn: On the bureau's perceived lack of clarity in foreign policy, this is nothing new. This didn't happen on January 23, 2006. Governments of Canada have been operating this way forever and doing the best we can, making sure, to the best of our ability, that we equip the folks with the best stuff.

I would submit that our foreign policy is laid out on military affairs, Arctic sovereignty, participation in NORAD and NATO, and participation in the United Nations. Under those agreements we have historically entered into conflicts, some of which we couldn't have predicted—Kosovo, the first Gulf War, and now Afghanistan, and so on.

So I don't think it's accurate to say there is no analysis and no foreign policy out there; that we have no idea, we're just bumbling along into the future, buying a piece of kit because it's sexy and expensive, and let's find something to do with it. I think that's a gross over-simplification of the process here.

Would you agree?

• (1720)

Mr. Dan Ross: Sir, the Canada First defence strategy does reflect the Government of Canada on both defence and foreign policy in terms of our involvement in the defence of Canada, North America, and our involvement as a G-8 partner in international operations. That is government foreign policy and defence policy. Clearly, cabinet, including the foreign minister, had a say in that.

Hon. Laurie Hawn: I would suggest to you that's been government practice, with either government, over a very long time. The eight other partners we have in the MOU and others coming on have presumably done a similar process of whatever in their own countries and have reached the same conclusion. Is there not some sort of comfort in numbers, some sort of strength in numbers, that if everybody is coming to the same conclusion, maybe it's just the right conclusion?

Mr. Dan Ross: All the partners have a different geopolitical environment. They all tend to be NATO—five of them are in Europe, and Australia, Canada, and the U.S. are not, obviously—but I think we've shared a similar apprehension about the uncertainty of the future development of weapons systems in China, Russia, and other parts of the world that are not necessarily directly the threat, but they're exportable to places and to people who are very unpredictable. It's really impossible to predict where these things would go and where you would face them, in what environment, or even when.

Is this our last manned fighter? I don't know. Clearly, people have looked hard at whether you can do it with UAVs and other things. Just airspace coordination issues today are extremely difficult to manage without a manned fighter, so I think the short answer is the nine countries are still at that common conclusion.

Hon. Laurie Hawn: I just want to thank you, Mr. Ross and Mr. Slack, and the other folks who have been part of this process for

many years, at a level of information that we don't share and can't share because we don't own that information. I think you've done an admirable job.

The big thing for me—and you've agreed—is the unpredictability of the future. If we don't equip our people with the best equipment for the next 40 years and equip our industry with the ability to compete at that level of technology that we're competing at for the next 40 years—and who knows what's coming?—then I think we would have done the country a very great disservice.

I thank you for your participation.

[Translation]

The Chair: Mr. Ross, thank you for your participation in our committee work. I also wish to thank all members of the committee.

I don't know whether members of the committee want to suspend the sittings for a few minutes and then come back briefly in camera in order to discuss future business.

[English]

Do we have an agreement to suspend for two minutes and then come back in camera for the work that we must do this week?

Some hon. members: Agreed.

[Proceedings continue in camera]

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