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Chair

The Honourable Maxime Bernier

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• (1535)

[Translation]

The Chair (Hon. Maxime Bernier (Beauce, CPC)): Good afternoon, everyone. We are now starting the 39th session of the Standing Committee on National Defence.

According to the agenda, pursuant to Standing Order 108(2), we are continuing the study on the next generation of fighter aircraft.

I thank the witnesses for being here and would like to welcome them.

Testifying today are industry representatives Mr. Gilles Labbé, who is the President and Chief Executive Officer, Corporate, of Héroux-Devtek Inc., and Mr. Maurice Guitton, who is President and Chief Executive Officer, Canadian Sales Office, of Composites Atlantic Ltd. Welcome to the committee.

[English]

And from Handling Specialty Manufacturing Limited we have Thomas Beach, president.

We will start with Mr. Labbé, from Héroux-Devtek. You have ten minutes.

I want to inform the members that Mr. Labbé will have to quit at five o'clock. If you have questions for Gilles Labbé, please ask him before five o'clock.

[Translation]

Mr. Labbé, you have 10 minutes.

Mr. Gilles Labbé (President and Chief Executive Officer, Héroux-Devtek Inc.): Thank you, Mr. Chair.

Ladies and gentlemen, I would like to thank you for inviting me to testify today. I would also like to thank you for your dedication to issues relating to national defence and the Canadian aerospace industry.

Héroux-Devtek is a public corporation founded in 1942. The company's head office is in Longueuil. We have plants in Longueuil, Laval and Saint Hubert, Quebec; Kitchener and Toronto, Ontario; Arlington, Texas, and Cincinnati, Springfield and Cleveland, Ohio. In Canada, we have over 1,000 employees working at our aerospace plants.

Héroux-Devtek is the third largest designer and manufacturer of landing gear in the world and a leader in the manufacture of commercial and military airframe components. Over 65% of our

products are exported, which makes us a global leader that can compete for and secure contracts for projects around the world.

Héroux-Devtek's growth speaks for itself. Our revenues increased from \$12 million in 1985 to over \$320 million in 2010. We are very proud of our achievements. We got there through hard work and calculated risks, but above all through the exceptional skill of our employees.

[English]

Héroux-Devtek enthusiastically supports the Government of Canada's decision to purchase the F-35 joint strike fighters. This program, based on a partnership among nine nations that originated in 1997, will give Canadian companies access to opportunities in the partners' fleet valued at up to around \$12 billion, excluding the maintenance of the aircraft.

The Government of Canada's involvement in the concept development and demonstration phases of the F-35 makes this an outstanding opportunity for the Canadian aerospace industry. Indeed, our early involvement in the development of state-of-the-art systems and components for the F-35 places our industry in a prime position to win substantial manufacturing contracts for the partner nation fleets of 3,200 aircraft and for the aircrafts sold to non-partner nations.

Note that the F-35 will likely be the replacement product for the F-18, A-10, F-15, and F-16, among other aircraft.

Canada's involvement in this program will bring value-added work to our country and generate the creation of thousands of jobs in the aerospace industry across the nation. Moreover, the large scope of this project would help us generate considerable economies of scale. Now is the time to integrate the supply chain and make the most of this extraordinary opportunity. Two years from now will be too late.

Héroux-Devtek's involvement with the joint strike fighter comprises several levels. We build components of the landing gear and aerostructure, such as the wings and the centre fuselage. The uplock system has been conceived and developed by our engineers in Longueuil, and we are proud to be one of the largest aerostructure suppliers in this program.

The contracts signed with Lockheed Martin and the other prime contractors will allow us to develop new technologies and bring our production process to the next level. This in turn will help us to remain competitive by pushing the limits of our capabilities to innovate. Moreover, this production will likely span more than 25 years, and the in-service supports will be required until 2051.

The majority of Héroux-Devtek's factories are engaged in production related to the F-35. Our participation in the joint strike fighter supply chain will help us demonstrate our capabilities across the world. We will also be in a position to leverage the technology developed and the knowledge acquired in the JSF context to other civil and military platforms. This program will therefore also have a considerable multiplier effect for a company like ours.

The choice of the F-35 Lightning II joint strike fighter to replace the CF-18s has been the focus of a lot of attention lately. I would like to outline a few points of clarification that I feel are needed in order to have an informed debate on this decision.

Firstly, Canada could not reap all the benefits of this program if it were to withdraw from the JSF partnership and choose not to purchase the F-35s. As an industry leader, I can assure you that if we don't buy the F-35 we will not get the benefits linked to industrial participation to which I was referring earlier. Those benefits, arising out of concerted and efficient efforts from government and industry over the past ten years, would go to partner nations acquiring the joint strike fighter.

Secondly, the value of the benefits received from industrial participation differ from those Canada would receive from a conventional industrial and regional benefit, or IRB. We're very pleased with the changes brought to the IRB policy by Minister Clement, but early involvement in a large program like that of the JSF is likely to bring considerably higher value-added work to Canadian companies such as Héroux-Devtek.

Moreover, only the costs related to the aircraft would generate IRBs. Those costs represent approximately \$4.8 billion, not \$9 billion, and we are in a position to bid on opportunities worth \$12 billion on the partner fleets of 3,200 aircraft, excluding the maintenance and aircraft purchased by non-partner nations.

• (1540)

Finally, as I mentioned earlier, Canadian companies only have a window of opportunity of approximately two years to integrate the F-35 supply chain. Indeed, once the high rate of production scheduled to start in 2014 begins, the suppliers, both first and second source, will have been selected, and it will be too late for Canada to return to the table. Time is of the essence.

[Translation]

To conclude, as the chairman of the Aéro Montréal board of directors, and a member of the AIAC board of directors, allow me to reiterate some facts about our aerospace industry.

Canada ranks fifth in the world in aerospace production, and Montreal is the third largest aerospace centre worldwide. The industry is present in all regions in Canada. Our capacities for engineering and production are envied the world over. Not only are our companies able to compete, but they want to compete. We have invested a great deal to be able to win these contracts. We need a climate of stability to optimize the benefits of this decision for the industry, from one end of the country to the other.

Thank you for your attention.

• (1545)

The Chair: Thank you, Mr. Labbé.

I will now give the floor to Mr. Beach.

[English]

Mr. Thomas Beach (President, Handling Specialty Manufacturing Ltd.): Thank you very much. I appreciate the opportunity to come before the committee to tell you the story that has unfolded with Handling Specialty and Lockheed Martin Aeronautics under the F-35 program.

In short, Handling Specialty is an engineering and manufacturing company. We are classified as what is called an SME—that's a small-to-medium enterprise—where our annualized revenue stream varies somewhere between \$12 million and \$17 million a year. We're located between Niagara Falls and Hamilton, Ontario, on the Niagara Peninsula.

Our story with the J-35 begins with one of the subcontracted engineering firms out of Chicago, McClier Corporation, which contacted us in 2002. McClier was under contract to develop a number of lean initiatives and processes to help Lockheed Martin reach their objectives, which was to reduce the throughput time in the manufacturing of their aircraft and reduce cost.

Handling Specialty has spent a lot of time in many different markets. In the nineties we specialized in the automotive industry, where throughput time, lean initiatives, mean time between failures, and techniques were an everyday part of our business. We demonstrated this to McClier Corporation. The aerospace industry has begun to gravitate its manufacturing processes over towards the automotive types, as there are some similarities between them as they try to keep the process lines moving on a continuous basis. This excited McClier. We spent about six months investing in specification writing, drawings, conceptualization, which stimulated the interest of Lockheed Martin.

In the year 2003 we made our first presentation to the process engineering group at Lockheed Martin in Fort Worth, Texas. We were called back immediately for a second visit, and shortly thereafter we began to make proposals in rough order of magnitude budget quoting, which led to our first contract in March 2003 for \$4 million.

Simply stated, our deliverables are what are called VWACs, vertical wing assembly cells. They are very large lifting structures that elevate tools, IT, and humans so that they may safely and efficiently work around the aircraft wing in its vertical orientation. It's a very large aircraft wing. It could be very dangerous, so the idea of keeping them very safe and having them work up and down with the wing assembly safely was paramount.

