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Chair

The Honourable Maxime Bernier

Standing Committee on National Defence

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• (1530)

[Translation]

The Chair (Hon. Maxime Bernier (Beauce, CPC)): Good afternoon, everyone, and welcome to the 27th meeting of the Standing Committee on National Defence.

In accordance with Standing Order 108(2), we will be continuing consideration of the new generation of fighter planes.

Before beginning, I would like to note that

[English]

we received a motion by Mr. Laurie Hawn, in line with all our regulations, that this committee invite Mr. Dan Ross, Assistant Deputy Minister for Materiel for the Department of National Defence, to appear as the only witness on Tuesday, October 19, 2010, from 3:30 p.m. to 5:30 p.m.

I will give the floor to Mr. Hawn on that.

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

As we discussed at our last meeting, if we're going to get some balance on a couple of different aspects of this issue, then it obviously makes good sense for us to have the current ADM Materiel, who clearly has the knowledge base on what is going on with procurement today and for the past five years, to appear before the committee as well.

That seems pretty clear and pretty fair to me.

[Translation]

The Chair: Thank you.

Mr. Regan.

[English]

Hon. Geoff Regan (Halifax West, Lib.): Mr. Chairman, this witness has already been heard from on this topic by the committee. We have no problem with witnesses being recalled after we've heard from those on the list we're going to hear from, but I don't see the point of having someone come back when we've heard them once already before we've heard from the other witnesses.

The Chair: Mr. Hawn.

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

The simple fact is there was some discussion here. The last time Mr. Ross was here he was part of a panel of five or six. He was not the main witness. We're giving two hours to Mr. Williams, and I have no problem with that, as a former ADM Materiel five years removed.

I think it is simply common sense that we give a full period of time to the current ADM Materiel, and the closer they are together, then the easier it is for committee members to make judgments however they want.

It seems pretty clear to me, it seems pretty fair to me, and I'll be pretty surprised if ultimately my colleagues across the way don't understand that and see it the same way.

The Chair: Thank you.

Madame Folco.

[Translation]

Ms. Raymonde Folco (Laval—Les Îles, Lib.): Thank you, Mr. Chair.

I am going to oppose the motion that we invite Mr. Ross. I was not present when he appeared, but first, if I understand correctly, Mr. Ross testified on September 15 on the issue before us today. Second, and correct me if I am wrong, all members of the group who attended with him on September 15 presented arguments to the same effect as Mr. Ross's. What that means, in fact, is that all members of the group on September 15 stated opinions that paralleled Mr. Ross's.

In reply to Mr. Hawn, I will say that as I understand things, the people who advocate that view have had two hours to do it and it is entirely reasonable for us now to hear people who advocate a different view.

I therefore oppose Mr. Hawn's motion.

The Chair: Thank you.

Mr. Payne.

[English]

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

In terms of some balance on this, I believe in all fairness that certainly Mr. Ross didn't have a full two hours. There were a number of other witnesses there.

Also, I'd like to point out that the Liberal member, Ms. Findlay, who was sitting in, did indicate that we should have both witnesses here for at least an hour to ensure that we get a proper balance. I would certainly be disappointed if our colleagues on the other side of the table didn't understand fairness and balance.

Thank you, Mr. Chair.

The Chair: Thank you.

Monsieur Harris.

Mr. Jack Harris (St. John's East, NDP): I want to address the question of balance. We had a session on September 15 and there was a two-hour period for the department to explain the procurement process: why it's doing what it's doing, talking about sole sourcing. Mr. Ross was there, Mr. Slack was there, the chief of air staff was there. That side of it was presented. The notion of balance that Mr. Hawn is presenting here is that if there happens to be one witness who has a different point of view, then that should be countered by another witness to do the whole thing.

I don't have a real problem with hearing from Mr. Ross again, but I don't know if balance requires a full two-hour meeting so that there can be equal time. This gentleman here is a retired public servant who has a point of view. I'm sure Mr. Ross has his point of view and can express it. But where was the balance the last day? We had three people who were interested in the business on the F-35s, all here talking all afternoon. There was nobody from the competitors saying there should be another way of doing things.

Balance is a long-term thing, it's not a one for one, meeting for meeting, witness for witness, which is being proposed here.

• (1535)

[Translation]

The Chair: Mr. Braid, you have the floor.

[English]

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

This is not only a matter of fairness; it's also a matter of consistency. At the last meeting, earlier this week, in the wisdom of this committee, it was decided that one witness could have a full two-hour meeting today. When Mr. Ross was here on September 15, when, in the wisdom of the opposition members, we were all recalled to Ottawa a week before Parliament resumed, he had very limited time—at significant cost to the taxpayer, I might add.

Again, it comes down to a matter of fairness and consistency. And now that we're drilling further down into the issue of procurement itself, we need to have Mr. Ross come back so that we can fully explore and fully investigate and fully discuss this important issue.

The Chair: Thank you very much.

Mr. Hawn.

Hon. Laurie Hawn: Yes, just to add to Mr. Harris's comments, it would be pretty hard to find anybody in Canadian industry who would express anything very much different from what we heard from those folks. So there really aren't two sides to that at all.

With respect to two sides, one of the things we are proposing—and you don't have this yet—is a panel on October 26 of Lockheed and Boeing so that the two major manufacturers of fighter aircraft in North America today could do that.

The position of the ADM Materiel is a pretty unique, pretty powerful position, and it's right and proper that we hear from a former ADM Materiel who has some strong opinions. But that should be balanced by the current ADM Materiel for a similar length

of time, as was said, to drill down and focus on the issues that are being discussed and are in some dispute.

Mr. Chair, I'll just say again—and obviously we know where this is going, because that's the way these things work—in our view, it would show a lack of fairness and a lack of good faith if Mr. Ross did not appear on October 19.

The Chair: Thank you.

Mr. Boughen.

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

It seems to me that if one of the goals of the committee is to get information to make wise decisions, then I'm not sure that we should shortchange a speaker for an hour or so. I missed the meeting on September 15 because it was called after we had called the Saskatchewan caucus to meet in Saskatoon. I chair that caucus, and therefore I couldn't be here on the 15th. I regret that I didn't hear the presentation. I'd very much like to hear the presentation and hear that speaker.

And again, Chair, if our goal in taking extra time to work through this is to be investigative, to hear people, then I think it's just automatic that we should hear the witness to the extent that we all have a chance to hear him. I apologize that I didn't have a chance to hear him because of other commitments.

The Chair: Thank you.

Monsieur Bachand.

[Translation]

Mr. Claude Bachand (Saint-Jean, BQ): Mr. Chair, ordinarily I am in favour of public meetings, like this one today. However, when the discussion drags on, I actually prefer that the meeting be held in camera.

I would also like to ask a question about procedure. I would like to know whether it has been 48 hours since Mr. Hawn submitted his motion. To my knowledge, the motion was submitted after the meeting on Tuesday afternoon.

Did you receive it before the committee meeting on Tuesday?

• (1540)

The Chair: I can tell you, from the information we have from the clerk, that yes, we can discuss the motion today, since it was received within the 48-hour notice period. According to the clerk, that means two nights.

Mr. Claude Bachand: Two nights?

The Chair: Two nights.

A voice: Two shuteyes.

Mr. Claude Bachand: We don't have the same definition of what a 48-hour notice period means, but it isn't a major thing. I don't want Mr. Hawn to think I am blocking his motion, because that isn't the case. It's just that abiding by the time limits in the Standing Orders gives us time to talk about things with our colleagues and see whether we can't negotiate. That's all I wanted to say.

As for my own position, since we are discussing this and we are going to decide the question, I would like to note that last time, and I don't want my opposition colleagues to think ill of me, I said I was interested in hearing from Mr. Ross, since he is the one who currently holds the position. So it's important. Mr. Williams, who is at the meeting today, knows that even within ADM (Mat) there are often differing philosophies. I recall that Mr. Williams had some good discussions with Mr. Lagueux, his predecessor. He doesn't see things the same way. In any event, the important thing is to also hear the opinion of the person who is currently in the position.

I said last time that I feared for Mr. Williams' safety. I talked about the need to keep the former and current occupants of the position a sword's length apart. That image, that principle, is just as applicable in the army as in the Canadian Parliament.

I think you will be at more than a sword's length: you will be about two weeks apart from each other.

So I am going to support this motion, so we can hear his testimony. That will put an end to the political debate around why one would go first and the other second. We will settle the issue once and for all and then move on to something else.

[*English*]

The Chair: Mr. Hawn, do you have something to add?

Hon. Laurie Hawn: I appreciate Mr. Bachand's remarks. I mean, the motion is valid; it does follow the normal procedure of 48 hours—*deux dodos*, two sleeps. That has been the process for the five years that I've been here.

But I appreciate your comments, and I appreciate your support.

The Chair: Mr. Regan.

Hon. Geoff Regan: It sounded like Mr. Hawn indicated that Lockheed and Boeing are attending at a certain date.

Hon. Laurie Hawn: I said that's what we are proposing.

Hon. Geoff Regan: I'm sorry, we thought you meant that... because members hadn't heard about—

Mr. Laurie Hawn: No, no, we were just proposing future business.

The Chair: Do other members want to express their opinion? Do we have a consensus to approve the motion?

(Motion agreed to) [See *Minutes of Proceedings*]

The Chair: The motion has been approved as it was presented, so we'll go on with our agenda for today.

[*Translation*]

Welcome, Mr. Williams. Thank you.

[*English*]

It's your turn. You are here as the former assistant deputy minister, materiel, Department of National Defence. I'm very pleased to have you here.

You are going to have ten minutes to speak to the members, and after that I'll give the floor to members. You have the floor.

[*Translation*]

Mr. Alan Williams (former Assistant Deputy Minister (Materiel), Department of National Defence, As an Individual): Thank you Mr. Chairman for inviting me to speak to you today about the Joint Strike Fighter.

Throughout my 33-year career in the federal public service I have had many opportunities to appear before you on a range of subjects. I always found it to be an honour and privilege to do so and I always enjoyed our exchange of views.

● (1545)

[*English*]

At the outset, I'd like to thank the clerk, Jean-François Lafleur, for distributing my expansive comments in English and in French. In my allotted ten minutes, I'll present an abridged version of those comments.

During my career I was presented with a number of opportunities that went well beyond my basic job description at the time, and afforded me an opportunity to do something exceptional for Canada and the Canadian people. One of these opportunities was in signing the memorandum of understanding with the United States on February 7, 2002, that resulted in Canada's participation in the second phase of the Joint Strike Fighter, or JSF, program. This signing was unique because its purpose had very little to do with my responsibilities as assistant deputy minister of materiel for the Department of National Defence, but rather what I could do for Canada, for Canadian industry, and for the creation of jobs in Canada. This signing had nothing to do with buying or committing to buy these jets, but rather everything to do with providing an opportunity for Canada's aerospace industry to participate in the United States' largest defence procurement in its history, a procurement valued at over \$200 billion.

In the 2001-02 timeframe, the issue of replacing our fleet of F-18s was, and pardon the pun, not even on our radar. These jets were being modernized and were expected to last through 2017-18. Nevertheless, there was one overriding reality that made the decision whether to join this phase rather easy; namely, if Canada did not participate, its industry would not even be provided with the opportunity to compete in this \$200-billion program. This possibility was one we could not contemplate, so Canada entered the program.

True, there were other benefits from being a participant, but they paled in comparison to the benefits now open to our industry.

[Translation]

When the government made the decision to sole source for the JSF as our next jet aircraft, I was disappointed. I could not understand why they took this decision. There are obviously valid reasons to sole source. As you are probably aware, defence procurement is subject to the Agreement on Internal Trade. The AIT is an agreement, internal to Canada, which came into force on July 1, 1995. In principle it requires procurements to be competed but recognizes there are exceptions. For example, in the event of National Security or where there is an unforeseen urgency, and I emphasize the word “unforeseen”, competition may be bypassed. I listened closely to the reasons the ministers provided for sole sourcing this acquisition and frankly, all are flawed.

[English]

First, ministers said that a competition was already conducted, so there was no need for another one. The ministers are referring to the competition conducted by the United States to determine which company would build the jet. On October 26, 2001, Edward Aldridge, Under Secretary of Defense for Acquisition, Technology and Logistics, announced that Lockheed Martin was the successful candidate over Boeing. I vividly recall how we were all glued to our TVs at National Defence headquarters awaiting the announcement. We were experiencing our own defence academy award drama. This competition had absolutely nothing to do with the need for a competition to determine which jet aircraft in the marketplace could meet today's Canadian military requirements at the lowest life cycle cost. Equating one competition with the other insults our intelligence.

Second, the minister said the government is buying the Joint Strike Fighter in order to provide Canadian industry with the opportunity to compete for \$12 billion in contracts. The fact is, these potential benefits pale in comparison with the guaranteed benefits that would accrue to Canadian industry through a competition. In a competition of this size, all bidders would be required to provide an industrial and regional benefits plan as part of their bid. This plan would require each bidder to provide a guarantee of benefits equal to or greater than the value of the contract.

[Translation]

Third, the ministers claimed that this is the best aircraft available. When asked how he knows this, the Minister, Peter MacKay, responded that it was on the basis of briefing notes provided to him from within the Department of National Defence. Unfortunately, “in-house” analysis will reflect “in-house” bias. Other knowledgeable military experts have voiced other opinions.

● (1550)

[English]

The Joint Strike Fighter may in fact be the best aircraft to meet Canada's needs. If it is, let it win in a competition. The only way to know for certain which aircraft can best meet Canadian requirements, and at what cost, is to put out an open, fair, and transparent statement of requirements and request for proposal and conduct a rigorous evaluation of the bidders' responses. The bid that meets the requirements of the Canadian military with the lowest life-cycle costs would be selected.

Directing the contract for aircraft jets to the Joint Strike Fighter highlights the basic risks associated with avoiding competition. These include higher costs—perhaps up to 20% more—reduced opportunities for Canadian industry, and most importantly, uncertainty as to whether the best product has been acquired to meet the needs of the military.

By the way, funds squandered because we pay too much come from the Department of National Defence's capital budget, funds that, were it not for sole-sourcing, would be available for reallocation to other military capital priorities.

Yet the government continues to increase the percentage of non-competitive procurements at an alarming rate. In 2004, 8.8% of the value of National Defence contracts over \$25,000 was non-competitive. By 2009, this percentage had risen to 42.1%, a fivefold increase. The phrase “competitive procurement” is quickly becoming an oxymoron. The procurement process is out of control and has degenerated into handouts for the chosen beneficiaries.

There is one other large downside risk to sole-sourcing, namely the increased potential for impropriety. The expenditure of public funds, especially when we're talking about billions of dollars, demands not only the highest degree of integrity, but also the appearance of the highest degree of integrity. An open, fair, and transparent process is critical. Undertaking sole-source deals leaves the procurement process more vulnerable to fraud, bribery, and behind the scenes deal-making and leaves the federal government more susceptible to such charges.

Thank you. I'd be pleased to answer your questions.

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

Now I will give the floor to Mr. Regan.

[Translation]

Hon. Geoff Regan: Thank you, Mr. Chair.

[English]

Mr. Williams, thank you very much for coming before us today.

In relation to the competition that took place in about 2001 between Lockheed Martin and Boeing in the concept demonstration phase, to what extent, if at all, would you say that Canada's exhaustive list of requirements was included in the competition?

Mr. Alan Williams: Very, very minimally, and that's probably exaggerating it. You have to understand that in this program your degree of influence is predicated on your degree of money. We were a level-three player in this. The only level-one player in this was the United Kingdom. They joined for \$200 million in this first phase, when we paid \$10 million. They paid \$2 billion in the second phase; we paid \$150 million. They contributed about 8% in the second phase, while ours was .06%, so to think that we would have any degree of influence doesn't really make any sense.

The fact is that on December 20, 1995, the U.K. signed the only level-one partnership agreement with the United States. In so doing, this agreement allowed them to be full partners in the development of the requirements and in the system design. No other player in this program has had that opportunity, so to suggest that we were anything more than what we signed up for in the first phase—i.e., as an observer—is greatly exaggerating any influence or input.

The other point to remember, of course, is that at that time we hadn't even developed requirement statements for our jets. This was nowhere on our radar, so there was nothing to compare and contrast what was going into the U.S. platforms with what we in fact needed. We were in it for one basic reason, and that is, as I've said, to give an opportunity to our industry to participate. As you've heard, they have done a magnificent job and have done really extraordinarily well. For that, they deserve a lot of credit—and by the way, so does a small group of people. I think you've met Michael Slack. He and a very, very small group of people were very aggressive at keeping the primes really focused on making sure that our industry knew the opportunities. He and his small team did a magnificent job and I think they should be applauded for that.

Hon. Geoff Regan: Thank you.

Would you describe the 2001 competition as looking out for Canada's interests as defined or dictated by the Department of National Defence?

• (1555)

Mr. Alan Williams: No. Our interest was in doing our best for our industry. This could turn out to be the perfect aircraft for us. That wasn't our focus at the time.

Hon. Geoff Regan: Okay.

In regard to the MOU that was signed by Pierre Lagueux and the MOU signed by you in 2002, did any of these agreements contractually bind Canada to purchase this specific aircraft?

Mr. Alan Williams: No, neither the 2002 one, which I signed, nor the 2006 one, which the deputy minister signed on December 11, 2006, binds Canada to acquire the aircraft.

Hon. Geoff Regan: Was there a clause disallowing a competition for the Canadian government's—specifically for the Canadian air force's—needs, open to other aircraft manufacturers?

Mr. Alan Williams: Absolutely not; in fact, the contrary appears, as people know, in clause 3.2.1.1.1. The 2006 MOU basically suggests that every country should be able to abide by the laws that govern procurement in that country.

Hon. Geoff Regan: You're referring to clause 3.2.1.1.1. of the 2006 agreement, which says:

Actual procurement of JSF Air Vehicles by the Participants will be subject to the Participants' national laws and regulations and the outcome of the Participants' national procurement decision-making processes.

Mr. Alan Williams: That's correct.

Hon. Geoff Regan: Okay, thank you.

Did you ever get the impression that the Canadian government's objective in signing the 2002 MOU was to sole-source for the JSF?

Mr. Alan Williams: I never got that impression throughout my retirement period. I know that when the 2006 MOU was signed, if you read the reports and statements at that time, neither did the

Canadian government at the time, because they acknowledged in the release of December 11 that they were still looking at competition. Michael Slack at the same time is quoted as saying that this doesn't foreclose any competition. There were subsequent memos from Industry Canada saying that this, again, doesn't preclude.

Even the chief of the air staff, André Deschamps, on the day, I think, that the announcement was made, is quoted in the issue of *Canadian Defence Review*, when asked about the Joint Strike Fighter... I'll read this to you. This interview took place just a few months before; it came out in June. The question from the magazine was: "Where is the next generation fighter on your list of priorities?"

The next generation fighter is very high on my list. We know government wants to get to that discussion soon, and we definitely need to get on with a process to get a new fighter. It sounds like a long time away, but as we know it takes a lot to go through a contracting process and produce a new fighter. We just finished upgrading our CF-18s to what we call the R2 standard. It's a tremendous upgrade creating a great platform, and will give us a high performing aircraft to keep us competitive certainly through this decade. That doesn't mean we shouldn't move forward on selecting what will replace the CF-18. We're moving forward hopefully in the not too distant future to establish a discussion with government.

So I would argue that not only had the government basically stated that this didn't preclude a competition, but certainly inside the department the chief of air staff, in response to the question, didn't say "I can't wait to get the Joint Strike Fighter; I expect that announcement to be imminent—that's the only one for us."

All of this comes clearly to reflect the position that there in fact would be a competition.

I would disagree with him when he says it takes an awfully long time. I think we could do it in a short timeframe, but that's another question.

Hon. Geoff Regan: When you say in your brief that the potential \$12 billion in contracts "pales in comparison with the guaranteed benefits that would accrue to Canadian industry through a competition", are you saying that there's a possibility that with a competition Canadian companies could actually get more than \$12 billion, or that they would have access to more than \$12 billion worth?

Mr. Alan Williams: I'm saying there's an absolute certainty that they would get more than \$12 billion.

Even the \$12 billion is up to competition, you know. When I was there, I think we won 38-point-something percent of those that we.... Even if you say it's \$12 billion, and maybe we'll win a third, maybe we'll win 40%, you're talking about \$4 billion to \$6 billion typically for contracts—we're not going to win it all—whereas, even if you talked about a \$16 billion program, that amount has to be guaranteed.

The Chair: Thank you, Mr. Williams.

Your time is up. I will have to give the floor to Mr. Bachand.

[*Translation*]

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

I would like to welcome Mr. Williams, with whom I have had epic discussions at this committee. Mr. Williams is very competent and capable of defending himself. I think that is why he likes appearing before this committee. To him, facing off with parliamentarians is a great challenge.

Mr. Williams, I am just about to start proceedings against you on a copyright issue. When you made your presentation earlier, you skipped over some sections of your text. That was probably because you wanted to stay within the time limits. You skipped a paragraph that I think is very important, I will read it to you in French:

It is like going to a car dealership to lease a car for 5 years. The salesman says there is a \$1,000 down payment and a monthly charge that he cannot reveal. Would any of us lease that car without that information? I doubt it. Yet, this is exactly what we are now doing with billions of dollars of taxpayers' money.

I have also read what you have said in several magazines and I have noticed that you often made that analogy, about car dealerships. I would like you to acknowledge today, before the committee, that I am the one who put the car image in your head, a few years ago. You would have to admit that I hold the copyright on that.

Are you prepared to do that?

• (1600)

Mr. Alan Williams: Next time.

Mr. Claude Bachand: Okay, next time. It's on the record. Now we will move on to serious matters. I think I have wasted two minutes.

Voices: Oh, oh!

Mr. Claude Bachand: I want to talk to you about the specifics, because I know you would like there to be essentially a single body within the Department of National Defence and you would also like responsibility to be assigned to a minister. I know that. I have read your book, and it's obvious that that's what you want. But that is not what happens under the current system.

How do you answer that? You know that at present, three rather important ministers each have their own responsibility, the first one being the Minister of National Defence. Once we acknowledge that the Department of National Defence has to lay out the requirements and it asks for a fifth-generation plane and a stealth plane, one that is virtually invisible to radar, how can you say it should be any plane other than the Lockheed Martin F-35? How can we talk about competition when Lockheed Martin is the only one that can do it? I would like you to answer that question first.

Mr. Alan Williams: Thank you.

First, the reason I didn't mention all my points was that the clerk gave me only 10 minutes. So I had to eliminate a few points.

Mr. Claude Bachand: Including some important ones.

Mr. Alan Williams: It is all important. But the question is very important.

[*English*]

Let me answer as best I can.

It is very important, in my estimation, for the public to understand why the requirements we select are necessary. To continue—and here I'm going to give you the credit—if I went to a car dealership again and wanted to buy a mode of transportation, I would first have to decide if this mode of transportation was for myself; my wife; myself, my wife, and my ten kids; or whether I need to transport furniture and equipment. The requirements are very specific to the role and the need.

It may be that we need a fifth generation. If so, let's be able to articulate why we need a fifth generation, how that fits into the defence policy we have, and how that fits into the role we see our military performing in the future. If it gets by that hurdle and it turns out that's the only one, that's fine. But we can do that openly. Having someone sitting behind closed doors and saying this is what we need because they say so is frankly not acceptable when you're spending \$16 billion of our money. That's the key point you want to make.

Secondly—and this is another point I didn't mention in my oral presentation, but it's in the notes—if after I chose my requirements and went to the dealers that had what I wanted to meet those requirements someone said to me, “Monsieur Williams, it's going to be \$1,000 down now, but I'm not going to tell you what the monthly payment will be”, would I buy the car? Of course I wouldn't buy the car. To buy something, commit to something right now when you don't even know the costs, to me is the height of absurdity.

I think the Joint Strike Fighter is a great program and it may turn out to be the perfect aircraft. But we're sole-sourcing a product that right now is four years late in development, its cost has escalated dramatically, and it's under the Nunn-McCurdy compliance review test in the States, where the Senate is cutting back on the numbers it is producing year over year right now because they're missing all the deadlines. It seems to me that we're getting ahead of ourselves. Why are we committing to something now when there are so many risks with this program? I really don't understand it. It may turn out to be the perfect aircraft for us, but I don't think there's any evidence for that today.

•(1605)

[Translation]

Mr. Claude Bachand: Since I have only a minute left, I'm going to start by talking about economic benefits. I believe it was Mr. Lagueux who signed the 2006 memorandum of understanding. I asked the researchers earlier to look at—

Mr. Alan Williams: No, no.

Mr. Claude Bachand: No, it was you.

Mr. Alan Williams: No, I signed the 2002 memorandum of understanding, and the Deputy Minister, Ward Elcock, signed the documents on December 11, 2006.

Mr. Claude Bachand: Are you familiar with that document, the memorandum of understanding?

Mr. Alan Williams: Yes, absolutely.

Mr. Claude Bachand: Section 7 talks about participation, economic benefits. Do you think that agreement prevents Canada from requiring economic benefits?

Mr. Alan Williams: Absolutely not.

Mr. Claude Bachand: No?

Mr. Alan Williams: Absolutely not.

[English]

Let me talk about section 7, in particular, sections 7.3 and 7.4, which are the two dominant ones.

When you sign this agreement you sign it because the drafters weren't stupid, and it certainly makes it easier for our Canadian industry.

[Translation]

The Chair: Thank you, Mr. Williams.

You may come back to that later.

[English]

I have to give the floor to Mr. Harris for seven minutes.

Mr. Jack Harris: You can finish your statement.

Mr. Alan Williams: For the companies that are in this program today, and we've achieved up to 85 now, for sure, absolutely you want this program to continue. There is no guarantee, but basically what section 7.3 says is that if you signed the 2006 MOU, which we did, tick; and if you have a contract and you're still continuing to produce the good for which you were contracted in the best value mode, tick; and if you agreed to buy these jets, question mark at the moment, then normally, not always, but normally, you would be entitled to continue to produce this good for the full production numbers of aircraft, the thousands that are coming down the road. That's where the big money is.

So that's an incentive. But keep in mind two things. One is it says "normally". There is no guarantee that any of the companies that in fact won contracts would automatically be given anything, especially as we've all read there's so much pressure under it that it considered retracting and doing things in a less costly kind of way.

So there's no guarantee, but beyond that, section 7.4 says, what happens if in fact Canada doesn't buy? Section 7.4 then comes in,

because those same contracts would then be open for re-bid. Section 7.4 basically says that it's up to each participant country to make sure that the primes give their industries the same due diligence and same opportunity to bid for that again. So either way, there's still an opportunity for IRBs, industrial and regional benefits policy.

I'll just close with one other point, which I probably will make more often. We should never think that the IRBs are the reason we're in this program. It should never take first place over the need to make sure that our military is getting the right aircraft. Sometimes I get the impression.... Okay, I'm done.

Mr. Jack Harris: We can visit that again, but I only have a few minutes here. I wanted you to finish your point.

Mr. Williams, we had a story in the *Ottawa Citizen* on September 20, the day that Pugliese suggested he had documents from the defence department indicating that there was a plan for a competitive process for both the aircraft and long-term maintenance that was developed in summer 2009. The scheduled plan for the competition was to be run in 2010; the contract was to be awarded by 2012. We also had the Minister of National Defence state in the House of Commons on May 27 that there would be a competitive process, and he made sure that this was totally clear.

What would have happened between May 27 and six weeks later, in July, when we're told it's a sole-sourced contract, etc.? What would have to happen? How do we get from there to that?

Secondly, tell me about the process of a statement of requirements. Are you aware that there would have been a statement of Canada's requirements for a fighter jet to replace the F-18? When would that have been prepared, and would that be normally available to a committee like this?

•(1610)

Mr. Alan Williams: I have no idea what happened in that brief period of time. I wasn't there.

Mr. Jack Harris: From your experience in procurement—you've been there and you see what goes on—what would have had to happen to go from the plan to have a competition and a statement in the House, to a decision in the House on July 16? What changes would have had to take place?

Mr. Alan Williams: The only thing I could envision is the minister would call me into his office and say he wanted to sole-source these things. I'd say there was no need, that wasn't the intent, we have no reason or rationale to do it. He'd say he wanted to do it anyway. I'd say if he wanted to do it anyway I couldn't stop him. I'd have two choices, either go along or resign. The fact is, he's not doing anything illegal. There is nothing at all outside his authority to do it this way.

I think it's a stupid way of doing business, and I would have advised him that way. In fact, I would point out that I would have said to him, if you're going to do it this way, you're going to undermine all the good. The government would look great if you simply said you're authorizing the Department of National Defence to replace their F-18s. That's a great news story. You get all the kudos and everybody is very proud of what you're doing. I said you're undermining all of that by stepping into a procurement process and predetermining the winner, for which there is no validity. I would have advised him or her strongly against it, depending on who the minister was.

In terms of the statement of requirements, it is typically the basic document for which the military and the military alone is accountable. Certainly when I was there the military in any major procurement had to produce a statement of requirements that would be reviewed and vetted and challenged within the department, get the sign-off of the senior military officials and the Chief of the Defence Staff before it was then made public as part of the overall defence procurement process provided to industry, have discussions, start the whole requirements process with industry in terms of product availability, develop the contractual terms and that kind of stuff. It is fundamentally at the base of any procurement process and nothing typically should proceed without it. Whether it's open to this committee is something I wouldn't be able to comment on factually.

Mr. Jack Harris: If Canada decided it had to replace the F-18s in 2017, 2018, or whatever, at what stage would a statement of requirements be prepared? What does that have to do with anything with participation in the Joint Strike Fighter development process?

Mr. Alan Williams: To answer your latter question, obviously we entered the program. Pierre Lagueux, my predecessor, was smart enough to get us into this, I think in 1997. We signed on for the second phase in 2002, none of which as far as I was concerned had anything to do with our buying the plane. So I think they are two independent sets of events.

Timing-wise, if you want something for 2017 or 2018 and you typically want three or four years worth of lead time from the time you sign the contract, you want to be able to sign a contract say three or four or five years before that, 2012. So you want to start the process in 2010-ish, get the requirements out in 2010 and 2011 so you can pick the winner in 2012 and 2013.

The Chair: Thank you very much.

We'll now give the floor to Mr. Hawn for seven minutes.

Hon. Laurie Hawn: Thank you, Mr. Chair, and thank you, Mr. Williams.

You left ADM Materiel in 2005 after six years, correct?

Mr. Alan Williams: Correct. Five and a half.

Hon. Laurie Hawn: You made some interesting statements in your submission, and I'd like to go over some of them with you, if that's okay.

You say the JSF MOU had nothing to do with buying the aircraft—correct?

Mr. Alan Williams: Correct.

Hon. Laurie Hawn: Are you aware that when the Trudeau Liberals bought the CF-18—and Mr. Jean-Jacques Blais is here, who was there at the time—it was intended to serve from phase-in period plus 15 years, bringing it to 2003 when we would be in the process of acquiring a new fighter? Were you aware of that?

Mr. Alan Williams: No.

Hon. Laurie Hawn: That is a fact. I was there. I wrote some of those plans.

Since there was no other fighter aircraft program under way at that time, 2003, would it not make sense that the signing of the JSF MOU in 1997 and again in 2002 were in fact logical steps toward acquiring the aircraft?

• (1615)

Mr. Alan Williams: No.

Hon. Laurie Hawn: Okay. We'll explore that some more.

You rightly cite three principles behind the MOU designed to reduce cost. This is just a comment on the aerospace industry in general. Obviously, there has been a lot of consolidation in the aerospace industry around the world, in North America particularly. The resulting situation in North America is there are really only two companies that build high-tech fighters, and that's Boeing and Lockheed Martin. You said you were glued to your TV for the announcement of the winner of the JSF competition. How did you feel when it was announced that Lockheed Martin had won the contract or the right to build the F-35?

Mr. Alan Williams: I was sorry I didn't buy Lockheed Martin stock the day before.

Hon. Laurie Hawn: You said that replacing the CF-18 was not on the radar in 2002, but that is contradicted by the plans that have been in place since the CF-18 was implemented in 1982.

Mr. Alan Williams: Can I comment on that?

Hon. Laurie Hawn: Sure.

Mr. Alan Williams: That's not it at all. I was there. I knew what our capital priorities were. I knew where the major programs were, and there was no work whatsoever being done internally at that time developing.... We had no capital program on the books at that time to replace the CF-18s.

Hon. Laurie Hawn: Which is why we had signed the JSF MOU.

Mr. Alan Williams: No, it isn't.

Hon. Laurie Hawn: Yes.... I'll get to that, Mr. Williams.

Mr. Alan Williams: Okay.

Hon. Laurie Hawn: As you said, the CF-18 modernization program would make the aircraft operationally effective until 2017-18. We may be talking 2020, but let's say 2017-18. When should a new fighter start to arrive if we're going to push the CF-18 over the side in 2018?

Mr. Alan Williams: In advance of those dates.

Hon. Laurie Hawn: By how much?

Mr. Alan Williams: I don't know. It's not up to me to say.

Hon. Laurie Hawn: Okay.

How long does it take to bring a new fighter online from deciding you need one until the first one's in service?

Mr. Alan Williams: It depends on the state, and which one you're buying, and how much lead time you have. I mean, typically we can have a process such that the contract can be signed within a matter of a couple of years from the time, or probably less than that, once the military requirements are met.

So it's a question of the state of those jets. Are they operational jets today? Because if that's the case, maybe we can get them sooner. If they're in the developmental stage, we'll have to wait a few more years.

Hon. Laurie Hawn: Right now our plan is to get the first F-35s in 2016, which is well along the road after other people have been flying the airplanes. That would suggest the airplanes would be reasonably operational at that time.

Mr. Alan Williams: Well, I would submit to you that if you go to the latest status of the program, the second phase has now been delayed by four years—2016—so I'm not quite sure that those timeframes are there. But that's—

Hon. Laurie Hawn: Well...

Mr. Alan Williams: Frankly, I'm trying to understand the point you're trying to make.

Hon. Laurie Hawn: We'll get there.

Mr. Alan Williams: Okay.

Hon. Laurie Hawn: How long does it take to phase in a new fighter fleet and phase out the old one? It's not there one day and the new ones are there the next day.

Mr. Alan Williams: Yes. Again, I think there are people more competent to answer that than I am, especially—

Hon. Laurie Hawn: You've never been involved in a program like that.

Mr. Alan Williams: Well, all of our programs, whether we're buying helicopters or what not, require an overlap and a process. Typically, once we do the procurement and we know what product we're getting and when we're getting it, then the people, the air force or whoever, will then use those timeframes to ensure that they're ready from a training and infrastructure standpoint.

Hon. Laurie Hawn: I don't know if you've had any experience in that, but is it fair to say that it's probably a period of four or five years, as it was with the CF-18?

Mr. Alan Williams: I can't comment on the CF-18, but I know, for instance, that in the last major briefing I was involved in, when we were talking about the helicopters, both versions... As I said, in parallel with us doing the competitions, our armed forces knew exactly when they were coming in, and were planning in parallel to make sure that there was enough training and infrastructure time available for the training.

Hon. Laurie Hawn: Absolutely. So starting the acquisition process years before the need date is necessary.

Mr. Alan Williams: Absolutely.

Hon. Laurie Hawn: I'd like to read you a quote from the *Peterborough Examiner* of February 2, 2002, with regard to the JSF project:

The aim of the project is to produce affordable, high-tech jet fighters to fill a variety of roles. ... "This is an important agreement for both the Department of National Defence and Canadian industry," said Alan Williams, the assistant deputy minister for material who represented Canada at the signing. He added the project "will enhance interoperability with U.S. and allied forces, and will provide opportunities for Canadian industry to participate in this cutting-edge aerospace project."

If the aim is to give us interoperability with U.S. and allied forces, that kind of implies that we're going to buy the airplane.

Mr. Alan Williams: No, it doesn't. Basically what I was saying was that this was a great program to be part of. It benefited National Defence in many ways, and there were other benefits. We were learning a great deal about autonomic logistics, about composite frames, about the ways you can manufacture and develop things better, have the better systems. All of that was great for us. At National Defence we were learning all about it. At the same time, interoperability was obviously a factor.

Let me talk in terms of interoperability. I'm sorry about this, but I'll use a car analogy again. If you are travelling from Ottawa to Calgary with ten of your friends in ten different cars, you all don't have to travel in a Ford in order to communicate. It's not the frame that determines interoperability.

You know, it's good that many of our allies would have the same frame and the same product—absolutely—but we operate today with many allies, with many frames. We're totally interoperable with NATO dealing with 16 standards and everything else like that. Many of our allies after this won't have this one, and a lot of our allies that buy this have others as well.

So it's not the frame that determines interoperability, it's the systems inside. And while buying this jet may be the best for Canada and may ensure that interoperability is enhanced, all I'm saying is that if it is, let's go through the front door as opposed to the back door in getting it.

• (1620)

Hon. Laurie Hawn: I will get to more on that later. I will be back, Mr. Williams.

The Chair: Thank you very much.

I will give the floor to Madame Folco.

[*Translation*]

Ms. Raymonde Folco: Thank you, Mr. Chair.

Mr. Williams, I'm not an expert in aviation and national defence, but like you, I think that to be sure that a plane is able to meet Canadian requirements and that we know how much it should cost, we have to have a transparent, clear and detailed bidding process.

One thing I don't understand. In your notes, you say that ministers came forward and talked about the program, and said there had been a competition and we didn't need a second competition. But you also write that the competition that was held had absolutely nothing to do with the subject we're talking about here this afternoon, or in other words, the purchase of these planes. That is what your notes say.

If you would, I'd like you to explain what you mean there. What sort of competition were these ministers referring to, and what sort of competition should there have been, to get a response to a bid solicitation that was not issued?

[English]

Mr. Alan Williams: The result announced October 7, 2001, followed a process of about five or six years, which emanated from within the Pentagon, to develop a program that kept costs down and looked for a replacement for the next generation aircraft. The U.S. had a lot of programs under way at the time, and they finally decided that they would try to establish a program—

Ms. Raymonde Folco: Mr. Williams, I'm going to interrupt you. You have about two and a half minutes to answer my question. Make it quick.

Mr. Alan Williams: Okay.

The basic answer is that the U.S. worked for four or five years trying to get commonality of requirements between its navy, air force, and marines. They produced three different varieties of this with their operational requirements and with the U.K.'s input, because they're a level-one partner. We stood by the side as observers. They picked the one to best meet their needs, and that's great.

What we have to do is what we've talked about here. We have to define our requirements. What does Canada need? What's our role? Our role is not the same as the United States' or the U.K.'s. We're unique in our demographics and in our use of troops. We have to take that statement of requirements. We have to then work with industry, develop the contractual specifications, hold a competition, and say that these are our requirements as proposed by our military; they are sacrosanct, and you have to deliver on them. We will now get bids in, do the evaluations, as I've said—

Ms. Raymonde Folco: Was this done?

Mr. Alan Williams: This was not done. None of this was done. Zero.

Ms. Raymonde Folco: If it had been done, on whose orders would it have been done?

Mr. Alan Williams: Well, before you're going to spend \$15 billion or \$20 billion, there's a fairly rigorous decision-making process. At the end of the day, it's the minister and the government—the minister, through the government and cabinet—that would say that we are now authorized, as in fact I'm sure they went through and authorized things.

Ms. Raymonde Folco: Sorry to interrupt you. They're the rules of the game, as you know.

Had it been done, would it have been the Minister of National Defence who would have had the ultimate responsibility?

Mr. Alan Williams: This gets into the overlap question. Let me make this one point, as Monsieur Bachand knows and mentioned. There is no minister accountable for defence procurement. This is the case today. This was the case when I was ADM. And I think it's a travesty. There is no one minister you can pinpoint for the success or failure of any defence procurement.

• (1625)

Ms. Raymonde Folco: Okay. I'm interrupting you again, Mr. Williams. I just want to make sure you're saying that even though there is no one minister responsible, ultimately, in fact, no minister actually drew up such a list.

Mr. Alan Williams: That is correct.

Ms. Raymonde Folco: Thank you.

The Chair: You have 45 seconds. I don't know if you want to use it.

[Translation]

Ms. Raymonde Folco: No, I'm finished.

The Chair: You are very efficient, thank you.

Mr. Hawn, you have five minutes.

[English]

Hon. Laurie Hawn: Thank you, Chair.

I want to go back to something Madame Folco said and a remark you made about our role being different from the Brits' and the Americans'.

Obviously, the Americans are involved in many more things than we are, but I would suggest to you that the American requirement for long-range interceptors in the north, just as we fly in the north.... We're side by side with them between Alaska and Canada. The Brits have the same requirement north of their country. Our requirements in those kinds of missions are in fact very similar. They are the same, and we've shown as much with the airplanes we've operated: CF-18s, CF-104s, CF-5s, CF-101s. In other missions, such as Afghanistan, where we're operating together, we're not there with fighters at the moment. The Brits and the Yanks are.

I would suggest to you that our roles are very similar, in fact, to the Brits' and the Americans' role.

Mr. Alan Williams: The only comment I'd make is that if you look at our defence paper, on putting Canada first, the one we just recently did, I don't think it's the same policy paper on the role of the military that you'd find in the U.S. and the U.K.

I'm not saying there are overlaps. I'm saying we're an independent country that will define the role of our military as we think it ought to be. All I'm saying is let's do that publicly, and let's see how this—

Hon. Laurie Hawn: Sorry, no, I get your point, but our aircraft have traditionally been the same as the Brits' and the Americans'—

Mr. Alan Williams: Well, I would make the point—

Hon. Laurie Hawn: —because we do the same things.

Mr. Alan Williams: Well, I would make the point that they have a range of aircraft, including the ones that we have, but they have a whole wide range, and so does the U.K., going well beyond our one aircraft.

Hon. Laurie Hawn: Absolutely. That is why we have to make sure we get the best bang for the buck.

Mr. Alan Williams: Absolutely.

Hon. Laurie Hawn: Regarding the outstanding performance of Canadian industry—and I agree—do you have any doubt that Canadian industry can continue to compete and win in the international arena?

Mr. Alan Williams: We were winning 30% to 40%. I think that's great product. There's no reason to assume we can't continue to do that.

Hon. Laurie Hawn: I agree totally.

Let me read a quote from your book: "From the industrial perspective, only companies from participating countries would be eligible to compete for contracts in the program."

Mr. Alan Williams: Correct.

Hon. Laurie Hawn: "While there were no guarantees of industrial benefits if one joined the program, it was guaranteed that no business from this program would flow to Canada's aerospace sector if Canada did not participate."

Mr. Alan Williams: Correct.

Hon. Laurie Hawn: "Given its enormous size, I fear that abstaining from the JSF program could devastate Canada's aerospace"—

Mr. Alan Williams: Correct, and that's what I said in my opening comments too. That's why we're a participant and continue to be. Being a participant does not demand buying them, though.

Hon. Laurie Hawn: I'm going to get to that a little bit later too.

You have high praise for Michael Slack, and I certainly agree with you. Would you have similar praise for other members of the team, civilian and military, who have decades of experience in this kind of stuff?

Mr. Alan Williams: Absolutely. I have nothing but the highest regard for all of the bureaucrats in all the departments that participated.

Hon. Laurie Hawn: Would you agree that Michael Slack and other members of the team, to whom we all give great credit, and rightfully so, have access to information you and I don't have access to at the moment?

Mr. Alan Williams: It could be.

Hon. Laurie Hawn: Well, it could be?

Mr. Alan Williams: I could be. I don't know.

All I can tell you is this. The documents that govern our relationship in the program are the ones that we all have. Unless they have signed an amendment to it, or unless there's a new agreement I'm not aware of, then the 2000 MOU is the governing document that governs our relationship.

Hon. Laurie Hawn: I'm talking about access to information beyond just the MOU, but access to information on the aircraft's capabilities and those sorts of things.

Mr. Alan Williams: It could very well be.

Hon. Laurie Hawn: Well, of course they do.

Do you have a top-secret clearance at the moment?

Mr. Alan Williams: I'm not sure if I still do. I had.

Hon. Laurie Hawn: Well, I think you've answered my question.

Do you trust the judgment of people like Michael Slack?

Mr. Alan Williams: Absolutely.

Hon. Laurie Hawn: Good.

Why would Michael Slack and so many others—

Mr. Alan Williams: Change their minds?

Hon. Laurie Hawn: —be in such fundamental disagreement with you?

Mr. Alan Williams: Well, I'm not sure they are. Michael, when he signed this MOU, said he foresaw a competition. I was foreseeing a competition. Michael is a bureaucrat working in the government. What he can say and not say is restricted. I'm not restricted. If I were in his position, I would say exactly the same thing.

Hon. Laurie Hawn: Well, that will come out later—not today, but another day.

You mentioned there are valid reasons to sole-source. What are they?

Mr. Alan Williams: I may have said two of them. If there's a national emergency, of course, when we send our troops quickly to Afghanistan or do something like that, we may not have time, so you do it. So unforeseen urgency, seen in article 506(11)(a) in the agreement on internal trade, is the kind of thing. If there's a national security issue, by all means, you go ahead and you do it.

Hon. Laurie Hawn: Would another one be if there's only one product that meets a future anticipated requirement?

Mr. Alan Williams: If you can prove that.

•(1630)

Hon. Laurie Hawn: Such as a C-17, C-130J, Chinook?

Mr. Alan Williams: Well, I would disagree with all of that, because, again, that presupposes you know there is only one.

Hon. Laurie Hawn: Can you give me what might have been an alternative to the C-17 or—

Mr. Alan Williams: I wouldn't even try to do that, because that's not the purpose of the ADM. That would not be my purpose. My job is to ascertain whether there is or is not—not to prejudge.

Hon. Laurie Hawn: Which is why we rely on people like Michael Slack and others to make those kinds of decisions.

Mr. Alan Williams: Well, that's not true at all. Michael is not involved in those decisions whatsoever.

Hon. Laurie Hawn: He gives advice based on his knowledge, and that's exactly what happens.

The Chair: Thank you very much.

I'll have to give the floor to Monsieur Bachand, *pour cinq minutes*.
[Translation]

Mr. Claude Bachand: Mr. Chair, do we have to place absolute trust in people with top-secret security clearance? You know I have always objected to that. Canadian taxpayers pay, and we are their representatives. When it comes time to decide what kind of plane to select, it is very important that we have as many details as possible

So I don't want someone telling me that I have to place complete trust in a guy who has a top-secret security clearance, because that isn't true at all. I want that to be very clear. Unfortunately, I am also frustrated by the fact that I don't have a very high security clearance. I am up against guys like him, and like Mr. Ross who will be coming, who have a top-secret security clearance. I am up against generals, major-generals, lieutenant-generals, who have top-secret security clearance. We ask questions that are sometimes pretty harmless. They tell us they have the truth and they know what is going on. But we have the responsibility of buying these planes or deciding what type of plan. This has to be clear, to me, having top-secret security clearance is not necessarily a guarantee of trust.

There is another thing too, and that is the question of interoperability. If I understand correctly, the fact that we all have the same plane, an F-35, doesn't mean we will be completely interoperable. That is not true. Interoperability is how it operates in a theatre of operations. Personally, I'm sure, although I have great respect for the F-35, that a Eurofighter Typhoon or a Super Hornet is capable of operating interoperationally with the other members of NATO. There is no doubt about that.

Mr. Williams, given the agreement signed by the government, I would like to know what would happen if the government decided that it now wants to solicit bids, if, for example, there were a new government. The present government has committed itself. Would there be a risk of legal action? We all remember how Mr. Chrétien's party had promised to cancel the helicopter order before it came to power. We had a rather hefty fine to pay for breach of contract. It was worse than that, because we went 10 years with no helicopters. You recall, Mr. Williams, that they said that in political terms they couldn't just the same craft, even if we needed them, because they had said they didn't want them. They invented a package where they wanted to get the chassis from one company and the body and weaponry from another company. We come back to the car example

The Chair: — that you suggested...

Mr. Claude Bachand: — that I suggested to Mr. Williams. It's like deciding to buy a chassis from Chrysler and put a Ford body on it. It took 10 years and it didn't work at all. Then the government had to start over.

Do you think, at this point, that Lockheed Martin might be able to say that because the government doesn't want its plane anymore, it is going to have to pay a fine, because on July 16, the government said it was selecting their plane?

[English]

Mr. Alan Williams: If you look at the agreement, there is in fact a dispute resolution clause and ways to get out that are frankly very well and very fairly stated. In other words, there are clauses that say

that if you want to get out you have to pay your fair share. We paid \$551 million in this.

If in fact we decide to get out of the program—which you don't have to do just because you don't buy the jet—we could. There is no link, so you could stay in the program and make it that you're not going to buy the jets. That might affect our costing, because everything is pro-rated between all the companies, and stuff like that.

There is one significant difference between the cancellation in 1993 and this, and that is, that cancellation was with a contractor in the private sector; this is a government-to-government relationship. I think before any government decides not to proceed, there are probably—this goes well beyond my capability to talk about, but they're obviously big people—little consequences here, because you will have made a commitment, by signing, to buy something government to government. Between now and then, there is nothing to preclude doing a competition, frankly.

• (1635)

The Chair: Thank you. I will have to give the floor to Monsieur Hawn for five minutes.

Hon. Laurie Hawn: Thank you, Chair.

Mr. Williams, how many times did you issue sole-source contracts as ADM Materiel?

Mr. Alan Williams: I don't know. As I said, back in 2004 I know that 8.8% of the time it was sole-source money, but I can't comment beyond that.

Hon. Laurie Hawn: Was it 200?

Mr. Alan Williams: I've no idea. But I'll tell you one thing. It is partly because of spending five years in the Department of Public Works, which is in fact the arm responsible for the integrity of the process, that I became so focused on that. I had a special organization set up to make sure that there were never... Before anybody wanted to sole-source something, they had to go through an extra challenge function before I would approve it.

So is 8.8% too much? I don't know, but I do know that I took non-sole-sourcing very, very seriously.

Hon. Laurie Hawn: Well, would you be surprised if I told you that you signed sole-source contracts above \$25,000 4,553 times?

Mr. Alan Williams: I would be. I'm not sure what they were for. They must have been fairly small amounts of money, because as I said, it was only 8.8 cents on the dollar of the total value.

Hon. Laurie Hawn: Well, it's \$7 billion there, and it's about another \$3 billion there. So it's a chunk of change.

Mr. Alan Williams: Well, maybe. I would argue that in the last five years we have spent \$40 billion on sole-sourcing. Sorry to disagree with you. I would like to see those figures—it's easy to quote them, I guess—any time.

Hon. Laurie Hawn: They are from Public Works, PWGSC business, volume 1, April 1999 to 2010, and another document that—

Mr. Alan Williams: I'm not so sure what that has to do with anything.

Mr. Jack Harris: Mr. Chairman, is this fair to the witness to quote documents that are not presented to the witness or presented to the table? It just doesn't seem to be fair procedure to me.

Mr. Alan Williams: I'd like to answer one thing.

You talked about sole-sourcing. The biggest deal I know of that would have been sole-sourced was \$3 billion for NATO flying training. That issue came up on February 17, 2000, at the standing committee when I appeared before it, along with the Auditor General. I think that issue was discussed, and I think it's important, because I think it reflects strongly what I've been talking about.

So let me take a minute and respond to your accusation.

Hon. Laurie Hawn: Briefly, please.

Mr. Alan Williams: The issue was sole-sourcing of the NATO flying training. I'll make my comment, and then I'll get to Denis Desautels' response to it.

There's probably nobody around more committed to trying to undertake competitive procurement than I am. Both this position and my previous one were as accountable for them. However, if there ever was an occasion when a non-competitive contract should have been followed or taken, it is in this particular case. Thanks to the innovativeness and creativity of industry, we have come up with a solution that has saved the taxpayer, as of today, \$56 million, with a potential to increase very shortly to over \$200 million. That's point number one.

Point number two: you should be aware that this initiative was undertaken in complete compliance with the trade agreement, which is the agreement on internal trade, as well as the government's contracting regulations. In terms of the agreement on internal trade, you could look at article 506.11(a) and you'd see 'unforeseeable urgency'—

Hon. Laurie Hawn: Mr. Williams, I'm sorry. I'm going to have to cut you off. I agree that the NATO flying training program was a great program, no question.

Mr. Alan Williams: Okay, all I'm saying is—

Hon. Laurie Hawn: That's a good example of a good sole-source contract.

Mr. Alan Williams: That's exactly right. It was agreed to by the Auditor General, by the way, at the end.

Hon. Laurie Hawn: There were 4,552 other examples.

Mr. Alan Williams: Okay. I still stand by my record of 8.8% as opposed to 42.1% of dollars.

Hon. Laurie Hawn: Well...

Mr. Alan Williams: Well, what?

Hon. Laurie Hawn: Both those numbers are accurate. Your 8% is fine. I'm not...

Mr. Alan Williams: It is eight percent of dollars. If the government sole-sourced a lot of procurements for \$30,000 and \$35,000, that's a big difference, in terms of the overall money being spent, from 42 cents on the dollar.

Hon. Laurie Hawn: Ten billion dollars is a chunk of change.

You suggest that Canadian industry would be better off with a competition and IRBs, traditional IRBs, to the value of the contract.

Mr. Alan Williams: Yes.

• (1640)

Hon. Laurie Hawn: Yes. What's the contract value we should measure those IRBs against? What is the dollar value?

Mr. Alan Williams: Well, if I use the government's figures, at a minimum, I think that of the \$9 billion they're saying that \$5 billion are attributable to the actual acquisition and \$4 billion are for other stuff. I don't know if it's \$5 billion or whatever it is. Plus, they're arguing that it's another \$7 billion for... So that's at least \$12 billion.

Hon. Laurie Hawn: No. You see, that's where you're using the wrong figures. Any IRB is measured against the value of the contract for the piece of equipment, including initial spares, training, and so on. It's not valued against the long-term sustainability.

Mr. Alan Williams: No, you're incorrect.

Hon. Laurie Hawn: That's not the way it is valued.

Mr. Alan Williams: That is how it's valued.

Hon. Laurie Hawn: Yes, so if we talk about performance—

Mr. Alan Williams: No, you're wrong. You're wrong.

Hon. Laurie Hawn: —it's \$9 billion that we should...

Mr. Alan Williams: When we bought the latest helicopters, okay, for \$5 billion, that included the initial cost of a couple of billion dollars and ongoing support for \$3 billion, and the total IRB was \$5 billion.

Hon. Laurie Hawn: That may be what was realized. The measure...

Mr. Alan Williams: No, no, no. That wasn't what was realized. That was what was demanded by the IRBs policy and what was delivered by all of the bidders.

Hon. Laurie Hawn: The measure of performance with the F-18, for example, was in fact \$5 billion, and that's the traditional IRB model.

The Chair: Thank you.

Mr. Dryden, you have the floor.

Hon. Ken Dryden (York Centre, Lib.): Thank you, Mr. Chair.

A short time ago there was an exchange in Winnipeg between a *Globe and Mail* journalist and the Prime Minister. The question from the *Globe and Mail* journalist reads:

The former assistant deputy of defence for procurement, testifying before a House of Commons committee, said it is a great mistake to go to a sole-source contract. He said that an open competition would get the best fighter at the lowest price with the most jobs. Liberal leader Michael Ignatieff is proposing a review of the process, with a possible conversion to an open bid. Would it not be in the best interest for taxpayers to follow Mr. Ignatieff's advice on this?

That was the question.

The Prime Minister's answer reads:

First of all, in terms of the individual that you're talking about, his advice was very different at the time he was actually paid to give it.

Can you comment on that, Mr. Williams?

Mr. Alan Williams: That's absolutely a lie. I'm not sure what you're referring to, but I've never, ever changed my opinion on sole-sourcing, or anything—if he's talking about me. I have no idea what he's referring to. I would defend my integrity totally. I have never changed my views on these things.

Hon. Ken Dryden: He is talking about you.

Mr. Alan Williams: Then I have no idea to what he's referring or who gave him what notes to suggest and actually impugn my integrity. But I take great offence at that.

Hon. Ken Dryden: I have another question.

In listening to your testimony, you talked a couple of times in terms of getting the right aircraft and the great cost of any plane, and in fact you better understand what your needs are before you sign the contract and expend that amount of money. You talked about your earlier process. You asked them about the number of planes they would be purchasing and how, if you get a plane that does not meet your priorities, then you're in part wasting some of that huge amount of money. You made that point a couple of times.

One of the things I've seen many times is how in fact it also works the other way around, where you end up using what you have. If you don't set out and clearly, for the public, have that kind of debate on the direction in which you want to go in terms of your foreign policy, you end up using the tools you have. You end up using the technology you have. In fact, it ends up being technology that drives policy, as opposed to policy driving technology, which really creates a huge, immense, ongoing problem.

Do you have a comment on that?

Mr. Alan Williams: I agree totally. That's what I said.

The first step has to be to make sure that you have a policy framework for the role that we as Canadians see for the Department of National Defence, and then to make sure that all of the equipment we buy, for the army and the navy too, fits into the role that we've articulated. That would seem to me to be a fundamentally important role for this committee: to continue to review and assess and make sure that what we're buying can relate to and fulfill that role. If you don't do that, then in fact you're liable to be found in the corner you've talked about. I think we put the cart before the horse. Absolutely true.

Hon. Ken Dryden: You have found, in your own experience, that there's a tendency to use the technology you have, whether or not that may be the priority of the moment.

•(1645)

Mr. Alan Williams: I can't comment on that. Obviously, if you have a piece of equipment, you use that piece of equipment as best you can. Once it's there, it's there.

I am suggesting that when you go about an open, fair, and transparent process, you limit the likelihood of finding yourself buying something that isn't consistent with the role you've foreseen for the forces.

The Chair: I'll give the floor to Mr. Hawn, for five minutes.

Hon. Laurie Hawn: Thank you, Chair.

What would happen to existing contracts for Canadian companies if we were to withdraw from the MOU?

Mr. Alan Williams: I don't think there's any set answer. They would be at risk in terms of moving to the production phase, because that's what section 7.3 says. Whether they would lose it, that's quite possible. Whether they'd be still given attention because they're producing this good or product in such a cost-effective way, that's also possible.

Hon. Laurie Hawn: I think it's highly unlikely—and you may disagree just on speculation—that if they are producing whatever for the hundred airplanes they are producing it for now, they will lose access to the global supply chain if we withdraw from the MOU.

Mr. Alan Williams: Well, that's absolutely not true. I mean, section 7.4—

Hon. Laurie Hawn: No?

Mr. Alan Williams: No. I'm saying it's easy to say something, but the agreement basically says that any country that is participating in this agreement has to ensure, and the contractors have to ensure, that their companies have full access to all contract opportunities. So to suggest that is not the case is saying that somehow they are not going to abide by the terms of the contract, and that's not the case.

Hon. Laurie Hawn: The terms of the contract are for a hundred—whatever it is. The terms of the contract are not for 3,000 to 5,000 airplanes.

Mr. Alan Williams: No. Section 7.4 says that when you're undertaking any future opportunity, every participant's companies have to be provided equal opportunity to compete.

Hon. Laurie Hawn: That's every participant within the MOU.

Mr. Alan Williams: That's correct. And by signing—

Hon. Laurie Hawn: If we withdraw from the MOU, we are no longer participating—

Mr. Alan Williams: But no one is suggesting that you withdraw from the MOU.

Hon. Laurie Hawn: Well....

Mr. Alan Williams: No, let's be clear. Not buying the aircraft has nothing to do with withdrawing from the MOU.

Hon. Laurie Hawn: Can we do a level-playing-field competition and stay in the MOU between the F-35 and the Super Hornet?

Mr. Alan Williams: Sure. Why can't we?

Hon. Laurie Hawn: We can't compete the MOU, with the cost reductions and the access to information that we have as a member of the MOU.... We can't compete with that because that's not a level playing field.

Mr. Alan Williams: You can compete the marketplace against the MOU, absolutely.

Hon. Laurie Hawn: Is that a level playing field? Would that be fair to Boeing?

Mr. Alan Williams: Why wouldn't it?

Hon. Laurie Hawn: Because we have a cost advantage of 8% by being in the MOU. We have access to information that we wouldn't have outside of the MOU. So it's not a level playing field. In fact it would be unfair to Boeing.

Mr. Alan Williams: It would not at all. In fact I would argue that Boeing has an advantage. Boeing already knows the costs of this. All they would have to do, assuming they could meet their requirements, is lower their price and they'd win.

Hon. Laurie Hawn: Well...

Mr. Alan Williams: Well?

Hon. Laurie Hawn: They can't lower their price.

• (1650)

Mr. Alan Williams: Why not? In a competition, all the players sharpen their pencils to give us the best deal. That's why you compete.

Hon. Laurie Hawn: I'm going to get into the fifth-generation capabilities in a minute, but if you go into a competition knowing what the results of the competition will be because one airplane is so much better than the other because of the fifth-generation capabilities, the outcome of the competition is probably preordained.

Mr. Alan Williams: That argument makes absolutely no logical sense.

Hon. Laurie Hawn: Can you tell me the advantages of fifth-generation technology in fighter aircraft?

Mr. Alan Williams: I know very little about that, other than what everybody else knows about stealth and lethality and those kinds of issues.

Having said that, that's not my job. I'm not second-guessing the need for fifth-generation. I just want it to be publicly shown why that requirement, as well as every other one, is necessary.

Hon. Laurie Hawn: So you're not aware—and there's no reason you should be—of the differences between fifth-generation and fourth-generation?

Mr. Alan Williams: No, I am. I didn't say I wasn't.

You are going back and forth. First you were saying if I could run a competition and they could meet the requirements, they would be disadvantaged. I'm saying no. If a competition were held and they could meet the requirements, they would have a cost advantage because they know what Lockheed Martin's aircraft is going to be.

You are now saying maybe they can't meet the requirement. I'm saying the proof is for us to see the statement of requirements and understand why the fifth-generation is required in the role and then let's see what other industries and companies have to say about that. That's all I'm saying.

Hon. Laurie Hawn: If the requirement is for a fifth-generation aircraft to be interoperable with our allies in all those countries and there is only one fifth-generation aircraft available and the requirement is for a fifth-generation aircraft, then the competition is done.

Mr. Alan Williams: Look, I've seen this many times. You can always take any program and say if this, then that excludes all other competition. I've seen it in many cases. The issue is why do you have to have this "if"? What happens if you don't have this "if"? Then what's wrong with that? Can you prove to me that you need this "if"? That's all I'm saying.

There is no reason for people to be afraid or reticent about seeing exactly why we are saying what we're saying.

The Chair: Okay, thank you.

Mr. Regan, you have five minutes.

Hon. Geoff Regan: Thank you.

I guess what you're saying is that as opposed to this question of starting off by saying there's a fifth-generation aircraft and therefore we have to have it, we ought to be asking what our requirements are and how we can meet them. Is that what you're saying?

Mr. Alan Williams: That's right. And to follow up on Mr. Dryden's and Mr. Bachand's comments, you put the role of the military at the top. That's the basis of everything. What is the role that we see for our men and women in the future? How does our air force play into that? How do these jets play into that? Then you can determine, based on that, the requirements you see.

I have no idea why we are so afraid of making that public and justifying our requirements. It boggles my mind.

Hon. Geoff Regan: So if one of our top priorities were protecting our northern airspace, for example, from incursion by 30-year-old or 40-year-old Russian bombers with propellers that apparently don't actually come into our airspace but come somewhere near it—and the government gets quite upset about that—then wouldn't speed be more important and wouldn't it be more important...? The F-18s we have currently are in fact, as I understand it, faster than these proposed JSF fighters, according to the specifications.

Mr. Alan Williams: I'm not going to make the same mistake that I'm counselling people not to make. I don't want to pre-judge one requirement or make judgments about the requirements. I've always left that to the military. What I always did, though, was try to make sure that they can be justified in light of the roles they have to play. So I'd prefer to leave it like that.

Hon. Geoff Regan: When Mr. Hawn says that Boeing can't lower their price, would you agree that if this goes ahead as planned, we will never know the answer to that question because there is no competition?

Mr. Alan Williams: That's right. The whole point of a competition, the reason you go from one car dealership to another, is in order to try to play one against the other. When you go into these things you never know who's going to win.

I've always found that there is always one company, more than any other, that really wants the \$16 billion, \$15 billion, or \$20 billion contract and they will provide the best technical bid and they will also have, by far, the lowest price. And you never know until you test the marketplace. This is a huge contract, and people are going to grasp at it if you give them a chance.

Hon. Geoff Regan: You said in your presentation that it's also shocking that we are considering buying an aircraft without knowing its full life cycle costs. These costs can be two to three times the acquisition costs.

Mr. Alan Williams: Absolutely.

Hon. Geoff Regan: Based on your experience, what's the standard? Is it two to three, or is it more?

Mr. Alan Williams: I know when we bought our F-18s... I think I have the figure here or something like that. When we bought our recent Chinooks, it was \$1.2 billion to buy them, and \$2.2 billion for support for 20 years. Given that we'll keep them for 30 years, it's \$3.3 billion, so that's two and a half times or something like that. But it can be that much.

And typically—unbeknownst to most people—the newer equipment costs more than the old equipment because the new equipment is all technology-driven. It's all software. All you're buying, really, is a big piece of complicated software, which always gets updated and requires updating. So it's more expensive to replace new stuff than to maintain old stuff.

Hon. Geoff Regan: So is it fair to assume, then, that if the initial cost of these aircraft is \$9 billion, we could be looking at life cycle costs of \$27 billion?

Mr. Alan Williams: It's possible. However, I think the \$9 billion is more than just the initial acquisition. I haven't seen the breakdown of the figures, which is also something we should see. But if the initial figure was \$5 billion for them, then it could be \$10 billion to \$15 billion, I would say, over the long term to support these.

Now, having said that, this program is really designed to lower the long-term costs. There is a lot of neat, really 21st century ergonomics and this kind of thing, and autonomic logistics, so it could be lower than that, and I hope it would be. But I am saying you don't know, and that's a scary thing, to buy something whose long-term costs you don't know.

Hon. Geoff Regan: You said earlier that it's not illegal for the government to decide to sole-source a contract, as they have done in this case. In your experience, what would your reaction be if they were giving a sole-source contract to someone who is about to become chief of staff, or through the person to the Prime Minister of Canada?

•(1655)

Mr. Alan Williams: I'm not getting into those kinds of questions. I will say that I do not lobby, never have lobbied, and never will lobby, because I don't want to get into those kinds of conundrums.

The Chair: Thank you, Mr. Regan.

Mr. Hawn, the floor is yours.

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

You say you are shocked that we would consider buying an aircraft without knowing the full life cycle cost. That's what you said.

Mr. Alan Williams: Yes.

Hon. Laurie Hawn: Do we know what the CF-18 will have cost to operate in its life cycle in 2020 when we cease flying that airplane after 38 years? Do we know what that number is?

Mr. Alan Williams: We have some idea, and I'm sure if you went to the department they would tell you.

Hon. Laurie Hawn: We have some idea. We have estimates.

Mr. Alan Williams: That's correct.

Hon. Laurie Hawn: We don't know what it costs until we're finished.

Mr. Alan Williams: No, but pretty well.

And I will take this opportunity to point out—and you may want to get a copy of this—that the long-term costs of any asset are often, as I've said, higher than the initial acquisition cost. And we put out while I was there long-term equipment support cost projections, looking 10 to 15 years ahead as best we could, in order to give this committee, as well as industry, an idea.

So my point is that we're doing things smarter today. When we bought the recent helicopters we made sure that the contract was for the initial acquisition as well as the long-term support. When we bought the search and rescue helicopters we weren't as smart and we didn't.

Now we have a very good idea, if we're smart and we purchase things smartly, to know what the long-term costs are.

Hon. Laurie Hawn: Those are estimates, would you agree? Because you don't know. I don't know what the F-18s are going to cost because we're not there yet.

Mr. Alan Williams: No, but I am saying that when we bought the recent helicopters, our Maritime helicopters, we knew exactly what it was going to be because that was part of the contract. We went out to industry and said that we wanted to know what the initial acquisition costs and long-term costs are, in black and white, per contract, so we can budget for that appropriately. And we did know.

Hon. Laurie Hawn: For a period of time, without knowing what might happen down the road.

Mr. Alan Williams: For the next 15 years, for sure. But at least we knew for 15 years what the costs were.

Hon. Laurie Hawn: Again, that's an estimate, because you don't know what's going to—

Mr. Alan Williams: No, it wasn't an estimate. It's a contract. It wasn't an estimate. This was what one party was committed to pay the other as per the contract. It was not an estimate.

Hon. Laurie Hawn: And if the airplane ran into some—I won't say catastrophic—serious—

Mr. Alan Williams: Then the terms and conditions would have to apply to it.

There's a big difference between saying to me that there's an estimate out there in Fuzzyville and a contract that stipulates a number.

Hon. Laurie Hawn: The estimate from Fuzzyville is in fact based on a lot of years of operating the F-18. It's in fact based on the collective experience of all of the—

Mr. Alan Williams: This government has said that it has no idea what the long-term costs are for the F-35. All of the reports produced by Congress, and right now all of the research done, confirmed this, that the costs right now are not under control. There are huge problems in the development of the aircraft, and nobody knows what the final cost is going to be. That's all I'm saying.

Hon. Laurie Hawn: Those problems are being resolved.

Nobody knows what the cost of any program is going to be 40 years ahead. You just don't. These are estimates, these are best estimates, based on a lot of collective experience with the kind of expert people you've given praise to, like Mike Slack and others.

Mr. Alan Williams: If you compete this, I guarantee you they will tell you exactly what their contractual commitment is going to be when we buy these Griffons, Rafales, Typhoons, Super Hornets, and support them for the next x number of years. It won't be estimates. Things can always happen, but the government and the department can then go ahead and budget. We know what it's going to be, year by year, as per contract. We do not know that today with this aircraft. It may be that we'll know it in two to three years, and it may be that it will be 50% lower than any of the other alternatives. All I'm saying is that until we know that, I don't understand why we're committing to buy something for which we don't know the long-term costs.

Hon. Laurie Hawn: We can go around this all day long—you don't know the cost.

Mr. Alan Williams: But I'm saying you do, and I can prove that you do.

Hon. Laurie Hawn: To go back to the requirements, we talked about needing a fifth-generation airplane. Who sets the requirements?

Mr. Alan Williams: The military.

Hon. Laurie Hawn: The military?

Mr. Alan Williams: Yes.

Hon. Laurie Hawn: The military sets the requirements.

Mr. Alan Williams: Yes.

Hon. Laurie Hawn: Thank you.

If the military experts who are paid and who have the experience to make those kinds of recommendations, based on their experience, say that the requirement is for a fifth-generation aircraft based on the military requirement, which they set, and this is the only aircraft that meets those requirements, then is there a lot of point in withdrawing from an MOU, suffering the penalties we would suffer, to generate a competition that you already know the result of?

Mr. Alan Williams: The answer is absolutely.

Why don't we have fixed-wing search and rescue planes today? In 2004 the Department of Finance came to us and said here's a billion dollars; we'll give it to you to buy anything you want. I met with the vice-chief at the time, General Macdonald, and we said we need search and rescue fixed-wing. Our Buffalos are old and our C-130s are old and we need to replace them. And everybody can understand this, right? It's an easy sell.

Why don't we have them now, six years later? We don't have them because, again, part of the military suggested that they could define their requirements in this way and thereby limit competition. Neither I nor the minister agreed with that, and that's why. You can always propose something that doesn't stand scrutiny. That's all I'm saying.

• (1700)

[Translation]

The Chair: Thank you.

We will move on to Mr. Bachand, who has five minutes.

Mr. Claude Bachand: Mr. Williams, I would like to point out that you shouldn't say that the Maritime helicopter contract was black and white. As you know, there has been one breach of the contract already because the company did not deliver the helicopters on time. There was provision for fines in the contract, but the government decided not to charge the fines. So that is proof that it's negotiable even if it has been signed. So I urge you to use another example next time.

I would like to come back to the economic benefits, because that is very important. On September 15, Mr. Clement told me that the government was dropping the industrial regional benefits policy in exchange for the chance to access the production line, which potentially represents 5,000 planes.

But that is not how I read what it says in chapter 7. If I understand correctly, you disagree with the Minister's statement and you are saying that there is still a possibility of regional industrial benefits, the memorandum of understanding doesn't prevent that. Is that correct?

[English]

Mr. Alan Williams: Let me see if I understand your question.

It is absolutely correct, I think—it's what I heard the minister say—that instead of getting a guarantee, we're opening ourselves up for the potential, and the potential can be the potential to bid on \$12 billion. When you bid on \$12 billion, you might win 10%, 20%, 30%, 40%, 50%. If you go historically by what we've done, it could be in the 30% to 40%. And I should tell you that even when I was there, we estimated that the final contractual amount available to industry might be in the \$4-billion to \$6-billion range, which would be phenomenal, given the little amount we've put in.

So I think it is absolutely, absolutely correct, and there's nothing in this 2006 MOU that prevents us from continuing to reap those benefits. Having said that, as I've said, there is a risk that if you decide not to buy them, then the companies that have contracts are in a higher jeopardy position. Of course I'm not advocating not buying them, and neither am I advocating getting out of the contract; I'm simply advocating doing a competition.

Frankly, if the government thought it was at risk, it could have made the sole-source decision December 12, 2006. Why wait till now to make that commitment? There's nothing between now and then that makes any difference. Even better, on December 12, 2006, launch a competition, which would have had the results right today, in which case we might have been able to make the commitment following a competition.

[Translation]

Mr. Claude Bachand: What do you think is the reasoning of the seven CEOs of the seven big Canadian companies involved? They think the way all this is being done is perfectly adequate and is wonderful. When you tell them there are no regional industrial benefits, and instead there is the possibility of access to 5,000 platforms, they say that's perfect. Why?

[English]

Mr. Alan Williams: Frankly, I would say the same thing if I were them. If I was ATCO or Honeywell or L-3 or Magellan and I'd won a contract, I'd be here advocating for the continuation of the program, because that's in my best interest.

The fact that in any competition I might get other business might be true, but a bird in the hand is worth much, much more than two in the bush, and I'd be advocating as strongly as they are.

[Translation]

Mr. Claude Bachand: I yield the floor to my colleague.

Mr. Richard Nadeau (Gatineau, BQ): How much time do I have left, Mr. Bernier? One minute?

Mr. Williams, imagine we're playing hockey and I pass you the puck, right to your stick. Tell us what we should know from you before you leave the room.

[English]

Mr. Alan Williams: I think you should know that I spent 15 years in this business, and my whole focus was always doing what's best to meet the needs of the military, and do things in an open, fair, and transparent way. I don't think in the whole time I was at Public Works or National Defence ministers got castigated in public for how they did things. I can't recall. Maybe I'm wrong, and I'm sure Mr. Hawn might have examples of that. But I was always there to protect the minister, and say to the minister, "Do things the right way. Go through the front door; it's always better than going through the side door." I found that ministers, after much discussion, very often would generally agree with that point of view.

So I'm a person who is really high on integrity, and especially when dealing with the public purse. Scandals abound all over, in every facet, when you do things contractually that are not open, fair, and transparent. The RCMP is the most recent example.

• (1705)

[Translation]

The Chair: Thank you, Mr. Williams.

Mr. Harris, you have the floor.

[English]

Mr. Jack Harris: Thank you, Mr. Chairman.

Mr. Williams, you've told us something new that we didn't know before, I think, about the MOU. There's a big difference between withdrawing from the MOU and not buying planes. That's something that's new.

We do know there's no contract yet; the government has not signed the contract to buy any planes, and probably won't do so till 2013. Is that correct?

Mr. Alan Williams: That's my understanding, but I can't know for certain.

Mr. Jack Harris: So we're participants in the program right now, and we have all the benefits of being participants—

Mr. Alan Williams: Correct.

Mr. Jack Harris: —and that will continue. What happens if we don't buy planes? Do we still have the benefits of being participants?

Mr. Alan Williams: Yes. There are also the commitments. We're paying half a billion dollars on this, and those commitments continue. If we decide not to buy, there is potentially an implication—not a good one—for our industry. As we've said all along, their ability to normally be given the right to continue to bid on the thousands might not be there any more. Of course, it might not be there even if we decide to buy them, but people can argue either side on that point.

Mr. Jack Harris: But by not buying the planes, you're not precluded from bidding on the entire program?

Mr. Alan Williams: That is correct. In fact, section 7.4 demands of all parties, from an integrity standpoint, to make sure that all qualified companies from any participant country have a fair chance at any of these.

Mr. Jack Harris: Okay. You've been involved in this program for some time, and I see from your book that your assessment is that we've been doing very well so far by being participants in the MOU.

Mr. Alan Williams: Absolutely.

Mr. Jack Harris: And we'll continue to do so, presumably, by paying our share and reaping the benefits.

Mr. Alan Williams: And even potentially buying these things.

Mr. Jack Harris: And potentially buying them. And your suggestion is that a competition is not precluded by our still remaining a participant in the program.

Well, that's very helpful, Mr. Williams. That's not the impression we've been given by the government, in terms of how the MOU operates. Or perhaps they're suggesting that the opposition wants to cancel the MOU. I've never heard anybody suggest that.

I'm very interested in Mr. Hawn's comments about the fifth-generation fighter. As ADM Matériel, if someone came to you, Mr. Williams, and said we want to procure something called the fifth-generation fighter jet, would that be enough? Would you have to be told anything else? Is that like saying I want to buy sports cars?

Mr. Alan Williams: There is a fairly rigorous process within the department. These things don't happen overnight, and typically the requirements that are prepared by the military go through a fairly rigorous challenge function—or should—by their colleagues and by the civilian side.

Certainly when I was there, my effort was always to make sure that at the end of the day anything we put out could pass what we called the "Globe and Mail test": does this make sense; can the minister be embarrassed; can we be criticized for excluding competition? I guess the perfect case is the fixed-wing—

Mr. Jack Harris: We've heard the military tell us publicly and before our committee that this is the best plane, this is the only plane. This is all we have so far.

The Auditor General did a study last year of urgent procurements for Afghanistan. There's no suggestion that they didn't have urgent procurements, but apparently, according to the Auditor General, for the LAV, the light armoured vehicles with the remote weapons system, National Defence told the ministers that the vehicle was the best option to replace the inadequately protected G Wagon and Bison vehicles. But then internal documents indicated that the LAVs were not one of the preferred options and that the project was in fact to build a better LAV.

So if all someone is saying is that "this is the best", how can we assess that as a committee, without having either a statement of requirements other than some...? And I don't distrust military people because they're military people. I would want to hear, if someone says they think it's the best, why: tell us why and show us the statement of requirements. We know that for the statement of requirements, for example, for the fixed-wing aircraft, we had a 55-page critique of it by the NRC.

It seems to me that this plane was chosen and then the specs were written to support it. That's my guess and my judgment.

Are we in danger of having the same thing happen here—"we like this plane, we want a fifth-generation plane"—and that's enough?

• (1710)

Mr. Alan Williams: Let me make this one point. I've made it before, but maybe not as clearly as—

The Chair: Go ahead, but make it short.

Mr. Alan Williams: I think it's very important to keep accountabilities clear. The military defines requirements, and the civilians are the ones who act in.... These include the deputy minister, the minister, the ADM Materiel. The civilian side has to be able to take those requirements, challenge them effectively, make sure there is nothing untoward, and make sure before it goes public that everything is in fact scrutinized and makes sense and is reasonable. That's how you protect the minister.

The Chair: Thank you.

Mr. Hawn.

Hon. Laurie Hawn: Thank you.

You talked about the side door, Mr. Williams. The next-generation fighter capability program has been very open and transparent. It's been part of the Canada First defence strategy since 2008. The program obviously has been around since 1997. The MOU has been on the website since 2007. It's out there.

The thing that concerns me is, frankly, a Sea King story: 17 years, \$600 million a year, and we still don't have an airplane. The cost and the implications of that situation were bad. But I would suggest to you that the cost to our industry, the cost to our reputation, the cost of not having a piece of equipment that we will fly until 2050 and beyond, the implications of going back on this—drawing from the MOU—would be catastrophic to Canadian industry and to our capacity to fulfill our military obligations for the next 30 to 40 years.

Mr. Alan Williams: I'm not saying that.

First of all, I agree with you in terms of the internal delays in giving us the go-ahead to replace the Sea King. I thought that was totally unconscionable, frankly. But I'm not suggesting what you're suggesting. I'm simply saying there is nothing to stop us tomorrow from doing an open and fair competition and knowing within a year whether this is in fact the best aircraft.

Hon. Laurie Hawn: I think, when we hear from other witnesses, we will hear a different viewpoint of the MOU and what is currently in the MOU.

Mr. Alan Williams: All I know is I'm pointing at specific clauses. If they have different views, let them point to the clauses that contradict this, yes.

Hon. Laurie Hawn: Do you think the people like Michael Slack and all the people in Industry, Public Works, and DND, who have been examining this at a highly classified level that we just don't have access to, are lacking in intelligence and integrity? You are not saying that.

Mr. Alan Williams: Absolutely not, to the contrary.

Hon. Laurie Hawn: You do imply—and you stop short of saying it, but it's in your written statement—you basically imply that the government is likely or possibly guilty of engaging in fraud and bribery and behind the scenes deals.

Mr. Alan Williams: No. I was very clear with my words. What I said was—

Hon. Laurie Hawn: These are your words.

Mr. Alan Williams: No, they are not. I said they leave themselves open to those kinds of questions and challenges when you don't do things openly.

Hon. Laurie Hawn: The last sentence, which you didn't read, says "If none of the reasons given by ministers to hand this contract to Lockheed Martin stand up to scrutiny, and they do not, then what is the real reason for the government's decision? Someone should find out."

Mr. Alan Williams: Absolutely.

Hon. Laurie Hawn: That's a pretty thinly veiled accusation.

Mr. Alan Williams: Not to me. I think you're reading things into it that I didn't intend.

Hon. Laurie Hawn: Perhaps.

Nine countries are involved in this program. Do you think the planners in the U.S. Air Force, the U.S. Navy, and the U.S. Marine Corps don't have their act together?

Mr. Alan Williams: I'm not sure what you mean by that.

Hon. Laurie Hawn: Are they capable of and qualified to make a good decision on military requirements and comparing aircraft to meet their future requirements?

Mr. Alan Williams: I'm sure they are.

Hon. Laurie Hawn: Would you say the same about the Brits, the Norwegians, the Danes, the—

Mr. Alan Williams: I can't comment on others. I have no idea what their processes were. I have no idea what their rules are. I have no idea what their other assets are in terms of jet aircraft.

Hon. Laurie Hawn: Have any of the other MOU partners held a competition?

Mr. Alan Williams: I think the Norwegians did, or tried to and it didn't work. I'm not sure.

Hon. Laurie Hawn: The Norwegians issued a request for information, they got the information, they analyzed it, and that was it, because they realized when they got the information that this airplane wasn't the airplane they require.

• (1715)

Mr. Alan Williams: I'd only say that I'm very proud of how we do things here in Canada, our processes and our people. I have no doubt that were we to undertake a competition, we would be very effective.

I just want to make one other point. It's interesting that at the very time we're talking about all this sole-sourcing, the U.S. in fact last year, as you're probably aware, passed the Weapon Systems Acquisition Reform Act of 2009, signed by the President. I think it was with full House and full Senate support, no objections. It says—and this is very interesting—that “The Secretary of Defense shall ensure that the acquisition plan for each major defense acquisition program includes measures to maximize competition at both the prime contract level and the subcontract level...”.

When I was there, certainly we really thought very highly of the Canadian processes. We tried to make sure we competed as much as possible, because that was the smart way. I would always hold that over my American counterparts. Now, frankly it seems to me that we're reverting. They're the ones that are demanding competition and we're the ones who are saying let's just sole-source.

Hon. Laurie Hawn: Competition or option for competition.... The option for competition is if you have two pieces of equipment that will do the job. When you only have one piece of equipment that meets the requirements set by the military, that's one of the reasons for sole-sourcing.

Mr. Alan Williams: Providing you can prove that, yes.

The Chair: Thank you very much.

I want to thank you, Mr. Williams.

Mr. Alan Williams: Are we done already?

The Chair: Yes.

Mr. Alan Williams: Okay.

The Chair: We have other work to discuss as a committee.

I want to thank you for being with us today.

Mr. Alan Williams: I enjoyed it. Thank you.

The Chair: Merci.

Mr. Alan Williams: It was a pleasure.

The Chair: I just want to ask the members—

Mr. Jack Harris: Mr. Chairman, how did we get to this from the motion that was passed the other day that we would have Mr. Williams for a two-hour meeting?

The Chair: That's my question for the members.

First of all, I just want to ask the members, we have our future meeting to discuss the witnesses we want to hear for October 21. My first question is does the committee want to discuss that? If not, we can do a second five-minute round with the Liberals, the Conservatives, and the Bloc Québécois for 15 minutes.

Mr. Jack Harris: We can do a steering committee for witnesses for the next meeting.

The Chair: Okay. So do you want to discuss official work in camera?

Mr. Jack Harris: No, I want to continue with Mr. Williams.

The Chair: Okay.

Do we want to continue?

An hon. member: Yes.

The Chair: Okay, we have a consensus. We're going to have three other members who will be able to ask questions.

From the Liberals, for five minutes, Mr. Dryden.

Hon. Geoff Regan: It will take as long as he wants to go.

[*Translation*]

Mr. Claude Bachand: I have a point of order, Mr. Chair.

The Chair: Mr. Bachand, you have the floor.

Mr. Claude Bachand: Is this the last round?

The Chair: Yes, I'm starting over. All participants had—

Mr. Claude Bachand: Are we going to divide up the last round equitably, as was agreed at the meeting held, I don't remember when?

The Chair: Yes, in any event, it works out well, because we have 15 minutes left and three participants. That makes five minutes each.

Mr. Claude Bachand: There are still four parties.

The Chair: So we are going to start on the first round. A little earlier I asked you whether we could start on the second round. If you want to start on the first round, that will be three minutes per person.

Mr. Claude Bachand: That's fine.

The Chair: Mr. Dryden, you have three minutes.

[*English*]

Hon. Ken Dryden: Mr. Williams, you had an opening statement. You've had an hour and a half of questions and answers and sometimes questions and answers from the same person.

After engaging in all of this for this period of time, what are the most fundamental messages that you would want to leave behind for us?

Mr. Alan Williams: I think the key for me is that when you're spending billions of dollars there's a higher-ground moral, ethical, and integrity issue here. I cannot see any reason that we don't do this kind of business that is so important to the country in terms of jobs in an open, fair, and transparent way. I don't see why we can't in fact hold somebody accountable for this, as opposed to obfuscating accountability.

I think the government, the opposition, Parliament should do a lot more when spending billions of dollars to be able to hold somebody accountable effectively. To allow this kind of misdirection I think is inexcusable and indefensible and I'm saddened by it. I expect a lot more from the leaders of our country in terms of how they're conducting their business and doing things right. I think most Canadians do. Everything that we say the average person might understand. When you start to peel away the onion you can start to see that a lot of the arguments are based simply on a foundation of quicksand. I don't think that's fair; I don't think that's right. I think there's a moral obligation on the part of the leaders of this country to treat our citizens with a lot more respect and provide us really truthful, rigorous, detailed, and appropriate answers, not be glibly trying to defend things that are frankly, from my view, indefensible.

• (1720)

The Chair: Perfect.

I will give the floor to Mr. Bachand.

[*Translation*]

Mr. Claude Bachand: I yield the floor to Mr. Nadeau.

Mr. Richard Nadeau: Thank you, Mr. Chair.

Mr. Williams, we know you aren't here to explain the value of the planes that have been selected, but to talk to us about the process by which this plane was selected. I also see that you are a man who wants to throw the government a line when you tell it the process was flawed and we have to start over.

Could you give us an outline for that process, or some indications of how to go back and how it would have to be done? Is it still conceivable to do that?

Mr. Alan Williams: Absolutely.

Mr. Richard Nadeau: So what would have to be done?

[*English*]

Mr. Alan Williams: Given that there is a statement of requirements out there, and I'm led to believe there is, the process from going from that stage to signing a contract need not take long.

I would point out that we talked about seeking the replacement on December 17, 2003. The minister, David Pratt, said to go ahead and buy. I think it was on November 23, 2004, that the contract was signed. Now, we may have a difference about how well that contract is being managed, but that's another story. So if the statement of requirements is there, the process by which you then start to put that out into the public domain, to do a request for proposal, get the bid back in, do the evaluation, is frankly something that governments have done and the bureaucrats have done for many years. Public Works and National Defence have very capable, competent people who can run with that very quickly. That's why, frankly, when you

talked to the bureaucrats up until very recently the whole intent was to compete this.

[*Translation*]

Mr. Richard Nadeau: Thank you.

Thank you, Mr. Chair.

The Chair: Thank you.

I will now give the floor to Mr. Harris.

[*English*]

Mr. Jack Harris: Mr. Williams, we had some questions throughout this about the jobs, and I think the contractors who have appeared before us have talked about getting contracts and providing employment. The other day we had a gentleman from Magellan who did an estimate on jobs in response to Mr. Braid's question, and he used the figures like this. He said if there is \$3 billion worth of work, the normal figure would be one-third of that, based on labour costs or employment costs, so \$1 billion over 20 years, 9,000 jobs. If you divide that by 20, you get 450 full-time job equivalents for 20 years.

Do those numbers sound realistic to you?

Mr. Alan Williams: I wouldn't comment on it. I always trusted industry—

Mr. Jack Harris: This is coming from industry now, but I mean—

Mr. Alan Williams: I know, but when I was in charge I always was respectful of their accountability. They are accountable for determining those things, and I wouldn't be in a position to challenge it.

Mr. Jack Harris: Okay.

You are on record as saying this is not about jobs.

Mr. Alan Williams: What I am on record as saying is that the primary focus is getting the right aircraft. Once you've done that then certainly jobs are important and certainly the cost is important. There are other things. But the paramount in buying anything military has to be is this the best thing for our men and women in the military who are giving their lives? That's it. Anything else is secondary to that clear priority.

Mr. Jack Harris: And if you're dealing with—

Mr. Alan Williams: That's why, in any competition, frankly, any bidder has to meet the technical requirements, and then price is a factor. The industrial and regional benefit is a pass-fail thing, right? It's not weighted. It's there. You either can do it or you can't, because you don't want to say you're not getting the best product because of IRBs. And most bidders—all bidders—understand how the game is played and they all come in with very rigorous and appropriate IRB plans.

Mr. Jack Harris: And if we chose another plane other than the F-35, I'm guessing that the same kinds of job opportunities would be available, given the costs of this type of hardware.

• (1725)

Mr. Alan Williams: I'm saying there'd be more jobs. But what I can guarantee is the same companies, the same contracts as the F-35, are going to be the ones to benefit. Hence, if you have a contract for the F-35s then you're going to do all you can to make sure that's not challenged or that's not put at risk.

Mr. Jack Harris: Thank you.

The Chair: Thank you, Mr. Harris.

I will give the floor to Mr. Hawn.

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

You said again—and I agree totally—that the military sets the requirements. The priority is to get them the best airplane. Does that imply what we call a best-value approach, or does that imply a lowest-cost compliant approach?

Mr. Alan Williams: There are a lot of different evaluation strategies, and we can go into that, and not just those two. We can talk a lot about different ways of evaluating which bid is best and there are instances when one is appropriate and one is not.

Hon. Laurie Hawn: Given that we don't have the technical expertise on the specifics of what makes the difference between communications—fifth generation, fourth generation, and so on—we used the lowest-cost compliant process about ten years ago to buy computers for Public Works, and we wound up buying Lotus 1-2-3. I don't know how many people remember that, but nobody uses it any more except PWGSC. So their systems basically can't talk to other systems. They have to do a whole bunch of things to make their systems talk to other systems.

Now, we've talked about Fords and Chevys being able to talk together. Computers are a little bit more sophisticated than Fords and Chevys. Fighters and communications in the next generation are infinitely more complex than that. So I would suggest to you that if we are going to interoperate with our allies, which you said is important, and our allies are all employing fifth-generation communications capabilities and they will be flying the F-35, then where do we sit?

I go back to Kosovo: we were in Kosovo with F-18s that couldn't speak to other airplanes. F-18s look like an F-15, look like an F-16. You said Fords and Chevys could all talk. They couldn't talk.

Mr. Alan Williams: That's why you now have different NATO standards in communications.

All I am saying is, if you have certain requirements to be interoperable in whatever dimension—communications and others—

put that out in the open and let's see who can respond. I'm not saying buy something that doesn't meet our needs. I'm simply saying put out the interoperability requirements, put the performance requirements out there, put whatever you think is necessary so we can all assure ourselves that we're getting something that stands up to scrutiny and really is necessary.

Hon. Laurie Hawn: And when the military planners who are paid to make those kinds of decisions in Canada, the U.S., Israel, Italy, Denmark, Norway, Turkey, England, etc., have all come to the same conclusion....

Mr. Alan Williams: I would say they are not paid to make the decisions in this country. In this country that is not what they are accountable for.

Hon. Laurie Hawn: Well, I would suggest they probably have similar processes.

Mr. Alan Williams: Well, I would suggest they don't.

Hon. Laurie Hawn: They are democracies, and they operate—

Mr. Alan Williams: They are, but they have different roles and responsibilities from those in Canada. I am proud of the ones we have here. And those are not the accountabilities for our military.

Hon. Laurie Hawn: In fact, I think we're being done a favour by the U.S. Congress in terms of what they've just done with respect to the Lockheed Martin reporting system.

Mr. Alan Williams: No question about it. Absolutely.

Hon. Laurie Hawn: That will ultimately benefit us, because we are part of that program.

Mr. Alan Williams: Absolutely.

The Chair: Thank you very much. That was a very delightful committee.

[*Translation*]

Thank you, Mr. Williams. We very much appreciate your being here.

It is now 5:29. As provided in the agenda, we will now adjourn our proceedings.

Thank you, everyone. We will be back here in two weeks.

That concludes the 27th meeting of the Standing Committee on National defence.

The meeting is adjourned.

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