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Chair

Mr. Dave Van Kesteren

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● (0905)

[*English*]

The Chair (Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC)): Order.

Good morning, and welcome to another subcommittee meeting on industrial sectors of the Standing Committee on Industry, Science and Technology.

As you know, we are studying the crisis faced by certain industrial sectors in Canada, such as aerospace, energy, forestry, high technology, and manufacturing.

Today we are honoured and pleased to have with us representatives from the aerospace industry. We have three hours this morning, so that's quite a length of time. We recognize the importance of this sector, and we know you have very much to tell us, so we're looking forward to hearing your testimony.

We will begin by having all the sectors do a presentation. I believe we're going to have Mr. Claude Lajeunesse begin with the opening remarks. The Aerospace Industries Association of Canada represents all the other groups. After that, we'll just start with Mr. Haynal, and then we'll continue on. We'll open our questioning with a seven-minute round, beginning with the Liberal side.

I'd like to welcome you, of course. Thank you very much for coming.

You may begin, sir.

[*Translation*]

Mr. Claude Lajeunesse (President and Chief Executive Officer, Aerospace Industries Association of Canada): Thank you, Mr. Chair.

It is an honour to be here today, along with several of my colleagues from the Canadian aerospace industry. My presentation will be mainly in English, but at a later date you will be provided with French and English versions of it. Of course, I will answer questions in both official languages.

[*English*]

I will provide just a brief picture of what the aerospace industry is in this country.

The first point is that total revenues are close to $23 billion. Out of that, $18.6 billion—that's 80%—is exported, which means that 80% of the jobs and 80% of the revenues are generated outside of this country. In other words, money is coming into this country to pay for jobs here because we are in a position to export our sales abroad, outside of the country.

Civilian sales are about $17.7 billion, military $5 billion. Jobs are at 82,000. A very important point to make is that these jobs are spread across the country. I will come back to that in a minute, but this is an industry that goes from the Atlantic to the Pacific in terms of the people it employs.

Growth has been constant since the dip, of course, after 2001. As I've mentioned, we are now back to the level of 2001, with anticipated revenue this year of about $23 billion. The revenues are divided into various sectors. Aircraft, aircraft parts, and components represent about half of those revenues—55%. Engines and engine parts, which you will hear about in a few minutes in great detail, are about 15%. Repair and overall maintenance is about 16%. We are, in this country, as you again will hear in a few minutes, probably the world leader. We are certainly the world leader in terms of simulation and training. It's an industry that is diversified, that has many revenues spread across the country.

I've already mentioned that 82% is exported, but it's worth repeating the fact that these jobs are created in Canada by money coming from outside of this country. That's an important point. The 82,000 jobs are highly skilled jobs requiring a lot of training, a lot of education. Again, in this area it won't surprise you that we've gone over the number of jobs that we had in the early 2000s.

Employment.... When you get a copy of the presentation, please look at this very carefully: 50% is in Quebec; 30% is in Ontario; you have 15% of the jobs in western Canada; and in Atlantic Canada you have 6%. In every region of this country, the aerospace industry is a major player in terms of jobs, job creation, and wealth creation.

You should know that in the world we are fourth in terms of production of aerospace goods. By the way, I should mention that this includes space, and we're all very proud these days of our accomplishments in space. As you all know, Julie Payette will be lifting off in about a month. I'm sure for some of you that will bring you memories. We're looking now at being fourth in the world, but we are very closely followed by Germany, Italy, and Japan. These countries are investing considerable amounts of money to catch up to the other countries. We are at $23 billion—more than half of what France and the U.K. produce every year. That is also a key point to understand. But Germany at $22 billion and Japan at $15 billion are coming up very fast behind us, and they are investing considerable sums of money to catch up and eventually be ahead of us.

I will come back to that in a few minutes, because I'm sure you will all agree with us that we want to keep our leadership role in the world.

● (0910)

I'd like to quote Anne Golden. We asked the Conference Board to look at our industry and to give us a bit of an opinion on where they see our industry at this point. I'll quote it. It's worth quoting word for word: "...in spite of all of Canada's advantages, our economy has been underperforming in almost all areas". It's the Conference Board of Canada saying this. "One exception is the aerospace industry... [where] you face significant challenges, but within the manufacturing sector, aerospace is a good-news story."

I also want to quote from the Canadian Auto Workers union:

> Canada's aerospace industry is considered a "jewel" in our national industrial base. Typically seen as a "plum" industry (one marked by high-technology, intensive exports and high wages), aerospace generates many direct and spin-off jobs that benefit workers throughout the country. Additionally, aerospace generates spin-off technologies that contribute to Canada's production capabilities....

It also links very closely with our universities. With the situation we now face in this country, due to the downturn in many other industries, the aerospace industry has now become one of the major supporters of research in our Canadian universities, playing a key or leading role.

We surveyed our members. I thought you'd be interested in knowing what they think about the situation currently. We asked them, what is the overall impact of the current downturn? It's moderate, at this point. What are the top three challenges? Well, they include the reduced availability of financing and credit. So we were very pleased to see some of that being addressed in the last budget.

Another challenge is the increased competition from emerging markets. I mentioned that already. The investments being made by government and industry in Japan, Germany, and Italy are enormous and will make a difference in the medium and long terms.

Finally, the last challenge is the difficulty of getting credit insurance, and that's something that of course we've been talking to EDC about.

What is the impact of this? You've all read the newspapers. It's the downsizing of some operations, cost reductions, and some personnel layoffs.

How does the industry look in terms of the past and the future? This is an industry that is cyclical; there are ups and downs, due to external factors. But one thing that comes across very clearly is that if you plot the growth of the industry over the years—and you'll see in the presentation that we've gone back to 1974—you will see peaks and valleys. Every peak has been higher than the previous peak so far, and every valley has been higher, which means that we've been constantly increasing the number of jobs and the level of activity in this country. Of course, we want to make sure that when we get to the bottom of the cycle we're currently in, it will still be higher than the previous bottom of the cycle.

What are the predictions for the future? There will be 24,000 new aircraft between now and 2027, in less than 20 years' time. The market value will be over $3 trillion—that's $3,000 billion. We anticipate that world passenger traffic will increase by 5%, and cargo traffic by 6%.

What do we need to do to make sure we keep our competitive advantage? There are not many solutions. We have to be ready with new solutions, new materials, new avionics, and new engines when we return to the upward part of the cycle. So it's time now to invest in R and D. Let's not repeat the mistakes made in other sectors of our economy, where investment in R and D was curtailed every time there was a downturn in the economy.

● (0915)

We have programs like SADI, strategic aerospace defence initiative, which need to be reinforced and strengthened to make sure they can support the whole spectrum of our industry.

We have institutions like NRC that in our country that are doing a fantastic job of helping the industry. We have NSERC, the Natural Sciences and Engineering Research Council, which provides research support in universities and also jointly sometimes with industry and universities. We need to position this industry by developing participation in future major platforms. We have produced a report on this that indicates what the technologies of the future are, where we are able to contribute in this country, and how we can contribute.

We need procurement reform. We need to leverage every dollar that is spent on acquisition. This is particularly true for defence. We have to make sure the investments we make in defence are developing our export potential and that they are done strategically to develop our own industry. For end-service support, which is servicing these planes that we purchase abroad because they are not built in this country, we want to make sure that these planes are serviced here in Canada.

Finally, we have to make sure that whatever investment the government makes is able to create short- and long-term jobs. Let me be clear on this: some of these initiatives will respond to the needs the government has expressed to create jobs now to make sure we reconnect the growth of the economy to spending as soon as possible.

We need to develop and implement a long-term space plan. There has been ample consultation with the Canadian Space Agency. As late as last week we had a meeting of the industry players with the agency, and we feel this is important to develop but also to implement the space plan with the proper level of support.

The last point I want to make, Mr. Chair, is that we need to reduce trade barriers. There are many trade barriers: a particular one that is not called a trade barrier, but its impact is to impede trade, is ITAR, international traffic in arms, the program in the U.S. that keeps us from doing everything we need to do.

● (0920)

[*Translation*]

Mr. Chair, as I indicated earlier, I am pleased to answer questions in both French and English. I am sure that my colleagues will be able to give you greater details on many of the points I raised in my presentation. Thank you.

The Chair: Thank you, Mr. Lajeunesse.

[*English*]

I know we're doing things a little bit backward. Madame Bourque, I should have asked if you were ready for your presentation. Are you ready?

Madame Bourque.

[*Translation*]

Mrs. Nathalie Bourque (Vice-President, Public Affairs and Global Communications, CAE Inc.): Thank you, Mr. Chair.

On behalf of the CAE, I want to thank you for giving me the opportunity to speak to you today and to present to you our opinion of the challenges facing the aeronautics sector given the current global economic crisis.

Like a number of other companies, we are not immune to the recession that is affecting all industries. Quite fortunately, we have been able to work in close collaboration with our clients, develop new activities both in the civil and military sectors, and stay in the black despite the economic recession.

As you know, the CAE is a world leader in simulation and concept technologies as well as in the area of integrated training services for civilian aviation and defence forces around the world. In fact, the CAE is the largest defence company in Canada. Our headquarters are located in Montreal and we employ at present approximately 7,000 individuals in over 75 facilities in 20 countries. Our shares are listed on the Toronto and New York stock exchanges, and more than 90% of our annual sales figures, totalling $1.4 billion, comes from our global exports and our international activities.

We work with the NRC, the CRIAQ and the CAMAQ. We support universities through research and development projects and grants; we also participate in numerous charities including United Way, the Canadian Cancer Society, and the Fondation Marie-Vincent, which helps children who are raped before the age of 12. For your information, one in five children in Canada falls into that category. We also work with hospitals and various other organizations. We have a large pool of investors, and we are Canadian controlled. We work with over 300 suppliers in Canada to whom we grant contracts of over $300 million. We provide high-quality jobs, with an average salary of $65,000. In short, the CAE is a real Canadian success story.

Created by a pilot of the Royal Canadian Air Force after the Second World War, the CAE is a world leader in the area of simulation for civilian and military markets around the world.

● (0925)

[*English*]

So why is CAE a global leader? Part of our success is due to our employees as they continually strive to push the innovation envelope further, thus making the skies even safer than they are today. But success is never due to one person or one group. Our success is also the result of supportive government policy that spans back decades. This support has been and must continue to be stable, predictable, and comprehensive. Government support is fundamental to maintain a vibrant and globally competitive aerospace sector, and the continued health of our sector is strategically important to the Canadian economy.

Government support manifests itself in several ways. One way is through repayable investments in R and D. In a sector where lives are at stake, we must always find ways to improve the training of pilots, be they civil or military. With the participation of the federal government through the SADI program, CAE will invest $714 million over the next five years to continue to make flights safer, including those of our soldiers presently serving overseas.

Another avenue of support is through the competitive tendering of military programs. During the month of February, a pan-Canadian team led by CAE was chosen as the prime contractors for DND's operational training systems provider, also called the OTSP program. In this program, CAE will lead the provision of training systems and services for Canada's tactical airlift, the C-130J, for medium- to heavy-lift helicopters, and potentially for other aircraft fleets as they come on line. Against stiff competition the CAE-led team won this contract after the appropriate due diligence by DND and Public Works officials. Our provision of this training will not only better equip the brave women and men of our Canadian Forces; it will also create and sustain high-quality jobs throughout Canada. It will also position Canadian companies for future international training system integrator opportunities.

The third vehicle of support comes in the form of investment tax credits. We fully agree that this program is presently very generous. However, given the present economic context we would like the Canadian government to make these tax credits refundable. This would greatly help all sectors of the economy that are research-intensive and hence would give a welcome boost to the Canadian economy.

The fourth pillar of policy support comes from EDC. With a tightening of international credit, EDC must have the flexibility to offer credit to clients in markets where it has not operated before and to clients facing more difficult financial situations.

Taken together, the successful implementation of these measures will strengthen the Canadian aerospace sector and put us on a more level playing field with our competitors in the favourable environment in which they operate. Canada's aerospace sector is ranked fourth globally today, yet nations like China, Korea, Japan, and India have put the world on notice through rapid development of their own industries. The common denominator amongst emerging companies from these countries is found in the strategic, sustained, and substantial support they are receiving from their national governments. Moreover and more troubling is that these companies and countries are aggressively looking to woo our best young talent and leapfrog Canada on the innovation continuum. On a positive note, successive Canadian governments of various political stripes have laid a good foundation on which we can build for the future.

[*Translation*]

However, more specifically, the Government of Canada must, through such measures, ensure that our partnership continues to grow.

In short, we recommend that the Canadian government: first, continue to support and increase the SADI's annual funding base; second, maintain and expand its commitment to the Canadian industry while rebuilding our military forces and providing it with new equipment; third, ensure the participation of our industry in discussions on programs such as the Joint Strike Fighter Program, in order to bring to the table on the very first day the technological know-how and expertise—that is essential for our participation; fourth, make the research tax credit fully refundable; and fifth, ensure that the special funding framework and support provided to EDC in budget 2009 is used to ensure easy access to credit so that international buyers can invest and purchase major Canadian aeronautics technologies.

Thank you for your attention, Mr. Chair.

The Chair: Thank you very much, Ms. Bourque.

[*English*]

Now we will go to Mr. Bertrand for his presentation.

● (0930)

Mr. J. Richard Bertrand (Vice-President, Government Affairs, Pratt & Whitney Canada): Thank you, Mr. Chairman and members of the committee.

My name is Richard Bertrand. I'm vice-president of government affairs in the office of the president at Pratt & Whitney Canada. We thank you for this opportunity today. It's a very timely discussion.

[*Translation*]

I want to take this opportunity to share our opinion on the impact and challenges represented by this global recession. My comments will be brief, because your time is better used through questions and suggestions to reinforce the policy choices affecting our sector.

It is these choices that will strengthen the Canadian economy as a whole.

[*English*]

Pratt & Whitney Canada is based in Montreal, with a proud 80-year history of continuous innovation, achievement, and success. We are a global aerospace leader shaping the future of business, helicopter, and regional aviation with new-generation engines. In fact, we have introduced a record 65 new types of engines into production over the last 12 years alone. No other company in the world has introduced that many offerings.

Our next-generation engines surpass International Civil Aviation Organization standards for low emissions and low noise. This success is proof positive of the benefits that have accrued from our 50-year relationship with the Government of Canada and the various policy and fiscal supports that have been accorded our company and the broader aerospace and defence sector during this time.

[*Translation*]

We employ close to 10,000 people throughout the world and nearly 7,000 in Canada, namely in Halifax, Longueuil, Mississauga, Lethbridge and soon in Thompson, Manitoba.

[*English*]

This geographic footprint results in an annual economic contribution of $2 billion to the GDP, according to a KPMG study. We are also the number one research and development investor in Canadian aerospace. In fact, we invest over $400 million per year in R and D, which represents 50% of the total spent by the sector.

We have committed $1.5 billion over a five-year period to create the next generation of green technologies in our research and manufacturing facilities. On the knowledge economy, we employ over 1,200 engineers across Canada.

Finally, as a company we take pride in our ongoing work with 16 Canadian universities, with 400 programs completed to date and another 200 in progress or in planning stages. We also plan to invest $75 million into the university sector over the next five years. Of course, the present economic climate is hurting our company and our sector, like so many others.

For Pratt and Whitney Canada the marked delay and decline of orders in the regional and corporate aircraft market has had an impact on our operations, although I was pleased to see this morning in a newspaper that Porter Airlines will be ordering 18 more Q400 Bombardiers with our PW150 engine, so that's a nice little ray of sunshine in the middle of all this. In turn, the spillover effects—and I think it's important—have an impact on the 1,500 suppliers situated from coast to coast, and that cannot be discounted.

[*Translation*]

Like the others, our company has had to make difficult adjustments in our workforce. Although these decisions are never easy, we have worked with our employees and union groups in order to minimize their impact as much as possible. We remain committed, nonetheless, to the pursuit of excellence and global leadership in terms of developing energy-efficient and low-noise technologies for the next generation. The Government of Canada has a special interest in ensuring our success in this area.

[*English*]

Previous investments in pre-competitive technologies and research efforts, through legacy programs such as DIPP—the defence industry productivity program—and Technology Partnerships Canada have yielded and continue to yield annual royalty payments back to the crown, in some instances with payments continuing decades after the initial investment, royalty payments that are already in the hundreds of millions of dollars back to the government.

As my colleagues have noted, Canada's aerospace sector is ranked fourth by global standards. And when we consider that those countries that rank ahead of us are the benefactors of a massive military presence when compared to Canada's defence expenditures, the success of our company and our sector is all the more remarkable.

The innovative culture, record, and ambition of Pratt & Whitney Canada are unequalled in the small to mid-engine marketplace. By the way—a comment on that—that is a marketplace right now that is being hurt because of, as I said, the corporate aircraft market.

If I may, the other company sharing this table with me this morning can make similar claims about their global leadership in their respective service and product domains.

The point is that our sector is innovative at and to its core. And this innovation has flourished best in terms of products, sales, and economic spinoff benefits to Canada when it has been supported—supported through consistent collaborative and concrete government policy statements, programs, and funding.

● (0935)

[*Translation*]

Let me be frank. Government support for the aerospace sector is not only in our collective economic interest, it is essential to our national security interest.

[*English*]

During the 2001 economic downturn, Pratt & Whitney Canada made a conscious choice to invest in its innovation capacity and engineering excellence with the support of the Government of Canada. As a result of this longer-term thinking, we emerged from that period as a stronger and more competitive company with sustained growth in orders, employment, and revenues. This also resulted in a greater contribution to our community efforts in the arts and education spheres. And for the taxpayers of Canada, it meant more taxes paid and continued repayments on previous investments.

Today, we do find ourselves in a similar situation, and perhaps a little bit more difficult than what existed in 2001, with the additional problem of a devastated financial community without the resources to lend funds.

For its part, we encourage the government not only to continue with SADI, the strategic aerospace and defence initiative, but to go beyond its additional $200-million election commitment.

As an aside, as politicians, I must emphasize that you're well served by a competent, professional public service at Industry Canada, HRSDC, and other departments with which we interact regularly.

[*Translation*]

Furthermore, a number of our investments take years to develop and reach the market, and the return on such investments spreads out over several decades. While there is intense and rapid innovation in our sector, returns on such investments in innovation happens over a much longer period of time.

This brings us to our recommendation that aerospace sector policy must remain constant and stable over the same period.

[*English*]

Let me reiterate: it is important that government investment is stable and consistent on a long-term basis.

[*Translation*]

We recognize that the democratic process is such that governments change depending on the will of the voters.

[*English*]

However, we know that all parties represented in this room today comprehend the present value and future potential and contribution that our company and our sector offer to our economic prospects. Therefore, consistency in the basic policy fundamentals in tax policy, program supports, and shared financial risk initiatives is extremely important.

Finally, as a global company with national operations, Pratt & Whitney Canada urges the federal government to, when possible and practical, align its programs and initiatives to complement provincial sectoral tax policy and training efforts. Ultimately, this degree of federal-provincial cooperation will result in optimal investments and partnerships that yield the maximum return for our economy and the taxpayers' investment.

When our sector and our governments work together in partnership with common purpose of mission and a shared objective to succeed, we put the world on notice that the innovation and resiliency of our industy, of Pratt & Whitney Canada, of the Canadian industry as a whole, are competing and competing to win.

[*Translation*]

I want to thank you for your interest and your attention. I am eager to begin our discussions shortly. Thank you.

● (0940)

[*English*]

The Chair: Thank you, sir.

Last, but certainly not least, we will have Mr. Haynal, from Bombardier.

Mr. George Haynal (Vice-President, Government Relations, Bombardier Inc.): Thank you, Mr. Chairman.

[*Translation*]

Thank you, Mr. Chair, for having giving me the opportunity to talk about Bombardier's view of the situation currently being experienced by the aerospace industry.

[*English*]

I will make my comments very short and informal, if I may. I know the discussion will be a rich one, and I look forward to participating in it.

Let me introduce the company briefly. Bombardier is the third-largest manufacturer of civil aircraft in the world, after Boeing and Airbus. It is also the leading manufacturer of business aircraft and regional aircraft in the world. It is a significant presence in the industry worldwide and a very proud and active member of the Canadian aerospace industry, as a sector.

We are also—and this is significant in terms of the business model that we pursue—the world's largest manufacturer of passenger rail solutions; that is, railcars and systems associated with passenger rail. This is a part of our business that is less well known in Canada because much of the activity that we pursue is in Europe and new emerging markets.

Together, this company employs 60,000 people worldwide, of whom over one-third work in Canada, even though well over 95% of our product, at the moment, is exported for markets other than Canada.

If there is more interest in pursuing these big subjects on the identity of the company, I would obviously be delighted to do that, but let me come to the specifics of the situation. We have been, as has all of the industry, deeply affected by the economic crisis and the fiscal crisis that the world markets are facing. We are taking steps to ensure that we not only survive but thrive despite these global setbacks. Doing that takes a series of measures from the company, including making painful cuts in our employment rate and taking a very dynamic approach to managing our costs, including those associated with our supply chain.

But it's also a moment of opportunity for us, because we know that the market will rebound, and we have a product that will in effect meet the new challenges of the industry when it is launched in 2013. I'm speaking about the CSeries aircraft. I mention that in particular because the Canadian government is an active participant in launching the pre-competitive phase of that aircraft. This aircraft will be a world-leading product. It will have an important Canadian component, and we look to it to sustain us into the future.

I did mention that the Canadian government will be a partner in this, investing in the pre-competitive stage of the development of this aircraft. As a footnote, let me also say that in the past we've had an important partnership with the Canadian government since the 1960s, in one way or another. It has been a mutually beneficial one. Bombardier has paid back over 131% of the closed arrangements that we've had with the Canadian government over the years, which is a reasonably good rate of return.

In the TPC, the Technology Partnerships Canada program, which was the most recent of these programs where the government participated in risk-sharing in the aerospace sector, we benefited, I think, from 4% of that program, or $134 million, if I'm not mistaken. We've already paid back 85% of that. That was a program launched in 1996.

So we are good partners, and we intend to be. I think we're a good demonstration of how a partnership in this sector, as my colleagues have pointed out, is not only critically important but also a key to success in the future.

Let me speak a bit more about the present circumstances. We have been hit. As I mentioned, Bombardier is a leading manufacturer of business aircraft in the world by value. We have now experienced a 25% drop in orders for business aircraft in the last few months. This is nothing short of dramatic. As you can imagine, this has had knock-on effects on the way we have had to do business.

At the same time, however, there has been a 10% rise in orders for our regional aircraft, in particular for the Q400 turboprop aircraft, which I hope many of you will have flown in service to Toronto. Richard Bertrand just mentioned that the service is providing so much satisfaction that they've ordered more of those aircraft.

● (0945)

That aircraft has taken the world by storm, if I can put it that way. It's the most environmentally friendly passenger aircraft now being made, and it is also the most fuel-efficient, thanks to, among other things, the engines and other technical qualities of that aircraft.

Our business is balanced, but like every business today, it is precarious because every business is subject to the vagaries of the international economic climate. The layoffs that we've had to make have been very painful. They have been phased in as much as we could, but we have had to lay off close to 15% of the workforce of Bombardier Aerospace in the last four months.

These cuts have been spread across our operations around the world. Our Montreal and Belfast facilities have taken the worst of the hit. In Toronto at Downsview, where the Q400 is being made, they've been somewhat less, but there have also been cuts in the United States and in Mexico.

We have taken some very, very difficult measures, and we will have to continue to do so.

The critical component of the challenge we face, which is ultimately the heart of the challenge we face, is not our lack of liquidity or our lack of opportunity or our lack of innovation, in all of which we have made every effort to be in a leading position, but that of our customers. We can only be as successful as our customers are and our customers face tremendous challenges—airlines as well as leasing companies and individual corporations. Their problem is related to the capital, the cash crunch that is affecting all businesses around the world, the shortage of liquidity in the capital markets. This is not a situation that is about to be reversed quickly or automatically, but it will be reversed.

However, in the meantime, we, like every other original equipment manufacturer in this business, rely very strongly on our export credit agencies to keep funding going. As I mentioned to you, our sales, certainly in aerospace, are virtually all for the export market, so the continued successful and mutually beneficial participation of EDC in this field, as others have mentioned, is absolutely critical to our success.

Let me close with a few other observations about elements of our cooperation with the government that are also of an extraordinary importance. So far, we have not talked about international trade in depth here, but as I said, we are an international business, as is everyone else at this table. We all rely on international markets, so the health of the international trading system is of extraordinary importance to us.

The capacity of Canadian exporters to access markets, both established and new, is of the first order of importance, so I did want to take this occasion to salute the efforts of the government to conclude free trade agreements, most particularly and most dramatically with the European Union. As you know, that process is now under way. This will make a big difference to all our industries, if for no other reason than it will help to provide labour mobility, which is one of the very important aspects of this global industry.

So free trade is extremely important. The resistance to protectionism, under whatever guise, is extremely important. The role of our diplomatic missions abroad in terms of promoting the image of Canadian industry is extremely important. The networks that are established around the world at the political level, as well as the business level and the official level, are extremely important, especially in markets where governments and economies overlap. In some cases, these are the largest governments and largest economies in the world. All of these things are of material contribution to our success.

More particularly, I have mentioned the continuing and, as I say, sustained and sustainable partnership with EDC, which is an extraordinarily important aspect of our business, as it is for the rest of our colleagues.

Last, of course, though by no means least, the continuing commitment of the government to partner with the industry in general in the form of SADI, a program that has been initiated under this government, will be critical, not just to the major industries and major companies represented here, but as Claude so graphically illustrated, to this vast group of companies participating in this sector in Canada.

● (0950)

I can tell you, just as a snapshot, that Bombardier Aerospace has roughly 500 suppliers directly supplying components to our company. And a large group—it's so large I don't even want to put a number on it, but certainly it has well over a thousand, perhaps as many as two thousand, in it—supplies services and other ancillary products to the company.

So this sector has a huge multiplier effect. It is a dynamic one and it is poised for growth. It has sustained itself through thick times and thin. If I may put it this way, it is a jewel, I think, in the industrial crown of this country that is worth keeping and polishing.

Thank you very much.

The Chair: Thank you very much.

We will now go to our first round of questioning of seven minutes. Generally we let it go over time if there's an answer that's important and we need to finish it off. If it's getting a little long, though, I may ask you to wrap up. We will have enough time to come back to things, since each member has a fair amount of questioning time.

We will begin with Mr. Garneau.

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): Thank you, Mr. Chair.

You mentioned that it is remarkable that Canada is in fourth position on the world markets in terms of its aerospace industry, particularly because it does not have a large military to be an important client and particularly because of the cyclical valleys that occur in this industry.

That makes me want to ask you about Canada's current defence procurement policy, and I'd like you to be candid in answering this. Do you see a role for procurement policy, as part of overall government strategy, in helping your industry—providing, of course, we respect all the trade rules of NAFTA and WTO where they may apply?

That's for whoever wishes to answer, please.

Mrs. Nathalie Bourque: I'd be glad to answer that.

As you know, Mr. Garneau, CAE's revenues are half civil and half military. We definitely are very interested in military procurement around the world. But as we found out in the past.... There's a French expression that "*Nul n'est pas prophète dans son pays*". It turns out to be exactly the opposite for military contracts.

As I'm sure most people who read the papers are aware, CAE lost some very important contracts years ago, going back to 2002 or 2003. At that point we received a letter from the Government of Switzerland saying, "Thank you very much, but do not respond to the RFP. We will not consider you because your own government has not accepted to give you the job."

So not only is it important to have contracts here, when CAE is the global leader in simulation around the world...and that includes on the defence side. We were very proud, on the CAE-led team for the OTSP for C-130J, to be able to train the pilots who would be flying those aircraft. But the consequences of our winning this were manyfold.

First of all, it saved over 300 jobs across Canada, and I do mean across Canada. Two, it allowed us to continue to develop our expertise on this. And not least, number three, we have had calls from other governments around the world asking us to please meet with them to explain to them how we are looking into the military training for the C-130J. It's quite innovative; we link a series of simulators together and people can really practice. This is war, this is not just for fun. You see a plane going, and you see some other planes that are attacking it. We have ways to network them together and make it work.

This is opening other contracts, other major contracts, for CAE. Those simulators are done here in Montreal, and benefit all countries around the world. We have Cascade as part of the group, we have Bombardier, we have xwave—we have a lot of companies in Atlantic Canada, Quebec, Ontario, and the west working on those contracts.

For any company you have in the defence world, you must—*must*—be supported by your government. And I repeat, it was a very strong competition. Believe me, we lost sleep over it many times. But it was fair.

I'll give you an example, Mr. Chair, if I may. There's a troop in the States known as the 160th regiment. I don't know if you saw the movie *Black Hawk Down*, but these are the guys. We're their biggest supplier. Forget the Buy American Act; these guys buy the best in the world because their lives are at stake every minute they're on a mission. They chose CAE.

So we're very proud that the Canadian government, after having the competition, has agreed to give us the contract. We think our Canadian troops will be very well trained, and we're proud of that.

● (0955)

Mr. J. Richard Bertrand: Defence is a very small part of our business at Pratt & Whitney Canada. It's difficult to sometimes fathom why, because we provide engines for helicopters, engines for UAVs, and so on. There's a search and rescue competition, so called, currently. Three of the four providers have full Canadian content, and the military is really not moved by that aspect, and so it has a potential in terms of that procurement program and other programs.

I think the issue is a little more difficult in the sense that when you have something like Afghanistan, which is present and therefore you want to do things immediately, then there's an understanding of some of the activities. Quite frankly, what I don't believe is in the process is that longer-term vision of how we're going to get there in the longer term. Again, coming back to search and rescue, that was seen ten years ago, but the fact is that process was sort of predetermined on the end product rather than on the process towards that. There are lots of very capable individuals and companies in this room that can provide some very good product in that area, and the same thing with helicopter programs and other programs.

Having said that, I think the fundamental issue, and the fundamental issue for any government in the past and in the present, is to be able to get a handle on the long-term defence procurement strategy. When we compete against the United States, it's automatic that if it's a military program it's 100%, it's funded, it's not repayable, and so on. If we compete in Europe we're under similar constraints and similar difficulties. If we compete with the United States on commercial, there's 50% support and that's non-repayable even in some of the applications. The military applications in other countries are the applications that are used effectively to be able to provide in those countries a strong military spend, which then becomes the basis for future programs that can become commercial.

The long-term vision is extremely important. We must not always be caught up in sort of, “let's get something for today”, and we start looking for something for tomorrow.

Mr. George Haynal: I'll just add a couple of words to that.

We are all a product of our history, and the history of the Canadian aerospace industry was determined in the 1960s by the government of the day to be in the civilian realm. We were a manufacturer of military aircraft and we decided not to do that any more, but it was still decided, wisely, I think, in retrospect, that this country benefited from having an aerospace industry and that it was worth fostering that aerospace industry in the civilian realm. That is why we had programs such as DIPP, TPC, and SADI. I believe this is our approach in our country that has worked.

The question of military procurement of course is not frequently raised because military procurements of aircraft happen once in a generation, and we happen to be at that generational moment. It's a question that forces itself onto policy-makers and onto the industry. It would be far from me to try to offer advice to policy-makers, but from an industry's point of view I think there are a couple of things worth saying, certainly from the point of view of my company.

One is that this is a global industry, and we actually happen to be part of that industry. It is very important for us at least to have a fair chance to bid when opportunities arise—not necessarily to be favoured, although that's another issue, but certainly to have an opportunity to bid. This has occasionally been a challenge for us where procurement decisions were made where it was not necessarily open to us even though functionally, as Nathalie said, we had the capacity to produce as a company and as an industry.

The last thing I would say from our own company's point of view, if I can address that very narrowly, is for us the capacity to participate in offset programs or programs of that kind has to be reasonably selected. For us, the great comparative advantage in our industry is access to technology, and the degree to which these programs can bring us to a higher level of technological sophistication, add to our knowledge, and help us to partner with others to bring our technological capacity to others in these global supply chains would be to the good.

● (1000)

The Chair: We're well over our time, but we're getting the cooperation of the government, so go ahead.

Mr. Claude Lajeunesse: There are a couple more points I'd like to make in reply to the question.

First, there is wide consensus that we must identify and support the needs of our military. That's first and foremost. However, at the same time, we want to maximize the benefits of these investments to the Canadian taxpayers, and we feel the procurement process could be improved in a couple of ways. First, we feel it should be a lot more transparent. There is a need to have a lot more consultation with the industry.

Mr. Bertrand mentioned the issue of fixed-wing SARs. We would like very much to have the opportunity for the industry here in Canada to show what it can do, at the same time, of course, making sure we support the needs of the military. That's one example where we feel the procurement process needs to be improved.

The second point is that there's been a major change in approach over the last few years with regard to the single point of contact for large procurement. What we now face is the fact that there's one company that builds the aircraft and enters into contracts for servicing and maintenance of that aircraft. That can lead to a lack of development of our Canadian industry, lack of access to intellectual property. If we look at a company like L-3 in Mirabel, for example, which services the F-18, over the last year they have developed hundreds of millions of dollars of contracts with Australia because they were able to export the knowledge they have acquired by working on these programs here in Canada.

To answer your question, we feel there is a need to have more transparency, better consultation, systematic consultation with the industry, and there is good news for the taxpayer. There is good news for our soldiers, transmitting support for the industry and development in the long term for our industry, not only for the short term.

[*Translation*]

The Chair: Thank you, Mr. Lajeunesse.

Mr. Bouchard.

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

Thank you for coming. Before I begin my question, I would like to make a request to the chair.

My colleague the member for Saint-Jean is a member of the Standing Committee on National Defence. When we looked at the forestry issue, a number of Conservative members came to our committee, and they were allowed to ask questions. Would you and the other members here agree to allow me to share my time with my colleague Mr. Claude Bachand?

● (1005)

[*English*]

The Chair: You're most welcome, sir.

[*Translation*]

Mr. Robert Bouchard: I will ask my first question. Then, my colleague Claude Bachand will take over.

My first question is for Mr. Lajeunesse. In your presentation, you said that the aerospace industry is a jewel in Canada, an opinion that the Bombardier representative shares. Do you fear for the aerospace industry's future in Canada, if current conditions continue?

Mr. Claude Lajeunesse: The short answer is no. We need to understand that the aerospace industry is a solid one. You heard this morning that a number of companies are investing in the future. For example, we talked about a program that will produce concrete results in 2013. No doubt, the industry is going through a difficult period at present. You also heard my colleagues clearly tell you that in some cases they have had to deal with layoffs, which is always difficult. However, all companies understand that the cycle will reverse. We expect that there will be a need for 2,400 new planes in the world over the next 20 years.

We need to be prudent and to clearly understand the strategy, we need to invest in research, development and innovation in order to prepare for the arrival of new materials, motors and new aircraft manufacturers, and so forth, and we will need to be able to compete within 5, 10 or 15 years. That is why you have heard an appeal this morning to get at least the $200 million promised under SADI, if not more. If we don't invest now in research and development, in a few years it will be extremely difficult to be competitive.

Mrs. Nathalie Bourque: I concur with Mr. Lajeunesse, when he says that we seem to be surviving just fine today. As you know, life is fragile. Twenty-five or even 10 years ago, who would have believed that we would now be having to help the Ontario auto industry? Who would have believed that we wouldn't all have at home a Chevrolet, as the ad said, *What do you have at home? This, this and a Chevrolet.* We all remember that ad. Today, young people don't know what a Chevrolet is. A number of countries, particularly in Asia, can testify to that. Who would have believed that, today, everyone would have a Toyota, a Hyundai, or a Kia at home? And there are many more that we could name. That is what we are dealing with and what we are trying to overcome.

The major strength of the aerospace and defence industry lies in the fact that the R and D is being done here. However, the auto sector did not have that opportunity. Nevertheless, we are under pressure every day at the office and we are concerned about what will happen in the aerospace industry. Even if we are in a good position, we are continuing to get good contracts and we remain positive, we are prudent. We feel it is extremely important to continue to do what we are doing now, with the help of governments.

Mr. Claude Bachand (Saint-Jean, BQ): First, I want to thank my colleagues for allowing me to ask a few questions. I greatly appreciate it.

Mr. Lajeunesse, you talked about SADI, which is equivalent to the TPC, which the government had promised to restore at the time, if it hadn't already done so. My questions concern mainly the military sector.

As you are no doubt well aware, the government has invested $16 billion in purchasing new military aircraft equipment. The way that it has gone about it is somewhat questionable. We spoke with the Auditor General about everything related to the awarding of contracts, meaning the advance contract award notice or ACAN, or by a letter of solicitation. The Auditor General is challenging the way that contracts are granted through an ACAN.

First, how does the supply process work? Is it fine the way it is? Personally, I think that things are not right as they are. Second, do the economic spinoffs have to involve both aspects of procurement, meaning the acquisition fees and support services? It's far from being clear at present. Boeing seems to say that it has received billions of dollars for the purchase of large aircraft but is now asking whether it is possible, concerning the servicing... Perhaps the example of Boeing is not relevant, because I don't think that it will repair the C-17 in Canada. It's quite clear. We can wonder whether there will be any economic spinoffs.

Finally, what do you think about the creation of the aerospace caucus, the chair of which is here, and of which I am the vice-chair? Is this caucus going to be, among other things, an important interface for the industry? We feel that this is a very important role for that caucus.

● (1010)

[*English*]

The Chair: To whom would you like to direct your question?

Mr. Claude Bachand: It's for any of them.

[*Translation*]

Perhaps Mr. Lajeunesse could answer.

Mr. Claude Lajeunesse: Thank you. I am going to start with the second question. Obviously, we are extremely pleased to finally see the creation of the aerospace caucus. I think that this is an excellent initiative. It shows that this is a pan-Canadian industry. Its members come from across the country. It is extremely important to show that support for the aerospace industry is support for the industry across the country and not just in one, two or three specific regions.

Mr. Claude Bachand: In fact, 55% of that activity is concentrated in Quebec.

Mr. Claude Lajeunesse: True.

The message is clear. I think that my colleagues will be delighted to work with the caucus and answer any requests that the chair and its members want to put to us.

With regard to the military equipment purchase program, I have already commented on that subject. I think that improvements could be made to it. In my opinion, it is a matter of fostering greater job creation in Canada and the ability of our industries to export their know-how outside the country. We have met with the three ministers involved. They told us that they were prepared, that they recognized that transparency was important in the development of government procurement policies and that consultations with the industry needed to be held. Earlier, I mentioned the FWSAR.

Clearly, such consultations need to be continuous and predictable. Furthermore, we need to be well ware of the Canadian industry's capabilities. In my opinion, these two points need to be discussed now, in order to improve the government procurement policy and ensure that taxpayers benefit from the very significant investments that the government has decided to make in the defence industry.

Mr. J. Richard Bertrand: Good day, Mr. Bachand.

Yes, the caucus is extremely important. As was mentioned earlier, the aerospace industry in Canada is a real masterpiece. There are some delicate elements. Nathalie referred to them earlier. Federal support is essential, but we must not forget provincial support. Quebec is investing heavily in this industry. It is extremely important.

With regard to the C-17 plane, you may know that it contains a Pratt & Whitney motor manufactured in Hartford, U.S.A. With the Flight Operation Centre, which is moving to Mirabel, and with Bombardier, with our new Pure Power Geared Turbofan motor, that we bring in from Hartford, Canada can benefit from significant spinoffs. There will be spinoffs concerning the C-17 planes at the very least.

With regard to the aerospace caucus, I would say that it is becoming increasingly important. Even if governments change, we need to be clear that there will be a policy and that it will continue to apply over the coming years, that it won't change each time. The uncertainty in the market is becoming a problem, in our opinion. It might be much easier to find the necessary support in other countries. You are no doubt aware that the major companies don't wait too long before deciding to go elsewhere if they find themselves in a chronic situation. Fortunately, things are different in Canada. Our governments want to help us. They have done so in the past and want to do so now as well as in the future. It is important to have long-term, concrete measures.

● (1015)

Mrs. Nathalie Bourque: I agree with regard to the aerospace caucus. We are all extremely pleased. We really like the members of this caucus and we know that they are knowledgeable about this sector. We have been monitoring these issues together for a long time, Mr. Bachand.

I would like to briefly talk about the ACAN contracts. I'm not here to talk about government decisions concerning the urgency of the situation. However, we are talking about very, very long-term contracts. We want to benefit from spinoffs from such contracts, which are supposed to be dollar for dollar. We all need to be extremely vigilant in ensuring the quality of what comes out of that. Companies do what they can, but they rely heavily on government assistance. The team at Industry Canada does a good job of following up, and both the current government and the opposition parties need to continue to support it. I would repeat that these contracts are spread out over 20 years and we need to give ourselves some time. We always want things to happen fast, but these are long-term contracts.

[*English*]

The Chair: Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair.

Thank you all for being here today.

I'm tempted to ask how all of you got here today, but when the guys in Washington asked that question, I think it was worse for your industry than the auto industry.

A witness: I drove.

Mr. Mike Lake: I've done this a few times here, but I want to start with a little bit of global context, if I could. There are several quotes from organizations around the world talking about the situation in Canada.

In the U.K., the *Daily Telegraph* in London has written:

> Some will regard it as alarming that, in current times, world leadership should rest with Canada. But the Canadian Tories are a model of how to behave during a downturn.
>
> They have kept spending in check and reduced taxes.
>
> ....If the rest of the world had comported itself with similar modesty and prudence, we might not be in this mess.

And *The Economist* in the U.K. states:

> ...in a sinking world, Canada is something of a cork.... The big worry is the fear that an American recession will drag Canada down with it.
>
> Mr. Harper says, rightly enough, that his government has taken prudent measures to help Canada weather a storm it cannot duck....

In the States you have *The Wall Street Journal* saying:

> Canada is connected at the hip to the world's largest market, and collateral damage coming from the housing and financial meltdown in the U.S. can't be ducked. Tax cuts in 2007 softened the blow and kept Canada out of recession.

And *Newsweek* says:

> If President Obama is looking for smart government, there is much he, and all of us, could learn from our...neighbor to the north.

There's more that I could read, but I won't.

There are other organizations, though, that have spoken about Canada's relative strength. Admittedly, we're going through a difficult time, and Canada is affected by that, but the World Economic Forum has ranked our banking system number one in the world. I think the U.S. is 40 and the U.K. is 44. The IMF and OECD have both talked about Canada coming out of the recession sooner and stronger than other countries—which is really important, of course. We're the only country in the G-8 that ran a surplus in each of the last three years; every other country in the G-8 ran deficits in each of the last three years.

So it's a very different circumstance here in Canada from that in other countries. I would think that yours is the very type of industry that would benefit from this stable, relatively strong environment, especially in the long term. Of course, we're going through a very difficult situation in the short term right now, but in the long term, Canada is positioned very, very well. How important is that for the long-term stability of your industry?

● (1020)

Mr. J. Richard Bertrand: It is extremely important. We talked about long-term issues today. We talked about long-term procurement policy. We talked about long-term investment policy. For instance, there was DIPP and then the TPC and the SADI. The fact is that at some point in time, someone has to realize that there has to be a coherent program over the long term, whatever it's called.

George and Nathalie mentioned very well the EDC issue. The fact is that while you may see it as sort of stability and so on, EDC also has to look at its investments, and its investments are to our clients. If our clients are supported and helped through EDC, then we're able to continue with our business.

You started off, though, with a comment relating to how we got here. But let me tell you that after that disastrous committee hearing, the estimates are that there are over 3,000 corporate aircraft for resale in the United States and North America as a result of that comment. *The National* did a report on that a couple of weeks ago. This is critical. If government can play another important role, it would be to remove that stigma that was all of a sudden on corporate travel. Corporate travel really was created fairly heavily after 2001 because of the dangers of commercial flying at the time, and so on. The other thing is that it's a very important part of the transportation process around the world. It's a very important business for Bombardier and us.

So while we look at some of the stability you're mentioning, let me also say that we, as corporations and as companies, have to act in advance of what's going to happen out there. I think next year, 2010, is going to continue to be a difficult challenge, and maybe beyond that, so continued government support and understanding is extremely important.

Just as a final comment, recently we had to lay off people, about 10% of our workforce equally around the world, but we came right here to HRSDC and asked for help, and they brought in a team for a work-share program overnight. They flew down to Mississauga and helped work with some of our team and our players, and I congratulate them for that, because they turned around very quickly. I just wish the Province of Ontario turned around as quickly, but it was focused on other industries at the time.

Mr. George Haynal: I'll take my turn.

[*Translation*]

I apologize, Mr. Bachand, for not having answered your questions, but I think that my colleagues covered the matter more elegantly than I could have done so.

[*English*]

You ask a critical question, Mr. Lake. I don't have a coherent single answer to your question, but I have pieces of an answer.

This is an industry that is uniquely global. In other words, the Canadian environment is important, but I would say that it's not overriding. It's not determining, because our problems are not here. Thank goodness they're not here. We're very grateful for that. Our problems are with the rest of the world. It's like that old headline in one of the London papers in the 1950s that said “Fog in Channel, Continent Cut Off”. Well, that's kind of the environment we're in. If the global system isn't working, the strength of the Canadian system can't compensate, if I can put it that way.

I will go concretely to the issue of the banks. Yes, our Canadian banks are healthy. They're doing well. They're stable. They don't do much lending in our business in the first place, which is another story, but even if they were totally enthusiastic and engaged, they couldn't possibly compensate for the lack of liquidity in global markets. Their stability is an advantage, but a mitigated one. I guess that would be, in a sense, my bottom-line comment.

I want to say something else, though. If we can exploit the stability we have managed to attain here, the relative strength of the economy and of the financial sector—all five of our banks are now among the 50 largest in the world, whereas none of them were last year, which is an interesting change in relative position—to attract investment into this country, including into the aerospace sector, that would be a huge asset. The question is how you leverage that strength and stability to do so. I think Richard covered it, in a sense. You need stability in policy. You need long-term staying power. You need commitment and a commitment to partnership that obviously is reciprocal.

● (1025)

Mr. Mike Lake: Does anyone else want to comment on that?

Mr. Claude Lajeunesse: You've described, of course, winning conditions, and those are important to the success of an industry. The only point I would add to the comments that have been made with regard to the rest of the world and its impact on what happens in Canada is that we also have a very strong civil service within Industry Canada, with whom we work constantly. This is a very big plus also for the industry: to have people who understand the needs and who work very hard at responding to these needs. That's what I would like to add as a comment.

Mr. Mike Lake: All right; thank you.

The Chair: Thank you, Mr. Lake.

Mr. Thibeault.

Mr. Glenn Thibeault (Sudbury, NDP): Thank you, Mr. Chair.

Thank you for coming today.

As the representative from Sudbury, I always talk about mining. I was trying to figure out how I could talk about mining today, but I realized that we have such great robotics in automation development in Sudbury that we can mine the moon, but we have no way of getting there. Hopefully, your engines and your planes and stuff will be able to get us to the moon someday.

There's one thing that comes up that I'd like to ask a question on. I'll open it up to everyone, but maybe I'll start with Mr. Lajeunesse.

You talked about the CAW seeing the aerospace industry as the jewel. One of the things we heard is “polish”. I'd like to know what specifically we can do as parliamentarians to ensure that we continue to see this industry shine, so to speak. I've heard a little bit about long-term future and those things, but I'd like to know what you think the specifics are.

I'll start with you, and then maybe open it up.

Mr. Claude Lajeunesse: Thank you.

It's not easy to answer in the amount of time given, but let me just make a few points.

First of all, to be successful the industry needs to have stable, predictable, comprehensive support from our governments. The industry needs to have stable, predictable, comprehensive financing, available not only to the industry as it wants to invest in developing, for example, their capacity to produce, but also for the customers who will purchase the goods we produce.

The second point that's clearly needed for the industry is a solid understanding of the impact of the procurement process. We've already gone into this, but clearly the Government of Canada, in this case, spends a considerable amount of money for defence. Let's make sure that money has the maximum impact in creating industries in this country, in creating jobs, and in making sure that we continue to develop our export capabilities.

I could go on and give you more, but I think those are the two key messages: stable, predictable, comprehensive funding and a procurement policy that is a winner for the Canadian taxpayer.

Mrs. Nathalie Bourque: I totally agree. I will add two more.

One is innovation. Without innovation, our industry is going nowhere. This is a business in which you have to dream and have to come up with new solutions, either for us to better train people, or for Pratt & Whitney to have engines that will not cause people to complain that they're too noisy or too dirty or whatever it is, and a new aircraft that is so light that it will help on the energy side and everything else. Innovation is key.

And how do we do innovation? We have an incredible base. CAE has the biggest base of engineers in one place in Canada, which is Montreal; we have 1,250 on the spot in the same place. Constantly they look at how they can improve in our business. I know my colleagues have the same situation.

By the way, for innovation—we've stressed this point many times—we need government support to do R and D, because our colleagues somewhere else around the world get military contracts to do it, non-repayable; we repay. We're fine with this, but we have to have the government support.

The other one is that when we start talking about new military programs, in whatever it is—but let's take the example of the JSS—we have to be at the table from day one. If you want us to get good IRBs, if you want us to have technologies that are developed in Canada, we must be there from the beginning, be part of the discussion with DND and with all the suppliers around the world.

These are the two points I would add to those of my colleague Claude.

● (1030)

Mr. J. Richard Bertrand: If I could take a moment and pick up about the trend for the future population that's going to populate our companies, what we're very worried about—and as a matter of fact in Montreal Aéro Montréal is working on an analysis of this as well—is the future population. If you're a young student right now going into engineering on one side of the equation you have a lot of money being spent on infrastructure so you might say, I guess I should go into civil engineering because there's a lot of money going into that area. But the engineering population for us is extremely important. For these three companies that are here right now, engineering is the core of what we do in research. The reason we invest close to $20 million a year in 16 to 18 universities is because we have to work with these students. If there's one message that the aerospace caucus could work on, it's to help the future population of workers understand that this is important. It's not only at the university level but at the colleges, the training, and so on. I just want to emphasize that.

If you want to see a jewel in Canada, by the way, right now you can go to the British Columbia Institute of Technology, which is just a five-minute cab ride from the airport in Vancouver. You'll see an absolutely state-of-the-art facility that is phenomenal. It's got aircraft given by Bombardier. It's got engines given by Pratt & Whitney. It's got investments by Honeywell and others. It's got a control room for air traffic controllers, etc. So that's the future population. One of the things we fear, and we fear very much, and I'm sure for the auto sector it's the same thing.... The auto sector is down, so somebody who's studying is saying they're not going to go into that area, the aircraft repair or whatever it is, and that's not the case.

The fact is, and Claude Lajeunesse said it very well, that the long term looks very good for our industry, and it's an industry that's very important. If you look at the average salaries in the industries and that sort of stuff, it's about $82,000. That's about the average salary of those in the aerospace industry. That's a lot of very skilled labour. I don't want to extend that too much more than to say an important role for the political process, in the speeches and so on, is to really help the students understand that there is a future. In 2001 Pratt & Whitney invested with the government at $400 million a year. We came out of that as the leading producer of engines in the small to medium-size engines because we looked at it from the future. This is what we're doing now as an industry. This is what the companies with me are doing.

Mr. George Haynal: I'll start with two acronyms, and then a long clause, if I can put it that way. The acronyms are HR and R and D.

I couldn't agree more with what our colleagues said about the absolutely critical nature of the human factor here. This is not an industry where labour is a commodity. Everybody in this industry works at a level of sophistication that is above the norm, and I'm not talking just about engineers. I'll come back to the engineering side, since it's an interesting illustration of the point.

The fact is that the people who work on the shop floor—and you're familiar with the CAW—are people from whom an exceptional level of sophistication is demanded each and every minute that they're working, because it's on their capacities that the security of these airplanes relies. Developing the human resources, developing the labour pool from which to draw, is an absolute precondition to this industry thriving.

Though the industry is cyclical, you can't just say, "Well, actually, next year we're probably going to need 1,000 more people", and then create them out of thin air. The management of this human resource base is hugely important, and the development of the base is spotty, if I can put it that way.

In Montreal, the cluster has in fact come together and has invested heavily in having a polytechnic institute, if you like, for developing the labour force that the industry requires, and even there, it's tight. But it's absent elsewhere. Toronto doesn't have such a facility, and it would make a huge difference.

I can tell you that we're building a plant in Mexico that is making components for aircraft. The federal government and the state government where we're established built a separate polytechnic institute even before our plant went up, because they saw that as the key not just to attracting our company but to attracting every other company in this business from around the world. Without insisting too much on it—no, I should say it's impossible to insist too much on that subject. This is a role for governments, federal, provincial, and municipal.

On R and D, we've talked about it, but it's critical. Investing in R and D requires government participation for two fundamental reasons, and maybe three.

One is that these investments are always huge. Before you start to enter into this domain, you're dealing with the highest state of technology in the world. It has to be globally competitive, so it has to be done at a global level, and we're competing against giants that have very strong partnerships with other industries. Also, innovation is critical, as Nathalie said. It's absolutely the key to succeeding in this business. And the risks are huge. Banks simply won't bankroll risk that can only be compensated over 30 years. That's critical.

The last thing I want to say is that you're asking what you as parliamentarians and other decision-makers can do to help sustain this industry. Let me suggest a novel approach, a sort of back to the future approach. Industrial policy had a bad name, but in this sector, actually, industrial policy was critical in creating this global success. The focus on this sector, with the sustained partnership and the in-depth understanding by the public service that was mentioned, is absolutely critical to being able to manage.

I think it is critical for decision-makers in this country to understand this sector for what it is. It is a Canadian-based industry, but it is a global industry. Our competition isn't domestic. Our inputs aren't all domestic. Our sales are largely international. In order to understand that, it has to be understood as a sector that is unique. I guess all sectors are unique, but in this instance, it is unique in the international nature of its activities, its supply chain, its human resource issues, and everything else.

● (1035)

The Chair: Mr. Garneau.

Mr. Marc Garneau: Thank you.

I'd like to focus on R and D at this time and on a couple of comments that were made previously by two of the speakers. I'll start with Monsieur Bertrand.

You mentioned a strong linkage. Obviously, Pratt & Whitney does a lot of R and D. You mentioned strong linkage with universities. I'd be interested in knowing a little more about that. You talked about hundreds of projects with about 16 universities. Could you tell me a little more about the mechanism that you have created? Is it one just between you and the universities or is the federal government involved in it?

Mr. J. Richard Bertrand: Most of them are our company with the universities. Some are projects that will work with, for instance, NRC and some of the projects in other organizations.

In fairness to the government, we take a portion of the R and D investment the government makes with us and we reinvest it in the universities. So as part of the commitment we make—and as a matter of fact, for my confrères here it is the same situation when they sign a contract with the government, and it is a contract and has all the commitments—we do that. In addition to that, the university investments for us are critical. They are critical, because we find a lot of technology.

To give you an example, right here at the University of Ottawa we invested $300,000 a couple of years ago. There are a couple of professors and students working on embedding particles at very high speed in metal to see if this could help in terms of the heat in the engine. What we do at Ryerson, where we have an actual institute, is actually go through some of the technologies related to combustion and the requirements of combustion. A lot of the work being done in universities now is in terms of the environment—how can we make these lighter, greener, and so on? That part of research is important.

In effect, when we work with the university, we work on commitments. We sign contracts with the university, and we have outputs, and then we monitor. Also, on an annual basis, we give out fellowships to deserving researchers to give them additional incentive. It is significant work. Our new 600 engine, which is the small engine of the future, if you will, and the very light jet market have activities in Montreal that are extremely important.

Finally, we invest through groups like CRIAQ, which we've talked about, in Montreal. We have a project going forward, hopefully with the government, on GARDM. And then there's the future major platform program, which we are working on to get Industry Canada investment to help us to go forward.

● (1040)

Mr. Marc Garneau: Thank you.

[*Translation*]

Ms. Bourque, you mentioned having recommended that R and D tax credits be fully refundable. That has been suggested by other industries too. In your own words could you explain to me why you feel it is important for them to be fully refundable.

Mrs. Nathalie Bourque: Thank you, Mr. Garneau. Yes, you are correct. A coalition was created in that area a few years ago. It included people from the forestry sector, information technologies, the pharmaceutical industry and the aerospace industry. This coalition was easy to put together. People heard about it and they called us to be part of it.

In short, let us suppose that, now, $100 million in research and development work is being done. We get a $20-million tax credit. That is fine if we need to pay $20 million in taxes. The two amounts are equal and the company doesn't have to pay out any funds. The problem that a number of companies, perhaps even almost all companies, have experienced in the past, is that there are years when, despite a good financial situation, the tax credit amount and the tax amount are not equal. So, at present, the federal government has in its coffers—we don't have any official figures—$2 or $3 billion that should have been remitted, or that it didn't get, in taxes. I hope that you are following me. This amount varies for these companies from $2 million to, in one specific case, more than $1 billion.

We know that we will ultimately get the money in the short or the intermediate term. The government's response was to increase from 10 to 20 years the refund period and to move back the date when the credits were applicable. However, we are experiencing a unique financial situation. You need only open the newspaper or listen to any TV broadcast to learn that. There is money available, and it will be returned to us in three, five or seven years—at least so we hope—but we cannot access it. I think that if the federal government remitted those amounts, it would be a good way of investing in the economy.

For your information, the Quebec government has already done this. The investment tax credit amounts are fully refundable in Quebec. I think that it would be extremely advantageous to do this at the federal level and it would really help the Canadian economy. I will leave it to economists to give us the figures concerning the number of jobs that this could help maintain or save.

Thank you, Mr. Garneau.

Mr. Marc Garneau: Thank you.

When you talk about refunds, who is entitled to request the credit? Currently, it is Canadian companies with their headquarters in Canada. Do you think it's important to provide SR&ED to companies doing research in Canada but which are not Canadian companies?

● (1045)

Mrs. Nathalie Bourque: Perhaps you are more familiar with the program details than I, but I had understood that a company that was incorporated in Canada—Pratt & Whitney Canada is a good example, I believe—is as entitled to tax credits as a company such as CAE or Bombardier, which has its headquarters and largest financial base in Canada.

Private companies—private in the sense that they are not listed on the Toronto or New York stock exchanges—are entitled to a refund. A large private company conducting research would be automatically entitled to a refund. It would be good, I think, to harmonize the program as a whole to make things easier for companies and to make sure that they get this money back.

To give you an idea, there are companies with whom we have worked that no longer bother filling out the forms because they say that it is not worth it, because they will never get that money back. However, this forms part of the basis on which companies deciding to conduct R and D make their decisions.

Mr. Marc Garneau: Fine, thank you.

[*English*]

The Chair: Mr. Lake.

Mr. Mike Lake: I'm going to focus my questions in this round to the three companies, although I may not get through all three. I want to talk about SADI specifically, its importance, and the predecessor programs.

I'll start with CAE. I know that in 2006 you received some funding for the Phoenix project. I believe that would have been through TPC.

Mrs. Nathalie Bourque: Yes. It was actually at the end of November 2005.

Mr. Mike Lake: Just recently there was an announcement of a SADI investment of $250 million for Project Falcon. The numbers I'm looking at say that Project Falcon is part of a $715-million program overall.

First of all, could the overall investment have been made without the SADI portion? Secondly, what is the importance of that investment to not only the Canadian aerospace industry—the other folks can think about this as well, when I come to you—but the taxpayers of Canada, who are obviously funding this through their tax dollars? I understand it's repayable, but could you speak to the benefit Canadians will get from that investment?

Mrs. Nathalie Bourque: I'll be glad to do that.

Yes, we're very proud. We announced, with Minister Clement, on March 31, that CAE was going to invest $714 million for the next five years and that the Government of Canada, through the SADI program, was going to support us—they don't want to use the term "loan"—through a repayable investment to the value of $250 million.

Would we have done this without the help from the SADI program? The answer is yes, we would have done it. But the second question is where would we have done it? We would have done it outside of Canada.

We have clients around the world and we have employees around the world. Half of them are in Canada, but we do have 3,500 employees around the world. When you hire an engineer in India, his or her base salary is $17 or $18.

Just to give you an idea, there are one million engineers graduating every year in India. They're all looking for jobs. Bangalore, as you all know by now, is the Silicon Valley of India. We have a base there. We have about 200 engineers working for us. They're all talented, all good.

Mr. Brown, our CEO, who was a Canadian bureaucrat, particularly in Industry Canada, for 20 years of his life, believes incredibly strongly in Canada. He wants to continue doing business here and he believes in it very deep inside his roots. For us, it was important to do it, and we were very happy to have the help of the Canadian government. But there are a number of countries knocking at our doors for us to open an R and D centre. Think about it, name them, and I'll say yes. I'm sure my colleagues will tell you the same thing.

What we have outside right now, except for India, are training centres where we train pilots around the world. We also have some finishing plants in areas for the military. If we sell to the German government, they want us to finish it, do it there, and it's the same for U.S.A. or Australia.

So the answer is it's very good that we got it, and we're happy. We said it. The program allows us to create or maintain 1,000 jobs in Canada, and they're our employees, our best employees. They're our engineers that do all the research.

The importance for taxpayers is that 1,000 employees still have a job in today's world. I think everybody can appreciate that, but it goes beyond that. It goes exactly to the same thing that Richard and George were saying. It's the universities where we do R and D, as well. We invested $1 million in Carleton University a couple of years ago. At some point your R and D is there, but your head office is not very far. So it's the Price Waterhouses of this world that we hire. Our base is in Montreal. There are the professional services people with whom we work—consultants, accountants, lawyers, name them. Without having a strong base in Canada, wherever it is, I don't think there's a company based in New York, listed on the New York Stock Exchange, that will call a lawyer in Montreal and say "I want you to represent me long term". Sure, if they have a program in Montreal on something.... We all know where it is. And I think it all makes sense. I give my annual report to a company based in Canada, and they do it, and they do it well. But believe me, if I were GE, or whoever you want to name, and I were based in New York, I would give it to a New York firm.

So I think the benefits to this country are at all levels—at all levels. I think it's very beneficial, and I'm very pleased that all the governments, whatever political mix, always decided to support the R and D programs of the aerospace sector.

Thank you, Mr. Lake.

● (1050)

Mr. Mike Lake: All right, thanks.

I'll come back.

The Chair: Was there a...?

Mr. Mike Lake: I don't know if the other guys wanted to comment on that answer.

The Chair: I did allow the last question to go a little over time. I didn't realize there was another one.

A quick answer? Absolutely.

Mr. J. Richard Bertrand: Absolutely, it's a great investment, looking at the three companies here. The certainty over a period of 20 to 30 years that you will get all of your money back, and more, is pretty well there. At the same time, in the short term, those investments allow us to be able to develop new products. The answer to your question is that if you don't have that kind of interaction that other countries provide their companies, the fact is, what do you now focus on? Do you focus on legacy products, present products, and just try to live out your life with your existing product environment, or do you try to go to the future? Actually, the secret of success for the three companies you see here today has been this investment into the future, so we're always there competing with or ahead of the competition.

It's also complex, because it's not just SADI. We have SR&ED, which we talked about. We have investments that are made by corporations into specific product lines. You have foreign exchange, so that when we were at $1.00 or $1.05 with the Canadian dollar, our product became a lot more expensive. When you combine all of that together, it makes us competitive.

As for helping and giving a return back to Canadians, these are companies that provide a significant return back to Canadians in taxes, in benefits, in investments, and in the things we do in our communities—and not only now, but on a long-term basis. So that's a really important aspect of how we do that.

But I must tell you, if you're looking at one area of government where governments really have to work with us, it's the ITARs. George has mentioned this. It is not solved, which means that we can only take people born as Canadians; those who were not born Canadians can't work on something because they were born in a different country. It's unimaginable, and an area that makes it very difficult for us.

The Chair: Very good. Thank you.

We have lots of time. I'll give the others another slot of time.

Go ahead.

● (1055)

Mr. George Haynal: I'll make my point quickly.

First of all, we don't get SADI. We've not applied for SADI at this point. But we have been partners in TPC and DIPP, and as I said, we've paid back.

But leaving that aside, I agree with you that's not the major benefit. It's risk-sharing, and if a highly risky proposition pays off—which it has done in this sector—it's a good return to the taxpayer right there. But that's not the heart of the program. If you wanted to do that, you just become a bank.

The returns to the country are in jobs—high-quality, sustained employment in a globally competitive sector. It generates the capacity to take risks on a scale that actually generates jobs. The CSeries, for instance, is now creating 1,000 jobs. It will create roughly 4,500 jobs when it's in production. These are jobs, as others have said, that will last for decades. They're not make-work; they are real, and they bring back all the benefits that high-quality employment brings.

The other thing it creates, as Nathalie said, is innovation. Innovation is contagious. This is the other thing, I think, that is important to remember. The technology we develop for our products is actually transferable to other products. We may be focused on one thing, but it's generic.

I'll close with an example that may be a little weird to you, but as I've said, we're also in the railway business. We build railcars. In Thunder Bay, we have a world-class production facility that makes aluminum railcars. This is a unique technology. The reason we can do this in Thunder Bay is that we have developed aluminum technologies in the aerospace industry. So the multiplier effect of these technologies is sometimes more subtle and a little harder to see than you would think, but they're substantial.

The Chair: Okay. Is everybody done?

Okay, now we have the Bloc round.

[*Translation*]

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

Mr. Bertrand, you took the words out of my mouth because ITAR is what I want to talk about. I heard Mr. Lajeunesse say the words "sustainable, suitable, comprehensive policy, innovation, access to R and D, help future generations."

Ms. Bourque, you even talked about your 200 Indian engineers. In my opinion, ITAR puts the brakes on all that and I never miss an opportunity to say so, when I go the United States, including to Washington.

I have three questions. Do ITAR regulations have negative economic consequences for your industries at present? What is the aerospace industry doing to try to abolish that policy, for example in cooperation with its American headquarters? Do you think that politicians are doing enough to put an end to that program, which undermines the entire industry?

Perhaps Mr. Lajeunesse could start. Then, the other witnesses could add their comments.

Mr. Claude Lajeunesse: Currently, the consequences are not as harsh because there is a certain amount of tolerance. I think too that the federal government has managed to negotiate an exemption for its employees who have what is called a security clearance. These employees can work on some ITAR projects.

However, I think that there is a huge danger that the situation will deteriorate and this is creating significant problems for our industries. I will let my colleagues tell you what they are doing and what their companies are doing and what their U.S. headquarters are doing—when they have one. I think that this is a political problem. Before the American election, we were told that the problem could not be resolved before the new president took office along with his team.

We have had the opportunity to talk to various members of the Canadian government about this recently, and I think that negotiations need to be reactivated as quickly as possible in order to avoid the possibility that this could have an extremely negative impact on our industries.

● (1100)

Mrs. Nathalie Bourque: I'm outraged when I think about this Chinese girl who came here at the age of six months, and who does not even speak a word of Chinese today. Her name is Francine Lajeunesse. She has been told that she cannot work on certain issues because she is a threat to the nation. The poor thing! It makes me sick. As you know, we work with children who have been abused. So I'm very touched by this as well.

We have spoken with various governments. We are pleased that the Canadian government has managed to get an exemption for ITAR for the entire bureaucracy. We know that a number of government and opposition members worked very hard on this.

We know that you did a great deal, Mr. Bachand. These efforts will have to continue, because it is very important to our industry.

At the moment, we have a good job pool and some alternatives for our people. However, the real solution is to exempt Canadian workers from these regulations. I do not think we represent a threat. We are doing a great deal of work for all American defence organizations. Some of the work is done here, and the finishing or installation of specific systems is done by our head office in Tampa, by the Americans. Even Mr. Brown, the President of CAE, is not entitled to see what is done there, and we respect that. We understand.

However, with respect to the work we can do in Canada, it is important that competent people have access to these jobs. The point I want to stress particularly is that if you can help the Canadian industry get an exemption, as was done for federal government employees, that would be wonderful. Please do not abandon us; continue with your efforts.

Mr. J. Richard Bertrand: We are concerned at our head office in Hartford, Connecticut, as well, because this has an impact on the work here in Canada. So the same goes for us. There are parts of the plant that have to be curtained off, and so on.

However, that is not the main point, but rather the impact on the industry. You spoke about military procurement, and the military future of Canada, among other things. In this respect, we must work with American and other companies. So there is a long-term impact, in other words, the people who make the long-term decisions are wondering, when they look at the ITAR situation in Canada and elsewhere, where they can go to avoid encountering the same problem. And so they go back to the United States.

This is an important issue, and one on which we can work very hard, but really it is up to the governments. The federal government and the provinces must work together, because this has an impact on the provinces as well.

I think this issue will become much more important this year and the next.

[*English*]

The Chair: Mr. Haynal.

Mr. George Haynal: Thank you, Mr. Chairman.

[*Translation*]

Mr. Bachand, Bombardier, as an aircraft manufacturer with activities in both the United States and Canada, has had experience with American control procedures for decades. These procedures change from time to time, but at the moment, they are much more stringent than they were in the past. We are adapting, we are managing our affairs carefully to ensure that our products do not attract unusual or intolerable control procedures, and we are working closely with all American suppliers to ensure this, not only legislatively, but with respect to actual contracts. We must act with a great deal of circumspection and care, and that is what we are doing.

[*English*]

The Chair: Merci.

Mr. Lake.

Mr. Mike Lake: This round of questions, or maybe one question, will be entirely directed to Mr. Haynal.

As you would probably be aware, from an industry-by-industry perspective, there are different perceptions of certain industries across the country. For example, the perception of the energy industry outside of Alberta and Saskatchewan is different from what it is inside. The auto industry outside of Ontario has a different perception from that inside Ontario. And you'd be aware that the perception of Bombardier, in particular, in the west might be different from the perception in Quebec.

I want to give you an opportunity now to act as if you were sitting at a round table of my constituents from Edmonton, the ones who would articulate to me that they feel that Bombardier is heavily subsidized by government, and they would express this by saying things like stop giving money to Bombardier. I'm sure this is not a surprise to you, to hear that might be expressed from time to time. But I want to just give you this time now, in this round, to act as if you're sitting in a roundtable with 15 of those people, sitting around the table, and tell them why it's important. First of all, maybe you could correct any misconceptions that might be there, but also just tell them why it's important that the federal government continue to support Bombardier in the way that we do.

● (1105)

Mr. George Haynal: Thank you, Mr. Lake.

I'm happy to do this CAE-style and simulate a meeting with your constituents. Let me just say I'd love to do it for real too, because this is an important issue. Perception is sometimes reality, and over the years—for reasons I won't go into—the perception has veered off from the reality in our country.

We are a country of regions, and that's what makes us strong. Each of our regional economies has its great strengths, and together we make a strong country.

Bombardier is kind of an interesting example of that. We were not always a big business. In fact, we started out as a business run by one guy out of a garage in rural Quebec. He had a child who died because a doctor couldn't get to his house in winter because the roads weren't plowed. He became obsessed with inventing what became the snowmobile. Your constituents know it well, not just from having fun on it, but as a critical way of servicing oil fields and for many other aspects of life. I think there are still some of those early machines operating in Alberta. Whenever I talk to people of a certain age, they remember them very well.

That's how this company got started. It is not a behemoth that was imposed somehow from some higher authority; this is a company that grew by grit, determination, and innovation. It still retains all those characteristics. It was based on innovation and still lives by innovation. It's a proud member of the Canadian economy, and it's in some ways a flag carrier for this country outside the country. It is a national icon to everybody outside of Canada and to Canadians when they see it outside of Canada.

It's an unusual asset to this country because it is a global leader in two fields. In some sense—perhaps without overstating it—it may be the last great globally competitive high-tech manufacturer left headquartered in this country. I stress “this country” because we have a presence across the country. We are an important part of the Montreal economy, there's no question about it, but we have important facilities outside of Montreal, and they're not just in aerospace.

In Thunder Bay, after AbitibiBowater's recent declaration of bankruptcy, Bombardier is the most viable part of the local economy. In Alberta we're involved in large training operations. Across the country we have at least 500 suppliers to whom I could point today. So it's important to recognize that it is a real contributor, before the discussion gets started about what government does for it.

I've already said to the committee—and I'll say it to your phantom constituents—that we have had a record of cooperation and partnership with the government. We've paid back 131% of what we were given in contracts and arrangements that are now concluded, and 85% of contracts that are still running. We intend to pay them all off, and I think that's not a bad record.

So the notion that Bombardier is somehow a creation of corporate welfare is about as far as you can get from the reality. It is an SME that grew and grew and will continue to grow. It retains some of the traditions and many of the values of a small family company. It's a very important partner across the country to the economy, and it is perhaps an example to others—as is the sector as a whole—for how the Canadian economy can evolve to be globally competitive on a sustained, long-term basis.

I'm not sure if that's going to convince your constituents, but I've tried.

● (1110)

Mr. Mike Lake: This has been an important exercise in understanding as we've gone through this committee, because we have dealt with industries that are specific to regions. It is important for us to have this dialogue and this opportunity to explain to other Canadians—not just the four or five of us sitting around this table—the importance of our various industries across the country, and not just in the regions we're working in. So thank you for that.

The Chair: Thank you, Mr. Lake.

Mr. George Haynal: I didn't mean to make that suggestion lightly. I fully echo your view. I think it is extraordinarily important for all Canadians to understand what this industry is about. It's unique. And it's not necessarily evident what this thing is, unless you're exposed to it on a reasonably intensive basis. It is unique.

So thank you for the opportunity to make that point.

The Chair: Thank you, Mr. Haynal.

Mr. Thibeault.

Mr. Glenn Thibeault: Thank you, Mr. Chair.

I thanked all of you earlier for coming, but I want to thank you again, because this has been very informative for me. Your last comment, specifically about Bombardier.... It's good for all of us to hear and especially to be able to bring that back to our constituents. So thank you for that.

You brought up the comment that innovation is contagious. I'd like to go into that area, but first I'd like to talk a little bit about the green economy and green innovation. I've heard it mentioned a couple of times, but where is the sector going in this area? I'll start with you, Mr. Bertrand, and then open it up to everyone. Do you feel this is an area where innovation into the green technology for your sector can provide new jobs, new contracts, things along those lines? Do you see that as an opportunity for innovation?

Mr. J. Richard Bertrand: We are at the driving point, if you will, of aircraft and other manufacturers when they talk about the environment. A plane doesn't fly without an engine, and it's important that it be a very sophisticated engine. If the engine in the car doesn't work, you pull over to the right. If the engine in the boat doesn't work, you just float. But the engine in the plane is critical. That's why we invest so much in R and D. That's why, coming back to your question as to the benefits for all Canadians, we are ahead of the curve in so many of those areas, which helps us.

But coming back to innovation, when it came time to innovate.... And I'll just mention, for instance, where we are unique in the world. Our 600 engine manufacturing is a continuous line of manufacturing, in which we've reduced 1,000 working parts, made the engine much lighter and much more efficient.

The new PurePower engine was actually developed by our American office as well as our own. The PurePower engine that is coming out is going to be to the tune of about 25% to 30% more energy-efficient, and that is one of the reasons the CSeries is becoming so popular, if you will.

Coming back to innovation—the innovation we work on and continue to work on—again, there was mention of the Q400, which is a turboprop. The whole turboprop market has suddenly exploded again because of the cost of fuel, because of the cost of transportation, but also because going.... A good example is what Porter airlines is doing between Ottawa and Toronto or Montreal and Toronto. They're saving significant.... So we continue to work on those engines that we had from before to make them lighter and so on. We work with universities on that innovation—can we take metals, and work with better metals, or make them lighter, and so on.

I don't know if that completely answers your question on innovation, but I can tell you that the heart of it is that the innovation we create today is going to assure our competitiveness tomorrow. And coming out of the gate, if we're not ahead of the curve on that....

Last year Boeing was quoted as saying it wanted engine manufacturers around the world to work more aggressively on environmental solutions. I think aircraft manufacturers are actually pushing the engine manufacturers a lot in that direction, saying, “Look, we have to be leaner, we have to be greener, we have to be more efficient if we want people to buy our planes”. And it's not sufficient to do that.

Finally, we're being innovative in our aftermarket. You must remember that a very good portion of our income comes after the market—in other words, repairing engines and so on. We're being very innovative there, in that we're finding solutions for airplanes that are older, in which we could re-engine the airplane. And that's not an easy task, because the nacelle, or the container if you will, for the airplane has to be the same and it has to have the same aerodynamic impact on the plane. So we're innovative in that area, too. And here we work, again, with manufacturers in the field and service people.

● (1115)

Mrs. Nathalie Bourque: I think CAE stands for “agreeing”, when you think about it. It wasn't meant to be at the beginning, but it turned out to be. CAE was born in 1947, and as I said, it was a former Royal Air Force pilot who wanted to do something innovative and technology-challenging. So we started this, and with the first contract we had from the Canadian government, to do a simulator for a CF-100, well, that took us to where we are today.

When you think about it, we don't spend fuel. It's very safe, because you can crash 15 times if you want to, and it has no consequence. And it's about 10% of the cost. Sixty minutes in a simulator represents six minutes up in the air.

Our simulators are so good because of our innovation that now—and please don't panic over this—the first time a co-pilot flies an actual aircraft, it's with passengers in the back. That was given to us by the FAA in the early seventies because of the motion and the quality of visionics we had; it was so real that they decided to give us that right. And we have that right around the world now.

Just to come back to the expression, which I will note and use many times later, when you talk of innovation being “contagious”, if we were to add companies that were spun off from our employees making start-ups in Montreal, between me, Pratt & Whitney, and Bombardier, we could probably come up with hundreds of companies that were born out of engineers who left us, including eNGENUITY. I could name I don't know how many in Montreal that were started, because innovation is contagious.

Just to finish, to come back to what Mr. Lake was saying about the projects that we have done, even though we are very, very green, we've even improved on this. Through the first R and D program, we had the Phoenix program. We developed a new simulator, which is about half the weight that it was before. So since we ship these big simulators around the world, we're saving on that, too. It's made with companies that developed a new manufacturer in Drummondville, Quebec, to be able to do that.

So that's all. We feel very good about being green.

Mr. Claude Lajeunesse: Mr. Chair, perhaps I could just add a word.

Actually, the government, about a year and a half to two years ago, announced the creation of a new program called the business network centres of excellence, based on the networks of excellence that existed for universities before. The IAC and its members responded to that and actually put together a proposal that was one of the very few—there were four out of about a hundred applications—that were successful. That proposal represented an investment by the Canadian government of $11.8 million, a total investment of $25 million for a green aviation R and D network, looking at how you can develop a greener airplane from birth; that is, the construction, operation, and disposal. The network has already begun operating. We received the first instalment in March. It's operating, and I can assure you that there will be some innovations coming out of that, because we work with universities. It's a very significant program that the Government of Canada has put together, and the industry has responded very, very well, and responded in one way: to looking at the green airplane.

● (1120)

The Chair: Thank you, Monsieur Lajeunesse.

Mr. Lake.

Mr. Mike Lake: I touched earlier on the different industries that are identified as regional, so to speak, but as we've heard from industry after industry, there's more of a national component than we might think. And we've heard today that this case exists for your industry as well.

One of the things that came out of the first ministers conference in January was this notion of internal trade, as opposed to just external trade, which is obviously so important to your organizations. I am just wondering about barriers to internal trade that might significantly impact your industry. I'm thinking about credentials, for example, from one province to another province. Are there barriers that affect your industry? To what extent would it affect your industry? And how would it be addressed, if so?

Does anyone want to speak to that?

Mr. J. Richard Bertrand: I don't know of any. National defence?

Mr. Mike Lake: Okay—so on the internal trade side of things it's not so much of an issue.

This is may be more the case for CAE and for Bombardier. You talked about operations outside of Canada. What percentage were you talking about, Mr. Haynal, outside of Canada?

Mr. George Haynal: Operations outside of Canada?

Mr. Mike Lake: Yes, your workforce. What percentage of your workforce?

Mr. George Haynal: About 66% of the workforce is outside the country.

Mr. Mike Lake: And Ms. Bourque?

Mrs. Nathalie Bourque: For what we could do.... Well, we couldn't do it. It's about a third. We have 3,500 people in Montreal and we have 1,000 working in Tampa, Germany, or Australia, where they add the military component that we aren't able to do.

Mr. Mike Lake: That partly answers the question I was going to ask. You kind of brought up earlier the notion of the Canadian government and that when we're procuring we should give preference to Canadian companies, in a sense, and yet both companies have operations outside of Canada. What would cause you to choose to put those operations outside of Canada versus having them inside Canada?

Mrs. Nathalie Bourque: If I gave you that impression, I'm very happy to have the chance to correct it. We don't want to be given preference because we're a Canadian company. We want Canada to choose the best in the world, and if we're considered the best in the world for all of the U.S. forces—the Marines, Navy, whatever it is—we might be considered the best for Canadians as well, as we are for Germany and Australia and for the NATO countries. We do the NH90, the famous helicopter. We were chosen to do this for all NATO countries because we're the best. Again, I'm on the training side.

So we're not asking for a preferred situation. We're just asking our government to do a fair, competitive process, which they did with the OTSB, for the training of the C-130J, where they went for an SOIQ, a statement of interest and qualification. Then they qualified a group. Then we did the RFP, and then we got the contract. By the way, that took a year and a half—and we're okay with that. So preferred is not a word that—

Mr. Mike Lake: Maybe it was a bad choice of words on my part. That's fair.

Mrs. Nathalie Bourque: We're just asking to be fair. The way we're organized right now, the only place where I would say we have employees who could do a job in Montreal would be our 200 engineers who we have based in India, because when you have a training centre in Dubai you need simulators to train pilots in Dubai. You cannot train every single pilot. You can't fly 20 hours to come and take a course in Montreal. It would be like saying there's one engineering school and it's in Montreal. It's impossible. So we are regionalized for this, and we have training centres in 25 countries around the world.

So really our biggest base of employees is in Montreal, with half our staff. The other half is mostly in our training centres. They are instructors and people maintaining a simulator, and the others are doing military work. So we are very Canadian-based. I come back to this. We have 200 in India, and these people—we looked at this and we were trying to keep our costs down and it's one of the ways that we've managed to keep our costs down. But thank God we have the SADI program. We will be doing the $714 million of R and D in Canada with the help of the Canadian government. Otherwise these numbers would potentially change dramatically.

● (1125)

Mr. Claude Lajeunesse: Mr. Chair, if I could, I'll add on this, because there was a question that I answered with regard to military procurement. Quite clearly we do not favour protectionism. That's not the issue. The issue is that if government is going to spend large amounts of money purchasing foreign aircraft that of course are not built in Canada, we want to make sure that the industrial regional benefits, or the in-service support that comes out of these investments by the Canadian taxpayers, maximize the benefits to the Canadian taxpayers. It's not a plea for protectionism. It's a plea to make sure that we work smarter in terms of the investments that are made in this country.

The Chair: Okay.

Mr. Mike Lake: I think Mr. Haynal wanted to comment.

Mr. George Haynal: First, a correction on the number I gave you. I was talking two-thirds of our employees globally—that is to say between BT and BA—are outside Canada, but in the case of Bombardier Aerospace, two-thirds of our employees are in Canada. So only one-third of our labour force is elsewhere.

We have a plant in Belfast that is a factory we bought from Short Brothers, or it is Short Brothers, and the reason we're there is partly because of its history. The Short Brothers built aircraft for the Wright Brothers. They've been in this business a long time, and they have unparalleled global expertise in the manufacture of wing technology, for instance. That's one reason and one example.

We're in Wichita, where we make Learjet aircraft, business aircraft. We're in Wichita because that's where Learjet was when we acquired them and that's where our global expertise for this size of aircraft resides.

We've established a small plant, now growing, in Queretaro, in Mexico, and we'll see where that goes. We went there for a number of reasons. When I think of my checklist, to answer your question, let me give you the checklist in answer.

Why would we establish anywhere, Canada or elsewhere? One is markets. Are they fair, are they clear, can we compete in them? Is there some comparative advantage in being there? Human resources. Are they there? Are they stable? Are they trained? Are they reliable?

Partnerships—can we have a sense of partnership with communities, governments, suppliers, institutions, universities, and others? Clusters—are there clusters available on which we can draw in terms of suppliers, in terms of technology suppliers, in terms of economies of scale?

Lastly are societal issues. And this is a hard one to calibrate, but it's a huge part, I think, of decisions that favour Canada. Is there a rule of law? Is there a climate of trust and constancy? Is there protection for intellectual property? Can people feel safe here?

These are all real questions. They may not have a dollar figure attached to them, but they are all very real.

The Chair: Very important. Thank you, sir.

Mr. Garneau.

Mr. Marc Garneau: To follow up a little bit on what Mr. Lajeunesse said, if I understood the panel correctly, apart from ISS and IRB, I think what you're saying is that when government puts out an RFP it should be identifying a set of requirements that have to be met, as opposed to identifying more or less a product already. I think that is what is being said, just to add to the discussion there, Mike.

I'd like to focus on IRBs and ISSs a little bit. When the government does go out with a contract to a foreign company and IRBs result from that, I'd like to hear, Claude, your opinion on whether the IRB process is one at the moment that by and large helps the aerospace industry, in the sense of yes, it does provide jobs for a certain amount of money that the IRB is obligated to provide, but does it offer us the opportunity to climb up the innovation scale in terms of developing new capability, or should it?

● (1130)

Mr. Claude Lajeunesse: We believe it does offer some opportunity, but we also believe very firmly that it could offer better opportunities, opportunities that would lead to the creation of more jobs in this country, that could lead to the creation or the sustainability of industries in this country that can export their technology, export their intellectual property, and we feel that to do that there will have to be a very early discussion in the process. An integral part of the process would be to make sure the benefits to the Canadian industry and the Canadian economy and the Canadian job market are maximized. We've made some recommendations on that, and we have received some very positive vibes in response to the recommendations we have made on behalf of the industry. We have made those recommendations to the three ministers involved in this decision-making process.

Mr. Marc Garneau: By and large, are IRBs delivered in a timely fashion, or is it sometimes stretched out over a very long period of time?

Mr. Claude Lajeunesse: It will depend on some of the contracts. Some decisions are being taken now, and we hope these decisions will reflect the criteria I've mentioned: transparency, sustainability, transfer of technology, intellectual property, and creation of sustainable jobs in this country. I think I will be in a better position to answer that question once some of the decisions that I believe are currently being made are announced.

Mr. Marc Garneau: You mentioned single point of contact, dealing with procurements. The ISS, the in-service support of some of the aircraft that the Canadian government owns, can represent a significant life-cycle investment in Canada. Certainly L-3 MAS is a good example, with the CF-18.

From your point of view, is this something that should lead to a different approach in terms of procurement? You seem to be hinting at that, but I'd like to hear a little more on that.

Mr. Claude Lajeunesse: We have looked at what has happened in the past and what appears to be the trend now. The single point of accountability appears to put many of the critical decisions that will be made with regard to investment for servicing our military aircraft in the hands of non-Canadians.

The other factor is that we want to ensure there is an opportunity not only to service the aircraft that the Canadian government purchases, but that we have the opportunity to service the whole fleet of these aircraft around the world. In that case it allows the Canadian companies to create more jobs, to export their capabilities, and so on. We want to make sure that as these decisions are being made this is taken into consideration and that we maximize the benefit that accrues to the Canadian industrial base.

Mr. Marc Garneau: Thank you.

Do any of the other panel members want to comment on either ISS or IRBs?

Mr. J. Richard Bertrand: Well, the IRBs for Pratt & Whitney Canada are a little more difficult sometimes, but the fact is we do get some work from Pratt & Whitney Hartford.

But I would like to make a general comment on IRBs. We talked earlier about innovation, research, and so on. I don't know if this is happening, but I'll use an example. If instead of an investment in something that's going to be innovative, and research and so on, it's buying seats for a 737 from a furniture maker.... I'm not trying to comment against the furniture maker; a little bit of that is fine. But at the same time, the innovative investments being made in IRBs are extremely important.

I gave you a specific example in our case. I did mention earlier that the PurePower engine, the geared turbo fan, is going to be assembled and tested in Mirabel. We're building a new facility for doing that, and that's an IRB that comes from Pratt & Whitney Hartford. Right down the road, Bombardier will have the CSeries. We're going to be able to integrate and do testing of that engine together, which is pretty exciting.

The other thing we're doing at Mirabel is that we've moved our flight operation centre and consolidated from the United States into Canada. We've now acquired two 747s to do the actual engine tests. That's a specific IRB.

So if you can get IRBs that are really within your industry, it's a terrific addition. If the IRBs are separated, then at some point you have to wonder about the impact.

The final comment is that you can find only so many IRBs in a country of our size. You can't continue buying big projects all over the place all the time and say we're going to put lots of IRBs in Canada. Where are all those IRBs going to go? I mean, you've got Sikorsky right now, which is sourcing IRBs for the maritime helicopter program; you've got the C-17. Don't get me wrong, the industry is huge, but at the same time you can only do so many effectively. I think that's a critical part of the aspect of IRBs.

Claude's point is very important too. You want IRBs handled by someone who is hands-on, to make sure that the commitments continue. That's extremely important.

You were the benefactor of some IRBs recently, weren't you?

● (1135)

Mrs. Nathalie Bourque: Well, we are in a way. When we announced the C-17, Boeing agreed to buy two simulators from us. The value of the IRB, as I recall from my press release, was between $7 million and $8 million. So it's a beginning.

If I may continue from this point on, one of the ways the Canadian government has done well with the IRBs for the C-130J is when it decided to divide the contract. Instead of giving the whole $3 billion contract to Lockheed Martin and saying they should hire people and companies and come back to them with $3 billion worth of IRBs, the Canadian government decided that to make these aircraft, they were not going to ask Bombardier to develop a new aircraft for four C-17s. You don't start a new aircraft for that.

So they bought the aircraft, the C-130J, from Lockheed Martin but said that they would put the training up for competition. This way, the CAE-led team—again I come back to this—was able to win that contract after a full competition. If the contract had been given fully to Lockheed Martin, like the one for the C-17s, maybe they would not have chosen CAE. Boeing has a training arm in its company called Alteon. Maybe they would have said to us—to come back to what you're saying about innovation—that they would give contracts to a company in Canada to do all the seats, but they would do the simulators and the training with their American components.

I think that the best way to do very good IRBs is first of all to look at a way where Canadian companies can really compete in this, and not give it all to the prime company. It applied for the training of pilots for the C-130J. It's a base, and it should go on for other programs. It should also apply to maintenance training. Why is it part of the C-130J? Why will it be part of the fixed-wing SAR or the CH-47? Why don't we compete this part as well?

[*Translation*]

I know I am preaching for my own parish.

[*English*]

If you do it this way, CAE is the prime for the OTSP. That means there will be more jobs in Canada, more revenues, and more money spent here by our people. If the prime is in the U.S., then that's where the money goes. That's the value of being the prime in this.

This is another area in which we have to look in order to have good IRBs.

The Chair: Thank you. We're going into round number three. Mr. Lake has indicated that he'd like to have a question. Mr. Bouchard has indicated it as well. I will limit it to five minutes at this point.

Mr. Mike Lake: I'll be very quick. I actually wasn't going to ask a question until Mr. Bertrand made the comment there about the IRBs, that there are only so many places that you can go to have them fulfilled.

I find that to be an interesting comment, because this entire study that we've been doing is all about looking for opportunities, particularly for many workers in other industries who have lost their jobs. I think particularly about the auto industry, where some of those jobs are fairly high-skilled jobs. Some of those jobs would be engineering jobs. I understand that there would be some retraining or upgrading or whatever the case might be that might be required there, but it seems to me that we should be looking for all of the opportunity that we can find in terms of those types of jobs. I can't anticipate that we would get to the point where we would be at full employment, full capacity in this country, and turning down potential job opportunities.

Maybe you can just clarify where you're going with that, because it seems to me to be a little bit of an odd comment.

● (1140)

Mr. J. Richard Bertrand: I don't want it to be misunderstood, but the fact is that if you buy C-17s, buy Hercules, and have the joint strike fighter coming and add all that up, you're into $20 billion or $30 billion, and then you're looking for IRBs across the country. While we talk about the strength of Quebec aerospace, I think all of you from across Canada have to understand that aerospace is across Canada. Let me tell you why.

If Bombardier can't do an IRB on something, for instance, you have Pratt & Whitney Canada, CAE, and a good example in Bell. If you take that group in Quebec out of the numbers, the next level down of population is about 16% to 18%, roughly. You actually have more, at the next level down of suppliers, in Ontario than you have in Quebec, if you look at the numbers. Then you have out west and so on.

Claude showed a chart with the comparison across the country. Now you have a more even delivery. Now you have to look at who across the country can be providing the IRBs you require. You have in-service support, you have manufacture of parts, you have parts that you can produce across the country. We can produce them in Halifax—there are manufacturers there—and there are people in Mississauga, in Winnipeg, etc. My point was more that when we go into the future on IRBs, be very specific in understanding how we're going to get those IRBs. And make sure that they're distributed properly. My fear is that if you just focus on some of the big companies....

Bombardier can correct me, but I don't think they can fully participate in the C-17. You might have been able to do it, in reflection. Did you? No.

So the fact is that there are some companies for which it's just not possible to do it. I want to be cautious, so that when we spend on other products we make sure we understand how we're going be able to benefit from those IRBs.

Mr. Mike Lake: I guess the point I'm making is that all of your companies have laid off workers. When looking at the IRBs, obviously the first thing you look at is the opportunity for those workers to come back to work. The second thing is that I think the eyes of a lot of people who may have heard your comment in southern Ontario right now just popped open as soon as they heard that you can't fulfill all the requirements.

Mr. J. Richard Bertrand: I didn't say we can't today.

Mr. Mike Lake: Right, but in the future.... A lot of people would say here's a great opportunity, and that may be a good thing. There would be people in southern Ontario who think maybe they could help. I won't comment on it further, other than to say that it may be an opportunity.

Mr. J. Richard Bertrand: I just want to make sure, when politicians say they're going to spend $5 billion on something and are going to get $5 billion in IRBs, that somebody has worked through where those IRBs are going to come from on that type of product, what quality of IRBs they are going to be, and how they are controlled.

I hope I'm not misquoting, but I think Claude was asking how we can more effectively work with government to ensure that the IRBs are properly applied. Quite frankly, if you just buy furniture all over the place, you're not going to be able to continue to innovate and provide new jobs, or they're going to be short-term jobs, not long-term jobs. Our jobs are long-term jobs. Unfortunately, we've had to lay off because the economy has had a significant impact on our businesses.

● (1145)

The Chair: Monsieur Bouchard.

[*Translation*]

Mr. Robert Bouchard: Thank you, Mr. Chair.

Mr. Lajeunesse said that it would be important to get maintenance contracts when aircrafts are purchased abroad. Either Mr. Lajeunesse or someone else may answer my question.

How would you describe the current situation, or the one that has existed for the last few years, regarding aircraft procurement by the Canadian government? Do you think the practice is working well, or is there room for improvement?

Mr. Claude Lajeunesse: That is a very important question. The Canadian Forces need the equipment the government has decided to purchase.

What I said earlier is that at the moment, most of the contracts that have been announced have not yet been completed. The final commitments made by the Government of Canada have not been signed. We hope that in the weeks or months ahead, the points we mentioned about the creation of productive, value added, and long term jobs will be taken into account in the announcements the government is about to make. We also hope, in cases were decisions are still at an early stage, that the industry will be consulted before the decisions go any further.

With respect to procurement, it is very important that the maintenance and the IRBs are considered from the outset, and do not become secondary concerns later on.

Mr. Robert Bouchard: Thank you.

Mrs. Nathalie Bourque: I am not in any position to make a judgment on that, but I think the Defence Department has some good teams and has probably made the right choice of equipment based on its needs.

I certainly agree with what Claude said. There must be transparency. When a contract is signed, the principal is that 60% of the industrial and regional economic spinoffs should be identified and signed. We have to find a way of making this clearer. It can be difficult to reach this percentage, but there is a multiplying affect depending on the type of spinoffs. For that reason, I think we can reach this figure.

Everyone would appreciate knowing clearly what the 60% spinoffs are, which are supposed to have been signed off on, and the remaining 40%.

Mr. Robert Bouchard: With respect to international competition, we talked about the importance of being on an equal footing with other countries, Ms. Bourque. Is Canada's current situation comparable or worse?

Mrs. Nathalie Bourque: Canada is doing absolutely everything it can to develop the aerospace industry. However, if you compare us to other countries... I will leave my own area of expertise for the moment, and talk about the aerospace industry as whole.

The 747 was developed as a result of a contract the Pentagon awarded to two companies. The Pentagon had not chosen Boeing, but rather the other company. Then Boeing added some windows and some seats and came up with the 747. After that, it got a check for $2 billion. Bombardier would really like to have the same type of non-refundable contract.

Our country does have some resources and it has a population of 30 million people. Under the agreements we entered into with the government, we received some repayable loans under programs such as TPC or SADI. It is essential to us that these programs be maintained, because we have to be as good as other companies, if we want to be competitive. Our competitor, Thales, is largely owned by the French government. Our other competitor is CFSI, which is owned by Warren Buffett. I hardly need to tell you that these two groups have much deeper pockets than CAI. So we still need these programs.

The best thing that the Canadian government could do to help out companies would be to make the investment tax credits completely refundable. That would be the best thing it could do. As far as the rest goes, we are good cooperate citizens, and we faithfully pay back the money we received under programs such as the TPC. And after we finish the Phoenix project, we will do the same again. But refundable investment tax credits would be a huge advantage to all Canadian companies that do R & D.

● (1150)

[*English*]

The Chair: Merci, Madame Bourque.

I wonder if I can indulge the committee and ask two quick questions. I think they're important for our study as well.

We've seen a lot about the wages for the CAW. To Bombardier, what are the wage levels of workers? We saw $76 and it had to be trimmed down to $57. How does that compare to a worker in one of your factories producing planes and trains?

Mr. George Haynal: That's comparable, but I'll have to get back to you with the numbers. I don't want to give you numbers I'm not absolutely sure of.

The Chair: Thanks.

It's great stuff, and I know that you're building planes and trains and some boats. Have you thought about cars? We're talking about green cars. Have you thought about possibly moving into that?

We're often criticized for not having a policy on the auto industry. However, the auto industry is controlled by foreign companies that decided to work here.

Has Bombardier thought of getting into that?

Mr. George Haynal: We make planes and trains. That's it. The group that makes snowmobiles and Sea-Doos—and I'm delighted to not have to hear from people who have cottages—is a private company that has nothing to do with Bombardier per se. So we're in just those two businesses, but they are extremely complex.

So the short answer to your question is that we have not thought of going into the automotive business. But the capacity exists in the Bombardier transportation group in Thunder Bay, for instance, if there is increased work in public transit—which is in a way a compensating medium for people to have personal transportation—to hire people who previously worked in the auto sector, because the skills are quite comparable and complementary.

The Chair: I want to thank our witnesses for the excellent job and the great information you've given us. We are going to end this meeting now. We appreciate everything you've brought to the table. I know this is going to help our study and make it that much better.

This meeting is adjourned.

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