The first phase that we got involved in with Lockheed Martin was called SDD, system design and development. It's basically what we call "concurrent engineering", where you're trying to develop a process and a product simultaneously. This led to a number of change orders. Our initial purchase order of \$4 million grew to \$8 million in summer 2003. As we moved into 2004, we began to install these systems, where we put staff in residency at Lockheed Martin in Fort Worth. Little did we know they would still be there five years later. Amidst the installation, they came to us with another challenge, where they must take the wing assembly from a vertical orientation and transpose it to a horizontal orientation without damage. This is a very risky manoeuvre because of the centre of gravity in the wing—a very critical piece is the wing—and Handling Specialty was contracted to design, manufacture, and install wing assembly dollies. This led to an additional \$1.5 million worth of business for us.

In the year 2005 the J-35 design actually took a hit when they realized that they needed to take some weight out of the aircraft and yet maintain fuel capacity. They looked to the wing and they changed the profile of the wing. As a consequence, all the equipment delivered to date by Handling Specialty had to be remodified. We exercised an additional \$2.5 million worth of rework on site in order to match the profile to the new wing.

In 2006 we were invited to Rome, Italy, to participate in the global industry team forum. This is a forum attended by over 100 executives, all in the supply chain of the joint strike fighter program. As an SME, we were humbled to be sitting amidst the likes of BAE Systems, Northrop Grumman, Pratt & Whitney, and such, but it was through the relationships that we were building with Lockheed Martin that we would be invited to meetings involving people who would end up being potential customers and clients of Handling Specialty. In actual fact, Mr. Labbé is one of our target customers as a result of the joint strike fighter.

● (1550)

We were able to have meetings with Alenia Aeronautica. This is a company in Torino, Italy, that is currently set up to mirror the process lines for manufacturing wing assemblies. We have continuous communication with Ercole Strada, who is the head of military aircraft for Alenia. We are hoping to see some excellent revenue streams out of the work they're doing over the next four years as they begin to build J-35 aircraft wings.

On September 25, 2006, we had an open house at Handling Specialty, and we invited our member of Parliament, Dean Allison. We invited our supply chain. This was attended by the head of the joint strike fighter program, a gentleman named Tom Burbage. I'm sure you're familiar with Tom. This is a special individual, who took the time to come visit with us and to shake the hands of every one of the 22 suppliers in our supply chain.

What I really appreciated was that Tom went to every one of the suppliers to pay his respects to them for what they've done. Handling Specialty is the prime contractor, but there are many Canadians and many small businesses similar to mine that are part of this program, that have relied on this program for many years, and that continue to look to us as a means of revenue income and sustainability.

In 2007 we received our second mass order for \$10 million—more vertical wing assembly cells, as they began to head towards LRIP,

low rate initial production. We installed through 2007, and in 2008 we were once again called upon to view a special application to insert workers into a dangerous void in the fuselage. They had a product made by a United States vendor that was unacceptable. Handling Specialty was doing engineering, manufacturing, and installation.

We've developed a nice relationship and a reputation for being the go-to people for custom-engineered solutions. We are small and flexible, and we are able to change direction when our customers find themselves challenged by some part of a mass manufacturing operation.

In 2009 the highest rate of production went to static platforms, overhead conveyor systems, which required ancillary support and lifting equipment. Handling Specialty was awarded over \$750,000 in contracts as a subcontractor to OEM accounts, which took the prime contract with Lockheed Martin.

What is interesting about this is that the folks we're working with are from Michigan, and they're people who we dealt with through the nineties in the automotive industry. Thus, a group of material-handling and solution-based companies come together to create good solutions.

Dürr Automation is the company of choice that produced these overhead conveyor systems, and we are currently under contract with them in many other avenues.

I was fortunate to attend the True Patriot Love Foundation dinner three weeks ago with Steve O'Brien. He's the heir-apparent to Tom Burbage. Steve offered to provide us with any contacts we need in Alenia, in Torino, as we begin to build relationships over there.

In closing, I want to express how proud and how grateful we are to the joint strike fighter program. It has taken my small business and made us bigger and stronger. We are participating in programs with Goodrich Landing Gear, Pratt & Whitney aircraft, and with Rolls-Royce aircraft. The introductions that have been made were all courtesy of Tom Burbage and his team from Lockheed Martin. I don't believe my team would have been able to penetrate the aerospace defence industry without this relationship and without this program. As a matter of fact, I'm almost positive of that.

I have only a few numbers, but they are meaningful. In the seven years that we've been working with the joint strike fighter program, our total company revenues were \$67.7 million. The revenue to the F-35/J-35 program is \$23.4 million. This represents 35% of our revenue stream over the past six years. In 2004 and 2006 it represented 70% and 80% of our revenue stream, respectively. Those are large numbers.

•(1555)

To close, the manufacturing hours that we exhausted during our entire work with the J-35 amounted to 48,307 labour hours. To simplify that, it represents 23 man-years. For a small business like Handling Specialty Manufacturing, this is an enormous contribution.

Our future with Lockheed Martin is very strong. I speak with executive people at Lockheed Martin monthly about upcoming programs. We have proposals on the table right now with Lockheed Martin, and we are a very large supporter, an honest and genuine supporter, of the joint strike fighter.

Thank you for having me.

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

[Translation]

I will now give the floor to Mr. Guitton.

You have 10 minutes.

Mr. Maurice Guitton (President and Chief Executive Officer, Canadian Sales Office, Composites Atlantic Limited): Thank you.

Mr. Chair,

[English]

ladies and gentlemen, I am pleased to be here today to participate with the Standing Committee on National Defence and to make a presentation on behalf of Composites Atlantic Limited.

Composites Atlantic Limited was established in Lunenburg, Nova Scotia, in 1987 to supply launching canisters to the ADATS program, the air defense anti-tank system contract. The company was created with the support of ACOA and the Province of Nova Scotia.

The company is owned by Sogerma, EADS Group, and the Province of Nova Scotia today, 50% each. It does state-of-the-art manufacturing of advanced composites. We address the world market and we're involved with all the OEMs of this world: Airbus, Augusta Westland, ATR, Boeing, Bombardier, de Havilland, Embraer, Lockheed Martin, Northrop Grumman, Dassault Falcon, Learjet, Cessna, MDA and the Canadian Space Agency, Short Brothers, and many small companies as well.

The company was started from ground zero. The building was erected in 12 months in 1988, manufacturing started in 1989, and the first parts were delivered at the end of the year. Since then the company has continued to grow and create both direct and many indirect jobs in the community. We are presently certified to the highest standard to manufacture advanced composites for defence, aeronautic, and commercial products. As a matter of fact, we are the largest company to produce advanced composites outside of the OEMs. In Canada we are the largest manufacturer.

We have offices in Kent, Washington, to address our customer Boeing and the west coast market. We have an office in Mirabel, Quebec, for engineering expertise and design and manufacturing of fibre placement parts in collaboration with the National Research Council. We also have representatives in Wichita, Kansas, and São Paulo, Brazil, and of course with Airbus and the people in Europe, in France and Germany.

The main plant is located in Lunenburg, Nova Scotia. We produce complex geometric parts using 24 different technologies under the same roof, giving great potential in the market to develop and produce better engineering products with better added value.

From our plant located in Lunenburg we have developed local suppliers: carpentry work for containers going worldwide to ship our products; transportation to go anywhere in North America, based in Lunenburg, Nova Scotia; a mechanical and machining company; sheet metal work; computer suppliers and software. For the past 20 years, over 100 indirect jobs are continuing to serve Composites Atlantic on a daily basis.

Today, Composites Atlantic employs 250 people with an annual revenue of C\$42 million. Before the worldwide economic collapse we were close to 500 employees, with annual revenues of \$50 million-plus. With the joint strike fighter and the Boeing 787, we will ramp up over 700 jobs over the next three to four years.

Concerning the joint strike fighter program, Composites Atlantic has been able to participate as a result of the government's long-term planning in the joint strike fighter F-35 program. This year, in 2010, we created ten jobs for the joint strike fighter for Northrop Grumman, for the U.S. portion of the contract. We are very pleased to start producing joint strike fighter advanced composite parts.

