



House of Commons
CANADA

Standing Committee on National Defence

NDDN • NUMBER 024 • 3rd SESSION • 40th PARLIAMENT

EVIDENCE

Wednesday, September 15, 2010

—
Chair

The Honourable Maxime Bernier

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• (0900)

[English]

The Vice-Chair (Hon. Bryon Wilfert (Richmond Hill, Lib.)): Good morning, ladies and gentlemen. This is the Standing Committee on National Defence, meeting 24.

We are at the moment short one minister, the Minister of National Defence, the Honourable Peter MacKay. I understand he was to lead off, but we do have two other ministers here, and I'm sure they're quite able to do their presentations.

I'm going to make the ground rules clear so we understand what I'm expecting today. Pursuant to Standing Order 108(2), we are studying the next generation of fighter aircraft. That's what the topic is, and that's what we're going to be talking about. If you wander off into other areas, I'll drag you back.

Ministers will have seven minutes. I will notify the minister at six minutes to sum up. I'm hoping to get to three rounds today. Panel one will go from 9 until 11 o'clock. We have another panel that will go from 11 till 1 o'clock, and another panel from 2 until 4 o'clock.

I will give 10 minutes on the first round, five minutes on the second round, and five minutes on the third round. I assume we will have many questions.

This committee is for the members to ask their questions, so I'd like to see as many as we can. In the absence of our chairman, the Honourable Maxime Bernier, I will, as the vice-chair, take the committee today.

Welcome, Minister. Attendance was not taken, but absences were duly noted—but I'm glad you're here.

Minister, you have seven minutes. At six minutes I will intervene and let you know you have a minute to go, and then we'll go to the first round of 10 minutes.

Are there any questions?

As there are none, Minister MacKay, you have the floor.

• (0905)

Hon. Peter MacKay (Minister of National Defence): Thank you, Chair, *chers collègues*. I'm happy to be here to have the opportunity to speak to the government's intention to acquire 65 F-35 Lightning II aircraft to replace our current CF-18 fleet. This will happen by the year 2016; we will begin to receive the aircraft that year.

Two and a half years ago, the Government of Canada released the Canada First defence strategy in Halifax, Nova Scotia. In CFDS we committed to rebuilding the Canadian Forces into a first-class modern military, an integrated, flexible, multi-role, combat-capable military, a military that's able to meet the threats of today and tomorrow.

We identified six key missions for our modernized armed forces: conducting daily domestic and continental operations, supporting a major international event in Canada, responding to a major terrorist attack, supporting civilian authorities during a crisis in Canada, leading or conducting a major international operation for an extended period, and deploying forces in response to crises elsewhere in the world for shorter periods.

Our commitment, colleagues, to procure the F-35 is part of the overall strategy to give the Canadian Forces the tools they need in order to deliver security to Canadians.

[Translation]

This government has already made considerable progress with equipment procurement. We have delivered the C-17 strategic airlifter, which has reliably brought aid and supplies from one corner of the world to the other—be it Alert, Haiti or Afghanistan. We have accepted delivery of our first C-130J tactical transport aircraft, which are preparing to make their operational debut in Afghanistan this winter. We have begun work on recapitalizing our family of land combat vehicles, and our recent announcement of the National Shipbuilding Procurement Strategy has paved the way for the renewal of the fleet.

And now we are addressing the need for a new fighter aircraft.

[English]

Mr. Chair, I welcome the discussion today surrounding the next-generation fighter. Indeed, it's not unlike the debate surrounding the CF-18 announcement in the 1980s. People said the fighter aircraft at that time were unnecessary, but look at what they have done. Look at how they have served us over the past three generations. We bought them to meet the demands of the Cold War, but they have performed admirably, not only in western Europe but during the first Gulf War in 1991 and again in Kosovo in 1999, and in the Canadian skies today, as we sit here.

We have grown to understand the importance of not only having fighter aircraft in our inventory but also of having one that is flexible enough to deal with the threats and the missions that were unexpected at the time in which they were procured. We know that some of the threats faced by the Hornet in the 1980s and 1990s have faded. Others, like the occasional test of our air identification zone by aircraft with strategic capabilities, have in fact persisted. New threats have emerged.

All the while, we know that our force continues to need to be ready. They need to exercise vigilance. While we have carefully invested to help keep our CF-18s remain effective in a challenging and changing environment, we cannot keep them flying indefinitely. We know that buying new fighter aircraft requires considerable investment but will result in major benefits in return to Canada. When we presented the Canada First defence strategy, we knew that, and we determined that notwithstanding the changes in the security environment, this was not a capability that we felt Canada could or should forgo.

An operational gap, I stress, is not an option, because we still need fighters. We still use them every day. They allow us to protect our sovereign territory, our airspace. They enable us to do our part, along with other American allies, as we fly alongside them as part of NORAD. They also allow us to rapidly and effectively project leadership abroad when the call comes.

When we retire the CF-18s between the years 2017 and 2020, as we inevitably must, we will need a capable replacement. The Lightning II joint strike fighters will inherit those key responsibilities and are the ideal aircraft, in my view, to allow our men and women in uniform to accomplish their work.

This is the right plane. This is the right number. This is the right aircraft for our Canadian Forces and for Canada. In fact, it's the best plane for the best air force. We believe they deserve this equipment.

If we don't make this purchase, there is a real danger we'll be unable to defend our airspace, unable to exercise our sovereignty, or unable to share our responsibilities through both NORAD and NATO. I think we can all agree that such a position would be untenable for Canada—a country that spans six time zones, a country whose total area is almost ten million square kilometres, a country with more than 243,000 kilometres of coastline, the world's largest, and a country with numerous international obligations and varied and challenging weather systems. So the government has announced its commitment to acquire the F-35.

• (0910)

[*Translation*]

As a fifth-generation aircraft, it is the only plane that can fill the requirement laid out in Canada First Defence Strategy. For a next-generation fighter, the F-35 Lightning II is a technological leap. It combines leading-edge attributes, including stealth and advanced sensors, to make this aircraft more reliable, more survivable and more effective than anything else available. It is the only aircraft able to meet all the operational needs of the Canadian Forces.

But that is not all. It is the most affordable option on the market. Its production line will remain open longest—providing excellent support well into the middle of the century. And it will allow us to be

seamlessly interoperable with our American and NATO allies long into the future.

It has already generated—and will continue to generate—economic and industrial benefits for Canada as part of a larger global supply chain, which ministers Ambrose and Clement will speak to shortly.

[*English*]

Mr. Chair, let me conclude by saying that Canada needs this aircraft. This is an aircraft that will enable the Canadian Forces to meet the increasingly complex demands of the missions that we ask our pilots to perform. It's a capability that we need for our sovereignty, for patrolling our airspace, and for ensuring that we can shoulder our share of the NATO and international load, and lead by example.

Mr. Chair, colleagues, we have the best sailors, soldiers, and air personnel in the field. They deserve the best equipment to ensure that their missions are a success and, of course, to allow them to come home to their families safe when the job is done.

I look forward to your questions.

Thank you. *Merci beaucoup*.

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much, Minister.

We will now turn to the Honourable Tony Clement, Minister of Industry.

Minister, you have seven minutes.

Hon. Tony Clement (Minister of Industry): Thank you, Chair.

Thanks for the opportunity to speak today to the committee about the opportunities being made available to Canadian companies.

The JSF is the single largest fighter aircraft program in history. It is a multinational effort to build an affordable, multi-role, and stealthy fighter aircraft. The total value of the program is expected to exceed \$383 billion U.S. Total production is expected to reach up to 5,000 aircraft. JSF partner countries are anticipated to acquire more than 3,000 aircraft, and it is forecast that export sales could exceed 2,000 additional aircraft.

Canada has been a participant in the JSF program since 1997. We participated in the extensive competitive process to determine who would produce this next-generation fighter and the ultimate selection of Lockheed Martin as the JSF manufacturer in 2001.

On July 16 our government announced its intention to acquire 65 F-35 Lightning II joint strike fighter aircraft to replace our current fleet of CF-18s. Not only are these the right aircraft for the job, but this is the right program to keep Canada at the forefront of the aerospace and defence industry.

[Translation]

By investing in the Joint Strike Fighter program, not only is the government equipping the Canadian Forces with a state-of-the-art aircraft, but it is also opening up unprecedented opportunities for Canada's aerospace industry, including the creation of highly skilled, well-paying jobs for Canadians.

[English]

Our participation in this program has our Canadian aerospace industry engaged. This program provides high-tech work and long-term economic opportunities for Canadian aerospace and defence companies from all regions of the country. The program is truly unique in terms of the access offered to Canadian industry to participate in the production and sustainment of this volume of aircraft. The scope is tremendous. Canadian companies will have an opportunity to provide products and services for not only Canada's fleet of 65 fighters but for the entire global JSF supply chain. With that work involving as many as 5,000 aircraft, this opportunity will create and sustain jobs across Canada over the 40-year proposed lifetime of the F-35 aircraft.

In 2006 all nine JSF partners agreed that best value and affordability would be a key element in the success of the JSF program. This drive for competitiveness, along with the scale and international nature of the program, led to a unique industrial participation approach. Canada's commitment to this JSF gives Canadian companies privileged access to work on this project along with the other JSF partners. This means that as the JSF moves toward full production, Canadian firms will be even better positioned to supply components for the purchases of all JSF partners. This opportunity has been secured as a direct result of Canada's early and continued commitment to the program.

● (0915)

[Translation]

The Joint Strike Fighter program provides unprecedented opportunities to Canadian businesses, which can begin to carve out a place for themselves in the global supply chain that will shape the aerospace and defence sectors over the next 40 years.

Thanks to industrial agreements with Lockheed Martin, Pratt & Whitney Canada and General Electric/Rolls-Royce, Canadian-produced parts will be used in the construction of F-35 airplanes. These Canadian suppliers will also be called upon to provide maintenance throughout the useful life of the airplanes.

Canadian businesses will be able to bid on F-35 maintenance contracts, for both Canada's fleet and those of our partners. This will mean direct economic investment as well as new jobs for Canada.

It was critical to make this commitment right away, so that Canadian aerospace companies could take advantage of the tremendous opportunities under this program. This will give the

country's suppliers enough time to prepare for production, support and subsequent development phases.

[English]

In order to facilitate the JSF program industrial participation approach, the federal government has already signed industrial participation plans with each of the JSF prime contractors: Lockheed Martin, Pratt & Whitney, and GE Rolls-Royce Fighter Engine Team. These agreements allow us to identify opportunities for Canadian companies to develop technologies for the JSF program.

I'll give you an example. Honeywell, based in Mississauga, designed the JSF thermal management system, and NGRAIN in Vancouver, B.C., developed the 3-D visualization tools for the JSF. The industrial participation plans include guaranteed access to competitive opportunities within the JSF partnership. Our highly capable companies will compete for work in areas such as high-speed titanium machining of complex parts. As a matter of fact, Héroux-Devtek, a company visited by Minister Ambrose yesterday in Dorval, Quebec, has been awarded contracts to perform the machining of various JSF parts.

The plan also includes strategic opportunities awarded to Canadian companies that are determined to offer the best value to the program. We see these strategic opportunities turning into contracts at Canadian companies such as Avcorp, which is building wing-tip structures in Delta, B.C.; Bristol Aerospace, which is building horizontal tail structures in Winnipeg; Goodrich, in Burlington, Ontario, which will be conducting landing gear maintenance; and Composites Atlantic, which will be manufacturing composite fuselage parts in Lunenburg, Nova Scotia.

Moving forward, the Government of Canada will be working closely with Lockheed Martin and the other JSF primes to identify further opportunities for potential Canadian suppliers and receive updates as the total benefit to Canada obtained through our participation in the JSF program goes forward.

● (0920)

The Vice-Chair (Hon. Bryon Wilfert): You have one minute.

Hon. Tony Clement: Thank you.

In conclusion, then, Mr. Chair, let me just say that experts have estimated that over \$12 billion in potential industrial opportunities exist for Canadian companies to deliver the partner aircraft fleet. Non-partner acquisitions, such as Israel's, for instance, will result in further benefits to Canadian companies. The economic impact of this program will be felt across Canada in every region.

Mr. Chair, put simply, the JSF program brings significant benefits to Canada and Canadians. It gives Canadians a rare opportunity to take part in a truly global supply chain that will define business relationships in the aerospace and defence sectors for the next 40 years. Certainly this is of great value to Canadian industry, and certainly there will be significant industrial and economic opportunities presented to Canada and Canadian industry in the years ahead.

Thank you.

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much, Minister.

We will now turn to the Honourable Rona Ambrose, Minister of Public Works and Government Services and Minister for Status of Women.

Minister, welcome. You have seven minutes.

Hon. Rona Ambrose (Minister of Public Works and Government Services and Minister for Status of Women): Thank you, Mr. Chair.

It's a pleasure to be here, and I should note I am joined by my ADM of acquisitions, Tom Ring. It's a great opportunity to address this committee to talk about the replacement of Canada's CF-18 fighter aircraft in 2016-17.

As Minister MacKay noted, in 1997 Canada became a partner in the joint strike fighter program, and as a part of that program Canada participated in a lengthy competitive process. It was headed by the United States, including a concept demonstration phase, which led to the selection of Lockheed Martin as the JSF supplier in 2001. Since joining the program, the Government of Canada has contributed to the design, development, and demonstration of the joint strike fighter aircraft.

Two years ago our government, as part of the Canada First defence strategy, made a commitment to acquire a next-generation fighter to replace the CF-18. Following on its participation in the joint strike fighter program and its commitments under the Canada First defence strategy, the Government of Canada announced on July 16 its intention to procure 65 F-35 Lightning II aircraft. Deliveries are expected to start in 2016. Canada's purchase of the F-35, the only next-generation fighter that is available to Canada, will ensure interoperability with our major allies well into the middle of this century. In fact, almost all of our key allies are partners in the JSF program and many have committed to acquiring the F-35.

By making this decision now, the Department of National Defence is able to start planning for the introduction and use of the aircraft in Canada. Most importantly, Canada's acquisition of the F-35 is a good news story for Canada's defence industry. Because of our commitment to purchase the aircraft, Canadian aerospace and defence sectors gain immediate priority access to bid for contracts for the entire F-35 global supply chain, estimated at as many as 5,000 planes.

This will mean the creation of high-tech, high-value jobs for Canadians over a long period of time right across the country. In fact within this global supply chain, Canadian industry is very well positioned towards approximately \$12 billion in targeted opportunities, representing more than 65,000 man-hours of work.

Canada's participation in the program is already paying off. Canadian companies have been competing for contracts within the program, and they have demonstrated considerable success. On July 21, just a week after our announcement, Avcorp announced the signing of an agreement with BAE Systems Operations Limited for the production of the outboard wing for the carrier variant of the F-35 used by the U.S. Navy. This agreement may represent in excess of \$500 million U.S. in revenues over 10 to 15 years of production, and approximately 75 direct and indirect jobs will be created by this contract at Avcorp.

Avcorp Industries, based in Delta, British Columbia, is only one example that clearly demonstrates that the joint strike fighter program brings significant benefits to Canada and Canadian industry. In total, 85 Canadian companies have won approximately \$850 million in contracts through our commitment to the program thus far, and this is just the tip of the iceberg. A tremendous door of opportunity has been opened for Canadian companies because of our decision to purchase these planes. If our commitment were revoked, this enormous door of opportunity would be slammed shut in the face of Canadian industry.

The JSF program is the right program to keep Canada's aerospace sector competitive well into the 21st century.

[*Translation*]

Canada's participation in the Joint Strike Fighter program opens up significant opportunities for the Canadian industry, and especially that of Quebec. Canada's industry will be able to participate fully in the program, which will help to build long-term business relationships in the aerospace and defence sectors. For instance, the head of Héroux-Devtek, an aerospace company with plants in Dorval, Longueuil, Laval, Kitchener and Toronto, told me yesterday that a successful bid could help generate 20 to 25 years worth of work for its staff.

● (0925)

[*English*]

Critics often cite unreasonable delays in the military procurement process as a key factor affecting the operational capability of the Canadian Forces. The joint strike fighter program is a prime example of how the government can procure the right equipment at the right time for our forces. By participating in a program designed to permit NATO allies to acquire advanced fighter technology at the lowest possible cost, the government is also ensuring that Canadian taxpayers receive the best return on their investment.

This announcement is also another indication that our government is committed to rebuilding the Canadian Forces and ensuring Canada's future safety and security while delivering, as Minister Clement said, on long-term economic benefits to our key industrial sectors.

Thank you, Mr. Chair. I'd be pleased to take questions.

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much, Minister.

I thank all three ministers for their presentations and for keeping within the time limit.

Minister MacKay.

Hon. Peter MacKay: Mr. Chair, I neglected, in my introduction, to introduce to the committee General André Deschamps, who is Chief of the Air Staff and himself an ex-fighter pilot.

The Vice-Chair (Hon. Bryon Wilfert): I was just going to do that, Minister, and actually the Chief of the Air Staff will be our witness in the next session. Thank you very much.

Ladies and gentlemen, the rounds that follow will be ten minutes. I would ask that both the questioner and the respondent be as succinct as possible. We're not at a hockey game, so we don't want to drag the puck here. We want to get as many questions and answers on the table as possible.

We're going to start with the Honourable Dominic LeBlanc.

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

I wouldn't presume to correct the chair, but I think Mr. MacKay would agree that it's actually not "drag the puck". I think "rag the puck" is the term you're looking for.

The Vice-Chair (Hon. Bryon Wilfert): But in my part of the country, it's dragging the puck.

Hon. Dominic LeBlanc: Okay, but in Atlantic Canada—the Minister of Defence and I know—it's called ragging the puck.

[*Translation*]

Madam Minister, Mr. Ministers, thank you for your presentations.

I have a rather specific question for my friend, Minister Clement, and then I think my colleague will continue with someone else.

Mr. Clement, you admit that this is the largest military procurement contract in Canadian history. Not only did you not hold a competitive bidding process in Canada for the contract, but, in our view, you also turned your back on Canada's aerospace industry. In the past, a contract of this nature included contractual benefits for the industry. Dollar for dollar, the company that won the process had a contractual obligation to spend that amount in partnership with Canada's aerospace industry. Since the total value of this contract could reach \$9 billion—and, may I add, you cited numerous examples of Canadian companies, and we are delighted that they have been able to participate in the program thus far—why do you or did you not ultimately insist on a legal contractual obligation that would require Lockheed Martin, for instance, to spend that amount in partnership with the Canadian industry? In our view, you failed to impose a contractual obligation on the company to spend that amount.

Hon. Tony Clement: Thank you for the opportunity to respond. I would like to say a few words about the supply chain.

[*English*]

It's important to understand that all of the allies who were involved in developing the program have agreed that there will be competitive bidding by the subcontractors to build the plane, so no country is going to have automatic offsets in this model. But what you lose there, you gain with the global supply chain. Instead of forcing, through offsets, a dollar-for-dollar account, as the honourable member has suggested, for the 65 planes that Canada is ordering, you in turn get to bid, as a Canadian contractor, for the 3,000 planes that are part of the alliance that is building the plane, plus the other 2,000 planes, so a total of 5,000 planes that are going to be ordered throughout the world.

That's the upside. The upside is you're part of the global supply chain. You're not building for 65. You might be building for 5,000 planes over the next 40 years, and that is a very positive upside.

I've talked to our industry, and our industry has told me they're ready to compete. They want to compete. They will win the contracts. They are winning the contracts. They're already doing so. Avcorp is a good example, with that \$500-million contract the week after we announced that we're in for the F-35s.

So yes, it's different from your normal procurement, but the difference is a positive difference in our access for our great Canadian aerospace companies to the global supply chain.

● (0930)

The Vice-Chair (Hon. Bryon Wilfert): I'd remind both Mr. LeBlanc and the minister that the questions and answers go through the chair.

Hon. Dominic LeBlanc: Certainly, Mr. Chair.

Mr. Chair, then, through you to the minister, why not then insist, in the ultimate contract, on having a minimum of \$9 billion of participation in the global supply chain? If the Government of Israel was able to get a binding commitment for potentially buying fewer aircraft, I think perhaps it would have been better for your government to insist that there be a floor. I agree with you; our industry can certainly compete with other allies. Why not put a floor?

And, Minister, is there not an issue around Canadian sovereignty with respect to a global supply chain? Some observers I have seen have indicated that perhaps there can be a ceding of sovereignty if we don't ensure that a certain aspect of the supply chain in fact remains Canadian.

Hon. Tony Clement: Why no floor? Nobody's getting a floor. And in fact Israel's not getting the offset; I'm not going to pass comment on Israeli media, but they're just not getting the offset you're suggesting they are.

Nobody's getting a floor. Everyone has to compete. That's the same for American companies, the same for British companies, and anyone else who's part of the alliance that is building this.

I wouldn't settle for \$9 billion. You talk about dollar-for-dollar; the current calculations, based on the agreements that we struck with the primes, are that Canadian companies could get up to \$12 billion worth of supply, of contracts.

So I think that's the upside, because Canadian companies can punch above their weight and they can compete in the international chain. That's what we expect to occur.

The Vice-Chair (Hon. Bryon Wilfert): Mr. LeBlanc, you have four minutes and twenty seconds.

Hon. Dominic LeBlanc: Mr. Chair, my colleague is going to follow up.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Simms.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): Thank you, Chair. Thank you, Ministers.

Minister Ambrose, I'd like to ask you particularly about the sole-sourcing of this contract. Why would you proceed in this way, to use sole-sourcing as the way of getting this contract?

Hon. Rona Ambrose: Thank you, Mr. Chair.

There are two reasons why we decided to acquire the F-35 through the joint strike fighter MOU rather than competing something that's already been competed. The first reason is that the Canada First defence strategy two years ago committed us to purchasing a next-generation fighter. So the defence department and Public Works research has confirmed that there is only one next-generation fighter available for purchase by Canada.

As you know, the procurement process does not drive the requirements; the requirements drive the procurement process. So in accordance with government procurement guidelines, competitions do not need to be held when there is only one product available that meets the requirements set by the client. In practice we do not run competitions when this is the case, as, frankly, it would be dishonest. It would be a waste of time and a waste of resources.

The Canada First defence strategy clearly laid out two years ago in a public document that the air force required a next-generation fighter. Since then we have done extensive research to ensure that the F-35 is the only next-generation fighter available to us for purchase.

Mr. Scott Simms: But my understanding is that this was a decision, according to your testimony, that was done back in 2001. I mean, this decision was done long ago on this particular one. I think in this particular situation...because it seems to me, before you made the announcement, that the talk has been about open and fair competition. The minister mentioned it. You mentioned it with fixed-wing search and rescue, which is still ongoing, and now this particular situation as well.

So why would you be talking about an open and fair competition to procure these elements of our air force when in fact the decision was made several years ago?

Hon. Rona Ambrose: Well, there has been, as you allude to, complete transparency. First of all, there was a competition. When you look at the history of the joint strike fighter program, Canada entered into the program in 1997, in fact under a Liberal program.

• (0935)

Mr. Scott Simms: But we weren't a part of that process.

Hon. Rona Ambrose: Actually, Canada was a part of a very lengthy and intense competition to choose the company to build the joint strike fighter program. It was a U.S.-led competitive process. There were two companies, Boeing and Lockheed Martin, that put forward prototypes, and Lockheed Martin won the design phase to be the supplier to build the joint strike fighter.

Two years ago the air force, through the Canada First defence strategy, made a policy commitment to replace the CF-18s with a next-generation fighter. We have since done the research to ensure that the F-35 is the only aircraft that meets the requirements of the air force. Because we're part of the MOU for the joint strike fighter, we're able to use the MOU to procure these aircraft.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Simms, you have one minute.

Mr. Scott Simms: Let me give you an example of what I'm talking about. Earlier there was a release about the perceived threat, we'll say, of the Tu-95, which was the Russian bomber that came close to our airspace.

Now, in that particular situation—this is just a simple yes or no, and maybe the Minister of Defence can answer this—is that the kind of perceived threat that you're talking about, that the F-35 would be beneficial? Just very quickly.

Hon. Peter MacKay: Well, I'll answer your question, Mr. Simms.

I think what we're talking about, Mr. Chair, is all threats, all airborne threats. This also includes, of course, our ability to patrol in the offshore area—that is, anything that is approaching from the water as well. So it's not just the current threats; it's looking out into the next generation.

Mr. Scott Simms: But a fighter—

Hon. Peter MacKay: It's looking toward any threat that could be coming.

Mr. Scott Simms: Minister—

Hon. Peter MacKay: So this new aircraft, a fifth-generation aircraft—

Mr. Scott Simms: Minister, please, I only have a few seconds.

Hon. Peter MacKay: —if I could finish, Mr. Simms—allows us to project capability into the future with its sensors, its onboard technology. It's the only fifth-generation aircraft on the market today.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Minister.

We'll now move to the Bloc Québécois.

[Translation]

Mr. Bachand, you have 10 minutes.

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

I want to welcome the three ministers and tell them how honoured we are to have them here before the committee this morning.

Mr. Chair, I would like to draw your attention to the fact that this is a first in terms of F-35s. To my knowledge, this is the first time that we are going to give up guaranteed economic benefits for Canadian industries.

In my opinion, the ministers are being overly optimistic. It is just wishful thinking. They say that because we have the best companies, they will without a doubt benefit. What recourse is there if Lockheed Martin or someone else in the chain says “sorry, but we do not accept CAE, L-3 or Héroux-Devtek”? So far they have gotten small contracts, but others will get them in the future. We will end up with a contract that makes no guarantees. That is the risk we run right now.

That concerns certain countries such as Israel and Australia. It is important to keep a certain amount of independence with respect to the supplier, namely, Lockheed Martin. What I mean by keeping a certain amount of independence is holding on to Canadian sovereignty. That is something very important to me. When the supplier is in control, the supplier decides who will get what. There is no recourse to say that, according to clause 6.2.3 of the contract, that is not what it says. There will be nothing on economic benefits. That is huge, extremely important. We are leaving our companies hanging, without any legal or contractual standing. I would say that is a major issue.

Up to now they have said that the production line is important and that our companies will be part of that production line. It has to do with the acquisition costs. But I have not heard anyone talk about end support service. Our companies are world leaders in providing end support service. And when I say end support service, I am referring to aircraft maintenance, to the training of pilots and maintenance technicians. If we do not have the contracts, we cannot provide the training. So it involves high-tech content. As soon as you do not have contractual guarantees, you cannot ask for any transfers of intellectual property. Lockheed Martin can keep all that and give us small contracts. We will not have any recourse against them.

Now is the time to include the importance of economic benefits in the contracts. That also needs to be shown to Lockheed Martin. You say our companies are world leaders, and some of them are in your own backyard. You mentioned a few of them: L-3 MAS, Pratt & Whitney Canada, CAE and Héroux-Devtek. They are in your backyard, and you should protect them. You should guarantee them a minimum amount of economic benefits. You should not be handing that over to Lockheed Martin simply because it has been there since the beginning and will give us some contracts. It does not work that way. You have to stand up for taxpayers. Taxpayers are having a hard time accepting the bill. It would be easier for them to accept if they knew there were going to be economic benefits and that jobs were going to be created in Canada. As it stands now, there are no guarantees.

Would you agree to starting negotiations immediately? Would you agree to sitting down at the negotiating table with Lockheed Martin? You are the customer. Personally, when I buy a car, I include the

options I want in the contract. If the option I paid for is not included, I am not satisfied, and I can go after the dealer. But if there are no contractual clauses providing protection, no matter how much you say our companies are the best in the world, they will fall by the wayside. I hope that does not happen. I have confidence in those companies. We need minimum guarantees.

Are you willing to discuss minimum contractual guarantees and economic benefits with Lockheed Martin? If not, you are giving up a part of Canada's sovereignty, and Lockheed Martin will be making the decisions instead.

• (0940)

Hon. Tony Clement: I would like to answer that question.

This approach includes guaranteed access to the supply chain. The approach is new, of course. It does not provide a contractual guarantee but a guarantee of access to the supply chain. We are talking about roughly 5,000 planes.

[*English*]

This is a new model. Yes, there is no guarantee of each contract. I admit that. It's clear in the MOU. But we have guarantees that we will have preference, as part of the original group of suppliers and as the original creator of the aircraft, that our companies, Canadian companies, get to bid as part of this global supply chain.

That's the upside. Our industry and our companies are anxious to be part of the global supply chain. That's what's in it for them, and that's why this new approach is so important to them.

I think the minister wants to respond on the service support.

Hon. Peter MacKay: Yes, thank you very much.

Thank you, Mr. Chair, and I must say, I find it refreshing to hear the honourable member talking about Canadian sovereignty. I wish you had the same faith in the aerospace industry as you had in other forms of sovereignty, because you said yourself, back in July of this year—I'm quoting you, Mr. Bachand—that Quebec companies are “all pleased about the project”, that they already have contracts with Lockheed Martin, and that “we say it's important” that these maintenance contracts be given to those companies.

Well, some of those companies that are under the Aerospace Industries Association of Canada...and I'm quoting now from Mr. Claude Lajeunesse, whom I think you're familiar with. He says, “The Next Generation Fighter is the single largest military aircraft procurement program of the Government of Canada in the foreseeable future and will positively affect the Canadian aerospace industry for decades to come.”

And I can quote others in the same area. Mr. Richard Abouafia, vice-president of analysis, Teal Group, in Quebec, described the JSF program as a game-changer that is estimated to capture more than half of the world fighter production by 2019.

Also Gilles Labbé, chair of Aéro Montréal, president of Héroux-Devtek, said: “This is a historic procurement for Canada and excellent news for the Quebec aerospace cluster and the entire Canadian aerospace industry.”

On your question, Mr. Bachand, about maintenance and sustainable costs, as you will know, we are still maintaining and sustaining the current fleet of CF-18s, so sustainable costs continue through the life of the aircraft. We'll receive that aircraft around the year 2016-17, and then on as we receive all 65 planes. So the cost of sustainment is anticipated to be in the same order of magnitude as the CF-18 fleet. That is to say—and I think it's quite remarkable when one considers that we will have had those planes for 30 years—the cost of maintaining them will be comparable, somewhere in the range of \$250 million annually. When you project those dollars from 1980 dollars to 2010 and onward, it's the same range, same order of magnitude, and that's because we're in a global supply chain.

In fact, as more companies buy this aircraft, and because we're in the MOU, we will in fact see the potential for the cost of the aircraft to come down. Countries like Israel have joined on, and Japan and Singapore are similarly looking at buying this aircraft. If they do, the potential costs of ongoing sustainment, because we're in the global supply chain, could come down.

• (0945)

[Translation]

Mr. Claude Bachand: Mr. Chair, you can even quote what I said last time. I will repeat it. What you are saying is true. Right now, any company in Quebec or Canada would be happy to get a contract with Lockheed Martin. However, if there are no contractual guarantees, the contract could end at any given time, and these people could very well decide not to renew the contract with the same company. The issue, here, is the guarantee of a firm contract and the legal option to initiate proceedings if the contract is not respected.

You just said that will not happen. This is in fact a new approach, which includes the possibility of gaining access to 5,000 aircraft, as you mentioned, Mr. Clement. It is true that our companies are world leaders and that we are giving up our sovereignty. I know what it means to delegate responsibilities to someone else. Sovereignty is a bit like that. And you are leaving it up to Lockheed Martin. At any point, it could very well decide to assign end support service to someone else. Without contractual protection, these companies will be overlooked.

I maintain my position that you should ask the Lockheed Martin people to give our companies minimum contractual protection. Obviously, those that have the contract now are happy, but we need to make sure that our companies will be able to go further, contractually speaking. That is all I wanted to say.

[English]

The Vice-Chair (Hon. Bryon Wilfert): Mr. Minister, you have 30 seconds.

Hon. Peter MacKay: Just very quickly, if we were to follow your example and go outside of the memorandum of understanding—that is, demand IRBs—we would in fact bear the risk of paying more for the aircraft. It's because we're part of that international global supply chain that it allows us to get a preferred price and in fact benefit from future sales that could see the cost per aircraft come down.

So we would no longer be inside that club. We would no longer be part of that large international consortium. Demanding IRBs would actually force the price of the aircraft to go up, not come down.

The Vice-Chair (Hon. Bryon Wilfert): We'll now go to Mr. Harris of the New Democratic Party.

Mr. Harris, you have ten minutes.

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

Welcome to the ministers and to our guests.

My first question is directed to Minister MacKay. It came as a shock to me, I have to say, when the announcement was made in July, because I have your statement, Minister, in the House of Commons on May 27 at the estimates committee, where you say, and I am quoting from *Hansard*: This has been a magnificent aircraft. This next generation fighter, again, will be an open, competitive, transparent process that will see us receive the best capability, to provide that capability to the best pilots in the world.

Later, to clarify in case there was any misunderstanding, you said: I just want to be very clear on the record that the reference to the next generation of fighter aircraft does not preclude a competition, and an open and transparent one.

Sir, in light of those statements and the later decision, I wonder what Canadians should make of this, in terms of your word and your commitment to the people of Canada and in terms of accountability and responsible purchasing when it comes to a decision to source these contracts without any knowledge of what the full life-cycle costs would be.

Hon. Peter MacKay: Thank you.

I resent the implication that you're questioning my word about a true open and transparent process—

Mr. Jack Harris: It's—

Hon. Peter MacKay: —if you'll let me answer the question, Mr. Harris—when that is in fact what happened. I think Minister Ambrose quite clearly laid out how this process began in 1997. There was a rigorous, inclusive process. It's all on the record. It's all there for anyone who wants to take the time to look at how we arrived at the decision to purchase the F-35. It is very clear that this was an open, transparent process. It is in fact the only fifth-generation aircraft on the market. As Minister Ambrose said quite emphatically, there is no competition for a fifth-generation aircraft, because it is the only one.

Yet, having stated that, this process went on for years. It went back to 1997. I commend the previous government for entering into the process, because in fact it was that early decision to enter into that MOU that allowed us, for the investment of roughly \$170 million, to receive over \$350 million in benefits already as a result of that early decision.

So we have continued in that MOU, and now exercise an option that was available to us in the MOU, as a result of a competition, as a result of rigorous examination and consultation with both industry and people like the Chief of the Air Staff and his predecessor Angus Watt, all of whom gave advice that this was the right plane for the right price for the Canadian Forces and for the country.

I am very confident that we've made the best decision for Canada.

• (0950)

The Vice-Chair (Hon. Bryon Wilfert): Mr. Harris, seven minutes.

Mr. Jack Harris: Mr. Minister, with respect, I think you're insulting our intelligence to suggest that that competition was about which jet aircraft met Canadian military requirements for the future.

Hon. Peter MacKay: That's exactly what it did.

Mr. Jack Harris: That was about who would build the jet strike fighter, not about whether or not Canada would purchase it and which one would be—

Hon. Peter MacKay: The competition was exactly about what was the right aircraft for Canada.

Mr. Jack Harris: Mr. Chairman, Minister Clement has told us that this is a very affordable purchase. So far we've seen the costs go from somewhere between \$38 million and \$48 million per unit—estimate—up to \$138 million, and we have no notion of the full life-cycle cost. The estimates have gone around to the total cost of \$16 billion. Minister Ambrose has refused to put a number on it because in fact—quite properly—she doesn't know.

So how can we say that this is affordable when we haven't had a competitive bidding process, we don't have any bids on the life-cycle cost, and this cost could go anywhere for a new plane that's not actually even in operation and we don't know what the costs are going to be? How can you say that's affordable?

Hon. Peter MacKay: We do in fact know what the costs are, Mr. Chair. I just stated not five minutes ago that it'll be roughly in the area of \$250 million annually, and that price may come down. That's a result of being part of the global supply chain. It's the part of being in a competition that allowed us to make that decision. So any suggestion that being outside that process now would be to Canada's advantage is simply wrong. It's wrong-headed. It's factually incorrect.

We've been the beneficiaries of being part of a continuum that goes back to 1997. That was the initial decision, to go into the concept demonstration phase. Then in February of 2002, we entered into the system development and demonstration phase. In 2006 we entered the production and sustainment phase and follow-on development phase, and then of course we made a further investment. Then in 2008, there was a very clear public declaration in the Canada First defence strategy that we would be replacing the next generation of fighters.

All of this is on the public record. All of the evaluation is there, and there's been much public commentary. In fact, I would quote a member of this committee, Mr. LeBlanc, who's here with us. He said:

I have every confidence that Canadian companies would be well qualified to compete for defence contracts. Our expertise in many sectors of these industries is world leading...Our cooperation with the United States, for example on joint strike fighters has earned Canadian companies substantial industrial benefits.

This is from *Hansard*, dated October 23, 2003.

I completely agree with the defence critic for the Liberal Party, Mr. LeBlanc.

The Vice-Chair (Hon. Bryon Wilfert): You have four minutes, Mr. Harris.

Mr. Jack Harris: I'd like to quote a former deputy minister for military procurement, Alan Williams. In his recent commentary, he said the following:

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.

I want to ask Minister Ambrose whether or not that procedure was followed in this case. Obviously we haven't seen a statement of requirements other than the words the minister has spoken here today, but has there been such a statement of requirements prepared in the same fashion as we might see, as we have in the report on the operational requirements of fixed-wing aircraft? Has there been such a statement of requirements prepared, and have we in fact gone through that process in determining the life-cycle costs?

• (0955)

Hon. Rona Ambrose: Thank you, Mr. Chair.

Yes, Mr. Harris, there is a statement of requirements. As I indicated before, the procurement process does not drive the requirements, the requirements drive the procurement process.

The Canada First defence strategy, two years ago, very publicly committed us to purchasing the next-generation fighter. Since then, the defence department and Public Works have been doing research to confirm that there is only one next-generation fighter available for purchase by Canada.

To change the statement of requirements to hold a competition for the sake of holding a competition, when we know there is only one plane available that meets these requirements, would be, frankly, dishonest. It would be a waste of resources and time, and it would particularly be a waste of resources and time to companies that would be looking to compete.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Minister.

Mr. Harris, you have about one minute and fifty seconds.

Mr. Jack Harris: Your statement here that it would be dishonest to do that seems to contradict directly the Minister of Defence, who said that there will be—"will be", future tense—an open, competitive, transparent process.

Now, it's all very well to say that the military has decided that the next-generation fighter that they want is this particular strike fighter, but I'm asking for a statement of requirements to meet our specific needs, something that could spell out the operational requirements based on military, strategic, and other studies that would demonstrate that this is what we need.

We've talked about patrolling the Arctic; we've talked about possibly interceptor aircraft. You don't need a stealth striker aircraft to patrol the Arctic or the offshore of the east coast. These are the kinds of operational requirements that need to be determined before you could even decide whether the F-35 is what we need or whether we could buy F-15s like the Saudi Arabians did.

Hon. Rona Ambrose: Mr. Harris, I find it interesting that everyone seems to be an expert on military operational requirements. I don't suggest that I am one of those, so I'll turn it over to General Deschamps to speak about operational requirements.

Hon. Peter MacKay: Thank you, Minister Ambrose.

I think we'll actually hear from real experts, such as General Deschamps and others, but what I can tell the member is that this is exactly the type of rigorous analysis that went on in the Department of Defence. This is exactly the type of expert input that we received before making the decision, after looking at the competition, after participating in a very rigorous examination of all of the aircraft that were on the market.

You know, Mr. Harris is talking about a fourth-generation aircraft as opposed to a fifth-generation. We need to project out into the future. With the vast airspace, coastal, and harsh conditions that these aircraft fly in—it's exactly that type of consideration that went into the weighing of the decision. All of the onboard features of this aircraft, and General Deschamps can describe in great detail the sensors and onboard equipment, were considered in the decision-making.

The Vice-Chair (Hon. Bryon Wilfert): We'll hear from him in the next round.

We'll now go—

Mr. Jack Harris: Mr. Chair, the minister referred to a statement of requirements. Can I ask that it be tabled to the committee?

The Vice-Chair (Hon. Bryon Wilfert): Yes.

Minister?

Hon. Peter MacKay: Those are issued through the department, as part of the statement of requirement, in the proposal that was made to the company. So there is in fact some copyright consideration there, as an internal document.

But certainly we can have the general speak to what those statement of requirements were and explain them in detail, Mr. Chair.

The Vice-Chair (Hon. Bryon Wilfert): I'm sure we'll follow up in the next round, then, thank you.

Hon. Peter MacKay: Absolutely.

The Vice-Chair (Hon. Bryon Wilfert): I'll now go to Laurie Hawn of the Conservatives for ten minutes.

Mr. Hawn.

Mr. Laurie Hawn (Edmonton Centre, CPC): Thank you, Mr. Chair, and thank you to the witnesses for being here.

Mr. Chair, my friend Mr. Simms pointed out that the fixed-wing SAR program is still ongoing. I'll point out that the Sea King replacement is also still ongoing, 17 years and half a billion dollars later.

My first question, though, is to the Minister of National Defence. It was brought up that somehow our sovereignty would be compromised if we had support activity going on outside of Canada. I think that was a suggestion by Mr. LeBlanc. Maintenance of the CF-18, of course, has been done outside of Canada and in Canada. Maintenance of the C-17 is a cooperative effort. Maintenance of the C-130J is a cooperative effort.

We operate with allies when we're in those kinds of programs. Could you comment briefly, Minister, on the fact that there is no

threat to sovereignty if we're operating with allies in supporting programs like the F-35?

Hon. Peter MacKay: That's exactly right, Mr. Hawn. In fact, your experience as an ex-fighter pilot itself speaks volumes on your understanding of that fact.

We've been involved in many international consortiums in the past. In the case of many of these aircraft you've mentioned—the C-130J, the new C-17 heavy-lift transport planes, the Chinook helicopters—Canada benefited from participating in these programs with, most notably, the United States but other allies as well.

What would threaten our sovereignty, quite frankly, at a practical level, would be not having aircraft capable to defend our airspace, not having aircraft able to go up and meet any airborne threat.

You know full well, having flown CF-18s, that we need to be there to meet and greet any airborne threat—or any maritime threat, for that matter. This type of aircraft, the F-35, gives us that ability. That, first and foremost, is the responsibility of the Canadian Forces: to protect Canada and North America and to participate inter-operably with other allies be they NATO or NORAD allies. That interoperability, that cooperative approach in both procurement and the defence of Canada, North America, and participating and international operations, is exactly what protects and promotes our sovereignty both at home and abroad.

• (1000)

Mr. Laurie Hawn: Thank you.

Mr. Chair, through you, I just want to finish the question that my colleague Mr. Simms had asked about the Tu-95 incursions into the Canadian air defence identification zone and the sovereignty threat. I think what he's getting at is why, if we can do that with the CF-18, we would need an F-35. Well, the CF-18 is 28 years old today. It's going to be 38 years old by the time we're finished flying it.

The people with other interests in our airspace are not going away, so the simple fact is we still need the capability to meet those aircraft and to exercise sovereignty. Sovereignty is being there to exercise that, regardless of whether it's a Tu-95 that was first built in 1956 but is a completely different airplane today from what it was then.

Can you comment on the continuing need for the type of things that the CF-18 has done but will in a few years be incapable of doing because of age?

Hon. Peter MacKay: That's exactly right, Mr. Hawn. You have flown sorties both in Europe and in Canada, and you know the capability of that aircraft. But it is reaching, if I can use the vernacular, the "best before" date. It will be 30-plus years old by the time we begin to receive the new F-35s.

We need to plan ahead. We need to plan ahead so we'll avoid operational gaps, which we're seeing now with the maritime helicopters because of the cancellation. We need to plan ahead because we don't know what those airborne threats may be. There's been a lot of talk about Russia and old planes coming in. We don't know what their future capability will be. We don't know what non-state actors may pose as a threat to North America. We don't know what other countries we'll have in the air in future generations. That's why we want to invest in the best plane: to ensure mission success today but also well into the future.

It's clear that we don't know what's aboard certain planes when they approach Canadian airspace, be they commercial or unidentified, or be they any aircraft that does not announce its approach and potential encroachment into Canadian airspace.

So it's having that capability that is available to us. That's why the investment now, so that we can get something in the future to replace the CF-18. These are not off-the-shelf variants; these are aircraft we need to invest in now—that's without getting into all the benefits on the industrial side. We need to plan ahead, the same as we're doing with the navy, the same reason we're investing in other capabilities for land combat vehicles. It's buy now and receive in the future.

Mr. Laurie Hawn: Thank you, Minister.

Mr. Chair, this is through you to Minister Clement, *en français*.
[Translation]

What do you think of Mr. Bachand's comments that it would seem that companies in Quebec and everywhere else in Canada would not be able to keep their contracts with Lockheed Martin? I find that a bit odd as far as the capabilities of Canadian companies go.

Hon. Tony Clement: You are right. It is important to state that there is an agreement between Lockheed Martin, Pratt & Whitney and GE Rolls-Royce Fighter Engine Team as far as access to contracts by Canadian businesses is concerned. Naturally, these benefits represent business opportunities for Quebec companies. Gilles Labbé, the president and chief executive officer of Héroux-Devtek, made the following comment:

This is the largest defence program we have ever seen! It is the biggest program of the next quarter century.

This is historic for Canada and excellent news for the Quebec aerospace cluster and the entire Canadian aerospace industry. As Mr. MacKay mentioned, Claude Lajeunesse, the president and CEO of the Aerospace Industry Association of Canada, made the following statement:
The next generation fighter is the single largest military aircraft procurement program of the Government of Canada in the foreseeable future and will positively affect the Canadian aerospace industry for decades to come.

I agree.

• (1005)

[English]

Mr. Laurie Hawn: Thank you very much.

There was a point made about not knowing what the aircraft support is going to cost us over the lifetime of the aircraft. But we don't know what the CF-18 maintenance has cost us over the lifetime

of the aircraft and we won't know that until it's finished. Could you comment? I'm talking about the life-cycle cost of the airplane. We won't know the cost until we're finished operating whatever airplane it is, and that includes the CF-18 today.

The CF-18 maintenance support contract was not signed until four years after we started flying that airplane. This is absolutely nothing new. This is a standard procedure: taking advice from the ministry based on our previous experience with other airplanes and developing it as we go along.

Hon. Peter MacKay: You're absolutely right, Mr. Hawn. It is in fact a calculation that will begin when we start to take receipt of the aircraft, so the maintenance costs will then be calculated in the future. As you know, we're still paying for the maintenance and the upkeep and the ongoing operation of the CF-18s.

So the estimated costs at this point, based on the number of planes we'll be maintaining, where they will be based, the necessary maintenance, and perhaps future investments in such things as infrastructure at Bagotville, Cold Lake, the training cycle, the number of simulators, the ongoing maintenance.... All of those costs indicate clearly, based on the department's calculations, that they will be in the order of magnitude of \$250 million annually. When you calculate the costs of the CF-18 in 1980 dollars, it's remarkable how comparable these costs of maintenance and sustainability are. They're in the same order of magnitude today in our calculations as they would be for the CF-18s.

As I mentioned earlier, Mr. Hawn, that price could come down based on our access to the global supply chain and the number of future countries that may purchase the same F-35 Lightning aircraft.

Mr. Laurie Hawn: Thank you for that.

Mr. Chair, through you to Minister Clement, there is a misunderstanding of the IRB process. There is a misunderstanding of the global supply chain. There is the suggestion that if some of the maintenance is being carried out by companies outside of Canada, we somehow will be at their mercy.

Is it also not true to say that when a Canadian company wins a contract to provide a component for the F-35, that will bring with it the requirement to maintain that piece of gear, which will, in fact, make the Australians and the Brits and the Americans and whoever else dependent on us for the same kind of support? To me, this makes the alliance, the consortium, a pretty common-sense way to go in terms of protecting all of us who have the common goal of protecting sovereignty, safety, and security around the world.

Hon. Tony Clement: That's right. People are talking about how unique the contracts are, but this airplane is unique. It's the first one designed this way. Canada helped design it. We've been part of the process from the very beginning. So yes, we'd like to help build through some of the component parts, and we will be doing that. There are 60 companies that have already signed contracts.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Minister.

Ladies and gentlemen, we're going to the second round. It will be five minutes a round. We will start with Mr. LeBlanc.

Mr. LeBlanc, by the way, I've seen you play hockey, and "drag" rather than "rag" is probably appropriate.

Voices: Oh, oh!

An hon. member: That's friendly fire.

The Vice-Chair (Hon. Bryon Wilfert): That's friendly fire, yes.

Hon. Dominic LeBlanc: That's right; it's not even stealth, is it, Peter?

Voices: Oh, oh!

The Vice-Chair (Hon. Bryon Wilfert): Go ahead, Mr. LeBlanc. You have five minutes.

Hon. Dominic LeBlanc: Thank you, Mr. Chair.

Perhaps I could pick up on some earlier questions to Madam Ambrose around the whole notion that there was in fact a competitive process held. My understanding—and she can correct me if I'm wrong—is that the United States Air Force had a competitive process a decade ago to look at its needs as the United States Air Force—its future needs.

The minister talked about a U.S.-led process. That would imply that other countries participated in that competitive process. Perhaps you could tell us how the Canadian armed forces or the Canadian air force or your department participated in Washington, D.C., in a competitive process a decade ago to acquire these aircraft. Specifically, how would that competitive process, held in the United States, bring value to Canadian taxpayers? And what role directly did the Government of Canada have over the last decade in this allegedly competitive process?

• (1010)

Hon. Rona Ambrose: Well, perhaps the honourable member could tell *me* that, since it was his government that was in power at the time when this MOU was signed. And I thank him for that, because I think it was the right decision at the time. Being part of this memorandum of understanding with the joint strike fighter program has offered unprecedented benefits to Canadian companies over the last decade.

You're correct; if you look at the history of the JSF program, you'll see that Canada entered in 1997. There was a lengthy and rigorous and competitive process that took place. It was U.S.-led, but all allies were partners to that. We participated in the process and all partner nations, including Canada, were a part of this, which led, as you know, to the selection of Lockheed Martin as the partner for the JSF manufacture.

The important thing to recognize is that because we are part of the memorandum of understanding for the joint strike fighter program, we have an opportunity to procure through the MOU. If perhaps your party were elected and you decided to turn your back on this MOU or pull us out of the MOU—or if you decided to hold another competition, which would signal that we would be out of the MOU—it would obviously impact Canadian industry because we would no longer have priority access to the global supply chain, which we

do today thanks to our participation in the MOU. We would lose our spot in the production line, so we would incur delays in the procurement process and we would also pay more for these planes.

Again, your government was the one that signed the original MOU and participated in this program, and I thank you for that because this has been a historic opportunity for Canadian companies to date. We've seen almost \$800 million in benefits up to now, and we expect billions of dollars more in benefits to Canadian industries. At the end of the day, this is about jobs.

Yesterday I was at Héroux-Devtek. They have 1,500 employees. They have two plants in Ontario and three plants in Quebec, and they make parts on the F-35. Every F-35 that's sold to partner nations around the world means more job creation just at that one company, and we know of 90 companies like it across the country.

Hon. Dominic LeBlanc: Thank you, Mr. Chair.

Minister, you've referred to different MOUs that were signed as this program evolved. I think you're correct in saying that there has been a series of different MOUs signed by previous governments and your own government.

Is it not correct, however, that in the most recent MOU, or the 2006 MOU that was signed by your government, in article 3.2 it makes it very clear that the actual procurement of a joint strike fighter will be subject to the participants' national laws and regulations and outcome with respect to the national procurement and decision-making process?

What I'm saying is that I don't think it's as simple as you say, that if we decided to have a competitive process we would somehow be breaking the MOU and getting out of the MOU, and therefore be unable to benefit from the investments that previous governments, and your own, have made, I think with considerable value. Why could we not participate through the MOU in a more open and transparent process, where we might learn, for example, the statement of requirements that you've referred to this morning?

The Vice-Chair (Hon. Bryon Wilfert): Ten seconds, Minister.

Hon. Rona Ambrose: We have engaged in an open and transparent process. As you know, two years ago the Canada First defence strategy committed us to purchasing a next-generation fighter. Since then, DND and Public Works have done the research to confirm that there is only one next-generation fighter available for purchase by Canada. So to suggest that we....

I repeat, the procurement process does not drive the requirements, the requirements drive the procurement process; that's my job. At the end of the day, Public Works does not hold competitions when we know full well that there's only one product available to meet the client's needs. To run a competition for the sake of running a competition, when we have a clear statement of requirements and we know we've done the research that there is only one aircraft that fulfills those requirements, would be a waste of time and resources.

• (1015)

The Vice-Chair (Hon. Bryon Wilfert): On a point of order, yes.

Hon. Dominic LeBlanc: On a point of order, Mr. Chair, the minister has referred to research and a statement of requirements. I'm wondering if you might ask her to...because surely they could redact out the copyright information that the Minister of Defence referred to. I'm surprised to find out that those wouldn't have been written by the Canadian air force officials.

Perhaps you could ask the ministers to table what they can around research and statement of requirements, without of course violating copyright.

The Vice-Chair (Hon. Bryon Wilfert): Certainly we can do that. At 1:45, when we are dealing with the motion on the statement of requirements, we could request and send for documents through a motion to the various ministers. It'd be up to them to respond, and depending on what the response is, we'd report to the House. I don't want to get bogged down in that until 1:45, but we can certainly look at that, Mr. LeBlanc. Thank you.

Mr. Hawn.

Mr. Laurie Hawn: I have just a very quick point. I think we're going to hear from some witnesses later on today who will provide insight into some of that research that went on. It was incredibly extensive.

The Vice-Chair (Hon. Bryon Wilfert): We may, and if it's not satisfied, we can take that course.

Mr. Laurie Hawn: Absolutely.

The Vice-Chair (Hon. Bryon Wilfert): We now go to the Conservatives for five minutes.

Mr. Payne, welcome.

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

I'd like to thank the witnesses for appearing today. If I have any time left, I will share it with Mr. Hawn.

First of all, to Minister MacKay through the chair, could you tell us or do you have an idea of how long it takes to actually build one of these aircraft? You talked about not being able to get it off the shelf, and the need to plan ahead.

Hon. Peter MacKay: Thank you for the question. Yes, clearly this aircraft has been in the conceptual design phase since the mid to early nineties. It obviously will come online for full production sometime in the next number of years, and we're scheduled to take possession of said aircraft around 2016.

You can see, because of the extensive and high-tech nature of the aircraft, because of the on-board equipment, because of the stealth nature of the aircraft, which is unique to its abilities.... As has been mentioned now a number of times at this committee, it's the only—and I stress, the only—fifth-generation aircraft on the market. So the production has been lengthy and extensive.

Again, this has benefited Canadian aerospace to be part of that development. As my colleague Mr. Clement has said, Canada has been part of that. Canadian aerospace has been involved since 1997.

To that end, these aircraft quite simply are the best on the planet, and we want the best aircraft for our Canadian Forces. We expect a lot of them. They have many demands on them, as does their

maintenance crew. We believe they deserve this level of support and they deserve that type of aircraft so they can complete their mission safely and come home safe to their families, with the job done.

Mr. LaVar Payne: I understand, then, it does take a lot of time to plan, and develop, and build this aircraft. It's not something you can buy off the shelf at Walmart.

Hon. Peter MacKay: That is correct. In fact, being on the inside of the MOU has significant industrial benefits, which my colleagues have spoken to. Other countries will have the ability to come in to purchase this aircraft. Some are contemplating that now—Japan, Singapore, and we've seen Israel now enter into it. They will do so at a higher cost. Canada benefits from having been in on the early design phase and having signed and exercised the MOU.

Mr. LaVar Payne: I have another question through you, Mr. Chair, for Minister MacKay.

Mr. Bachand talked earlier about buying a car and ordering particular parts, and if he didn't get the right car with the right parts, in fact he would create a lawsuit.

So my question really is in terms of the requirements for this aircraft. I understand that our Canadian Forces, and in particular the air force, has put in what their requirements are. My question is will this aircraft meet the specifications that they were looking for?

The Vice-Chair (Hon. Bryon Wilfert): Minister, you have two minutes.

Hon. Peter MacKay: I'm very confident: based on the advice of the current Chief of the Air Staff, General Deschamps, his predecessor General Watt, and the chief of procurement we have at the department, Dan Ross, whom you'll be hearing from as well, all of this speaks to the necessity of this type of aircraft.

People ask what an F-35 is. It comes with stealth capability, which allows us to see that potential threat before it sees us. That is the stealth capability. It is virtually invisible, which is cutting-edge technology based on years and years of research and tremendous investment. We are the beneficiaries of that investment by virtue of being part of this MOU.

It also has incredible on-board capability to communicate with other aircraft of the same nature. That is to say, within an international operation these aircraft can virtually talk to each other. That is of tremendous benefit. The on-board weapons system is state-of-the-art. All of this speaks to what is described as a fifth-generation aircraft.

Now, I'm not a person well versed in all of the technology, nor am I a pilot. General Deschamps and others will speak to that capability. That unique aspect, that stealth, that fifth-generation capability—that is what makes this the right aircraft, at the right price, which we've spoken to, with the benefits of being in the process early. All of these indicate that this is a decision that was well contemplated by the department, by the experts, in consultation with industry.

This fifth-generation aircraft, I'm very confident, will serve us well into the future, not just on the existing threat scenario but what may come. That's looking out, projecting out, as we did with the CF-18, at what potential threats might exist for our country, and it is in keeping with our global responsibilities.

●(1020)

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Minister.

[Translation]

Mr. Bouchard, you have five minutes.

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

Madam Minister, Mr. Ministers, good morning.

My first question is for Mr. MacKay.

You came to Bagotville last week to announce that 24 fighter aircraft would be housed there. But you did not mention anything regarding the maintenance level or job retention. Bagotville currently provides maintenance levels 1 and 2, and part of level 3.

Can you tell us, Mr. Minister, whether these levels will continue to be provided or increased? I am talking about the current maintenance levels in terms of the F-18s and the level of employment, which accounts for roughly 1,500 military and civilian jobs.

Hon. Peter MacKay: Thank you very much, Mr. Chair and dear colleague.

The Department of National Defence is clearly planning to base half of these new aircraft in Bagotville and half in Cold Lake. The Bloc Québécois asked that 40% of the aircraft be based in Bagotville, but the Government of Canada exceeded expectations with a 50-50 split. So it is good news for the base in Bagotville.

[English]

Clearly, with respect to the training squadron, that will be announced in the future. That is very much based on the need. We have not stated the full training program as yet, and we'll examine that as we move closer and closer to the delivery date of the aircraft; determinations will be made about where those other aircraft will be based. But currently there will be 24 in Bagotville and 24 at Cold Lake, where Mr. Hawn made the announcement. The operational needs will dictate that decision, as you would expect.

We'll continue the use of existing basing at those two locations, with the infrastructure that's there that supports our current jet-fighter operations. The basing of the F-35 at CFB Bagotville with 425, and with 409 Cold Lake, will provide the continued significant economic opportunities that exist for those two communities. That is to say that having those two main bases for the aircraft will continue the jobs, will continue the presence of military personnel for those communities, which I know you are extremely interested in. Ultimately it will reduce the overhead training costs to have these two existing bases continue with that operation and to optimize what we can do with the aircraft.

[Translation]

Mr. Robert Bouchard: Mr. Minister, let's not play word games: 24 out of 65 is not 50%. You announced 24 planes for Bagotville and 24 planes for Cold Lake, but that still leaves 17. You still have some homework to do, Mr. Minister.

You also announced that day...

●(1025)

[English]

Hon. Peter MacKay: If you would let me correct the record, sir, I just said that the additional 17 for training will be decided in the future.

[Translation]

Mr. Robert Bouchard: a \$2.7-million investment in infrastructure upgrades in order to accommodate the new F-35s. From hangar 2 in Bagotville, we know that rebuilding a hangar costs \$40 million. So in terms of infrastructure upgrades, \$2.7 million is pretty minimal.

While you invest a billion dollars in Trenton to house the C-17s, the government is content, according to your announcement, with simply adding prefabricated modular units in Bagotville to sustain the base for the next 30 to 40 years. So I have some doubts. You have two projects in Bagotville: the expeditionary project, which shows a true lack of seriousness, and the F-35s. One could call the \$2.7 million that you announced for infrastructure upgrades crumbs.

[English]

Hon. Peter MacKay: To use your example of investments at Trenton, that's apples and oranges. That's a completely different aircraft. The hangars there accommodate the C-17 and the larger C-130 aircraft that we have just purchased. That is a different scenario to compare the infrastructure investments there with the maintenance of the fighter aircraft.

And if you do the math, 24 aircraft and 24 aircraft, between Cold Lake and Bagotville, is 50%. The 17 aircraft that we will also receive for training purposes...and hopefully drawing down on that 17 and distributing them equally, then, in the fleet, will allow for the operational decisions of the air force to meet all of the demands.

So there is no disparity here. We're saying the same thing. The decision on the training aircraft will be made when we start to receive those aircraft.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Minister.

Hon. Peter MacKay: As for future investments in Bagotville, we'll do so on an as-needed basis.

The Vice-Chair (Hon. Bryon Wilfert): Minister, I'm going to have to move on.

Mr. Braid, you have five minutes.

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

I apologize for being a few minutes late this morning. I could have used an F-35 to fly from Kitchener-Waterloo.

The Vice-Chair (Hon. Bryon Wilfert): [Inaudible—Editor]...but absences were duly noted.

You have five minutes.

Mr. Peter Braid: Thank you, Mr. Chair.

Minister Ambrose, I wonder if I could please start with a question or two for you.

You indicated that the process all began with the identification of the F-35 in 1997, and at that time we had, we saw, a rigorous competitive process. Could you provide some detail about the process that the government of the day went through at the time?

Hon. Rona Ambrose: Thank you, Mr. Chair.

That's correct, there was a competition when it came to who became the manufacturer of the JSF. Canada, as you know, entered into the JSF program in 1997 as a partner with our other ally nations, and through the program there was a lengthy, rigorous, and intense competition to choose the company that would then build the joint strike fighter. That concluded in 2001. Lockheed Martin was chosen as the manufacturer for the joint strike fighter.

Canada has participated in the joint strike fighter program for over a decade now. Canadian companies have participated in not only the development and design, but now the manufacturing of the actual aircraft.

In 2008, two years ago, the Department of National Defence stated in their Canada First defence strategy policy framework that they committed us, Canada, to purchasing the next-generation fighter. It's our job to then take those requirements and assess what suppliers are available. DND concluded that only the F-35 met their requirements. It's our job to then validate that conclusion. We did validate that, and therefore we agreed to acquire the F-35 through our memorandum of understanding. As part of, I believe, chapter six in the memorandum of understanding, we are able to acquire the F-35 through the MOU, and by doing that, we gain access not only to the global supply chain, but we get a discount on the aircraft and we get priority place in the production line.

It's good news for the military in terms of meeting all of their requirements. It's good news for the Canadian taxpayer because we get a discount by procuring through the MOU. And it's good news for Canadian industry because we get priority access to the global supply chain of up to 5,000 aircraft.

• (1030)

Mr. Peter Braid: Thank you very much.

Minister MacKay, on July 15 of this year, the Liberal member of Parliament for Westmount—Ville-Marie, Marc Garneau, said: "If the Conservatives won't put a stop to this contract, a future Liberal government will."

Given the explanation from Minister Ambrose with respect to the rigorous competitive process that started under the Chrétien government, Canadians who are tuning in and watching today may find this statement at best opportunistic, perhaps at worst hypocritical. In addition, it rings similar to the Sea King decision as well.

Minister MacKay, do you have any thoughts or observations on that?

Hon. Peter MacKay: Just to hearken back to your comment, it was in fact a Liberal defence minister, Art Eggleton, back in 2002, who really pursued this initiative, and he said of that initiative: This initiative will provide DND as well as Canada's aerospace industry with an excellent opportunity to be involved in one of the most exciting aerospace defence programs of the 21st century. Our participation will greatly enhance interoperability with our allies....

This is what Mr. Eggleton, then defence minister, said in 2002. To compare it to the potential fallout and cost to taxpayers of what happened with the cancellation of the EH-101 program by then Prime Minister Chrétien, you're right, when he took his pen and wrote zero helicopters, guess what? We still have zero helicopters when it comes to the maritime program, at a cost calculated to be upwards of \$1 billion. So we spent \$1 billion not to buy the aircraft, because of that cancellation.

Angus Watt, then Chief of the Air Staff, upon hearing those comments and the intention of the Liberal Party to potentially cancel or delay the contract, said this: "I am particularly appalled at the Liberal announcement that they would cancel this contract at the first opportunity. As a former Sea King squadron commander earlier in my career, I know only too well the consequences of such political games."

That's exactly the unfortunate reality; the political games can cost the air force, can cost our ability to defend our airspace, and can cost billions to Canadian aerospace. I wish we had a less partisan, more bipartisan, approach to procurement. That would benefit the men and women in uniform. It would benefit them in the ability to do the important work that we ask of them.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Minister.

I will now go to Mr. Simms for five minutes.

Mr. Scott Simms: Thank you, Mr. Chair.

Minister MacKay, this hearkens back to a conversation I think you had earlier with Mr. Hawn. From this testimony and from what I've read, there is one thing that bothers me the most, that concerns me, and that is the fact that we are on a slippery slope towards procurement in the future. By that I mean we're inheriting things that are forced upon us in a situation where there is less Canadian input and from which, in future, there may be fewer perceived benefits. I'll give you an example.

You talked about perceived new threats. We had a release from the Prime Minister's office about the Tu-95, which I talked about earlier. Now, you said, along with Mr. Hawn, and you gave evidence, that this is a perceived threat...and it enhances our ability to defend Arctic sovereignty; therefore, if a Tu-95 comes close to Canadian airspace, we now have the ability to defend.

But how can you talk about this particular plane when, from my understanding, the speed of the F-35 is 1.6 Mach, whereas that of the CF-18 is 1.8 Mach, which makes the CF-18 faster. Not only that, if this plane is going to run up against the Tu-95, it is, in your words, virtually invisible.

So this is part of the concern I have about this. Some of the reasons why this plane is good for Canada don't really jibe.

You also mentioned...but I'll let you answer that first.

Hon. Peter MacKay: Thank you.

First of all, when it comes to inheriting things, we inherited this contract from your party, your government. Let's be clear, this was inherited from a previous government. And thank you for doing so, because it was the right choice. It was the right aircraft.

With respect to the capability of the aircraft and the air speed, they're comparable. A new F-35 taking off from Cold Lake can get to the outer limits of Canadian airspace in virtually the same time.

But don't take that from me. Take it from an expert. I'm going to allow General Deschamps to address that question, and you'll be able to speak to him further in the committee.

• (1035)

Mr. Scott Simms: Yes, and because of that I'd like to keep asking you the questions now.

Hon. Peter MacKay: This aircraft has continued capability that expands upon what an CF-18 can do. It's obviously a fifth-generation aircraft, so we're now four generations past the CF-18, with new on-board sensors, with stealth capability—which is a fifth-generation unique capability—and with the interoperability with other NATO and NORAD countries. All of this tells me, based on expert advice from people like General Deschamps, that this is exactly the type of aircraft that we need not just for today, Mr. Simms, but looking out into the future, whatever those airborne and maritime threats might be.

Perhaps General Deschamps would want to expand on the capability of the aircraft and the airspeed.

The Vice-Chair (Hon. Bryon Wilfert): Since General Deschamps will have an opportunity in the next round, I'll let Mr. Simms ask his questions, and I'm sure he'll come back to the general.

Mr. Simms.

Mr. Scott Simms: My perception of the process that started in 1997 is that we were involved on an information basis only. It seems to me that we never got fully engaged in this process until Lockheed Martin was chosen. So originally I was concerned that the Americans were leading our decision-making here when it comes to our new aircraft, but now you bring in the idea of copyright.

If we're talking about copyright as well, who exactly is writing our requirements? Is it the Americans? Lockheed Martin? Are they writing our requirements as well?

Hon. Peter MacKay: You might want to ask members of your own party that question.

Mr. Scott Simms: Before I finish, could you please add the comment about when exactly we are going to get fixed-wing search and rescue?

Hon. Peter MacKay: Mr. Simms, let me correct an inaccuracy here. To suggest that we were in only in theory under the previous government, your government, is absolute hogwash. We were in for \$168 million under the previous administration, which potentially we would forfeit, along with the benefits to the Canadian aerospace industry. So that's not true.

With respect to what we will be able to do in the future for Canadian aerospace, that's been outlined in some detail.

On fixed-wing search and rescue, it's not a matter of doing one or the other. Buying fighter aircraft is not exclusive of buying fixed-wing search and rescue. We are proceeding with a very rigorous process that we hope will conclude and allow for us to proceed this year. That again is something that was neglected by your government. So it's another issue that we inherited and now we've acted upon, and we're prepared to procure new fixed-wing search and rescue in the very near future.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Simms, you have ten seconds.

Mr. Scott Simms: So this year we expect something concrete from fixed-wing search and rescue? Because at this point, despite the three departments, you've even called in the National Research Council, so—

The Vice-Chair (Hon. Bryon Wilfert): Minister, yes or no.

Hon. Peter MacKay: We have sought outside independent advice from the National Research Council. That will help us buy the new fixed-wing system—

The Vice-Chair (Hon. Bryon Wilfert): Thank you.

I know you wanted to slip that in there, Mr. Simms. Thank you.

Mr. Calkins, you have five minutes.

Mr. Blaine Calkins (Wetaskiwin, CPC): Thank you, Mr. Chair.

I thought it was going to go to my colleague Mr. Wallace, but that's fine.

I certainly want to thank my colleagues for appearing today. It's a pleasure for me to be back on the defence committee, even if it's just for a day. I certainly enjoyed my time on this committee, for the first year of my term as a member of Parliament. It's good to see Mr. Bouchard back here as well. We spent some time together going around and talking to various people in regard to our military.

Minister MacKay, I guess my question would be to you, through the chair.

The absurdity of the Liberal position has been put out to us. The flip-flop on this particular policy is absurd to me, but I guess we shouldn't be surprised. We've seen it before. My understanding of the CF-18 fleet is that each of those aircraft has an operational time limit of about 5,000 hours on each air frame. We're approaching the end of life, I think, for those aircraft. We started off with nearly 140. I think we're down to 80 or so that are now functional and operational.

The members of the opposition are calling for cancellation of a program that they've started. Canada is now heavily invested. The options, I think, have been laid out quite clearly to us. We can jump out of the program, and then make a decision to buy back into the program, or just buy the Lightning F-35 at the higher rate than we can, actually, because we're part of the program now.

The other option, I guess, if they were to opt out, would be to go look for a fourth-generation fighter, which clearly doesn't meet the operational requirements. Or heaven forbid that a future government might even say that we don't even need fighter aircraft anymore.

I guess my perspective, to you and to all of my ministerial colleagues here, is that when it comes down to looking at it, those are the four options. Going back to a fourth generation...I don't think we can increase the operational lifespan of the CF-18. I think the current fleet of CF-18s is done. Even if we reduce our operational demands and flying time, we're looking at, what, 2020 at most?

Can you clarify which of those four options seems to make the best sense? Those are the only four options, as I see it.

• (1040)

Hon. Peter MacKay: Mr. Chair, purchasing new aircraft obviously makes the most sense. I thank my colleague for the question.

In fact the Prime Minister was recently in Montreal to announce a further investment in upgrade in the existing fleet of 78 CF-18 fighter planes. So that new investment will allow us to project out to at least the year 2020. We're scheduled now to start receiving the F-35 around the year 2016 or 2017. There won't be an operational gap. That will allow for the training to take place, for the additional transition to occur at air bases like Bagotville and Cold Lake.

As you said, we've seen this movie before when it comes to the cancellation or the delay of contracts. We've seen that film. It's a nightmare. It's called the cancellation of the Sea King replacement. We're now flying 45-year-old Sea Kings as a result of that decision. That political partisan intervention, with a strike of the pen, saw that contract burned at a cost of \$1 billion to taxpayers, and at a significant cost, I would say, to the air force in terms of our ability to continue to patrol over the Atlantic and the Pacific and to have those aircraft available to us for international missions, the counter-piracy type of missions, etc., in places like the coast of Africa, off Somalia.

It's important not to have operational gaps. These investments are forward looking. These investments allow us to ensure that we will have this fifth-generation aircraft, as you've mentioned, which is unique, which doesn't mean going back and buying older aircraft that will not have the parts and the spares and the supply chain that we will benefit from with a new fifth-generation aircraft.

This is the right plane. It's the best plane on the planet for the best pilots and the best Canadian air force that we can put forward to protect our country, to participate in international missions, and to do what Canadians expect of them in promoting and protecting our sovereignty.

Mr. Blaine Calkins: Just to follow up, then, I believe 138 CF-18s were originally purchased. If that was the right number then, and we're down to 80 operational now, how do we know that 65 is the right number for today?

Hon. Peter MacKay: That's a very good question. Because of the new technology—the stealth, the interoperability that we will have with our NORAD colleagues—we will be the beneficiaries of this larger package of F-35s that will be operating over North American skies, patrolling our coast lines, because of NORAD. The optimum number of aircraft arrived at by experts like General Deschamps is

65. He'll be able to speak to that further in terms of the technical capability.

So because of all of the advancements that have been made in a fifth-generation aircraft, they can do what 78 aircraft are currently doing. Sixty-five will have that same ability—and perhaps more because of stealth, because of technology, because of interoperability.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Minister.

The second round will be concluded by Mr. Wallace.

Mr. Wallace, you have five minutes.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair.

Thank you, Ministers, for being here today.

It's actually an honour for me to be here today. I'm very proud of the fact of our government moving forward on the F-35s. As a matter of fact, today another minister, Minister Van Loan, is touring a plant in the city of Burlington: Goodrich Aerospace Canada. About 130 people work there. They're in the business of service and maintenance of landing gear. They're getting an opportunity to compete and to have a contract to work on this F-35 program that we have.

When I'm back in my riding and talking to people where these jobs are being created and maintained, are there....? Are you telling me today that they'll not only be able to work on services and parts for the Canadian fleet of F-35s, but because of the MOU and the relationship we have with our partners, those jobs may exist for maintenance and work on the F-35s of other countries?

What's the timeframe? Is this an opportunity for them for 40 years? What is the advantage to Burlington in the long run, based on what's happening?

The Vice-Chair (Hon. Bryon Wilfert): Minister Clement.

Hon. Tony Clement: I'll start off on that and indicate that you're quite right; a lot of these contracts are based on a 40-year lifespan of procurement. Certainly the industrial agreements that Industry Canada has pursued with Lockheed, Pratt & Whitney, and GE Rolls-Royce basically are the keys that unlock the access to the global supply chain. If you talk to Goodrich in your riding, if you go to Bristol-Magellan in Winnipeg, if you go to Pratt & Whitney in Montreal, they'll all be saying the same thing. I gather they'll be here depositing before this committee as well.

That's the key for future jobs. It's not just building for the Canadian supply; it's getting access to the global supply chain. That's what this industry wants. That's what they've told me they want in future IRB agreements that are made, and they certainly would opt for that with respect to the F-35s.

So yes, you're looking at a stream of work, over multiple decades, that allows the companies to do the hires, to hire the skilled labour. We have 83,000 people who work in the Canadian aerospace industry. We are world leaders in many different aspects of aerospace. I want those 83,000 people to be not only guaranteed for those jobs, but we want to expand those jobs, obviously, to renew jobs in our communities. That's the kind of work we're contemplating by making the decision we made here.

● (1045)

Mr. Mike Wallace: Thank you, Mr. Chair.

Minister MacKay, I'm assuming that when the program started back in 1997 we weren't the ones who recognized that the current CF-18s would only last until 2015 or 2020. I'm assuming it was recognized by the previous Liberal government that this was a long-term vision: it was going to take time to come up with the plan, get the engineering done, and decide where we were going to go.

Last night on CBC, the Liberal leader was asked directly whether he would cancel the contract. He hemmed and hawed and he gave a non-direct answer. I think he was asked a couple of times.

What does it do to the defence department when they are not sure of what is going to happen tomorrow? When the Liberal leader is not able to say yes or no, and hems and haws and leads Canadians on, what does that do to our men and women in uniform?

Hon. Peter MacKay: I think it's fair to say that it has an impact on their morale. It also affects, in some cases, decisions for their families in terms of where they may be based in the future, and their future career plans. It also has an impact internationally with respect to confidence from our important allies, NORAD and NATO.

I want to come back to the question of the number of aircraft, the 65. Under the current MOU, which, to their credit, the previous Liberal government signed and we've continued, this will allow for the potential for other purchases at a preferred price. It will allow us maximum flexibility in terms of meeting the security environment that may exist in the future.

Certainty is important, and avoiding an operational gap, I stress again, is the most important thing from the air force's perspective. They want to be able to do the job and do it efficiently and effectively with an aircraft that they have confidence in.

We ask a lot of these pilots, and for them to go out over the Atlantic, fly at those altitudes, and meet those challenges, they need an aircraft of fifth-generation capability.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Minister.

I'm now going to go to the lightning round. The lightning round will be two and a half minutes—questions and answers—in order to accommodate all four questioners.

Mr. Simms.

Mr. Scott Simms: I would like to return to the MOU. I reiterate this because it's of concern to me.

I appreciate the process by which that was started in 1997, but in terms of the future, to be masters of our own domain, to decide what is best for Canadian personnel, I certainly feel that what concerns me

about this is that we have given away many elements of our own decision-making to a much greater cause.

I appreciate the fact that Burlington has some good work going on. I appreciate the fact that our people who work in this industry can do incredibly good work and compete internationally. But I also feel that Canadians also demand a dollar-for-dollar IRB in many respects, and I'm concerned that we have pushed this policy aside for reasons of stealth—for want of a better term.

Again, 3.2.1 of the MOU of 2006 states:

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

I am concerned that we're forgoing that. In the beginning we said that we would have an open, transparent process, but we keep going back to a decision that was made in 2001. And it was one that was more of a done deal than anything else. That kind of freezes us out.

● (1050)

Hon. Tony Clement: Let me try to add some light to the situation.

When we signed that MOU in 2006, it was Industry Canada. The purpose of that MOU was not to say, when we signed it with Lockheed Martin, that we sign this MOU and then we're going to open up the contract so that we can give the work to Boeing. Nobody would sign a contract like that. The MOU says we're going to work with Lockheed Martin, it's going to be pursuant to our procurement processes and pursuant to the context in which we signed the contract, and the context in which we signed the contract was that a previous government decided—quite rightly—that Lockheed Martin was the way to go. And that's what that MOU says.

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much.

We're now at the end of that one.

[*Translation*]

Mr. Bachand, you have the floor for 2 minutes and 30 seconds.

Mr. Claude Bachand: I want to end with two questions.

If I understand correctly—and I think everyone has understood the same thing—you are disregarding your economic benefit policy to take part in the production chain. Is that correct? Yes, that is it.

Canadian companies will compete for contracts with the companies of eight other nations, including the United States and Great Britain. I want to know whether there is a mechanism in place to protest or, at least, contest if Canadian companies are not treated fairly. That is my first question.

My second question is this. Is it possible for end support service to be covered by a separate contract and for Canada to receive some protection, in terms of the \$9 billion that will likely be awarded, so that the majority of end support service is provided by Canadian companies, as far as the Canadian contract goes?

Hon. Tony Clement: I can answer that question. It is not true that we have a different economic benefit policy. Canada's aerospace industry is telling us that it is important to have access to the global supply chain. This agreement with General Electric/Rolls-Royce, with Pratt & Whitney Canada and with Lockheed Martin guarantees that contracts are possible for all the aircraft—perhaps 5,000—and not just Canada's 65 planes. This is an increase in global competition that our industry may have in the future.

[*English*]

Hon. Peter MacKay: I would only add that the ongoing maintenance contracts, as I've said, in terms of the cost to taxpayers will be determined once we start taking receipt of those aircraft. So there are negotiations, there will be opportunities for Canadian aerospace industry as well to participate in the maintenance, and the \$250 million is the per annum estimated cost that will be borne by the government as a result of this decision to place these aircraft in the two main air bases that we have now.

This is all factored in. As the Chief of the Air Staff has said, vigilance and readiness equal deterrence, and we're making that decision.

The Vice-Chair (Hon. Bryon Wilfert): Minister, I'm going to have to move to the next round, and I'm sure we'll come back to the question.

Mr. Harris, you have two and a half minutes.

Mr. Jack Harris: Thank you.

We now have a hard number, I think, of \$250 million. That is in support and maintenance costs. Is that correct, Mr. Minister? So we are looking at about \$10 billion in addition to the procurement costs.

I want to ask a question going back to the IRB point, the industrial regional benefits, because that's the program that we require and expect in a competitive bidding process, dollar for dollar. If you are abandoning that for a right to bid here in the competitive process in what is the most sophisticated, perhaps most complex, and globally most competitive kind of project, doesn't that really say that we don't need an IRB for any other kind of procurement, that IRBs are—

•(1055)

Hon. Tony Clement: No, because this is a unique project in the world. Never before have nations come together to create a fifth-generation fighter plane that allies will utilize in an interoperable way. There is no precedent for this.

You keep asking why we are doing it this way or why we aren't doing it the other way. This is the first time this has ever been done this way. The upside, as I keep saying, for Canadian industry is that they are part of leading-edge provision of parts and service that will open the door to global supply chains for decades to come.

If you want proof for that, the proof is that already, through the MOUs that Industry Canada has signed with the primes, 85 companies have already been identified as potential contracts for the primes. Now, you say, well, 85 companies have been identified, and ask what that means. So far—so far—60 of those companies have signed contracts.

So if you're asking me whether it is working for Canadian companies, the answer is yes.

Mr. Jack Harris: You said in response to an earlier question that you want these jobs guaranteed, such as those talked about by Mr. Wallace, but of course there is no guarantee in this project at all. As you say, it's a list of potential contracts, and that's where—

Hon. Tony Clement: No, these are secured contracts. There are \$350 million of secured contracts already, plus the Avcorp contract of up to \$500 million. That's reality.

Mr. Jack Harris: It's pretty small potatoes, though, in a \$9 billion construction—

Hon. Tony Clement: Well, that's not bad for the first week.

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much.

We'll now conclude with Mr. Hawn, for two and a half minutes.

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

I want to make a couple of observations, and I hope we have time for a quick question.

The industrial participation process, the contracting process, has evolved. The Canadian industry has evolved. The departments have evolved. The Canadian Forces have evolved. The opposition has not evolved.

When I started the...as part of the new fighter aircraft program in 1977, which became the CF-18, the plan there was phase-in plus 15 years and we'd be acquiring a new aircraft. That meant in 1988, plus 15 years, we'd be acquiring a new aircraft. This is overdue. We are getting on with it finally.

To quote Mr. Simms, an aircraft's speed capability is a measure of performance. By his logic, the CF-104, which is a Mach 2 airplane, will be superior to both the CF-18 and the F-35, and of course that is nonsense. Both airplanes, the F-35 and the CF-18, carry Mach 4 missiles. That's the point. Some of these comparisons don't show a total understanding of the situation.

We've been focused on the air sovereignty mission in the Arctic. That's only one mission that this aircraft is going to perform. The aircraft is going to perform many missions—all the missions the CF-18 performed and probably more. The fact of stealth doesn't actually make the airplane invisible. A Russian bomber or anybody else will actually see us when we fly up beside them. They will know we are there. They just won't see us approaching at nearly the range that we were used to before. So there is a tremendous lack of understanding of some of the basics of this kind of a program and this kind of an aircraft.

I have a quick question, probably for Minister Clement, through you, Mr. Chair. We talked about the competitive process. If we rolled the clock back and we started the competitive process, would that not equal delay? Would that not equal lost contracts? Would that not equal lost jobs? Would that not equal damage to the Canadian economy?

Hon. Tony Clement: You've hit upon a key point here. Some people ask why sign the contract now. Well, here's the deal. The global supply chain is going to be pretty well put in place by the end of this year. If we did not act now, if we did not move now, we would be running the risk of Canadian companies not being able to bid and compete as part of the global supply chain. Indeed, that's what we were hearing from Canadian industry for the months leading up to the contract. The risk of starting the process all over again is that our companies will not be able to be part of this deal.

Hon. Peter MacKay: If I might just add to that briefly—

The Vice-Chair (Hon. Bryon Wilfert): I'm sorry, we're right on time and we are now finished.

On behalf of members of the committee, I want to thank all three ministers for attending. I'm sure it's because I was chairing today.

I do appreciate the cooperation of all the members.

We will now suspend for five minutes.

Thank you.

• (1100)

(Pause)

• (1105)

The Vice-Chair (Hon. Bryon Wilfert): Members, we will start with the second round of witnesses.

With us today is Dan Ross, assistant deputy minister for materiel. We also have Lieutenant-General Deschamps, Chief of the Air Staff. We have Michael Slack, F-35 project manager, director of continental materiel cooperation. We have Colonel Burt, director, new generation fighter capability, Chief of the Air Staff; Tom Ring, assistant deputy minister; and Johanne Provencher, director general, defence and major projects directorate.

I understand that only three people are presenting, and we'll start with Lieutenant-General Deschamps.

I welcome you, General. You know the drill. We're going to have five minutes for your presentation. We will then go to a seven-minute first round, followed by five-minute rounds. This is an opportunity for members to ask as many questions as they can.

General, I turn the floor over to you.

[*Translation*]

Lieutenant-General J.P.A. Deschamps (Chief of the Air Staff, Department of National Defence): Thank you, Mr. Chair, committee members. Thank you for the opportunity to discuss the acquisition of the F-35 Lightning II Joint Strike Fighter as Canada's next fighter aircraft.

[*English*]

The CF-18 Hornet has provided outstanding service to Canada for more than 28 years. It will remain our front-line fighter until the 2020 timeframe, when it reaches the end of its life expectancy. This will allow for phase-in of the Lightning II.

Manned fighters are essential to our ability to maintain control and sovereignty over our airspace, whether in Canada or during operations abroad. This is a fact of modern air power. All industrialized nations acknowledge it.

[*Translation*]

Neither unmanned aerial vehicles nor any other air platform can carry out this demanding and complex task, whether they are operating in the air-to-air or air-to-ground environments. If you do not control the airspace over which you are operating—maritime or land—you will likely fail or take unacceptable losses. You must be able to deny an adversary use of that airspace to win. This need is recognized by the government's commitment in the Canada First Defence Strategy to acquire new fighters.

[*English*]

Analyses of our mandatory requirements for Canada's next fighter have made it clear that only a fifth-generation fighter could satisfy those requirements in the increasingly complex future security environment. The Lightning II is the only fifth-generation aircraft available to Canada. Not only that, but the F-35 offers the best cost value of any fighter available to us.

The F-35 Lightning II and the joint strike fighter program bring unique advantages. The F-35 Lightning II is designed with stealth technology—that is, low observability—that significantly reduces its electromagnetic signature and reduces detection by enemy sensor systems. It provides lower risk and improves survivability for the pilot, and provides enhanced intelligence, surveillance, and reconnaissance capabilities.

The Lightning II incorporates advanced sensor and data fusion technology to gather, synthesize, and display information. This will help pilots understand the tactical situation at a glance, make complex tactical decisions quickly, and take decisive action.

The aircraft takes care of much of the data-gathering and synthesis that pilots now do themselves, which has become almost overwhelming in its quantity and speed. In effect, the aircraft is the co-pilot.

[*Translation*]

The aircraft will be interoperable with our allies. Nine like-minded nations are partners in the JSF memorandum of understanding, and our interoperability with them will be seamless, safe and effective within NORAD and NATO and on coalition operations. The aircraft is sustainable. We will be able to replace lost aircraft—or acquire additional aircraft if the future global situation demands it—because the production line will operate until at least 2035.

As well, software will be upgraded on an ongoing basis. Canada will not have to contract individually for upgrades, bringing huge cost savings and keeping the aircraft up to date as technology evolves.

•(1110)

[English]

There has been discussion about the safety of a single-engine versus a twin-engine aircraft. Modern single- and twin-engine fighter aircraft have virtually equivalent engine-related attrition rates. In other words, there is no statistical difference in survivability from either engine failure or combat damage, but the single-engine configuration has significantly lower procurement and maintenance costs.

In summary, the F-35 Lightning II will provide Canada with the greatest probability of mission success, and the greatest probability that our men and women will survive, returning safely from their missions.

We require the F-35 Lightning II to protect Canadian interests and to counter tomorrow's threats. Procured and sustained through the joint strike fighter program, the F-35 is the best value for our taxpayers' dollar and will keep Canada at the forefront of fighter operations, enabling our fighter fleet to remain relevant, flexible, viable, and sustainable well into the middle of this century.

[Translation]

Thank you, ladies and gentlemen.

[English]

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much, General, for your presentation.

We will now go to Dan Ross, assistant deputy minister for materiel. Welcome.

Mr. Dan Ross (Assistant Deputy Minister (Materiel), Department of National Defence): Thank you, Mr. Chairman.

Today, while responding to some of your questions, I hope to be able to clarify some of the information that has been circulating and to confirm that the F-35 is the right choice for Canada and for the Canadian Forces.

The F-35 is the only fifth-generation fighter available in response to the Canada First defence strategy. The only other fifth-generation aircraft, the F-22 Raptor, is solely an air superiority fighter and is not deemed exportable by the U.S. government.

A fifth-generation fighter is critical, as it encompasses technology such as stealth and sensor fusion, elements that cannot be added on to an existing aircraft; they must be designed in. These capabilities are critical to mission success and mission safety. Our new aircraft needs to remain relevant for 35 years. The threat is not standing still; it also continues to grow in capability.

In examining costs, it's important to recognize that the quoted \$9-billion program cost includes a lot more than the cost of 65 aircraft. The \$9 billion also includes almost \$2 billion in contingency and currency escalation, as well as elements such as the integrated logistics support, weapons, infrastructure simulation, etc., all of which would be intrinsic in any fighter that you chose to acquire.

Canada first joined the international joint strike fighter program in 1997, as the minister has talked about, with a view to ensuring that we would have the most up-to-date information throughout the

process. We had full-time participation in the joint project office from the beginning, initially with one person and now with the team we have there today.

You may also recall that during the early part of the joint strike fighter program, Canada and its eight partner nations participated in that vigorously fought but fully open and transparent competition process that again the ministers have referred to, which resulted in Lockheed Martin being selected over the Boeing candidate—the so-called battle of the X-planes.

I'd just point out as well that the partners, including Canada, had direct input into the operational requirements document. The United States Air Force and the United States Navy in the joint project office, with the full-time participation of allied officers, had input into what the requirement would be, and they needed to do that to ensure that the needs of the allied partners would also be met, without which they would not have continued to participate. We were fully briefed throughout that process, resulting in an announcement of the Lockheed Martin success in 2002.

Today, some 10 years later, we believe we were successful and the government has selected the most capable and affordable fifth-generation aircraft available to serve Canada's needs for the next 30 or so years. At the same time, Canadian industry, which has already received over \$800 million in F-35 contracts, stands to be in a privileged position to participate in over \$12 billion in upcoming opportunities over the life of the aircraft, a life that is only just beginning.

It's important to note that there is a surprising amount of Canadian content in the F-35, content that will continue throughout the life of the program for purchases of all F-35 aircraft. For example, components such as the thermal management control system, horizontal tails, and wing skins are all being produced in Canada. Additionally, Canadian industry will be well placed to ensure that the through-life support of all these aircraft in use around the globe could represent upwards of another \$4 billion in economic opportunities.

Many have questioned the expected in-service support costs of the F-35. These costs clearly are not fully defined six years before we've taken delivery of an aircraft, but I can assure you that, as Minister MacKay said, they will be comparable to support costs of our current CF-18 or any other modern aircraft. For example, an F-35 returning to base from a mission will call ahead and tell the logistics system what exact replacement parts are needed before the plane lands.

We are currently working and cooperating with our joint strike partners to develop the most efficient global support concept possible for this fleet, such as the joint pooling of spares to reduce our overall service costs.

•(1115)

Ladies and gentlemen, that concludes my opening comments.

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much, Mr. Ross.

We will now go to our third and last presenter, Tom Ring, assistant deputy minister, Public Works and Government Services Canada.

Mr. Ring.

[Translation]

Mr. Tom Ring (Assistant Deputy Minister, Public Works and Government Services Canada): Thank you, Mr. Chair.

As you mentioned, my name is Tom Ring, and I am the assistant deputy minister of the Acquisitions Branch at the Department of Public Works and Government Services Canada.

[English]

As many of you will know, Public Works and Government Services Canada operates as a common service agency for the Government of Canada. Its activities are directed toward providing service and support to departments, boards, and agencies' programs. In accordance with the Defence Production Act, the Minister of Public Works and Government Services Canada has exclusive authority to buy or acquire defence supplies and construct defence projects required by the Department of National Defence.

The acquisitions process requires that departments define their operational requirements, including the essential characteristics of the goods or services being sought. Upon receipt of these requirements, Public Works examines the potential sources of supply, identifies applicable contracting issues, and develops a contracting approach. A key task in the procurement process is to ensure that the acquisition of goods and services meets the government's overall policy goals and objectives.

All of the above steps in the procurement process are done in accordance with the government contracting regulations and rules in a manner consistent with the principles of fairness, openness, and transparency, and all the while maximizing value for Canadian taxpayers.

With respect to the issue before us today, Canada has been a participant in the joint strike fighter program since 1997. This early participation in the program allowed NATO allies, as was mentioned by my defence colleagues, to participate in a program that did not include any obligation to purchase but allowed us to be directly involved in the competition that was held to identify which supplier would be selected to develop the joint strike fighter. It also afforded Canadian defence industries significant opportunities to be part of the overall program, and the government's announcement of its intention to acquire the F-35 on July 16 represents an important milestone in this process.

In the Canada First defence strategy, the government included a commitment to replace its fleet of CF-18 fighters with a next-generation fighter aircraft. Based on this commitment, the Department of National Defence developed a more detailed statement of requirements. My colleagues from National Defence have mentioned that already, and will speak further, I am sure.

As a result of this, National Defence advised Public Works that it had determined that only the F-35 Lightning II meets the requirements for a fifth-generation fighter capability. The Department of Public Works and Government Services validated this requirement, as established by the Department of National Defence. While other fifth-generation aircraft do exist, they are either not available to Canada or are in development with non-allies. Having determined that only a single source of supply exists to meet the

approved requirement, the next stage of the acquisition process is to assess the options for how that good or service should be acquired.

As has been discussed already, the F-35 can be acquired through the joint strike fighter program memorandum of understanding. This approach offers numerous advantages over procuring through a foreign military sales option. Not the least of these advantages is an 8% reduction in cost. Thus, acquiring the F-35 through the joint strike fighter memorandum of understanding is consistent with the Government of Canada policy to acquire goods and services at the best value to Canadian taxpayers. Finally, the F-35 will meet the operational requirements as set out in the Canada First defence strategy.

I'd be pleased to respond to any questions you have.

• (1120)

The Vice-Chair (Hon. Bryon Wilfert): I've been informed by my legislative assistant that Mr. Ron Parker, Industry Canada senior administration, industry sector, is in the room.

Mr. Parker, I would invite you to the table in case there may be some questions for Industry Canada—with the permission of the committee, which I'm sure I have.

We will now go to Mr. Simms for the first round of seven minutes.

Mr. Simms.

Mr. Scott Simms: Thank you, Mr. Chair.

I have a question for Mr. Ring.

You spoke of the operational requirements desired, and DND had indeed presented to you that the F-35 was the only option available for air personnel.

When were these requirements, and when did that conversation take place, or when was the presentation made that the F-35 was it?

Mr. Tom Ring: I will leave it to my colleagues to answer specifically about the development of the statement of requirements, but the Department of Public Works was notified earlier this year.

Mr. Scott Simms: Earlier this year; that's when they told you.

Mr. Tom Ring: Yes.

Mr. Scott Simms: Now—

The Vice-Chair (Hon. Bryon Wilfert): I would ask again that questions and answers go through the chair so that we keep some order here. Thank you, Mr. Simms.

Mr. Scott Simms: Oh, that's right. I didn't imply that you weren't that important, sir.

The Vice-Chair (Hon. Bryon Wilfert): No, and I didn't imply that I would let you go on unless—

Mr. Scott Simms: Mr. Chair, before I go any further, just so that I can lay the groundwork here, you're not going to let me ask about fixed-wing search and rescue, are you?

The Vice-Chair (Hon. Bryon Wilfert): No.

Mr. Scott Simms: I didn't think so. I just thought I'd cut that out of the equation. I'm sure Mr. Hawn would agree.

Going back to the timing of the issue, it seems to me that the decision was made for us in 2002, when Lockheed Martin was chosen as the supplier for these F-35s. That's a pretty big difference, between just a short time ago and back in 2002.

Did the Department of National Defence give you any indication up until then that this was the aircraft? It seems to me that this should have been done a long time ago. Obviously there was another player involved, I guess, if you received notice only a short time ago.

Mr. Tom Ring: I'm going to address that question and then turn it over to my colleague to talk about some of the process for the development of the statement of requirements.

Perhaps if I could, sir, I'll begin by just describing a little bit about the procurement process. As was mentioned earlier today, the formal part of the procurement process begins when a statement of requirements has been developed by our client and provided to us. Prior to the development of an actual requirement or what are the specific needs, there is often, frequently, a dialogue between ourselves as the service provider and the client department about the development of those requirements and the needs, and the statement of needs, so that we can be involved in the process, but it is to the client to actually develop those requirements and give them to us.

There was an awfully long process, as I think you've referenced, between 1997 and the current time, where a program was in development, requirements were being developed, decisions were being made, and approvals were being sought. But when that process has been completed, the requirement then is given to the Department of Public Works and we then activate the formal part of the procurement process.

I'll leave it to my colleagues to speak to some of the details around what transpired between 1997, as you say, and 2010.

The Vice-Chair (Hon. Bryon Wilfert): Just briefly, Mr. Ross.

Mr. Dan Ross: Thank you, Mr. Chair.

Sir, I'd just point out that the announcement of Lockheed Martin as the winner of that competition was not necessarily a *fait accompli* that Canada or any of the partners would acquire the aircraft. It gave us access to the information as the concept and testing and trials proceeded, but we needed to closely monitor that to determine whether it was going to be successful. Would they be able to deliver the three variants? Would they be able to fly them successfully and test them successfully? At the same time, we monitored other countries and the development of other aircraft.

So it has only been in the last year or so that we've watched the success of the joint strike fighter program and with a degree of confidence we could come to government and say, "Yes, we've participated early. We've watched it. We know what we're doing. We have access to detailed, classified information and we're going to make the right decision."

• (1125)

The Vice-Chair (Hon. Bryon Wilfert): Mr. Simms.

Mr. Scott Simms: Thank you, Chair.

Okay...I just apologize, because I get the feeling that it was more of a *fait accompli* well before that.

Nonetheless, I have a question for Monsieur Deschamps.

Can you describe to me what a perceived threat is and how the F-35 would be effectual during a perceived threat?

LGen J.P.A. Deschamps: Thank you, Mr. Simms.

I think it's a good question, because every time I've been out recently, talking to different groups of folks about the program, the first question people ask me is typically, "Why do we need fighters?" If you can't answer that question, then no matter how much money it is, it seems to be too much. So I believe that's a fundamental question.

As I tried to express in my opening remarks, right now the only thing that allows any country to exercise control of its airspace is the manned fighter. There is the potential that in the future unmanned technology would be mature to the point where that might become an option. It doesn't mean it would be cheaper, but it might become an option.

Right now we don't see it being a feasible solution for many decades, and neither does the United States, because it's investing enormous sums of money in that next generation of fighters, as are all the industrialized nations, western and others. So the manned fighter remains the critical platform that's required to maintain control of your airspace, with regard to both a situation of awareness and a capability for deterrence and acting.

The definition of threat, sir, depends on what the circumstances are. There are two components to deterrence. Deterrence comes from having awareness of or at least being alert to what's out there and having the ability to react. For us the combination of that would translate into knowledge, situational awareness, and readiness. Readiness is made up of people and equipment and training.

The two add up to deterrence. If you don't have situational awareness, if you don't know what's going on inside or outside your own domain, then you're very prone to surprise and some very negative outcomes.

As for the second component, if you don't have the capabilities to react or act, then you're also likely not to be successful. Therefore you don't have a deterrent effect.

For us it's really about maintaining balance. As we looked at the future scenarios and the very uncertain future security environment, it was part of our analysis.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, General.

Mr. Scott Simms: That's my time, isn't it. Okay, thank you, sir.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Simms.

[Translation]

Mr. Bouchard, you have the floor for seven minutes.

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

Good morning, everyone. My first question is for Lieutenant-General Deschamps.

The minister talked about the distribution of F-35 aircraft between Cold Lake and Bagotville, in other words, 24 in Cold Lake and 24 in Bagotville. Seventeen will be used for pilot training, and the base for those will be announced in due course.

How is the current F-18 training going? Will the same F-18 plan be used? I believe the majority of the F-18s are based in Cold Lake. Of 80 F-18 planes, 30 are based in Bagotville and nearly 50 are based in Cold Lake. Will the same plan be put forward for the F-35s?

LGen J.P.A. Deschamps: Thank you for your question, Mr. Bouchard.

It is a bit premature right now to give details about that. As you said, the task forces can at least be split in two. There are approximately 24 planes per base. Seventeen is the maximum number of planes that has currently been set aside and that may be used for training. These aircraft are still operational but are primarily used for training. My goal is to reduce that number. It is too early to say how that will be achieved, be it through simulation, partner training or a contract. This is a relatively new area for us. We will need a few years to put together a program proposal that meets our needs at an affordable cost.

Training currently takes place in the United States, with our partners, for the beginning of the program. We still have many years ahead of us before we have to decide what the future of training will be. My goal is to reduce the number of planes that would be dedicated to training and to allocate those planes to operational units in order to maximize our operational strength. I cannot say where that will be, as it will depend on how effective and efficient the partnership is.

• (1130)

Mr. Robert Bouchard: Thank you.

Bagotville is the only French-speaking military base in Canada. And it has state-of-the-art simulators. Could you see Bagotville being used for education and training in order to increase the use of French in defence? Everyone knows that defence is highly criticized and that there are complaints regarding the French fact. Could Bagotville be used for education and training?

LGen J.P.A. Deschamps: It is very possible. Again, that will be part of our analysis on the future of fighter force training. It is still too early to say what the most beneficial location would be, from a cost perspective, for pilot and technician training.

As for the training that could be done at Bagotville, I think we are already distributing the work well between the two bases. But obviously we also need to focus on an economy of effort, given the large number of employees that receive training. We are going to keep all of our options open until we know more details about the training. It is still a bit early yet. Training has just begun in the United States, and we are not yet certain of the scale it will involve. So we have to wait a bit longer before determining which direction we are going to take.

Mr. Robert Bouchard: In terms of the 17 other aircraft, you said you would like to reduce the number of aircraft used for training. To that end, do you anticipate sending F-35s to bases other than Cold Lake and Bagotville? Can we expect to see more F-35s in Bagotville?

LGen J.P.A. Deschamps: My goal is to have as many operational aircraft available as possible. Right now, we expect to have to allocate a certain number of planes to training, but it is also important to understand what is involved with simulation. As part of this new generation of aircraft, simulation will be very sophisticated, very advanced. Therefore, my goal is to reduce the number of flights in real planes and to put more focus on simulation. With that in mind, we will need to find a balance, but it is still a bit early yet. Any savings achieved through my training fleet I want to reinvest fairly between my two operational fighter squadrons, Bagotville and Cold Lake. I cannot specify the number of aircraft. We have to wait and see. There is some work to be done.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Bouchard, you have 1 minute and 30 seconds left.

Mr. Robert Bouchard: General, I would like you to confirm something for us. Is it true that the United States will have exclusive control over data related to stealth techniques and the electronic system, among other things, and that Canada will not be able to obtain that information to maintain the bases?

LGen J.P.A. Deschamps: If I understand correctly, you want to know whether there will be a distribution of the information required to work on the planes, at the industry level. The answer is that the participants will take part in negotiations to determine the level at which that can be achieved, be it in terms of software or practical work on the aircraft. That is included in the support service that has to be worked out.

Certain technological aspects are top secret, and only the U.S. government will have that information. It is important to understand that access to such one-of-a-kind technology will be limited. And that is part of the edge that the U.S. government wants to maintain. But that does not mean we will not have access to the parts available to the partners. We are not the only ones in this situation; all the other partners are also in the same boat.

The issue surrounding the level of information distribution we can expect when it comes to access to cutting-edge technology will be discussed during negotiations involving the partners and the company. As mentioned, contracts already exist for aircraft structures and components. They are already in place. However, we definitely will not have access to certain levels of the software, which is highly advanced.

• (1135)

[English]

The Vice-Chair (Hon. Bryon Wilfert): *Merci*, General.

We will now go to Mr. Harris for seven minutes.

Mr. Jack Harris: Thank you, Chair.

Thank you, gentlemen and madam, for joining us today.

My first question is a technical one, I suppose. We've been throwing around different kinds of language here today, and it was suggested that the current government inherited a contract for the striker project from the Liberals, with some talk about cancellation fees, etc.

Is there in existence a contract to buy 65 fighter jets, and are there cancellation fees spelled out in this contract? If there are, what are they? Or are these just political words? Do we have a contract at this point? And if we don't, when will there be a contract?

Mr. Dan Ross: Thank you, Mr. Chair.

There is no contract in place today. The discussion, as the minister said this morning, is under the partnership MOU for production, sustainment, and follow-on development, which includes the terms and conditions through which a partnered country could acquire aircraft.

I can ask Mr. Slack to comment on the conditions in which one would withdraw and any financial penalties that a partner nation would have to take into consideration.

Mr. Michael Slack (F-35 Project Manager, Director of Continental Materiel Cooperation, Department of National Defence): Thank you, Mr. Ross.

The reality is that if we do withdraw from the current MOU, we will have to negotiate a withdrawal fee with all the other partners. What that fee would be would be determined by negotiations with the other partners, but there certainly would be a cost associated with the withdrawal from the MOU.

Mr. Jack Harris: Can we have that MOU tabled? Is that something that's a public document?

Mr. Michael Slack: The MOU is available on a website. We can provide that website to the committee. We can also, if desired, actually table the MOU if needed. But it is available. It's been publicly available since 2006.

Mr. Jack Harris: No, I'm not referring to the 2006 MOU, I'm—

The Vice-Chair (Hon. Bryon Wilfert): Could I ask for the committee, then, in that case, that we have it tabled?

Mr. Michael Slack: Mr. Harris, that's the last MOU we did sign with the other partners. It was the production, sustainment, and follow-on development MOU, and it was signed in 2006.

Mr. Jack Harris: So we're not talking about a new MOU. There's no new MOU since then? Is that what you're saying?

Mr. Michael Slack: Yes, sir, that's correct.

Mr. Jack Harris: What's happened, then, since May 27, when the minister told us that there will be a competitive bidding process for the acquisition of new aircraft, so that we're now where we are? I mean, if this decision was made in 2002, what decision was made in July that was announced to the public that all of a sudden we're talking about cancellation costs and this type of thing?

Frankly, I'm confused, and I believe Canadians looking at this or hearing about this will be very confused. We thought we had a decision made in July. I thought the minister told us there was going to be a competitive bidding process on May 27, and now you're telling us there are cancellation fees going back to an agreement signed in 2006.

I think the public deserves a better explanation than that, frankly.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Ross.

Mr. Dan Ross: Thank you, Mr. Chair.

I think the minister more specifically committed to a fair, open, and transparent process. Government officials, as I said in my opening remarks, had been watching and doing an analysis of both the statement of requirements and what was available more broadly in the marketplace.

Clearly we had participated in a fair, open, and extremely rigorous process from 1997 to 2002, when the Boeing proposal was unsuccessful over the Lockheed Martin proposal.

Officials looked at that, and with our colleagues in Public Works asked, first, was that was sufficiently transparent? Was that sufficiently rigorous, fair, and open? As well, did it deliver the solution that here, in 2010, was the most appropriate solution in terms of cost, operational performance, and so on?

Obviously we were of the view that this was a rigorous and fair and transparent process.

• (1140)

The Vice-Chair (Hon. Bryon Wilfert): Mr. Harris, two minutes.

Mr. Jack Harris: What we're looking at, I guess, is a backward bidding process, by the sounds of it, putting it back nine or ten years.

Mr. Ross, I believe it was your predecessor, Mr. Williams, who said:

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.

That's the formula for a standard operating procedure for government procurement, particularly when you're looking at choices and military needs.

It seems to me that somehow or other you're being asked, and your officials are being asked, to shoehorn into a government decision something that doesn't even look like this because the military needs weren't the ones that came out first, in the last six months, and said, "Hey, here's what we expect, here's what we require, and how do we best achieve that result?"

It seems to me that somebody has made a decision that they want this particular fifth-generation aircraft and that everything else is being tailored to suit that decision.

Mr. Dan Ross: Mr. Chair, obviously Mr. Williams is no longer accountable for defence procurement in the Department of National Defence. As Madam Ambrose outlined, when it's crystal clear and based on substantive analysis that there is only one choice that meets the operational requirement of fifth-generation capability that will be operationally viable for 35 years, that is entirely within the contracting regulations of the Government of Canada and is the appropriate way to proceed, clearly, when a competition would have lost time and industrial opportunities for Canadian industry and not resulted in any other outcome.

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much, Mr. Ross.

I will now go to Mr. Hawn for seven minutes.

I would inform members of the committee that lunch is now available at the back. I know there's no correlation between lunch and Mr. Hawn, but I just thought I would let you know that.

Mr. Hawn.

Mr. Laurie Hawn: I am in for lunch, not out to lunch. Thank you, Mr. Chair.

Thank you to the witnesses for coming.

I have a couple of questions for each of the witnesses.

General Deschamps, just following on with what Mr. Harris alluded to, can you confirm that the military needs have always been at the forefront in any determination of military equipment, whether the F-35 or anything else?

LGen J.P.A. Deschamps: Thank you, Mr. Hawn.

Mr. Chair, it's important to point out that my role, of course, and any service chief's role, is really not to get involved in the debate that we're hearing this morning. We're certainly aware of it and it is an important one, but our job is to look ahead and decide what government expects us to do, and therefore look at the best means of delivering on those expectations. That's what we've been doing in developing the statement of requirements that we then internally get sanctioned and approved through rigorous discussion and analysis, and at some point, if the government decides it wants to move ahead, it goes into a procurement process and would then be translated into a request for proposals, and that's where that would be expressed.

Certainly we've followed our process, as you would expect. The fact that now we're into a discussion on how the procurement will occur is certainly a valid one, but I think we've followed our process, as we would for any other program.

Mr. Laurie Hawn: Thank you for that.

Mr. Chair, through you to General Deschamps, is it safe to say that in a program such as this you're looking at an airplane that will be good for the next 35 years, not the past 35 years?

LGen J.P.A. Deschamps: That's very correct. We have to remember that this airplane doesn't come into service, doesn't start doing its job, until 2020, and it has to go for at least 30 years, which is our typical expectation. That's 2050. That's an awfully long time, and I dare anybody to try to anticipate what's going to happen in 2050.

We have to build agility and flexibility into any program that we go after; otherwise, government will be limited in its options 10 years after we procure the airplane, or perhaps even earlier.

So that is the challenge of this process. As we look at future requirements, we have to be able to anticipate, without knowing the future, what agility government would expect in its military.

• (1145)

Mr. Laurie Hawn: Thank you, General.

Again, Mr. Chair, through you to Colonel Burt, your experience is extensive: three tours on CF-18s, a CF-18 squadron commander. How long have you been involved as the next-generation fighter program manager? How long have you been involved in your current position?

Colonel D.C. Burt (Director, New Generation Fighter Capability, Chief of the Air Staff, Department of National Defence): I've been in this position since 2007, but I must add that I've been in Ottawa at headquarters for 12 years now, and it has been during that entire time as project director for CF-18 modernization and then as director of requirements that I have been looking at this process.

Mr. Laurie Hawn: So is it pretty safe to say there's probably nobody in Canada who knows more about the F-35 program and how it relates to the CF-18 program than you?

Col D. C. Burt: It's the F-35 program and how it relates to the next-generation fighter capability project and all the other options as well.

Mr. Laurie Hawn: Colonel, there's some concern here that this airplane was not evaluated, that the requirement was not evaluated, and so on. Within the limits of classified information, can you give us a sense of the evaluation that you and your team did with the F-35 and fifth-generation capability versus the fourth-generation aircraft that you looked at?

The Vice-Chair (Hon. Bryon Wilfert): Go ahead, Colonel.

Col D. C. Burt: Thank you for that question.

Let me start by saying that in 2008, when the Canada First defence strategy came out, there was a very clear understanding between the director of air requirements and me that he and his team would be developing the requirements while I and my team would be doing the analysis against the requirements. We ran two very parallel paths. As those requirements were finalized through the early part of 2010 and as my team and I studied—in some areas, at very highly classified levels—the capabilities of the range of options, it was absolutely clear that, measured against the requirements, there was only one option, the joint strike fighter, the F-35, that met the mandatory requirements. In comparison with the other options, it is revolutionarily different in terms of capability.

Mr. Laurie Hawn: Again, within the bounds of classified information, can you outline two or three of those differences between the F-35 fifth-generation and airplanes like the Super Hornet or Eurofighter?

Col D. C. Burt: The attributes of fifth-generation that really stand out are very low observable stealth, advanced sensors, the fusion of that sensor information both from on board the aircraft and off board, and the networking that allows that process to take place. The combination of all of these attributes allows fifth-generation capability to far exceed any other option that we considered, any fourth-generation, or four-plus, type of aircraft.

Mr. Laurie Hawn: Put in simple fighter pilot terms, does that mean that the guy sitting in the cockpit now has access to information on a secure basis, a volume of information that is tailored to the needs of that mission, that target, that moment, which you would not have in a fourth-generation aircraft?

Col D. C. Burt: Our biggest challenge, as you are aware, in flying fourth-generation and earlier aircraft was understanding what was going on around us, having situational awareness, and then determining, using the small amount of time that was left, how we would react to the tactical situation. With fifth-generation, that situational awareness is presented to the pilot, far decreasing the amount of time and effort it takes to understand what's going on, and giving far more time to make a much better decision and react far better to the tactical situation.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Hawn, you have a minute.

Mr. Laurie Hawn: Thank you, sir.

In terms of operational effectiveness, then, would you say that with a fifth-generation aircraft, such as the F-35, the operational effectiveness is dramatically increased and the survivability of the aircraft and the pilot is dramatically increased?

Col D. C. Burt: Fifth-generation capability in terms of survivability and effectiveness is a total game-changer. It's a different level entirely.

Mr. Laurie Hawn: Thank you.

I'm going to come back to Mr. Ross later in my next round, but I think I have 30 seconds left.

The Vice-Chair (Hon. Bryon Wilfert): You have 30 seconds, yes.

Mr. Laurie Hawn: Mr. Ross, when did you become ADM materiel?

Mr. Dan Ross: In May 2005.

Mr. Laurie Hawn: Okay. So for the last five years, you've been part of the evolution of the processes of procurement and industrial participation and so on.

Okay, good. I intend to come back to that later.

Thank you, Mr. Chair.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Hawn.

We will now go to the second round. The second round is five minutes. We will start out with Mr. Simms, followed by Monsieur Bachand, I believe. No? We don't have a Conservative down yet, so unless otherwise informed.... Okay, Mr. Payne.

Mr. Simms.

• (1150)

Mr. Scott Simms: Colonel Burt, thank you for your testimony. I enjoyed it. It was informative.

So this plane, this F-35, certainly as you've illustrated, is certainly in a class of its own altogether—I believe the word used was “revolutionary”. Someone else brought up another plane that you would consider fourth-generation. Is that correct?

What do you think is the closest competitor to what the F-35 has to offer?

Col D. C. Burt: Thank you very much for the question. There really isn't a close competitor to fifth-generation. All of the other options that were considered were fourth-generation aircraft. Some

of them had some improvements to them, so some of the marketing describes them as four-plus generation—4.5 or in that range—but there was no other option that was truly a fifth-generation and had the attributes that I described earlier of the very low observable stealth, advanced sensors, the fusion, and the networking.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Simms.

Mr. Scott Simms: Thank you.

What you're basing it on is what Mr. Deschamps talked about in earlier testimony, the perceived threat to sovereignty and that sort of thing. It seems to me that we're really focused here on the perceived threat and the sovereignty issue that we've seen, such as in the exercise of intercepting the Russian bomber. Certainly there are other functions for this as well, including the CF-18 that had a stint in Serbia, or Bosnia or Herzegovina, wherever it was.

When it comes to other missions, I'll say air-to-ground missions, describe to me why the F-35 is the best choice. Do we see ourselves in that position where there is also a perceived threat in an air-to-ground mission, as we did some time ago?

The Vice-Chair (Hon. Bryon Wilfert): Colonel.

Col D. C. Burt: The key issue in operations is being able to come home safely and go the next day, and because of the very low observable stealth and the other capabilities that are incorporated in fifth-generation aircraft, the risks to the operator are diminished significantly and the chance of coming home is far increased, which enhances survivability. The difference in that kind of technology between fourth and fifth generation is of such a magnitude that there is no comparison.

Mr. Scott Simms: Mr. Ross, I'd like you to go back to the process once again. We seem to be going back to this issue about 1997. When we first signed on to this program, what was asked of Canada, what was it we were to provide, and what was our official function in that 1997 process?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Ross.

Mr. Dan Ross: Thank you, Mr. Chair.

I will ask Mr. Slack to also comment. As the project manager, he's been involved in the program for 13 years, right from the beginning.

Now, right from the beginning, when we initially signed that first MOU, as I said in my opening remarks, we put full-time people into the joint program office in Washington. Even in the most early days, the only real participants in that were the Americans, the British, and Canada.

Right from the beginning, the joint project office was keenly interested in understanding what the needs of the partners were in terms of lethality, survivability, and affordability, without which those partners would not have proceeded to continue in the program and actually acquire aircraft. It had to respond to the needs of all of the partners. That's one of the reasons you see three variants today: conventional takeoff and landing, which we're buying; carrier variant, which the British and the Americans are buying; and a short takeoff and landing variant, which, again, the British and the Americans are buying. We had direct input into the operational requirements document that drove the competition between Boeing and Lockheed Martin.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Ross.

Mr. Simms, you have about 35 seconds.

Mr. Scott Simms: Did we put a formal proposal in, a list of operational requirements from strictly a Canadian perspective, to the Americans that indeed the Lockheed Martin choice was the best one?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Ross.

Mr. Dan Ross: Thank you, Mr. Chair.

No, we did not have a separate, unique Canadian proposal. We reviewed effectively the joint multinational requirement, of course heavily and initially drafted by the United States Navy and the United States Air Force, and had input and comment. There was a feedback loop: are we meeting the needs of all the participants in the program?

• (1155)

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much.

I will now turn to my colleague Mr. Payne for five minutes.

Mr. LaVar Payne: Thank you, Mr. Chair.

To start, my questions, through you, Chair, are for either the general or Colonel Burt.

In particular I'm interested in getting a little more detail on what the Canadian air force had in terms of its development needs and the requirements, and how that fit in with the overall program as to how it developed for the F-35.

The Vice-Chair (Hon. Bryon Wilfert): General Deschamps.

LGen J.P.A. Deschamps: Thank you, Chair.

Just to go back to what's already been expressed in different questions, we've been looking at this for several years...clearly Colonel Burt and his team, and the folks before him as the program was evolving from 2001 and so on. Once the government decided in 2008 that we were going to replace the CF-18, then that gave us the impetus to finalize our views of the future requirements.

So the analysis had been ongoing, but clearly now that we understood the government wanted to move to a new generation of fighters for the future security environment, we were able to complete our analysis and then do a final check, looking around to make sure that we had looked at every possible opportunity out there for us to look at what we were going to table as our requirements.

It's safe to say that we certainly considered how we would approach this option. Something that didn't come out is we have three major missions. The minister has kind of mentioned them, but we have to defend Canada—clearly, number one—North America, and then of course there's peace and security as part of our contribution abroad.

We can't really afford to buy three airplanes to do those three big missions. It's been brought to bear, do we really need stealth to go to intercept or deal with something like a Bear and so on? Clearly there are ranges of options. Unfortunately for us, our ability on a resource basis to afford multiple fleets to do the really high-end stuff and to do, maybe, the less demanding stuff is not there.

If you look back at the history of the air force, we had thousands of fighters in World War II, hundreds and hundreds in the Korean War, still hundreds in the 1960s, 1970s, and 1980s. We're now looking at 65. Therefore quality does count, because to do multi-roles in multi-domains, from high-intensity, high-demand environments that we can't predict, to maybe the home scenario, which doesn't necessarily require all those skills sets or all those capabilities, we have to consider that. Obviously, a mixed-fleet option for us is not affordable.

So the requirement is there. You could meet the requirement by having multiple fleets, but that option was not viable, just from a resource perspective. The F-35 meets all the needs and is affordable. So to us that was a very compelling argument.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, General.

Mr. Payne, you have two minutes.

Mr. LaVar Payne: Thank you.

You mentioned interoperability with regard to our aircraft and certainly as part of NATO and NORAD. Can you maybe give us an insight as to how that will help us in terms of working with our allies?

LGen J.P.A. Deschamps: Thank you, Mr. Chair.

It's an important component. We talk about what interoperability means. Up to now we've spent a lot of money on upgrading the CF-18 so it would be functional to work outside of Canada within NORAD and, of course, with the coalition, but I would say it has first-level interoperability. We can talk to other people, and we can share some data, and that's an important first step.

The F-35 would take it to a whole new level, which would mean in the end that we could communicate using means through which we can't right now. Right now we still have to use a lot of verbal communications that give away your position. They are a means involving compromise, if you will. We need to exchange some electronic information with our friends out there, but only a limited amount.

The F-35 allows you to share with partner aircraft basically the entire situational awareness that the platform sees, which dramatically changes the effect you can have with a smaller fleet of airplanes. So when we go into operations abroad with like-minded coalition nations with the same platform, the airplanes are exactly the same. Therefore, we reduce our need to bring everything with us. We can share resources. We can quickly go into an operation without weeks and weeks of training, because we have exactly the same kit and the same software. It will make a big difference in how we do business as a coalition.

• (1200)

The Vice-Chair (Hon. Bryon Wilfert): You have about 10 seconds.

Mr. LaVar Payne: Okay, thank you.

Just in terms of this one aircraft, if we had to have different types of fleets, I am assuming we would be saving billions of dollars by not purchasing other aircraft.

The Vice-Chair (Hon. Bryon Wilfert): General, go ahead very quickly.

LGen J.P.A. Deschamps: Yes, sir.

Honestly, we could not afford more than a single fleet, and as a single fleet, the F-35 will meet all our needs and give us long-term savings in that domain.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, General.

Thank you, Mr. Payne.

[Translation]

Mr. Bachand, you have five minutes.

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

I would like to welcome everyone. For a while now, it has been my understanding that only Lockheed Martin will have in its possession the fifth generation and stealth aircraft. I understand your argument that as soon as we decide we want a stealth aircraft and a fifth generation, we cannot use a competitive bidding process and that, regardless, no one else manufactures fifth generation and stealth aircraft. Basically, you think it is pointless to hold a process, from what I understand.

The fact remains that certain people are not entirely satisfied with the performance of the aircraft. I will read you a statement made by Eurofighter, as good a competitor as any. There is the Super Hornet, but there is also the Eurofighter. I will read you the quotes in English because they are taken from an English-language publication.

[English]

Eurofighter say they have conducted internal simulations

[Translation]

—Colonel Burt may understand what is meant by “internal simulations”—

[English]

in which four-ship Typhoon combat air patrols, supported by an Airborne Warning & Control System (AWACS), defeat eight-ship JSF formations 85% of the time.

[Translation]

I would like to know whether or not that is true and what you think.

Further on, it says:

[English]

There are also suggestions that other simulation series pitting the JSF in one-on-one scenarios against such modern combat types as the Su-35 or the J-10 “do not always end in a JSF victory”....

The Vice-Chair (Hon. Bryon Wilfert): Colonel Burt.

Col D. C. Burt: Thank you, Mr. Chair.

We read all sorts of things in the media, and there's all sorts of speculation. The challenge I have is not being able to ask the author of articles like that the basis of some of their information.

I can assure you and this committee that the extensive analysis we have done shows us that the fifth-generation attributes of stealth, advance sensors, sensor fusion, and networking truly are game-changers and war-winners. We would not want to be without those

fifth-generation capabilities. The allegations in this article that in certain scenarios the Typhoon may have an advantage do not compare at all with the analyses that we have completed.

[Translation]

Mr. Claude Bachand: Did your analyses include that kind of training, that is, simulations pitting one combat type against the other and those pitting groups of aircraft against each other?

[English]

Col D. C. Burt: Absolutely. We have done a lot of simulation activities, both as part of the JSF program with other partner nations and unilaterally. I have been running a simulation-based process with a team that is uniquely Canadian, where we have been studying the differences between fourth- and fifth-generation capabilities and their employment, their exploitation, in unique Canadian scenarios. By far, fifth-generation capabilities are needed for unique Canadian scenarios, and by far they are far superior.

[Translation]

Mr. Claude Bachand: Now I have a question for General Deschamps.

General, having an aircraft with stealth technology gives rise to a new doctrine or new way of looking at air missions. Could you explain how a stealth aircraft could change the mission? Could it attack in an air-to-ground mission, without many people knowing? Are you looking to change the air doctrine somewhat? You are familiar with air doctrines that are based on what has happened, but is there a desire to move towards a new doctrine and a new kind of mission, as far as this aircraft is concerned? Could you give us a brief explanation?

● (1205)

The Vice-Chair (Hon. Bryon Wilfert): General, you have roughly 30 seconds.

LGen J.P.A. Deschamps: Absolutely. The minister talked a little bit about what we would be able to do but cannot do today. We are talking about an internal threat, a ship that may be carrying dangerous items or threats that do not necessarily emanate from a state but that need to be monitored. Current monitoring techniques are limited without being detected. With an F-35 platform, the government can monitor without having to take action. That gives us options that our current conventional airplanes do not. The same answer applies to air-to-ground operations. The aircraft can carry out those operations. The danger is much less than what we can do with conventional planes.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, General.

[English]

We'll now go to Mr. Braid for five minutes.

Mr. Peter Braid: Thank you very much, Mr. Chair.

Through you, I have some questions for the general, arising out of his presentation.

I wanted to start by asking about the transition plan. You indicated that, of course, the time period for the acquisition of the F-35s, the eventual replacement of the CF-18s, in fact is 10 years from now, 2020. Why is it important to have a transition time?

The Vice-Chair (Hon. Bryon Wilfert): General.

LGen J.P.A. Deschamps: Well, it's important because it's a big difference in technology, and therefore there's going to be a re-education required, for both the air crew and our technicians. So that takes time.

As we saw with the CF-18, to go from our legacy CF-104s and Voodoos to CF-18s took us from 1982 to 1988—six years—but we had more airplanes. Right now we only have two combat squadrons, so we're going to have to do this very carefully. While we're doing transition we still have to keep doing our job. We're going to have to look at how we overlap learning. When we think we're ready to cut the string on the CF-18s, we'll say, okay, we can now put that unit to rest and we now have a new capability.

It will take time. It will take us several years to do that learning and transition to a new capability without losing our current and expected capabilities to meet our defence needs.

Mr. Peter Braid: Very good.

Through you, Mr. Chair, I have a technology-related question now. Through earlier presentations, I think it's been made very clear how Canadian industry will benefit through this contract, through the acquisition of F-35s, particularly from a hardware and a manufacturing perspective.

I'm interested in the technology side and specifically the software aspect of this. Could you speak to opportunities for Canadian high-tech business, for the type of knowledge workers and knowledge-based jobs that we want to see created in our economy? What opportunities will there be with respect to the development of new technology, the commercialization of technology right here in Canada?

Mr. Michael Slack: Mr. Chairman, that's an excellent question.

A number of Canadian companies have developed software for the JSF program. I bring your attention, and I think it was referred to in earlier testimony, to the company NGRAIN in Vancouver. NGRAIN's technology is actually going to be used for monitoring the maintenance of the low observable stealth codings on the joint strike fighter, not only for Canada but for all the partners. That's just one example of a number of examples of where Canadian companies have developed software for the joint strike fighter.

Another good example that I like citing is Adacel. It's working on the voice recognition software for the joint strike fighter. Actually, our pilots will be talking to the aircraft, and the aircraft will be able to recognize the commands that our pilots will be giving it, and that software is being partly developed in Canada. That's quite an amazing high-technology development.

Those are just two examples of many that are out there right now and are actually being employed in the JSF program.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Braid, you have about a minute and a half.

Mr. Peter Braid: Thank you.

I have a final question, perhaps back to you, General, with respect to the eight other partner countries that we're participating with. I'm thinking specifically of countries like the Netherlands, Denmark,

Norway, Australia. Are you aware of the number of planes, F-35s, they have identified that they wish to acquire? And what are those numbers?

The Vice-Chair (Hon. Bryon Wilfert): General.

LGen J.P.A. Deschamps: I would pass that to Mr. Slack.

• (1210)

Mr. Michael Slack: The total number of airplanes that will be bought by the partnership is 3,173. That's exclusive of any airplanes that are bought by third parties like Israel, which will add to the number. The total expected buy of joint strike fighters is anticipated to be around 5,000 over the life of the program, making this probably the last major manned tactical aircraft program that we'll see certainly in this century.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Braid, you have about 30 seconds.

Mr. Peter Braid: If I could perhaps be more precise, in a country like Denmark, or perhaps Norway, do you know the number they have identified?

Mr. Michael Slack: We do, but I can't provide that particular number to you.

Mr. Peter Braid: Okay. Understood.

Thank you, Mr. Chair.

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much.

We'll now move to Monsieur LeBlanc, for *cinq minutes*.

[*Translation*]

Hon. Dominic LeBlanc: Thank you, Mr. Chair.

Thank you for your presentations, gentlemen. General, thank you for your comments. I think you did a good job of describing the needs of your air force, and I appreciate that.

[*English*]

My question perhaps is for Mr. Ross, or for someone else who perhaps is better able to answer.

We've heard a lot of discussion around the 2006 MOU. I'm not absolutely certain if in fact this is an accurate statement. Does the 2006 MOU prevent Canada from undertaking a competitive process to acquire the next-generation fighter aircraft?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Ross.

Mr. Dan Ross: Mr. Chairman, Mr. Slack can correct me if I'm wrong—he is the expert on it—but my understanding is that, no, technically it does not prevent you from entering into another process. It does prevent you from acquiring it through a direct commercial contract without withdrawing from the PMOU.

Hon. Dominic LeBlanc: Understood.

So a competitive process that would lead to that same conclusion, to continue under the MOU and sign a procurement contract and so on, would in fact fall within the four corners of the MOU. You would have had a competitive process, and if the aircraft is as capable as you've said it is—and I've no doubt that you're accurate—then presumably that aircraft would win the competitive process quite easily.

Mr. Dan Ross: That's a very good point, sir. There are two problems with that. First, under current government contract regulations, when you clearly have only one supplier you actually should directly negotiate with that supplier. In this case, you would do it through the PMOU.

The other serious issue with that is the time it would have taken, during which the global supply chain for joint strike fighter production would have effectively excluded Canadian companies to billions of dollars of detriment.

So we had two major issues with the time and effort it would have taken to do a process that would have had the same outcome.

The Vice-Chair (Hon. Bryon Wilfert): Thank you.

Mr. LeBlanc, you have about two and a half minutes.

Hon. Dominic LeBlanc: Thank you, Mr. Chair.

Mr. Ross, I appreciate that answer. Following up on the supply chain, it perhaps was the colonel who said there were all kinds of stuff in various public reports. Certainly I don't have any way to assess whether or not it is accurate, but I'm hoping you could help me.

Around the operation and maintenance cost we have seen numbers vary rather wildly as to what over the life cycle of this particular aircraft, the F-35, the maintenance cost would be. Can you perhaps share with us some research you have or some work you have done and clarify what is the range of what would be the appropriate operation and maintenance cost for the life cycle of this plane, and how you arrived at those numbers?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Ross.

Mr. Dan Ross: Perhaps I could start, and Mr. Slack could give you some more specifics on studies that the partner countries and the joint project office have done.

In a more global sense, we expect it to be in the same range of \$250 million annually that we spend on F-18s or any other similar aircraft. However, we'll have not a fleet of 138 but a fleet of 65. We'll have a single engine instead of dual engines. It's well known that fifty percent of the maintenance cost for a jet fighter is for the engine. So we're going to a very reliable level of technology and engine that is several generations beyond the F-18 engine, and a single engine.

Clearly, globally again, we are going to exercise the economy of scale, with all of our partners, on spare parts, maintenance procedures, the cost of developing new releases of software, and so on, and we really hope to drive that down below what we have had to expend to maintain our F-18s.

Perhaps Mr. Slack could comment a bit more on some of the detailed studies.

•(1215)

The Vice-Chair (Hon. Bryon Wilfert): He can, within 25 seconds.

Mr. Michael Slack: I can do it in 25 seconds.

We're looking at a range of different opportunities to cooperate with our partners on this program in the whole sustainment area. One

of the things we're looking at doing, for example, is pooling our spare parts with the other partners. This alone could yield a 47% reduction in the number of spare parts that we would have to buy over the life of our program. There will be significant cost savings to the department if we can realize that particular goal.

Other things we're looking at include a 21% reduction in the acquisition of equipment to support the jets over the life of the program and a significant reduction in the amount of time it's going to take to train our maintainers, as well as the number of maintainers we might need at our bases, to support these particular aircraft. All of these things—

The Vice-Chair (Hon. Bryon Wilfert): Thank you. We may come back to that.

We will now go to Mr. Calkins for five minutes.

Mr. Blaine Calkins: Thank you, Mr. Chair.

I certainly appreciate the opportunity to ask a few questions. I have one question about the aircraft itself, but my curiosity's been piqued by the supply chain.

It just occurred to me that when we have a global supply chain, with the whole supply-chain management for the parts, whether it's for the ordinances, whether it's for the parts for the aircraft, with our consortium partners in this venture, what assurances do we have that there will be continuity of that supply chain? What redundancies are built in place, through a contract or through a memorandum of understanding, to ensure that all available necessary parts and services are going to be provided and not just by a single subcontractor? At least I hope there will be some redundancy in the system.

The Vice-Chair (Hon. Bryon Wilfert): Who's going to take that one?

Mr. Slack.

Mr. Michael Slack: I'll take that one, Mr. Chairman.

Actually, both Lockheed Martin and the joint strike fighter project office have done a rigorous analysis of the supply chain. Redundancy has been built in. There are many second sources of supply for the 40 critical components on the aircraft.

Every effort is going to be made to ensure that the international supply chain is robust and can operate as effectively as possible to meet the requirements of the build profiles we have for the program, for the 3,173 aircraft. Every attempt is being made now to reduce the risk of having an international supply chain on this particular program, and to keep the cost down as much as possible.

Mr. Blaine Calkins: So is there anything in place, say any agreements amongst our partners, that would preclude or exclude or give priority access to the supply chain for a particular country, or is everybody equal partners as far as access goes?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Slack.

Mr. Michael Slack: Mr. Chairman, all the partners have equal opportunities when it comes to a lot of the production opportunities that are flowing from the program. These opportunities flow to the Government of Canada. They are entertained by Industry Canada and distributed. We identify Canadian suppliers that can meet the requirements of the program, and we provide that information back to Lockheed Martin to ensure that our suppliers are on the receiving end of the request for proposals that are distributed by the program.

Mr. Blaine Calkins: My last question, Mr. Chair, through you to anybody who wishes to answer, is this. According to the basic knowledge I have about the CF-18, I think it has two missiles and a cannon that's able to drop bombs. We have air-to-air and air-to-surface capabilities there. Given the fact that we are going to sharply escalate the evolution of the technology through stealth, moving from fourth generation to fifth generation, what are we talking about insofar as ordinances and capabilities of the aircraft go? Is it going to have a cannon? It will obviously engage air-to-air. How is it going to engage air-to-ground? Are we going to be able to use these in counter-insurgency? Is it an excellent reconnaissance plane?

Can you just give me a little bit of information here?

The Vice-Chair (Hon. Bryon Wilfert): General Deschamps.

LGen J.P.A. Deschamps: The airplane, because of stealth, has an internal weapons carriage capability. That's part of that stealth component where you're reducing profile. You can carry internally a significant amount of weapons, about 5,000 pounds worth, and because you can turn it into a conventional airplane as well as a stealth platform, you can carry externally another 13,000 pounds, which is as much if not more than some of the conventional airplanes around right now. The airplane will carry a range of weaponry depending upon the missions. It opens up whatever avenue we need to open up for multi-role, and we can choose what weapons we select downrange. We don't have to pick the weapons now. Because of all the partners, there is going to be a range of weapons, so we can select later if we want other weapons. The airplane has a lot of versatility concerning what it can carry.

• (1220)

Mr. Blaine Calkins: When it comes to the operational, compared to the CF-18 from a flight range perspective, all of these things have been looked at in a comparative analysis. What kind of range does it have? Do we add on fuel tanks and all these other kinds of things that we normally would be able to expect from a fighter plane?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Burt.

Col D. C. Burt: Thank you for the question.

Our current aircraft has 16,000 pounds of fuel with three external fuel tanks. The conventional take-off and landing variant of the F-35 with internal fuel only is 18,500 pounds, so it has significantly more fuel just internally. It will have significantly more range and we can also put external tanks on the F-35. It will have significantly more range than we currently have, which is an incredibly important element when we look at flying across the far north of Canada.

The Vice-Chair (Hon. Bryon Wilfert): Thank you.

I would remind our witnesses and the members of the committee that we would be more than happy to accept anything in writing, if you would like to expand on any of your answers today as well. Thank you very much.

Our last questioner for the second round is Mr. Hawn.

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

I just want to go back to something that someone on the other side said; I forget who. This would be for Mr. Ross or perhaps one of the uniforms. The implication was that, because it was a joint proposal, maybe the Canadian-specific requirements for capability were somehow lost.

I would suggest that because we operate jointly with these allies around the world and in North America, in fact by doing a joint proposal with joint requirements, the airplane that we eventually come up with will have probably more capability than the strictly Canadian requirements, and therefore it gives us some options for meeting unknown situations down the road.

Is that a fair statement, Mr. Ross?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Ross.

Mr. Dan Ross: Thanks, Mr. Chairman.

Yes, Mr. Hawn, as General Deschamps talked about, the joint requirements process and in fact the joint and combined process with international partners did result in three mutually complementary variants and a very comprehensive and flexible range of capabilities. You're right that it probably does exceed what Canadians uniquely would have asked for at the time, but it gives us tremendous growth potential and operational longevity over the next 35 years.

Mr. Laurie Hawn: Just going back to what Mr. Bachand was talking about—I'll try Colonel Burt because that's who was picked on—is it pretty normal for somebody who builds a competing aircraft to say, "No, no, we can meet that requirement, we're better than those guys"?"

I mean, is that a pretty normal thing for somebody to say?

Mr. Dan Ross: They tell me that every day.

Voices: Oh, oh!

Mr. Laurie Hawn: I know.... Yes; that's probably good enough.

I do have to say, as a point of comment and going back to my personal experience 30 years ago with the new fighter aircraft project, the CF-18, that we were hearing exactly the same kind of people saying exactly the same things, raising the exact same criticisms as we're hearing today. And the CF-18 has been pretty darned successful over the past almost 30 years and will be for another 10 years, and I have absolutely no doubt this will be equally successful.

I want to talk to Mr. Ross a little bit. You've been ADM materiel for five years following Mr. Williams, who did a great job as ADM materiel. I have no question about that. Could you talk a little bit about how, in your time as ADM materiel, the whole procurement process and the process of industrial participation has evolved over that period of time to where we are today?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Ross, you have about two minutes.

Mr. Dan Ross: Thank you, Mr. Chair.

I will leave the industrial participation question to my colleague Mr. Parker from Industry Canada. I think he has some very positive things to talk about.

From the defence procurement point of view, things have changed dramatically. We have gone from the lowest price compliant, detailed specifications—a process that took a decade—to performance-based procurement. We've demonstrated that repeatedly over the past four or five years. And we have delivered new capabilities, for example, armoured logistics trucks to Afghanistan in 10 months. It's driven by performance and not by perhaps a 50,000-page detailed specification of engineering drawings that is onerous, difficult, and frankly incomprehensible to most human beings.

That process has driven years out of the defence program. It is combined with the Canada First defence strategy, which is a clear blueprint of funding commitments by this government, and accrual budgeting from the Department of Finance, where you can finance that initial procurement and then effectively mortgage the repayments through our normal budgeting process over the life of equipment.

Those three things—performance-based procurement, a long-term commitment of funding and a plan, and accrual budgeting—have made an enormous change in how defence procurement is taking place in this country. Without any one of those three, we would not be where we are in, for example, re-equipping the air force.

• (1225)

Mr. