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Chair

Mr. James Rajotte

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● (1210)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): First of all, ladies and gentlemen, I'm sorry for the delay in starting the meeting. We started the last one a little late. I think in the interests of members it's an important topic for us, so there are a lot of questions. I suspect there will be for you as well, so I'm hoping I can impose on your time and members' time, for those who are interested, to have the full 60-minute meeting, if that's okay. If anyone does have to leave, I certainly understand that.

We are doing this as part or our study of the manufacturing sector and two of the most important industries in Canada today. We did auto in the first hour, and now we're doing the aerospace industry. We have four witnesses here representing two associations. My understanding is that there will be two presentations of up to 10 minutes each.

First of all, we have, from the Aerospace Industries Association of Canada, Peter Boag, the president and chief executive officer, and we have the vice-president, Ron Kane. Welcome, gentlemen.

We have, from the Quebec Aerospace Association, Stewart Bain, board member and president of the advisory council; and Sharon Core, the manager of business development and communications. Welcome to you as well.

I think we'll start in order. We'll start with the Aerospace Industries Association of Canada, for a 10-minute presentation.

Mr. Peter Boag (President and Chief Executive Officer, Aerospace Industries Association of Canada): Thank you very much, Mr. Chairman. It's our pleasure to be here this morning. We certainly welcome the opportunity to speak with you and your committee members on what is a very important issue for our industry and, I think, for Canada. I certainly would commend the committee for launching its study of the competitiveness of manufacturing in Canada, because manufacturing is still a very important pillar of Canada's economy.

I have distributed a deck, and within the constraints of the 10 minutes, I'm going to take you very briefly through the highlights of the competitiveness issues facing our industry in a global market-place and the issues that we really need to continue to work on in close collaboration with the government on some policy initiatives.

Very briefly, I will explain where we are today in terms of a snapshot of the industry. This is a pan-Canadian industry; we have over 500-plus firms across the country and about 75,000 direct employees, in locations as far and wide as Lunenberg, Nova Scotia, and Sidney, B.C., on Vancouver Island. Last year our sales were just over $22 billion, and 85% were exported. When we talk about the issues of competitiveness, that's a key factor for this industry. We are a very successful exporting industry; over the last 10 years, the aerospace trade surplus for Canada has been more than $30 billion dollars.

We are a significant-sized industry when compared with others. About 1.85% of Canadian GDP is generated by the aerospace industry, and that's comparable to sectors like agriculture, mining, and electronics. This is also a high-wage, high-quality job industry. The average annual wage for aerospace workers is some $60,000, and that's significantly above the manufacturing average in Canada.

We're focused on commercial markets in civil aviation, primarily the end-use customers of airlines and air operators, but there are important components of the industry that focus on the defence and space market segments.

We're expecting to see some modest growth in 2006, and that's good news after what's been a very difficult period in the post-9/11 era. But the markets have certainly rebounded, and there are some significant new growth opportunities for Canada going ahead. I think that's best demonstrated by the fact that last year was a record year for new commercial transport aircraft orders. Boeing and Airbus each received more than 1,000 orders for new aircraft, and that's creating an order backlog that goes out quite a number of years. For Canadian firms, as important suppliers into those supply chains, it's obviously good news for the industry.

We have some other challenges, clearly, around the future direction of one of our major aerospace companies in Canada, Bombardier. So we have a mixture of very good, positive news and some challenges.

The biggest challenge really is around the nature of this industry in terms of its globalization. We're competing for business mostly outside of Canada, because we are 85% export driven. But beyond competing for that business, we're competing for the investment that will ultimately create new opportunities for Canadian firms. This is an investment-intensive industry, not so much in bricks and mortar capital expenditures, but in knowledge creation capital. It's a very heavily R and D intensive industry.

As an export-based industry, our challenges really hinge around sustaining a business environment in Canada, so that it continues to make sense for firms to serve global aerospace markets from Canada. Aerospace companies have chosen to locate in Canada, not because of the domestic market but because it has been a good place from which to serve global aerospace markets. The challenge going forward, then, is to ensure that we have that competitive business case. In the absence of that business case, current businesses and the investment for which we are competing are at risk.

When I look at how we would characterize Canadian competitiveness simply, and why we've been so successful over the last number of years—because this is truly an industry that does punch above its weight for a modest-sized economy in the world, and our power in aerospace is disproportionately large.... There are three principal factors that have driven that competitiveness.

One is our proximity, and the special access we have had, to the U. S. market. Some of that special access has been around long-standing defence/economic cooperation between Canada and the United States, built on a successive number of structures and arrangements that extend back to World War II.

Second, on a cost basis, we've been pretty competitive in Canada over the last number of years. Coupled with our access to the U.S. market, that has been a principal factor in why we've been successful.

● (1215)

Last, and certainly not the least, is that we've been a significant investor in innovation in this industry for a long period of time, and that's been the basis of much of Canada's world leadership in selected niche markets. We're world leaders in regional and business aircraft. Bombardier, for example, invented the regional aircraft business and invented, ultimately, the regional airline business as a result. But this also extends to other companies, whether they're in the propulsion sector, the simulation and training products sector, commercial helicopters, or major integrated systems. We are world leaders in a number of these areas, substantially because of our innovation and sustained investment in R and D.

So that's why we got to where we are today in terms of the competitiveness factor.

Going forward today and into the future, more importantly, what are the prospects for Canada? Well, the changing market dynamics are really starting to threaten, and are significantly threatening, two of those advantages that have helped us build a competitive aerospace industry in Canada.

One, this is a globalized industry; it's no longer an industry of national programs. When we're talking about the development of an aircraft or a space system or a defence aircraft, it's all about international programs, whether they be for the Boeing 787, the Airbus A380, the joint strike fighter, and Galileo, and I can go on. It's very much a globalized industry, with new entrants arising in Southeast Asia, in countries like India and China, and in eastern Europe. So in this kind of globalized environment, proximity to the U.S. really isn't that important anymore. So one of the significant competitive advantages that Canada had is eroding.

The other issue around preferred access to the U.S. market is that we're being affected by increasing controls over technology access into the U.S. This is still an industry that is significantly powered by U.S.-origin technology. Increasing constraints through State Department controls over defence technology and dual-use technology, and Commerce Department controls over access to the latter, are having an impact on our access to the U.S. market and our ability to partner with U.S. firms.

They are also having an impact in other markets. As we look at a globalized program where we may ultimately be dealing with partners in Japan, for example, if we're ultimately focusing on a U.S. program, much of the technology that we're going to be working on with our partners in Japan may in fact be U.S.-origin technology. So again we're constrained in that relationship.

So those issues around access to and proximity to the U.S. market are not nearly as strong and are continuing to erode.

On the cost side, two issues are squeezing us very significantly here.

One, I talked about the rise of new entrants in low-wage economies, whether they be in India, China, or eastern Europe, that are really threatening our ability to be a low-cost supplier. But quite frankly, the future for Canada is not in being a low-cost supplier, because that's a race to the bottom that you really don't want to win.

The second element of it, clearly, is exchange rates. We've seen a 50% rise in the value of the Canadian dollar versus the U.S. dollar over the last 36 to 40 months. That has had a huge impact on this industry. We're 85% export based. Much of those exports—65% of our total turnover—goes to the U.S. And whether the sales are going to the U.S. or other markets, or even to the Canadian consumer, for that matter, much of this industry's sales is denominated in U.S. dollars. Cost pressures aren't allowing us to raise prices in U.S. dollars, so as that Canadian dollar continues to go up, we've seen what used to be $15,000 of Canadian revenue, based on a $10,000 U.S. sale, reduced now to just $10,000 of Canadian revenue, and there's only so much you can do to lower your cost base.

So from a low-cost perspective or a cost-competitive perspective, those two issues of exchange rate differences and the rapidity, in particular, with which that dollar has appreciated over the last 36 to 42 months, and the rise of new low-cost competitors in emerging aerospace nations, have eliminated much of the cost competitiveness we've had, particularly down at lower values in the supply chain.

So where does that leave us? It really leaves us the area of innovation. If we're going to continue to be strong and globally competitive in that global market in aerospace, we really need to focus on how we can stimulate and encourage further investment and innovation—investment in product innovation, in terms of the new products our customers are demanding, and investment in process innovation, which will substantially increase our productivity. Those are the key issues going forward, in terms of how we become even more innovative, considering that's the basis upon which we need to compete.

● (1220)

We see three principal areas we need to work on in terms of the federal government, in particular, in terms of the policy environment.

One is sustaining direct investment support. This is an industry around the world that's predominantly driven by R and D investment through defence research and development budgets. The U.S. alone now invests more than $70 billion U.S. a year in defence research and development activity. Much of that money is spent in private sector firms where technology and intellectual capital is created, goes into defence programs, and ultimately, for very little additional investment—in fact, in some cases no additional investment—gets transferred over to commercial products. We don't have that kind of defence R and D investment budget in Canada, so we've created other mechanisms, TPC, for example. So we need to look at how we can continue to provide that kind of direct investment support that enables us to compete against countries that see massive amounts of defence R and D investment that ultimately comes into firms.

The tax system. Indirect support is another mechanism, and certainly we can look at ways to improve the SR and ED program, for example, but there's a limit to how effective the tax program and tax incentives can be to incentivizing and encouraging R and D investment, given the nature of the R and D aspects.

Last is effective leverage of government procurement. Today in particular, as we see the government poised to make what may be its largest series of aerospace procurements ever seen in Canada, potentially $10 billion, $12 billion, $15 billion of taxpayers' money expended on new airlift assets for the Canadian Forces, clearly we need to look at how we can achieve that primary objective while at the same time achieving other government objectives, in particular industrial development objectives and the power this investment can have in facilitating and implementing Canadian innovation.

Mr. Chairman, I'm sure I'm going over time a little bit, but those are the key issues we see from aerospace on a national basis, going forward.

● (1225)

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

We will now turn to the Quebec Aerospace Association, Mr. Bain or Ms. Core. Mr. Bain will be presenting.

You have up to 10 minutes.

[*Translation*]

Mr. Stewart Bain (Board Member and President, Advisory Council, Quebec Aerospace Association): Mr. Chairman, distinguished committee members, colleagues and invited guests, it is with great pleasure that I participate in this process as a representative of the Quebec Aerospace Association.

The AQA boasts a membership of over 210 members including SMEs, OEMs, institutions and Foreign Organizations. Our primary objective is to serve the needs of the SMEs of the Quebec Aerospace Industry. To achieve this we operate four principal committees, Business Development, Innovation and Technology, Finance and an Advisory Committee that draws on the insights of the Quebec OEMs to help develop strategic opportunities for our SMEs to grow and develop.

In each of the areas that this committee is addressing, the value of the Canadian dollar, rising energy costs, availability of labour and the impacts of globalization, the AQA has already taken positive steps to develop a strategy to face these challenges through the activities of our committees and regular information sessions.

We strive to educate our SMEs to develop their own tools to address new challenges by keeping our membership informed and up-to-date with current trends, opportunities and competitive forces. We look to the Federal Government for an overarching vision that will help us achieve our goals in a timely and strategic manner. This demands regular communication between the AQA, industry leaders and senior officials within all levels of government.

The AQA was an active participant in the Canadian Aerospace Plan (CAP) that involved industry leaders, associations and the federal government in developing a shared and common vision of the challenges and opportunities facing the Canadian aerospace industry. The AQA applauded this initiative and encourages this government to support and develop a forum for this type of dialogue and work to continue.

[*English*]

There are some key challenges that the Quebec SMEs are facing in Quebec that I think pose opportunities for the federal government to get involved. There is an immediate need perceived on our part to increase the value-added of our SMEs. There's been a paradigm shift in the global procurement from the OEMs to get more from less. This means that the procurement officers within the major manufacturers are looking to get more products, more services, and more value from fewer suppliers and subcontractors. There are integrators in Quebec already, the majority of which are European based, which means that they can rely on and get regular support from their home governments to procure strategic equipment. For the most part, this puts them at a significant advantage compared to our homegrown SMEs, most of which operate in niche markets offering specific services that do not go above a certain level of value-added.

This is where the Canadian government must take a leadership role in developing SME capability and encouraging our talent to grow and stay in Quebec, by responding to the market demands for more added value from the SMEs. In doing so, hopefully we will address two factors: developing SMEs and encouraging the OEMs to look to Canada for higher-value services from aerospace companies rather than shopping themselves abroad.

● (1230)

[*Translation*]

In the context of developing home-grown markets, Canada does not have a large aerospace land defence budget. The general public does not always appreciate that aerospace is an industry that pays well and fuels the economy. However, the potential returns to the Quebec Aerospace and manufacturing industry are greatly increased through large programs that could involve Industrial Regional Benefits for SMEs. The AQA is eager to participate in several programs including Search and Rescue, Tactical Airlift, and Strategic Airlift programs to name a few. The AQA has been working hard to build bridges in these areas with the potential suppliers of such equipment to secure future work for our OEMs. It is in this way that we may develop markets for our SMEs beyond our own borders in order to alleviate the cycle of dependency of the SMEs on the few Canadian aerospace OEM's that produce products.

[*English*]

It is important that the various governments allocate money specifically to the SME population. When OEMs receive large sums of money for product development, the government should reserve a percentage for SMEs. Doing so would ensure that the work is retained in the country and that the SMEs are given an opportunity to expand. It would also send a clear message to the OEMs that our SMEs are not always playing a waiting role for OEM subcontracts, but that OEM development goes hand in hand with the development of the SMEs and the SME component of the industry.

[*Translation*]

It is also important that the SMEs be given subsidies or some form of financial aid as it relates to manpower and manpower development. Typically, the SMEs hire young people, and once they've gained their experience, they move on to positions with OEMs or integrator companies that provide higher paying jobs and better benefits. There is definitely a retention problem that needs addressing. With the challenges of the manpower shortage in the Quebec aerospace industry, this only exacerbates the problem.

[*English*]

It is important that committees for raw materials and swap rates, such as hedge funds, be established to allow SME companies to be more competitive. In the case of raw materials, it would allow them to benefit from the same price breaks that the larger organizations, such as Bombardier or Pratt & Whitney Canada, operate at. As it relates to hedge funds, it is important to secure a pool of funds for the protection of fluctuation in exchange rates, particularly with respect to the euro and the U.S. dollar.

[*Translation*]

It cannot be over-emphasized that all industry players (companies, associations, financing houses, governments, institutes, research centers, chambers of commerce, schools, etc.) must work together in a cohesive fashion to ensure everyone understands the challenges and works together in a defined way. All these elements will help in reducing costs and help the SME population remain competitive in the face of globalization in the aerospace sector.

[*English*]

Finally, on the subject of energy, the AQA regards energy as a determining factor in the development of the Quebec aerospace industry. It is essential for our industries to be able to count on the supply of energy at stable and competitive prices. The AQA therefore endorses the orientation of the Government of Quebec set out in the Quebec government's economic development strategy in terms of energy. The main points of this plan are these: an energy portfolio and production potential in which clean, renewable energy predominates and makes a major contribution to the environmental balance sheet and the limitation of greenhouse gas emissions; available energy at competitive prices; energy innovation and research centres; a modern, efficient network of energy generation; transmission processing and distribution infrastructure; a rapidly growing wind power industry; and a dynamic energy efficiency sector.

The AQA recognizes that these energy advantages have contributed to the development of Quebec's aerospace industry and to its favourable positioning on the international scene. However, with the major changes currently taking place in the world energy sector, the AQA hopes that the aerospace industries will be able to capitalize even more efficiently and effectively on these advantages.

To work towards this goal, the AQA has initialled a partnership agreement with Hydro-Québec on energy efficiency and sustainable industrial development. This agreement, which comes under the corporation's energy efficiency program, is aimed at helping our industries manage energy efficiently.

The AQA supports all initiatives by public and parapublic organizations that aim at maintaining and developing Quebec's energy advantage, which have, to varying degrees, positive economic repercussions on our industrial sector.

Merci beaucoup. Thank you very much.

The Chair: Thank you very much for your presentations.

We will now begin the first round with Mr. Holland.

Mr. Mark Holland (Ajax—Pickering, Lib.): Thank you very much, Mr. Chairman.

Thank you for all the presentations today.

I want to start on the issue of Technology Partnerships Canada, which I think was an extremely successful program. I can say this with some experience from my own riding. Messier-Dowty is in my riding, and I had discussions with them and saw how it impacted their operations.

Obviously the program was terminated with the idea of replacing it with a new successor program. I know that the Aerospace Industries Association of Canada made some proposals in that regard, and I'd like to explore that. Certainly it's my hope that the government is going to be replacing this program with a new program.

I wonder if you can talk about a few items.

First of all, can you talk about the success of the technology partnerships program, as you've seen it, in aiding our competitiveness in the aerospace industry and ensuring that we have been successful?

Secondly, how would you like to see it structured differently? In other words, what improvements would you see to that particular program to help your industry going forward?

Thirdly, I know there was a portion in the position paper—this speaks to the Aerospace Industries Association of Canada, in particular, but Mr. Bain or Ms. Core may have some comments as well—with respect to the suggestion that a portion of new funding should flow through existing...or the newly created defence and R and D programs. Can you provide the rationalization for that particular recommendation?

● (1235)

Mr. Peter Boag: Thank you very much, Mr. Holland.

Yes, TPC has been a very important program for Canada. I'm not referring specifically to TPC, but the concept of government risk sharing and the development of technology in Canada is a critical part of our competitiveness. It dates further back than TPC to previous programs like the defence industry productivity program.

I can tell you today that without those programs, we would not have the aerospace industry we have today in Canada. They've been instrumental in making Canada an attractive location to invest in technology development, product development, and process development.

I'll use the Messier-Dowty example in your riding, which you've already referred to. Messier-Dowty is a subsidiary of a large global French-based aerospace firm called Safran. Through Messier-Dowty, Safran has grown its world product mandate for regional and business aircraft landing gear systems. Messier-Dowty was a world leader in developing the concept of a fully integrated landing gear system. Manufacturers no longer buy wheels from one company, actuators from another, brakes from another, or tires from another. They now come to companies like Messier-Dowty to develop a completely integrated landing gear system from the actuator handle in the flight deck to the wheels and the rubber that are on the runway. It's made Messier-Dowty an incredibly competitive firm and allowed it to expand its world mandate from a base in Canada.

It would not have that capability without programs like TPC. TPC was a risk-sharing investor in development of that kind of capability and continues to be a risk-sharing developer as it further develops that capability and applies it to new product opportunities in the market. It's only an example, but there are many examples where it's been an incredibly important part of the development of the aerospace sector in Canada and replaces what we don't have in Canada, which is the massive R and D defence budget that other countries have.

How does it need to change? Well, we clearly see a need for it to continue. It hasn't yet been cancelled, but its current terms and conditions under the Treasury Board run out at the end of this calendar year, on December 31, 2006. We need to continue to make sure that kind of program is available.

Its budget has been significantly reduced from what it was originally established at in 1996. As the industry has continued to grow, the demand for new investment into new programs and continuing to support that growth have become larger. We need to make sure that it's adequately resourced to align with the investment opportunities for Canadian industry.

We need to make sure that it addresses the changing nature of R and D investment in aerospace, depending on where you are on what we would describe as the R and D continuum. The continuum begins with curiosity-based research, where we create an idea and we create knowledge that runs through technology development, ultimately technology demonstration, and aerospace application.

We have huge impediments and hurdles with respect to the demonstration of reliability and safety in this environment. It's not like other industries when systems crash. In our industry, it is a real crash. The reliability and safety demands mean a much higher level of technology demonstration in the development process that extends over a period of seven years. For companies, the cashflow is all out, the results are not guaranteed, and you need someone to share in the risk.

This is also an industry that has a product life cycle that is typically at the top end of an aircraft or an aircraft engine for 25 to 30 years. There's a continual degree of new technology development and insertion that needs to be supported. We look for a program that's not one-size-fits-all, which recognizes the changing nature through the continuum and the risk-sharing capacity that they need.

We need to look at components that support strategic investments in companies like Messier-Dowty and new product mandates, how we can facilitate better collaboration in technology development, how we can support technology demonstration platforms, how we can support proprietary technology development for individual companies, and how we can ultimately support issues of supplier development for the smaller firm.

It's not a one-size-fits-all approach. We need to look at different components and, ultimately, at how to link that to the broader technology development support mechanisms in Canada. It's not only one program; there are activities in universities that are funded through organizations like NSERC or intramural activities conducted in government through organizations like Defence Research and Development Canada and the National Research Council. How do we link those and eliminate some of the stovepipes that we have?

It's important to success, and that's how we'd like to see it changed.

● (1240)

The Chair: Mr. Bain would like to make a comment.

Mr. Stewart Bain: Yes, I would very briefly.

I'm also a successful recipient of TPC. Actually, it was the first amount of money that was put in to develop a Canadian-produced star tracker product with Kel Corporation. I'm familiar with the process and very happy to have that kind of funding available in Canada.

Certainly if you break research and development down into big *R* major research, little *r* close-to-development research, small *d* and big *D* research and development, I see TPC filling the small *d*, big *D* part of that component, which is essential for us to be competitive in the marketplace.

The only thing I would add to the answer to your question of how it could be improved is that there are certainly components of TPC that went to smaller companies, but there were large budgets that went to large organizations. I would just encourage you, as I said in my opening remarks, when you are allocating large amounts of money to major manufacturers or integrators, to ensure that there's a certain component of that, however you want to structure it, directed towards developing our own local technologies in our own local companies.

The SMEs tend to wait at the back end of this to say,"Please, can I have some of that development?" and we don't really want them to be in that kind of position. When there's $700 million allocated to a major corporation out of TPC, sure, that's a great headline and that's good news, but the bigger concern, as far as the AQA is concerned, is being responsible for SMEs. I would like to see that flow down to the SMEs in a structured way, and that's the only way our SMEs are going to get out of being mom and pop shops. They have to get there if they're going to continue to survive.

Mr. Mark Holland: That's a very fair comment.

Do I have a moment to address one more answer?

The Chair: We're over eight minutes, Mr. Holland. I'm sorry about that.

We'll go to Monsieur Crête.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you, Mr. Chairman.

You made an excellent presentation. I'm going to ask my questions right away to speed things along.

Can you explain to me the difference between assistance for basic research in a sector such as yours, and commercialization needs?

When the Minister of Industry appeared before the committee two days ago, he told us that the government was already doing everything necessary for research and development, but he was referring to basic research. So I'd like to know if another component as important for you must be developed.

Then I'd like to hear your opinion on the potential purchase of four Boeing C-17s, without a call for tenders. How do you react to that? How do you view that possibility? Is it a good idea or not?

My last question is more technical. The U.S. Bureau of Industry and Security is considering amending regulations on the missile control system applicable to Canada. As a consequence, that would break the procurement chain. So each time a U.S. company called on a Canadian supplier, it would have to issue a licence. I'm told that would result in the issuing of thousands of export licences in Canada. So that would break the North American market.

I'd like to hear your opinion on that subject. Do you think the Canadian government is reacting enough to this situation? Would you like the committee and the minister to take a policy position toward the Americans on this question?

You can take my remaining time to answer.

Mr. Stewart Bain: Thank you. I'll answer in English.

[*English*]

For the first question, as I said earlier, I prefer to break research and development down into four categories: big *R*, which is fundamental research; small *r*, which, if you look on a scale of 1 to 10 of technology readiness levels, is getting further up the scale; little *d*, which is something that has gone beyond the point of basic research and is nearly at the point of being a product; and then big *D*, which is essentially commercialization. Every single component is critical in the life cycle of both the company and the products it supports. In fact, that's all a company is: the products that it puts forward and develops.

If I understand the question correctly, it's important to differentiate among those, first of all. I think it's very critical that the government and the funding agencies recognize that each one of those has to be treated differently. You have truly scientific research that is at the base of technology development, which must be continued, and we have excellent resources in Canada and in Quebec to do that, and they have to be encouraged.

On the development side, that's when you're starting to get more into productization, where it gets a little bit closer to marketing or positioning of a specific product. That's the point at which, historically, we've seen TPC or other previous incarnations of TPC play a role. Each of those components needs to be treated differently, and each of them has different needs and different challenges.

Fundamental research means oftentimes having colleagues that spend a lot of time at NASA and work for the NASA Langley Research Center. Fundamental research is so far off from where we can see it will be in the future that it sometimes can get lost, but it shouldn't. Development of a product sometimes looks so much like marketing that it's hard to tell the difference between actual marketing and actual development of a product; they go hand in hand.

All I can say is that any type of forum you want to put in place to fund those things should be put in place, as I said in my opening remarks, in collaboration with industry and the associations working together to help you understand how to define those things. If there is a forum, then we can share evaluations of these things and give inputs to those. It might help you reach a more informed decision. Every aspect needs to be encouraged.

● (1245)

Mr. Peter Boag: Certainly I would support exactly what Mr. Bain has said, that the one-size-fits-all approach doesn't work. You really need to look at the differing needs among differing elements of the spectrum, from the capital R all the way through to the capital D. You can't use the one-size-fits-all approach.

On the military procurement, clearly that is an important policy tool and lever that the government has to stimulate competitiveness in Canadian industry and to build manufacturing capacity. Obviously, right now, the government is actively assessing its airlift capability needs and how it can best be acquired.

From our view, this includes, beyond the specifics of what platform you're going to buy and who you're going to buy it from, determining the types of industrial benefits to be sought from those firms that can supply the requirement. Whether it's on the basis of a sole source because that seems to be the best way forward, or whether it's through an act of competition, clearly economic benefit and economic value to Canada needs to be a factor in that procurement process.

All suppliers have the potential and, if we negotiate that strategic level of arrangement appropriately, have the capability to create opportunities for Canadian companies to participate either directly in that procurement program, or more importantly—and I think that's what is often missed—what is the opportunity to position Canadian firms into the global supply chains of these firms—and not necessarily with respect to that specific purchase. From a Canadian perspective, we may be buying a very small number. So in terms of the actual gain from participating directly in a program, when the numbers are small, and for the most part because we're not in that development business here in Canada, when we're buying an off-the-shelf purchase, we really need to look beyond that. Whether it's Boeing, whether it's EADS, whether it's Lockheed Martin, or whoever, these are global companies with very broad businesses and global supply chains in space, in commercial aviation, and in defence.

So how do we position Canada and look at what are our long-term needs to advance the industry? Where might that align with those individual companies' needs? And how can we work together to position the economic value for Canada over the long term, not over the short term?

It doesn't matter, from our perspective, who the supplier is or, in the end, whether it's a sole source or a competition. You still need to go out and deal individually with that company and negotiate that strategic deal in terms of how we can work together to develop significant economic benefits for Canada.

On the last issue, with respect to export controls, I mentioned that in terms of the challenges that Canada is facing concerning access to U.S.-origin technology. It impacts not only Canadian-based and Canadian-owned firms, but also the Canadian subsidiaries of U.S.-based firms and the inter-company transfers. It has an impact on our business with other countries because of the impacts on U.S.-origin technology.

Ultimately, a political solution needs to be sought. We've been dealing with officials in our own government departments, and we've been dealing with officials in the Commerce Department and in the State Department in the U.S., but where that solution resides ultimately—and in our view, it is clearly a political solution—is engagement at the political level between senior political leaders in Canada and the U.S.

● (1250)

The Chair: Thank you.

Did you want to add something more, Mr. Bain?

Mr. Stewart Bain: Yes, I want to add a couple more points.

On the military procurement, clearly for us, whether it's Boeing, or whether it's Lockheed, as Mr. Boag was saying, what we're looking for from Quebec is, particularly, how did those industrial regional benefits flow down to our SMEs, and how can we use that to leverage the growth of our SMEs? That is a major issue for us in Quebec.

On the subject of ITAR or anything related to ITAR, the International Trade in Arms Regulations, there was a recent decision, I think, in the Department of Commerce not to go further with the export administration regulations into linking it to the country of birth rather than the country of citizenship, which would have complicated matters even more.

ITAR has been a fact of life since March 15, 1999, and it's a consideration for every organization in Canada to get good at managing that data and to get good relationships with the organizations in the United States. Once those links are made, often—even now with these export regulations—it's manageable; it's just a little bit more paperwork. But it's actually becoming more and more fluid, and there is also, on certain aspects, a Canadian exemption.

So I would encourage support for those things in information sessions, but any attempt to actually take those regulations further I would have very strong opinions about, and we're very happy about the decision not to go any further with the EAR.

The Chair: *Merci, monsieur Crête.*

We'll go now to Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chairman.

To Mr. Bain and to presenters, maybe it's only me, but I always recommend, when presenters use acronyms, that at some point in their presentation they tell us what the acronyms actually mean. I think that would be beneficial not only today but also down the road.

Hon. Joe Fontana (London North Centre, Lib.): Especially for the new kids.

Mr. Bev Shipley: Yes, I could use a few that they likely don't understand, sir.

What I want to do is touch on a couple of fundamental things. I want to look at what has happened in terms of this government's budgeting or perspective of where we're going. So I'd like to have some feedback in terms of a couple of things.

One would be corporate tax structure and where that is, how important it is. What has happened within your industry?

Second, we continually hear about a whole number of host barriers that are there. But I'm interested right now in terms of regulatory barriers.

I'll leave it at those two right now and ask for a response to those, please.

Mr. Stewart Bain: May I have a clarification on what you mean by regulatory barrier?

● (1255)

Mr. Bev Shipley: I guess I'm looking for you to help me. When we have manufacturing in, often they're talking about regulations that are in place right now that hinder their competitiveness on a global market—paperwork, those types of things, the red tape stuff, in terms of simplifying it, making it more streamlined, making the industries within this country more competitive and getting rid of some of the red tape—recognizing, as a government, that we're interested in hearing from industry what it is, industry also recognizing that we also have to be protective in some ways.

Mr. Stewart Bain: I'll try to leave some time for my colleague as well.

With respect to corporate tax structure and budgeting on corporate tax structure, within the Quebec aerospace industry we benefit from a *crédit d'impôt* for a lot of organizations in terms of research and development and we encourage any kind of structure that would support that kind of initiative.

As I said in my opening remarks, there's a large concern that the SMEs, being mom and pop shops where you have very specialized services, are a great place for a young person out of school to get a lot of training. In the end, that person leaves and goes to work for a larger organization, and that SME is left looking for yet another person to train but can never actually get up the food chain. If there were an incentive that could be provided through the corporate tax structure to actually incentivize SMEs, to actually credit them for the fact that they're not simply providing young persons with work, they're actually providing them with an apprenticeship or a training program, that would be very interesting.

With respect to regulatory barriers, I'm not an expert across the board, but one of them that is specific is the one that was brought up by your colleague with respect to ITAR, the International Trade in Arms Regulations that are in place within the United States and deal with the transfer of sensitive or military sensitive technology or information. And it's always in the sense of transferring information from the United States outside its borders.

We also have a program within Canada called the controlled goods directorate, the CGD I think it's called, in which we essentially also manage this military sensitive information. A barrier, in that sense, can come between a space company or an aerospace company when you're actually trying to get to the point where you're having a technical discussion about a sale or a product. If there is not a technical assistance agreement, a TAA, in place between the two organizations, it can make it difficult for that conversation to continue.

That can hinder us globally in the context of rapid competitive bids, in that if an RFP comes out on the street for an opportunity, the American companies would have a distinct advantage because they would have access to all the technical information to respond to that RFP immediately, whereas access to a Canadian company may be slower because it would have to get permission to have access.

Any way that could be sped up would be helpful. I don't know if there's much that can be done about it, but on the other hand, there are perhaps ways around it. What we should try to focus on is maybe the path of least resistance. When we have major programs, as we were talking about, of military procurement that involve large American companies, there are industrial regional benefits associated with that. It puts the onus back on those American companies to try to make the information more available to the Canadian companies, because they may be looking for IRBs back to Canada.

Thank you.

Mr. Peter Boag: On the first issue of tax, the one I would concentrate on is the SR and ED income tax credit program. Clearly, there are opportunities to approve that to facilitate and stimulate Canadian investment in innovation, which impacts our competitiveness. Right now, refundable credits are exclusive to Canadian-controlled private corporations, CCPCs; it's non-refundable to companies over a certain threshold and those that are not Canadian controlled.

In an industry where you're investing potentially five to six years ahead of any inbound cashflow, a tax credit that's based ultimately only on profit is not nearly as useful or as helpful as a refundable credit based on your investment. In addition, there are thresholds and ceilings on refundability with respect to capital as opposed to operating investments.

So we would certainly like to see some changes and improvements to the SR and ED system to make it more accessible to all firms, not just CCPCs, in terms of the refundability issue, though that doesn't, as I said, replace the need for some form of direct investment, when we look at how other countries do it and the competitive disadvantage we are at.

With respect to regulatory barriers, sure, Canadian aerospace companies face all of those same regulatory issues that any business operating in Canada does, and the more we can remove unnecessary regulation and reduce red tape, the better. That's always positive.

With respect to specific regulatory barriers in the aerospace industry, there really aren't that many. We enjoy a very good, productive relationship with Transport Canada as the regulator of civil aviation safety and the certification authority in Canada. There's always room for improvement, but we do have a very productive relationship with Transport Canada.

The main issue for us as an industry that ultimately sells most of its products into global markets, where they're required to be certified, is to ensure that Transport Canada continues to develop very productive relationships and reciprocal acceptances of certification in countries like the U.S. and in Europe, in particular through the Federal Aviation Administration and the European Aviation Safety Agency.

Going back to that issue of technology controls, I think you heard quite a bit of that today because it is one that really impacts our industry. But it's not exclusive to defence technology, because what happens is much dual-use technology.... This is an industry in which you don't have one technology necessarily exclusive to defence and then another exclusive to commercial. The technologies move back and forth between commercial and defence. It's more a matter of application rather than basic technology. So for much of the advanced technology—not only products, but also processes like advanced machining know-how—once it gets into a U.S. military system, even though it may have been developed as a commercial technology it now gets captured as a dual-use technology under the controls of both the export administration rules, under the Department of Commerce, and under ITAR, under the Department of State.

There's a tremendous impact not only for aerospace but for all advanced manufacturing industries in Canada that ultimately are going to be constrained by those technology controls in their ability to work in the U.S., to access U.S. markets, and be competitive in global markets.

So it is a key issue for us.

● (1300)

The Chair: You're at eight minutes and 30 seconds. Thank you.

Mr. Shipley would like—

Mr. Bev Shipley: I have just a quick one on the skill, because you talked about—

The Chair: Why don't I go to Mr. Fontana. There's another Conservative spot after that.

We'll go to Mr. Fontana.

Hon. Joe Fontana: Maybe Bev was going to ask the same question as I was.

Of course, in London, Ontario, we share a pretty good success story in Diamond Aircraft Industries Inc., which has become a leading commercial aircraft producer and, in fact, has become the product of choice for the U.S. Air Force to train its new pilots. Yet they can't even get in to see the Minister of Defence in terms of procurement, and I know there has to be a linkage.

Sometimes, in order to start off, SMEs need procurement, and "buy Canada". Where everybody else seems to have a "buy U.S.", buy this, buy that, policy, we can't even seem to help some of these SMEs in the aerospace sector.

But let me just ask some specific questions here. I note your performance, and I think we ought to be very proud of what we've done in Canada in the aerospace industry. So revenues are going up, exports are going up. But I need to ask the question. I'm very supportive, obviously, of the tax credits, the R and D, and some of the things we've talked about, but the investment by the industry itself is going down, and employment is obviously flat.

So I'm wondering, while you all talked about research and development, and yes, government has to be there, because I think sometimes nobody else can do some of that basic support, investment by the aerospace sector itself in research and development seems to be on the decline. Perhaps you might want to give me an answer to that.

Secondly, there is no doubt that, just like the auto sector, the aerospace sector needs some pretty good skills in order to do some of the fine stuff that you do. I know you've probably talked about skills, and yet what is it you think we need to do on the human resources side so that we continue to be competitive by having some of the skills, the scientists, the engineers who are required?

My third point is this. Again, I'll talk a little bit about it as it relates to procurement. How important is procurement in terms of making sure those small and medium-sized businesses in Canada, and big companies, can in fact become global, if in fact they're not even given an opportunity?

I don't know, in my 18 years here.... Invariably, it doesn't matter what Canadian technology—whether or not it's aerospace, auto, and certain other R and D—the fact is that we're great at selling things, exporting, but when the other countries ask if the Canadian government, the provincial government, or anybody else uses your stuff, invariably we have to say no. So I'm wondering, because I think you bring it up, has procurement been a link towards research and development and fostering our own regional development?

I congratulate you for spreading an awful lot of these regional benefits across the whole of the country—from Atlantic, to Quebec, to Ontario, to the west. That's great to see.

Mr. Peter Boag: I'll try to take those in order.

Yes, the investment in R and D is an issue of concern for us. This industry is investing a little over $1 billion a year in R and D on an annual basis, and it's been investing that amount for about 10 years; it hasn't changed. At a time when the industry has grown more than twice as large, our R and D intensity, as we would describe it, has gone from about roughly 10% a little over a decade ago to about 5% today.

That's not an investment rate at which you're going to sustain this industry and growth in the industry. It's a trouble spot for us and was clearly one of the major issues that surfaced in the work of the Canadian Aerospace Partnership last year, and one of the issues that was addressed in the aerospace and defence strategic framework, which we, as an industry, unanimously endorse.

The challenge—and I want to go back to the beginning of my remarks—is that we compete around the world for that investment. What that tells me is that our investment environment and investment climate in Canada is less competitive than in other locations. We're seeing companies choose to invest and develop aerospace businesses outside Canada as opposed to doing it inside Canada. They're using and leveraging the knowledge and investment they have now and will continue to do that for some period of time.

Our success in the past and our success today—and thank you very much for the congratulations—is no guarantee of future success unless we continue to stimulate higher levels of investment. Risk-sharing and the role of government and how we work together are important parts of creating that positive investment climate that will make us compete.

One of the things those sales numbers disguise, to a certain extent, is that while we have grown our overall revenue, the Canadian value-added in that revenue has been decreasing. That's because the top-line revenue has been growing, but we've been sourcing more and more from outside Canada because of competitiveness issues. Whether they are foreign-owned subsidiaries here in Canada or some of our own homegrown companies, as they try to maintain their competitiveness globally, they ultimately look for where they can work best to be competitive.

I'll skip down to procurement, and then I'll come back to skills.

Procurement is clearly an important tool, and it's distressing to us, as we look at procurement over the last number of years in Canada, that many Canadian firms—world-class, market-proven, with cost-competitive technology and product capabilities—are overlooked by our own Department of National Defence. They have this eagerness to see anything foreign and yet are very slow to recognize that we have world-class capabilities here in Canada. We need to see a greater predisposition to Canadian solutions.

That's not to say we should have broad buy-Canadian policies that emulate what our friends south of the border are doing. But we really do need to look at how we can better use the capabilities and better stimulate and strengthen those capabilities through either a first-use demonstration or through looking at how we can build Canadian solutions into the legitimate procurement needs of our Department of National Defence. That's clearly an issue.

● (1305)

The Chair: We still have two members left who want to ask questions.

I want to give Mr. Bain a chance if he wants it. It's up to him.

Mr. Stewart Bain: I'll try to go quickly.

The common thread I see running through a lot of this, to touch on it very quickly, is this word that gets thrown around that means something different to everybody, and that's the subject of competitiveness. The aerospace industry has gone through a very tough time, so the war chest is dry. When you talk about R and D investment and people being able to invest in R and D, they are just happy right now to have pulled through a difficult time. The Canadian dollar is doing extremely well, and that makes it a little more difficult for our competitiveness. When you start looking for R and D dollars, you have presidents of small to medium-sized enterprises in Quebec thinking about the bottom line. You might want to take that into consideration.

Employment is flat. There's a certain context in Quebec that we've been discussing at the board level with the AQA, and that is that the skilled labour is not necessarily going into the aerospace industry anymore. They don't see it as a sexy place to be. They don't see it as a place they want to be. And we have to do something about educating the public about that being an interesting place to come back to. So that's a consideration.

On the subject of procurement, I took it from the perspective of major procurements in Canada being linked directly to any kind of R and D. Well, for me again that goes back to my opening remarks and has something to do with all these things. As far as the Quebec Aerospace Association is concerned, the development of our SMEs up the food chain is the answer in all these areas. If you're actually providing incentives for the Quebec SMEs to either coalesce, work together, or find an infrastructure so they can provide more added value, it puts R and D back into those organizations, and it gets people to come to Canada rather than go elsewhere.

Mr. Peter Boag: I would agree on that issue of skills. One of the biggest attractants for skills and for growing those highly qualified people is R and D—research and development opportunities.

The Chair: Thank you.

We have two more members on the list. I have Mr. Carrie and Monsieur Vincent.

Mr. Colin Carrie (Oshawa, CPC): Mr. Fontana touched on the questions I wanted to ask, but I want to come at it from another angle. You did mention that research and development was about 10% of sales earlier and now it's down to 5%. I don't necessarily see that as a government problem. It appears to me that the government has been supporting your industry quite substantially. I almost see it as if your companies are just not putting that extra money into it.

As you say, there's a global competitiveness issue. If the government gets up to the plate for their portion while it seems you guys are putting a little less into that, how would you respond to that argument?

● (1310)

Mr. Peter Boag: The argument is the lever that the government investment is and how then that levers significant private sector investment. I'll put it in very simple terms.

We'll have a company that's looking to continue to develop an existing world product mandate it has here in Canada. Let's use the example of an American-owned subsidiary that's been established here in Canada to develop a certain product or system and has the world product mandate for that, so it's not serving the Canadian market, but the global market. They're now looking to continue to further expand and develop that product mandate, or potentially there's an opportunity to bring another product mandate here to Canada from the company. That's going to require a significant degree of investment in research and development to develop those new technologies.

They'll look at the business case to see how they can do that in Canada. They'll look at the tax system and the potential for some funding under a mechanism like TPC. Then there are all of the other issues that impact doing business from Canada, and some of those now are further constrained by technology constraints in the U.S.

On the other hand, they can look at their own environment in the U.S. They'll see they can get virtually 100% of that R and D funded by the U.S. Department of Defense on a cost-plus basis, and it's going to be totally non-repayable, so that's a pretty sweet business case. They can look abroad to countries like Korea, China, and India, which are looking to grow their aerospace industries and ultimately poach Canadian jobs.

So when that business, which is ultimately in business and accountable to shareholders, looks at where the best business case is to make that investment, that's the environment we compete with. Companies are looking at what is the business case, what is the leverage they get from government investment. As a result, as our investment case and business case weakens, although their business is still here in Canada, ultimately they're going to grow that business somewhere else. The sustainability of that business in Canada ultimately becomes questionable. Those investments are being made, and companies are choosing not to make them in Canada because it's no longer, in their view, competitive to grow their investment in Canada.

Mr. Colin Carrie: What would you say is the solution? Does it make sense that the government is still putting forth partnering for this research and development when the companies are just going to decide to do it overseas anyway?

Mr. Peter Boag: Well, they're not going to decide to do it overseas anyway if there's a solid business case and a strong partnership. They don't expect to get free money; they're looking at, ultimately, the instrument of TPC, a risk-sharing investment model. They're looking for someone to share the risk so they can help to build the business case; there are other positive elements of serving global markets from Canada, but that's one element they clearly do look at as important.

These companies would like to grow their businesses in Canada, but they're also up against the business imperatives and, ultimately, their accountability to shareholders on the best place to do that.

Mr. Colin Carrie: Do you have a solution for us, though, as a government? What else could we do that we're not?

Mr. Peter Boag: It goes back to how we strengthen or reinvent programs like TPC. How do we look at improving the investment climate through tax structures and making our SR and ED program more effective? Are there issues around regulatory barriers? The investment climate is ultimately made up of many different factors.

From the very direct factor of technology investment, programs share the risk and ultimately share the rewards for governments. Industry's not interested in direct handouts and subsidies, because you also need to understand how mechanisms like TPC work.

This is not the government cutting a cheque to a firm to go do some things and not be accountable. The TPC contributions are based on a very clear and agreed-upon statement of work. A company agrees to make this kind of investment; there are these kinds of milestones. Payments under the TPC program are not made until after the company has expended the money and made a claim, those claims are then verified, and they get progress payments, maybe over a period of several years. Then there's a repayment period that ultimately recognizes that if the government has shared the risk, they're going to share in the rewards.

Certainly one of the major rewards is the economic activity that happens in Canada and the indirect benefit the government gets, which is ultimately what the purpose of those programs should be. It's a policy tool. It's not investing to get your money back; it's a way to stimulate economic growth in Canada.

We need to look at the continuation of programs and at ways to make them more effective, and ultimately more effective from the government's view.

The Chair: We'll go, finally, to Monsieur Vincent.

[*Translation*]

Mr. Robert Vincent (Shefford, BQ): Thank you, Mr. Chairman.

I understood your remark that the government should invest more money in research and development or that there should be a partner. And yet, according to the aerospace figures, your revenue in 2000 was $20.3 billion. You invested $2.4 billion in research and development, and, at that time, there were 91,000 jobs in the industry. In 2004, your revenue was $21 billion, whereas you invested only $1.3 billion in research and development and there were only 73,000 jobs. That means nearly 20,000 fewer jobs.

You said earlier that, in order to be competitive, we have to engage in research and development. Did you and your partners want to invest more money in research and development, or were you waiting for the government to do it? You said that, if we didn't give you any money, or if there were no R&D partnerships, those corporations would move to other countries because that would be better for them. However, they invest $1 billion less. Do you think companies should invest a little less in R&D? That's my first question.

My second question is as follows. You said earlier that Mr. Bain didn't have access to U.S. technology. How can Canadian businesses take part in the manufacture of C-17 aircraft? Then how can they gain access to that new technology, when we know that there are five places in the world where Boeing can maintain those aircraft, three in the United States, one in England and one in Australia. Since those aircraft will remain on U.S. soil, how will we have access to that technology if we don't even have access to the aircraft?

● (1315)

[*English*]

Mr. Peter Boag: On the issue of investment, I think those higher investment levels we saw through the late 1990s was not just R and D investment; it was also capital investment. For a period of several years, a number of our companies were rapidly expanding their facilities, so there was a significant degree of capital investment in buildings and equipment, not just R and D. Their actual R and D expenditure has remained relatively constant over the last 10 years at $1.2 billion a year.

The employee numbers reflect some productivity increases. This is an industry in terms of competitiveness, and we also need to be very productive. As time goes by, we have increased our productivity, so while sales have come back to pre-2001 levels, we have not seen a similar increase in employment, and much of that has been driven by productivity increases.

The other element of it, though, is what I referred to a few minutes ago. We're seeing more outsourcing from companies to foreign countries because of competitiveness issues, some of it around the issue of market access, because as we have industrial regional benefit programs in Canada, other countries employ their offset programs. As we supply into defence markets in other countries, although not in a large way, we're also bound by their regional benefits or offset programs to place work in those countries.

So there are a number of factors: productivity and more outsourcing, in part driven by competitiveness issues that have impacted that growth in sales, but not seen a similar growth in employment. The R and D issue is around some capital investment. It fundamentally comes down to the fact that we need to partner. There's a high degree of risk in aerospace investment, and around the world there are countries willing to step up to either maintain and grow their own aerospace industries or create new aerospace industries, so we're competing for that investment.

On the C-17, how we lever that is still very much a strong point for Canada. The advantage if Canada were to buy C-17s is not participating in the building of potentially four airplanes. That's short-term work that's not going to last for long. How do we lever a relationship with Boeing to get preferred access to and into the supply chains and technology sharing in their space business and their defence business and their commercial aircraft business that will last 20 years for Canadian firms, not over the short duration of a purchase of a potential C-17 airplane?

The Chair: *Merci, monsieur Vincent.*

Mr. Stewart Bain: Regarding your questions with respect to R and D, again, the Quebec Aerospace Association looks at it from the perspective of SME development.

The Montreal area or Quebec aerospace industry represents, if not the third, one of the three largest aerospace centres in terms of cities in the world. The largest proportion of how those numbers are calculated is based on sales. It's not based on how much we manufacture in Canada.

So when you see R and D going down, it's got to be largely driven by the OEMs, who are no longer investing in their own infrastructure in Canada. They're looking for cheaper solutions outside. They're going to China, they're going to Mexico, they're going to other places to find alternative supply.

What we would encourage in terms of R and D investment—and I tried to make the point in my opening remarks—is that we actually invest in developing the SMEs, because that's the infrastructure that will bring people to Canada. It will not just attract the OEMs who live in Canada and the major suppliers of business in Canada, but it will also bring the others to Canada, as a competitive place.

For example, competitiveness is not always defined just in terms of cost. You can go to China and get cheap parts, but you can spend a lot of money setting up a facility and you can have a much higher rejection rate on components when it's coming from an organization that doesn't have the same level of skills, quality, procedures, and so on that we're used to in Canada.

So if we can get the level of performance of our SMEs up to the point where they're actually adding value, it starts to look a lot more attractive for outside companies and Canadian companies to look to Canada, and then SMEs will actually be in a position where they're not just relying on the OEMs in Canada, but they're getting business from outside Canada. They will have their own war chest to invest in research and development, to develop their own business.

That's a major component that I think we're missing. It's largely overshadowed by what the OEMs are facing, and the SMEs are just living in the background of all of this.

So I'd encourage us to look at it from a perspective of how we get the SMEs to a point where they're also masters of their own destiny.

With respect to accessing C-17 technology, I would imagine that on a program like that, if Canada was going to pursue the procurement of that kind of equipment—just as we're participating in the joint strike fighter program—there would be agreements and technical assistance agreements, TAAs, in place to allow Canada to participate. Through the folks I've met here in Canada and the folks who are here...certainly Boeing is very aware of our industry and our capabilities and would be very interested in working proactively with us to try to find a solution to that.

So I would not see that as a walk-away or a total roadblock. It's just a question of going through the proper channels and proper registrations and proper documentation to be able to access the technology. It wouldn't be a roadblock for us.

● (1320)

The Chair: Thank you very much.

I want to thank members for staying.

I want to thank you for extending your time here. I genuinely appreciate that. I want to thank you for your presentations and your answers here today. Furthermore, if you have any more suggestions or recommendations that you would like the committee to consider, please forward them to me and I will ensure that all members receive them.

Thank you very much for being here today. It was a real pleasure to listen. Take care.

Mr. Peter Boag: Thank you very much, Mr. Chairman.

The Chair: The meeting is adjourned.

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