In the next ten years, if we had all the present orders we have and the next orders we are preparing our organization for, we would create 100 jobs in Nova Scotia, which would represent \$71 million for the next ten years. In the next ten years after that, we will maintain those 100 jobs and will have a total of \$167 million in contracts.

•(1600)

This will represent for the Lunenburg area, which is a small locality in Nova Scotia, over 1,600 jobs for the next 20 years.

We are supporting the program, which will bring added value to our company as well as advanced technology—as you all know, the joint strike fighter is definitely an advanced product—and long-term employment stability in a rural area to those who need more work to stay close to their families.

If it is possible, I would like to make a suggestion to this committee. If it is feasible for you, I will recommend that you come to visit us in Nova Scotia, and we will show you the chain of suppliers we have established in the Atlantic region—we would like very much to do that—including a training program which we have developed as well, from Lunenburg, from Composites Atlantic. This training program for composite technicians is being taught on a daily basis in the community to develop our business in the future and also our local suppliers.

I give my thanks to this committee for giving me the opportunity to be here today on behalf of my company and my staff to present our future with the joint strike fighter.

Thank you very much.

[*Translation*]

The Chair: Before we go on, I would like to say something.

[*English*]

I want to inform the members that at 5:05 we'll stop the questions to have a little discussion about our meeting for next Tuesday, if all agree with that.

Is that agreed? Okay.

I'll give the floor to Mr. Bryon Wilfert from the *Parti libéral du Canada*.

Hon. Bryon Wilfert (Richmond Hill, Lib.): Thank you, Mr. Chairman. I appreciate going first.

I want first of all to congratulate these gentlemen. You are clearly a Canadian success story, and certainly as far as the official opposition is concerned we want to indicate that you can compete with the best in the world. We know that and we are very supportive of the work you do.

Mr. Guitton, you come from Lunenburg. You probably know a good friend of mine, Laurence Mawhinney.

Mr. Maurice Guitton: Yes.

Hon. Bryon Wilfert: When you see Laurence, certainly say hello from me. He was an outstanding mayor for many years, and he put Lunenburg on the map.

Mr. Maurice Guitton: Thank you, and I will.

Hon. Bryon Wilfert: As far as this issue is concerned, we have a concern with regard to the procurement process. We have no issue with regard to whether or not Canadian companies can compete. The government approach has been unusual, and we have consistently indicated that we want a fair, open, and transparent process. The issue has nothing to do with whether you can compete or not; we know that you can. You've already demonstrated in your comments today, gentlemen, that you in fact have been able to. I take your points about some of the companies you were with when you were overseas.

This is a general question, Mr. Chairman.

Has your company received any contracts or bid opportunities to date that are part of a standard industrial regional benefit program, wherein a 100% return is guaranteed to Canadian industry? And in your opinion, has your own organization and Canadian industry as a whole been well served to date by the current policy that IRBs be a requirement of government procurement?

This is to any of the gentlemen.

• (1605)

Mr. Gilles Labbé: If I may, I'll take this question.

In part of my speech I spoke about the IRB versus the way the F-35 has been structured. The way the IRB works, we can have 100% of the value of the contract. From what I understand, Canada will buy 65 airplanes, and the approximate cost of these airplanes is around \$4.8 billion. So Canada will be entitled to get \$4.8 billion of IRBs.

In the case of the JSF program, we have a chance here. It's a very rare moment to be able to join right at the beginning of a very large defence program. According to aerospace worldwide sources, this is the largest defence program for the next 25 years, and Canada has been able to join the program right away. Instead of building components or repairing components for 65 airplanes, here we have a chance, because we're competitive, to design and build products and service products not only for 65 airplanes but for a potential of more than 3,000 airplanes.

That's why I'm saying that while there is a potential for us in Canada to win approximately \$12 billion of contracts for the Canadian aerospace industry, it's not guaranteed. But I'm confident that my company and many other Canadian companies can really demonstrate and win more business than for only 65 airplanes. That is, I think, the difference here.

Mr. Thomas Beach: The short answer to your question is yes, our business has participated in numerous contractual bids that are directly related to the 100% IRB contractual condition.

To elaborate on that, in actual fact it's one of our strongest initiatives at Handling Speciality. We don't build product that goes on an aircraft; we build big things that help people build big things. What is interesting and is a little bit different from what Mr. Labbé speaks to is that we really count on this program to learn of upcoming projects and potential revenue streams for our company, through Industry Canada and the people who are taking care of these IRB contracts. These are people we visit with every time we come to Ottawa.

This morning I was with Boeing. We've just recently put \$1 million in Boeing in Everett, Washington, directly related to the IRB program. We lost two bids last year: one to Boeing Philadelphia—military—for the helicopter or rotary aircraft; and one at Lockheed Martin aeronautics. We have two more proposals, very similar, coming up in 2011, all of them founded on this program of the 100% IRB condition.

So my short answer, sir, is yes, we have been well served to date. I believe we will continue to be so, and I think it's an outstanding condition.

Hon. Bryon Wilfert: I understand that even though there's no provision for delivery of IRBs in this particular procurement, I may take from your answer that obviously the current agreement with the JSF doesn't concern you and that even though the benefits would have a much lower risk if a 20-year IRB program were 100% guaranteed, you all believe you can compete regardless and that you would still come out ahead at the end.

Would that be a fair statement?

Mr. Thomas Beach: I believe that's a fair statement.

Hon. Bryon Wilfert: What is the value of the current Canadian supplier-contracted production work resulting from the JSF selection? What production quantities do your contracts guarantee, if any? For example, how many chip sets, for what model of JSF aircraft, what would be the timeframe, and has Lockheed Martin discussed the implications for you for this work if the F-35 acquisition members continue to decrease in number, as we are seeing currently?

•(1610)

Mr. Gilles Labbé: Will you take this one, or...?

Mr. Maurice Guitton: Well, I'd like to take this one, but I'd like to go back a little bit on IRBs.

In the past, for many years, IRBs were attached to a program. We understand how the system has worked in the past. Today, the world is changing. There used to be IRBs also in commercial aircraft, but today it's a worldwide competition.

What I would like to say to this committee is that IRBs and commitment to a company are very nice, but you have too many examples in which in the past some companies had a contract with an IRB, and after the IRB was finished many companies went bankrupt.

The opportunity we have today, with no IRB really attached to the contract, is.... As Gilles has mentioned, many times in the past it was built to prints.

Do you understand my words, what "built to prints" means?

Hon. Bryon Wilfert: Yes.

Mr. Maurice Guitton: You receive a package and you build exactly to specs and prints.

Well, today we have the opportunity, with our technology, our know-how, our intelligence, to be creative. We can do things; we can develop new ideas. As you said and as you know, today you have to be the best to win; there's no question.

There used to be a time, when there were IRBs, that you had five or six people bidding on the program in the country, and you would know one of them, and two of the guys would share the business. Today when you own those businesses, especially now that there are 15 countries bidding on this program, you're going to have hundreds of people in competition.

So you are the best, you are healthier, your idea passes, you can control your technology, and you move on.

Don't think there's a difference between defence and commercial. When Airbus or Boeing today are selling aircraft in a country somewhere, you have to be the best. Whether it is in Asia or in the United States or in Canada, you have to be the best. I want to make sure the committee understands that.

Hon. Bryon Wilfert: Thank you very much.

I want to thank you, Mr. Chairman, for your latitude on this.

The Chair: Thank you very much.

[Translation]

Thank you, Mr. Guitton.

I will now give the floor to Mr. Bachand.

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

I would like to welcome the representatives of these very dynamic companies. I have visited Composites Atlantic Ltd. The president, who is with us today, told me that some succulent lobsters awaited me.

Mr. Maurice Guitton: The invitation is open to everyone.

[English]

We will make sure you have a nice meal when you visit us.

[Translation]

Mr. Claude Bachand: We are going to try to visit you.

Mr. Labbé, I understand that you have facilities in Texas, Springfield, Cleveland and Cincinnati. I am a little concerned about the Canadian content and the jobs that will be created in Canada. With the contracts you sign with Lockheed Martin, is there a risk that some of your production will be done in the United States, at one of the sites you just mentioned?

Mr. Gilles Labbé: It is true that we are working on the JSF in the United States, but we are also working on it here. As for our Canadian content and the value of contracts signed by Canadian plants, it is important to understand that we designed and developed the systems. For example, the uplocks, which are latching devices for airplanes, were designed by engineers in Longueuil. So the intellectual property for these products belongs to us. We intend to build these systems in Canada. Actually, we plan to manufacture them in Quebec.

We work by centre of excellence. We have plants in a number of regions in Canada. We also have some in Texas. Each of these plants is a centre of excellence. They specialize in very specific products. Since we are the third largest in the world in the landing gear industry, we plan to manufacture the parts in Canada and Quebec.

However, the situation is very different when it comes to the framework. Mr. Beach spoke earlier about airplane wings. We manufacture the largest parts of the wing. We obtained these contracts before we even acquired a company in Texas, which happened in 2004. That company already had contracts for manufacturing huge pieces of framework. We are using this company now for the JSF. Based on the value of the contracts and considering that more than 3,000 airplanes will be built, we expect 2,500 jobs to be created and maintained over 20 years, so about 125 jobs a year. Right now, we are talking with Lockheed Martin and with partners in the program to double this number of jobs.

As I said earlier—

•(1615)

[English]

now is the time, because at this point, the program is still in a low rate of production. We are building components for around 30 airplanes per year as we speak. But we know the program will ramp up. At that point, this program will be for 200 aircraft a year. There's still time for people like us to join the program as a second source. If we wait until this program will ramp up to 160, 170, or 200 aircraft a year, it will be too late, because the selection of the second source is happening now. After that, it's going to be too late.

[Translation]

Mr. Claude Bachand: Okay, but I have to be concerned. I know that you might not have the time to answer this question. Earlier, I gave you a document from the White House. The American president set up a commission to look into decreasing the deficit. The F-35s were affected right off the bat. You already know that the F-35 program for the marines will probably be cancelled. The plan is to cut the production of F-35s for the American air force and navy by half.

So, this week, I put a question to people in Washington. It is important to specify that nine other nations signed an MOU. I wanted to know what consequences this would have on our production. The Bloc Québécois knows that you have the best suspenders in the world, but it would like you to have the best belt in the world as well, so that a good part of the money invested by Canada would come back to us. But the industrial and regional benefits have supposedly not been accepted as part of the MOU.

I am bringing this problem to your attention. I would like you to look into it with your financial experts and let us know what it involves. If the Americans don't take the first airplanes off the assembly line because the cost is prohibitive, it will certainly have a negative impact over the years. As you know, ours are supposed to be delivered in 2016.

I know that my time is running out, but I would like you to send me the answer when you can.

Mr. Gilles Labbé: Okay.

The Chair: You still have another minute.

Mr. Claude Bachand: Would you like to give a brief answer?

Mr. Gilles Labbé: Actually, this is an American debate. It is difficult to know how much the United States' deficit will affect the program.

Mr. Claude Bachand: No. It says here that there are 300—

Mr. Gilles Labbé: Discussions are still under way. No decision has been made.

Mr. Claude Bachand: Yes, yes. It isn't definite, and that's why we need to follow it closely.

Mr. Gilles Labbé: We are going to. I think that this will be a very important program. It could be more important or less important; we don't know.

The idea is this: what we manufacture or what Mr. Guitton manufactures, in terms of production, will represent 100% of what Lockheed Martin will need. What is manufactured will be intended for Canadian, Italian, British or American airplanes. If the demand involves 5,000 aircraft, we will manufacture each product 5,000 times. The same principle will apply if there are 3,000 aircraft. It will vary based on the demand for aircraft.

The Chair: Thank you, Mr. Labbé.

I will now give the floor to Mr. Harris.

[English]

Mr. Jack Harris (St. John's East, NDP): Thank you, Chair.

Thank you, gentlemen, for sharing your very remarkable stories of the success of your companies. I've got to say that I'm very impressed with your ability to make the business contacts and get the confidence of industry.

Mr. Guitton, you listed a whole series of well-known international aviation companies with whom you do business.

Mr. Beach, you clearly have demonstrated an ability to provide a very specialized type of service, which is obviously in great demand, as you say, both in the automotive business and in any kind of manufacturing project.

I understand why you like this concept, the availability of bidding on business. I'm just wondering when you reached the conclusion that this would not be possible without Canada buying F-35 jets.

On May 27 we had the commitment from the Minister of National Defence that there would be an open bidding process, and I have to say I was expecting that. It was said that regardless of Canada's participation in the JSF project we would have this competition. Then we heard nothing. We didn't hear you folks complain about it. We didn't hear any discussion about it. The next thing we heard, six weeks later, was an announcement by the government that they were committed to buying the joint strike fighter without a competition.

I'm wondering where this \$12 billion came from. Is that your figure, or is it the figure the government gave you? When did this come about? I didn't hear anything about that between May and the middle of July.

We've had your industry come before us in the past talking about the importance of industrial regional benefits and all of that, and I'm wondering, in all of your cases.... I mean, I hear Mr. Beach talking about the fabulous relationship you have with Lockheed Martin and how much they respect your ability to solve their problem. Lots of software manufacturers say they are in the business of "solutions", and it seems to me you've provided a lot of solutions for Lockheed Martin. Why wouldn't they continue to use your services for this program, whether Canada is buying all of their jets from them or not?

You can all answer that question; I'm interested in anybody joining into that. I'm focusing on you, Mr. Beach, because you talked about how you earned that relationship and how you felt you were respected by them. You obviously are providing a valuable service to them.

• (1620)

Mr. Thomas Beach: I think I can speak to that. I really respect the question very much.

The unusual part of our story is that we gave birth to the joint strike fighter relationship in 2002-2003 out of our own sales and marketing initiatives. Then the J-35 arrived for us and became a very dominant part of our revenue stream. But when we look out from this point forward, our successes are done. We're grateful. Our revenues have been realized, and relationships are built. But it's the platform of the JSF that has allowed us, and will continue to allow us, to obtain additional business in the future and keep us healthy and sustainable.

As a business person, I'd like to think that, yes, they would come back to us as an engineering company that they respect, and that they would look to us for custom solutions. We will take the relationships that we have in Fort Worth, and we will try to bridge those into other operations with Lockheed Martin. That's business. That's what we're here to do. We must also strengthen ourselves to be sustainable through difficult times and to give diversification to our throughput, and that's important.

The J-35 is not dead for us. We are at a point that before it goes to high-rate production, and before the Europeans begin to build up, these will all be platforms that we will be quoting. So I look at the JSF, quite frankly, as a very vertical situation that we are involved in right now with Lockheed Martin. But I can assure you that we are working on other programs with Lockheed Martin. We are working on other programs with Pratt & Whitney.

When we were awarded a multi-million-dollar modern aircraft engine test cell by Pratt & Whitney recently in Mirabel—it's currently under construction, and we're installing equipment as we speak, and I have men there—one of the most influential and tactical manoeuvres that we made was to broker conversations and introductions between joint strike fighter staff and the Pratt & Whitney staff. So although that doesn't speak to revenues directly for IRBs on JSF, I think it's worth noting.

I hope I've given some value to your question.

● (1625)

Mr. Maurice Guitton: I agree with what Tom is saying. As you also understand, because companies like Lockheed Martin or Boeing—those big guys—are big, they have an inertia when developing or building things. They are very lucky sometimes to have companies like us in Canada who have niche markets. Don't forget, we have a lot of engineering competence and people who have been working since de Havilland and the Arrow aircraft. There is know-how; there is spirit among us. We have, I will say, the faith and the desire to capture, to be the best, to be creative, and to be part of those new products.

We all have many irons in the fire, and we have to be as fast as we can in the new programs. We are working on programs that will probably start 30 years from now, but we are there. For example, Composites Atlantic is trying to work—and I'm sure my friend Gilles is working on this—on a new robot that's going to go to Mars. To do something like that, it takes so long. Composites Atlantic, I can say, is the largest producer in the world of helium tanks for space, to launch a satellite, to launch a space shuttle, to launch all kinds of vehicles. It takes 20 years to develop a pressure helium tank.

So we are, as Mr. Beach said, always looking ahead, and we always have to be prepared to support America. As you know, when you talk about one in Canada, it's ten in the United States, and it's ten in Europe. So we are the lucky guys who are here between the United States and Europe, and we win because of the niches.

The Chair: Thank you.

Mr. Gilles Labbé: Maurice is talking about markets. We were the first on the moon. We built the landing gear for the lunar model back in 1961.

The Chair: I have to give the floor to Mr. Braid.

Mr. Braid, thank you. You have the floor.

Mr. Peter Braid (Kitchener—Waterloo, CPC): It sounds as though perhaps we need Mr. Garneau here.

Voices: Oh, oh!

Mr. Peter Braid: Thank you very much, Mr. Chair. Even though I don't get the same fanfare with my introduction as Mr. Wilfert does, I still do appreciate the opportunity.

Thank you very much to all of our witnesses for being here today.

Monsieur Labbé, I wanted to start with a series of questions for you, if I could. Of course my riding is Kitchener—Waterloo, and just outside my riding in Kitchener there's an important Héroux-Devtek plant, which I visited, so I sincerely welcome you.

Mr. Labbé, how long has Héroux-Devtek been involved in the F-35 program?

Mr. Gilles Labbé: That's a good question. We had a very early start on the program. I think we were trying to move on this program from 2001, when we started initial discussions with Lockheed Martin to participate.

Mr. Peter Braid: Very good. And what set of circumstances created that opportunity in 2001 to get involved with the program?

Mr. Gilles Labbé: As you know, Canada by that time had made the decision to invest in the program. A company like ours has capabilities like Maurice's and Tom's businesses and many others in Canada. But we are one of the largest suppliers of aerospace products and we do more than 50% of our total volume on the defence side. So we have capabilities. We also have a special relationship with Lockheed Martin: for the last ten years we have been building the landing gear for the C-130 J. We have been building them not only for Canada but the world.

Mr. Peter Braid: Was that a good decision in 2001 for Canada to get involved in the JSF program?

Mr. Gilles Labbé: Excellent.

Mr. Peter Braid: I thought that was what your answer would be.

How many jobs are there with Héroux-Devtek in Canada?

● (1630)

Mr. Gilles Labbé: As I said earlier, we estimate at this point that over 20 years this will create and sustain around 2,500 jobs. We have proposals in now such that we believe if we do get this work we could double that.

Mr. Peter Braid: How many employees are there today in Canada at Héroux-Devtek?

Mr. Gilles Labbé: Probably around 40.

Mr. Peter Braid: There are 40 involved in the JSF program?

Mr. Gilles Labbé: Yes, today. That 2,500 would mean about 125 of our employees per year. So today it's around 40.

Mr. Peter Braid: Okay.

What would be the impact on Héroux-Devtek if Canada did not have the opportunity to participate in this program and we withdrew from the MOU, delayed this decision?

Mr. Gilles Labbé: The consequences are that other countries that are part of the team, the other nations that have joined, will get our work. Today and every day we're fighting against the Italians, the Turks, and the Dutch. Every country is trying to get a piece of this action.

Mr. Peter Braid: A Canadian sustainment conference is going on right now in Fort Worth. Two of our ministers are there, Minister Clement and Minister MacKay. I think there are also representatives from 61 Canadian companies, if I'm correct.

Mr. Gilles Labbé: We have people there too.

Mr. Peter Braid: Is there a representative from Héroux-Devtek?

Mr. Gilles Labbé: Sure.

Mr. Peter Braid: Could you describe the value for Héroux-Devtek of participating in that sustainment conference and why you're there?

Mr. Gilles Labbé: We are preparing for the future because sustainment comes after. We are Canada's source of excellence to repair the landing gear of all the airplanes. We repair the C-130J, the P-3 helicopters. We are well known for our service business. So for us it's very important. Eventually we want to get on the sustainment and repair side, the after-market business of the F-35.

Mr. Peter Braid: How would you describe Lockheed Martin as a partner?

Mr. Gilles Labbé: A very good partner to us. We are in a great relationship and we certainly want to continue that. We have great relationships with other customers too.

[Translation]

The Chair: You have 30 seconds left.

[English]

Mr. Peter Braid: The other day we had Saab and Eurofighter and Alenia here, and they were all telling us their planes could do the job. Do you work with any of those companies?

Mr. Gilles Labbé: We work a little bit with Alenia. The work we have from Alenia is related to the joint strike fighter.

Mr. Peter Braid: That's interesting. Is it fair to say that you have significantly more work with Lockheed Martin than you do with any of those European-based producers?

Mr. Gilles Labbé: Sure.

Mr. Peter Braid: You're also involved in the aerospace industry in the greater Montreal area. Could you describe the difference between the level of integration between the Canadian aerospace industry and North American-based producers of aircraft versus the Canadian aerospace industry and European-based producers?

Mr. Gilles Labbé: Canada is part of the DPSA, the Defence Production Sharing Agreement. We are considered a domestic source in the U.S. As you know, my company and many others in Canada

and Quebec—Northrop Grumman and Lockheed Martin—do quite a bit of work for the U.S. Department of Defense. There are very close ties between the Canadian defence industry and the U.S. defence industry because of the treaties that were put in place by Canada and the U.S.

Mr. Peter Braid: They're significantly closer than with Europe.

Mr. Gilles Labbé: Of course.

Mr. Peter Braid: In your presentation you mentioned that the JSF program will give your company and other Canadian companies the opportunity to leverage technology. Could you elaborate on that and provide an example?

Mr. Gilles Labbé: We designed the uplock systems, for example. They are very sophisticated. We can eventually apply this design to other airplanes that will need this type of technology.

• (1635)

[Translation]

Mr. Peter Braid: Thank you very much.

[English]

The Chair: Now I will give the floor to Mr. Boughen.

Mr. Ray Boughen (Palliser, CPC): Thank you, Chair

To the panel, thanks for coming to share time with us this afternoon.

You were quoted in the *Montreal Gazette* in an article titled “Hmm. Ignatieff's stance on F-35 program downright puzzling”, on September 20, 2010, as saying:

We believe we can get more benefits for Canada than a regular (offset) program because we're competitive.

Can you elaborate on that statement a little for the committee?

Mr. Gilles Labbé: We have the chance here to join a program that will include more than 3,000 airplanes. So we can build products for 3,000 airplanes. As a regular IRB, if we buy 65 airplanes our offset obligation will normally be that we will get work for 65 airplanes.

We are a competitive company, and I think we've proved that. We're number three in the world in our business. When I started we were nobody. We were doing \$12 million a year, and this year it will be over \$350 million. I think we are competitive. We can compete. We've proved that in the past. I'm not afraid of getting our fair share on this F-35 business.

Mr. Maurice Guitton: There's a change in practice happening in Canada. For many years, many in industry were dealing with partners in the United States, but we have also learned to protect our technology with patents. I'm sure my friend Gilles and I have many patents that will protect us worldwide for the next 21 years. They are on many new products used in the joint strike fighter. It is also very important to know that Canada is starting to remain competitive—to protect its IP to produce new products.

Mr. Ray Boughen: In that same article they quoted Mr. Ignatieff that “The window of opportunity is right now. It's not in two or three years from now.”

Can you help us understand that?

Mr. Gilles Labbé: As I said, the program is still at a very low rate of production. We're building around 30 aircraft a year. At some point this program will ramp up to more than 200 airplanes a year. So there's still time now to join the supply chain to become a second source, or even replace certain suppliers that are not performing. I think there's still time to get some additional work.

I can show you an article that the Dutch, the Italians, and the Turks are really trying everything they can to get their share. We have to do the same now.

Mr. Ray Boughen: Thank you. I agree with you. I am certainly not at odds with what you're saying.

Can you share with us what the consequences would be to your company and the Canadian aerospace industry if we delayed the purchase of the F-35s?

Mr. Maurice Guitton: The world economy today is not very good on the commercial side. We are happy to see that there are some strong and good defence contracts, in particular for the joint strike fighter. Any delay will put each company in more difficulty than we are in today.

Mr. Ray Boughen: I understand.

Thank you, Chair.

The Chair: Thank you very much.

Now I will give the floor to Monsieur Bachand.

[*Translation*]

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

Good afternoon, Mr. Guitton.

Mr. Maurice Guitton: Good afternoon, Mr. Bachand.

Mr. Claude Bachand: This isn't a trick question. You're a friend. My family came from France, so you are one of my friends.

When I think about Composites Atlantic Ltd., I think about EADS. Am I correct in doing so?

Mr. Maurice Guitton: No.

Mr. Claude Bachand: Your company isn't an EADS affiliate?

Mr. Maurice Guitton: Our company is an EADS affiliate, but through Sogerma, another division of EADS. So there is no direct connection with the company.

Mr. Claude Bachand: That's fine.

Mr. Maurice Guitton: The big company is at the top, but then there is another group, and we are under them.

• (1640)

Mr. Claude Bachand: So you aren't betraying your family by supporting Eurofighter.

Mr. Maurice Guitton: No, Composites Atlantic Ltd. is certainly not going to give orders or make recommendations to EADS. At the same time, EADS is not going to make recommendations to

Composites Atlantic Ltd. about choosing contracts. As a company, we are entirely free to present our budgets and choose our contracts. It's normal. It's public information.

Mr. Gilles Labbé: Think about the work you're doing for Boeing.

Mr. Maurice Guitton: The proof, and I was just coming back to this, is that we work for all manufacturers of original equipment worldwide. EADS does not impose any restrictions on us.

[*English*]

Business is business.

[*Translation*]

Mr. Claude Bachand: Did you go to Fort Worth this week?

Mr. Maurice Guitton: No, I didn't go this week. They do repair and overhaul.

Mr. Claude Bachand: Mr. Labbé, did you go there?

Mr. Gilles Labbé: Yes, we have two people there.

Mr. Claude Bachand: Mr. Beach, did you go there?

[*English*]

Mr. Thomas Beach: No, I came to Ottawa.

[*Translation*]

Mr. Gilles Labbé: I go to Fort Worth almost every month.

Mr. Claude Bachand: As for the numbers that I gave earlier, were you briefed there on the current cost of the aircraft and on the dangers I spoke about relating to the commission looking at decreasing the deficit? Did you just visit the assembly line, or were you told about the progress on the project for these aircraft and on the financing package?

Mr. Gilles Labbé: Meetings are held regularly. The suppliers are invited to take part in meetings with Lockheed Martin. They inform us of the status of the programs. Obviously, we move in those circles. What you have just shown me is not really a surprise. We are aware of this and are following it very closely. The program is a very big one for us. We are following it very closely to make sure we keep our market shares.

Mr. Claude Bachand: I'll now come back to industrial and regional benefits. Do you object to the fact that the Bloc Québécois is requesting that there be minimum guarantees of industrial and regional benefits?

I really want the government to say that the memorandum of understanding does not provide for that, but it doesn't do you any harm that the Bloc Québécois is telling the Minister of National Defence that we want minimum guarantees.

If I think about your reasoning, you are saying that you are part of the elite group of the global aerospace industry. You will get contracts, and you are so confident that you're saying that you don't need industrial and regional benefits. Still, I imagine that you are not offended that pressure is being put on the Minister of Industry and that a minimum is being requested. Do I understand this correctly?

Mr. Gilles Labbé: The Quebec region, and the Montreal region, make up more than 50% of the industry. It's also a very competitive industry. Since Quebec is competitive, it is going to win its fair share of contracts. In my opinion, we also need to understand that some major contractors in Quebec, such as Bell Helicopter, represent a large part of the market. But Bell Helicopter doesn't build fighter aircraft. With that in mind, we need to adjust the percentages.

As you know, I am president of the Aéro Montréal board of directors. I am convinced that our industry in Quebec will be able to get its fair share of the contracts.

Mr. Claude Bachand: How many industries in Quebec do you think could take part in the F-35 project?

Mr. Gilles Labbé: I know of several. CMC is there. Our company is there.

Mr. Claude Bachand: There's also CAE.

Mr. Gilles Labbé: CAE, Pratt & Whitney, we could go on. There are a number of them in Quebec. I don't think that I can list all of them for you today.

Mr. Maurice Guitton: There are level 1 companies, like Pratt & Whitney. Your company is also a level 1 company. After that, there are levels 2, 3 and 4.

Mr. Claude Bachand: That's right; so there are a lot of companies.

Mr. Gilles Labbé: There are suppliers, too.

The Chair: Yes, all those companies are in the Montreal aerospace sector. How fortunate they're in your neck of the woods.

Mr. Claude Bachand: That's right.

The Chair: I give the floor to Mr. Payne.

[English]

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Mr. Chairman, and thank you to the witnesses for coming today.

I know it's an important time for your organizations, particularly with the joint strike fighter, and what it means in terms of business for Canadian companies, for employees, and the opportunity to certainly get the new technology and participate in this joint strike fighter program. As you said, your industries can compete and have competed worldwide.

There are a few questions in terms of general information that I'd like to find out from you folks. All of you can take an opportunity to answer this.

I did hear about some subcontractors that potentially your organizations work for. I think, Mr. Beach, you said there were something like 22 companies. I don't know how many employees that is, but what would happen if in fact we cancelled the joint strike fighter in terms of those kinds of contracts?

I'd also like to find out from Monsieur Labbé and Monsieur Guitton, what is the number of subcontractors that you have and the impact of the loss of a contract?

• (1645)

Mr. Thomas Beach: I can speak first.

The supply chain on the joint strike fighter was extensive. The area we are in, in Grimsby and around the Great Lakes, has been very well known for the automotive industry and the supply chain to feed that industry. It has been damaged significantly by the impact of the losses to the auto industry and a lot of these firms have tried to diversify. We did this back in the early 2000s. I'm very thankful that we took those initiatives to go in different directions and to diversify. About 90% of our throughput in the nineties was automotive and today it's less than 10%.

Those supply chain people were highly reliant on the automotive industry and on Handling Specialty for the primary contracts we would produce—large assembly lines and marriage lines for the automotive. When we were able to obtain these large contracts to take the place of those automotives that had gone away, we provided survival to a lot of supply chains. They are very dedicated to us.

They're also the supply chains we're using today for their intellectual property to come to us with ideas and programs that make us more competitive. In this day and age it's not about just you and your intellectual property, it's about one plus one equals three. Our ability to look to our supply chain and come together with ideas and innovation makes us more competitive on a global platform. So at Handling Specialty we care very much about our employees, but we spend a lot of time and energy with our supply chain.

It was very important to us that Tom Burbage took the time to shake hands with each and every one of them during our joint strike fighter special day. It really does speak to what the joint strike fighter can do.

There are three principals sitting here before you, but there is a large level of supply chain. I can tell you that when we ramp up for major projects, it's difficult for small business to go out and surge their payroll that quickly, so we subcontract work. Although we may have doubled our capacity in terms of manpower, we did go to the supply chain. We bring in contractors and people who know us. That sponsors good economic stability.

I hope I helped you with that answer.

Mr. LaVar Payne: Yes, thank you.

Monsieur Guitton.

Mr. Maurice Guitton: For us, as you know, we are smaller in Nova Scotia, but it will affect some of our supply chain. Probably 20% will be affected if the program does not go.

There is another thing, which has not been mentioned tonight, which we have done and we have to do. We do spend a lot of time on training in our company, helping employees to graduate and receiving the right certification and qualifications. But we do also participate and promote the aerospace business to the universities and colleges to develop things. So of course it will affect those sector activities a little bit.

We are confident, however, that the program will go and we can support the program.

Mr. Gilles Labbé: I want to answer your question a bit differently. As you know, the AIC has made a study with Deloitte, which was published more than a month ago, that for each dollar of revenue in our industry you have a factor of 1.73. In other words, there are suppliers, but more than the suppliers, we have consultants, etc. It generates quite an economic impact for the Canadian industry and Canadian economy if you invest in aerospace.

• (1650)

[Translation]

The Chair: Thank you very much.

[English]

Now I will give the floor to Mr. Wilfert.

Hon. Bryon Wilfert: Mr. Chairman, I have one question.

Again, I want to thank you gentlemen for outlining to us your company's successes and where you see yourselves going. In terms of this program, it's clear you believe the goals of this program for Canadian industry will be achieved.

In terms of this unusual model the government has taken, do you believe it's time for us to look at scrapping IRB targets in future procurement programs that you, or many others, may bid on?

Mr. Maurice Guitton: It's a great question.

I don't know if I'm going to give you the right answer, but I do feel it's about globalization and the way the world is moving. In the past it used to take ten years to see things flow, regulation modified. Today, with the speed of the Internet and the way things are moving, I think a lot of policy and things are going to be changing in how we do our business in the future.

I can assure you that if Composites Atlantic wants to win a job today, you don't look for IRB, for whatever; you have to play the rules of the market today. We follow the market and we try to win. Maybe five years from now IRB will be very strong. Today it is not strong.

I can tell you, if you want to win with Airbus or with Boeing, now we are fighting with China and India. They are not yet on the joint strike fighter, but I'll tell you, if they do it will be a very hard business.

Mr. Gilles Labbé: Yes, but I don't think they will.

Mr. Maurice Guitton: No, because it's ITAR-protected. It's well controlled. But on the commercial side, no more offsets—it's finished.

Hon. Bryon Wilfert: I asked that question because you had talked about the international changing landscape, and this may be.... This is different from what Treasury Board rules have outlined clearly in the past. If this is in fact from the industry standpoint a way to go—you know, we are policy-makers, and we make recommendations—I take that under advisement.

I'm obviously very interested in your answer, and I'm glad you appreciated the question. I appreciated the answer from you.

Does any other member want to make a comment?

Mr. Gilles Labbé: Mr. Chair, I have to excuse myself, if I may. I have to catch an airplane to try to get some more business in the U.S.

The Chair: Great. Thank you.

[Translation]

Thank you very much, Mr. Labbé. Have a good day.

[English]

Hon. Bryon Wilfert: I want to say thank you, Mr. Chairman.

The chairman isn't usually this liberal in allowing the answers, so I want to thank the chairman. I think we've had an interesting airing of the issue.

The Chair: Thank you.

I will give the floor to Mr. Hawn.

Hon. Laurie Hawn (Edmonton Centre, CPC): Thank you, Monsieur.

I probably won't take the full five minutes.

Mr. Guitton, we had an offer on Tuesday for pickled herring and aquavit in Sweden, but I think I'll go with lobsters in Lunenburg instead.

Mr. Maurice Guitton: Sure. We have scallops, lobster, shrimp, halibut—the whole thing.

Hon. Laurie Hawn: What's the population of Lunenburg?

Mr. Maurice Guitton: Lunenburg has 3,000 people in the wintertime and 10,000 to 12,000 in summertime. Lots of people from all over the world are buying houses for their families during the good summer holidays.

Hon. Laurie Hawn: You mentioned 1,600 jobs. Will that continue in the next 20 years?

Mr. Maurice Guitton: Yes.

Hon. Laurie Hawn: Can you qualify the impact of that on a small city like Lunenburg?

Mr. Maurice Guitton: Those are the direct jobs. There have to be indirect jobs attached to that. I would say we will develop more companies, more volume, and more work.

The good thing with a defence contract is the fact that in this case, when the airplane is qualified or the product is qualified, you don't have major change. There are a few little things. If you have a contract on an airline, for example a Boeing 787 or an Airbus 340, generally every two years you have a new certification to achieve because they are changing something and the customer wants something new.

The defence contracts are really stable, and we think we'll do extremely well.

• (1655)

Hon. Laurie Hawn: Mr. Beach, my last question is for you.

We've talked about the next-generation fighter being the next generation of technology for Canadian industry at large. How important is participating in the F-35 level of technology to being in a position to compete in whatever comes after that level of technology? How critical is it?

Mr. Thomas Beach: That's an excellent question, because I think it has a significant impact on our company. For a small company, the joint strike fighter badge—crest of honour, if you will—has put us on the map in terms of aerospace and defence contractors.

Attending the CANSEC show this year, which was held at Lansdowne, we visited the Lockheed Martin booth, where they brokered conversations and meetings with half a dozen potential clients for Handling Specialty. The relationship has been so strong—I think we've earned a position with them and some credibility and some trust—that they don't hesitate to broker relationships and meetings for us.

The understanding of the technology we've put in there and the learning curve we've undergone are the same as the curve in intellectual property we recently took to Boeing Military. We've contacted Embraer in Brazil and Alenia in Turin, Italy. As a small business, in 48 years we've done business on the other side of the ocean only three times, and our focus is to triple that in the next five years. I think the platform that the joint strike fighter has allowed us to utilize will accelerate that and give us a higher chance of success.

Hon. Laurie Hawn: Would you have any hope of doing that in the next five years without the joint strike fighter?

Mr. Thomas Beach: I don't think I would get near the pace. I'm a believer in myself and my people and our initiatives, and to take a page out of *Apollo 13*, “failure is not an option” for our small business. This is my third recession. We will survive. We will not lose people. So the spirit is there, but the question is at what pace?

I think our country needs to market ourselves better to the world. I understand there are low-cost countries, but we won business on the joint strike fighter because of our innovativeness, because we do something well in a solution-driven way. We don't sell product; we sell capability. We can sell capability through a movie on YouTube. We're currently quoting Korea. We just finished a \$22-million job in Macau. For every one of these products, we used the reference of joint strike fighter. That's how I feel about it.

Hon. Laurie Hawn: You don't have to answer this question, but taking another line from *Apollo 13*, I know that the Montreal aerospace community is chagrined about some of the things they're hearing from some members of the opposition, and I think one of the things we might hear in the election is “Montreal, we have a problem.” But you don't have to answer that.

Thank you, Mr. Chair.

The Chair: Thank you very much.

I want to thank our witnesses for being with us this afternoon.

[*Translation*]

Thank you, Mr. Guitton.

[*English*]

Thank you very much, Mr. Beach.

[*Translation*]

I'm going to suspend the session for two minutes. After that, we will continue our agenda by discussing the committee's work for next Tuesday.

Thank you very much for being with us.

- _____ (Pause) _____

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- (1705)

[*English*]

The Chair: First of all, I want to have a discussion with members of the committee about our meeting next week. Specifically, next Tuesday we will have a steering committee meeting regarding witnesses and how many meetings we will need for Bill C-41. We also want to discuss our trip to the east, the details of that trip, who we are going to visit, and whether we wish to have public hearings. We have a lot of things to discuss next week.

I also received a request from the minister that he is ready to appear before us next Tuesday, for an hour, to start Bill C-41. My proposal is to meet with the minister for an hour and then take an hour for our steering committee.

I just want to put that on the floor for discussion with the members before we decide.

Mr. Hawn.

Hon. Laurie Hawn: Legislation has priority, and it's logical that the minister involved with the legislation be the first one to appear with officials. The minister is available on Tuesday, and it would be our position that this is how we should proceed.

The Chair: Mr. Wilfert.

Hon. Bryon Wilfert: Mr. Chairman, we always welcome the minister. However, on Bill C-41 we want to look at drafting some amendments and we obviously want to study the bill a little more. We appreciate that the minister is available. Often, when we want the minister, he's not as available as we'd like. So we appreciate that.

However, given the fact that the House will be ending shortly, we would like to have some time to provide quality amendments to the legislation.

I appreciate the generous offer made by the parliamentary secretary to the minister. I would suggest that hopefully in early February we can have the minister for two hours, and not just on Bill C-41.

It would be our position, Mr. Chairman, that because of time constraints, we would like a little more time. We will respectfully decline the offer of the parliamentary secretary.

The Chair: Mr. Hawn.

Hon. Laurie Hawn: I'll just point out that the Minister of National Defence has made more appearances at committees than any other minister in the government. He's been extremely generous with his time. I just want that on the record.

Hon. Bryon Wilfert: I'm sure that's because of the quality of his parliamentary secretary.

Hon. Laurie Hawn: Not at all, not at all.

[*Translation*]

The Chair: Mr. LeBlanc, the floor is yours.

Hon. Dominic LeBlanc (Beauséjour, Lib.): Thank you, Mr. Chair.

I would like to clarify a few things. I had a conversation with Mr. Hawn in private. I assure you that we have no intention whatsoever of delaying the adoption of this bill or of holding endless hearings.

We believe that these are important amendments to a bill that is of utmost importance for National Defence. We want to take the time in January to study certain aspects ourselves because we will have technical questions.

It's very likely that the minister or the judge advocate general will be able to answer these questions. We have no problem accepting that the minister will be the first witness and that he will be accompanied by the judge advocate general. I'm in favour of that, if he can be here for two hours at our first meeting in early February.

I don't know what my opposition colleagues think, but we intend to work effectively and to hear the witnesses that we'll choose in the next few weeks. Then, we'll be able to proceed fairly quickly. We don't intend to hold this up, but we still want to do a serious study.

If we do it this way, we won't be ready on Tuesday to ask relevant enough questions, given the significance of the bill. We would prefer to start slowly and steadily in early February.

The Chair: Thank you.

Mr. Bachand, the floor is yours.

Mr. Claude Bachand: I share this point of view.

First, even if the minister came on Tuesday, we wouldn't have time to finish the study of the bill by Christmas. Moreover, we won't be sitting next Tuesday, as far as I know.

I think that having the minister appear, having him talk to us for an hour about Bill C-41, and then adjourning and returning home, then coming back in early February and starting it all again would do little good. But there's nothing stopping us from starting to think about what kind of witnesses we want to hear from.

I am currently taking steps to prepare amendments with legislative counsel. I would like to fine tune some things in this bill. I don't see the point of inviting the minister. His presence is still an important piece of the puzzle, the political piece, and we are having him appear on Tuesday. Then we will close the books and head home for a month.

I would like us to get off on the right foot at the end of January and have the minister join us then. I'm happy to. I think he'll be accompanied by the judge advocate general. It doesn't seem like much, but having the judge advocate general here is important because he can answer technical questions. If he comes with the minister and we talk about technical matters, and then we head off on vacation, eat a little turkey, drink a little wine—

• (1710)

Hon. Dominic LeBlanc: We won't be on vacation; we'll be working in committee.

Mr. Claude Bachand: We're allowed to celebrate Christmas and Christmas Eve. There is also the strong possibility that we'll forget things with all of that.

Hon. Dominic LeBlanc: It must be old age.

Mr. Claude Bachand: That's certainly true.

We should get off on the right foot at the end of January.

The Chair: Mr. Hawn, it's your turn.

[*English*]

Hon. Laurie Hawn: I just have another quick point on that.

I would suggest that we need to come on Tuesday having thought about who we want for witnesses, so we can discuss the work schedule.

An hon. member: Sure.

Hon. Laurie Hawn: I'd ask for a vote, but I can count.

The Chair: Mr. Harris.

Mr. Jack Harris: We're all aware that committees regard legislation as a priority, and perhaps the clerk can help us here, but my understanding, from the people in our legislative crowd who've told me, is that it doesn't mean that everything else will come to a halt when we start working on this bill. It's up to the committee to determine the pace at which it's going to look at the legislation. It's not as if there's any intention to drag this out, and don't take that as the message. But I certainly don't think we have an obligation to drop everything and do nothing about this.

For example, we have a commitment to travel to Newfoundland and Nova Scotia in the first week we're back. I don't think this should displace that by any means. For obvious reasons, it's been announced and made public, and it's important to follow up on that.

So when the steering committee meets on Tuesday, I don't know what the intent is. Is it just the steering committee that will meet on Tuesday?

If that's the case, fine. At some point, the committee must determine....

By the way, I'm not going to be ready next Tuesday to say "Here are all of the witnesses that I can possibly call on Bill C-41". That's not going to happen. This is premature.

As someone said, we just had this bill passed yesterday, or whatever day it was in the House. It's an extensive bill and the first time, other than for minor amendments, this bill will really be reviewed by Parliament and committee. So we're going to do a proper job, as far as I'm concerned. I don't think that requires us to say "Here are the witnesses". I can indicate one or two, but I can't say I'm not going to call anybody else. I'm not going to be boxed into doing that by Tuesday afternoon at three o'clock, or whatever time we finish our meeting.

I'm not going to rock the boat here vis-à-vis my learned colleague's suggestion that the minister might be premature on this as well. But maybe we can have our steering committee meeting and have a full committee meeting to ratify whatever the steering committee meeting does. That seems to me to be an adequate agenda for Tuesday.

The Chair: Mr. Hawn.

Hon. Laurie Hawn: Not to belabour it, but you can always add witnesses. But if anybody's thinking that we need a great number of witnesses—and you may think we do, and it's up to you—that will drag it out. In my view, it's just not necessary, but that's just our view on this side.

You should have some idea by Tuesday, because I think I could name some of the guys you would want as witnesses.

Mr. Jack Harris: We're going to name one.

Hon. Laurie Hawn: We'll name one for sure, but I'll make you say his name, not me.

Mr. Jack Harris: Oh, well, I don't need to say his name. Everybody knows his name. He's the most knowledgeable lawyer on military law in Canada.

Hon. Laurie Hawn: Good Lord.

The Chair: Merci, Jack

So I think we have to decide.

For next Tuesday, we have a proposal to have the minister for an hour and the steering committee for another hour. We also have a proposal to have a full steering committee for two hours.

Mr. Wilfert.

• (1715)

Hon. Bryon Wilfert: Mr. Chairman, I think it might be helpful if we could get in to the clerk by early Monday a list of any of our suggested witnesses and any suggested topics we want to see for the next term, and give the clerk some idea in terms of a calendar suggestion. That way, when we come in, we can deal with it in the steering committee—and here I like Mr. Harris's suggestion—and then go into a full committee and ratify it. Then we can then go forward with our trip at the beginning of February, followed by the minister, followed by our dealing with the bill.

It's a suggestion, Mr. Chairman.

The Chair: Okay.

Mr. Harris.

Mr. Jack Harris: I don't disagree with that in a general way, but I want to go back to the debate we had very early in this committee. The chair will remember my concern, as a new member of this committee, at seeing our calendar always full and at seeing important things and breaking news happening all around us and the committee being unable do anything about them, because we were committed to this, this, and that, because our calendar was full.

I think we've got away from that a little bit over the last year, which is a good thing. If something happened, we had either the minister in or someone responsible or someone else to tell us about it. I'd like to keep that flexibility. So if we're talking about filling up our calendar, I think we should be a little bit wary of that.

The Chair: Yes, I understand that.

I understand that on next Tuesday we'll have two hours for the steering committee. Also, as Mr. Wilfert said...

I'm sorry, Monsieur Bachand.

[*Translation*]

Mr. Claude Bachand: It would be very important that we have an hour for the steering committee to meet, followed by an hour for the full committee to meet, so that it can approve what the steering committee has decided. Otherwise, we'll get held up.

[*English*]

Hon. Laurie Hawn: We may not be here, anyway.

[*Translation*]

Mr. Claude Bachand: The best solution would be for the steering committee to meet for an hour, which isn't very long. Then, the full committee would meet.

[*English*]

Hon. Bryon Wilfert: Get your suggestions in. That would give you an idea, and then we could go for one hour.

[*Translation*]

Mr. Claude Bachand: That would be good.

[*English*]

Hon. Laurie Hawn: One hour and another hour, yes.

The Chair: Okay, so do we have a consensus on that proposal?

Some hon. members: Agreed.

The Chair: Okay, Monsieur Bachand?

Next Tuesday it will be the steering committee in the first hour, and the full committee for the second hour. The full committee will be able to approve the report.

Also, as Mr. Wilfert said, if you have any suggestions before Monday about the witnesses—

Mr. Jack Harris: Before Monday or by Monday? Do you mean Sunday night?

Hold on. I don't like these deadlines that end up being Friday afternoon.

The Chair: No, no, I'm sorry, that's not a deadline. It's just a suggestion.

Mr. Jack Harris: A suggestion.

The Chair: Think about it.

The goal of our meeting for next Tuesday is to have the discussion on that Tuesday, just for your information.

Mr. Jack Harris: So that's on Monday.

Hon. Bryon Wilfert: On Monday, yes.

The Chair: Yes.

[*Translation*]

Thank you very much.

[*English*]

That's it. That's all.

[*Translation*]

This ends the 39th session of the Standing Committee on National Defence.

The session is adjourned.

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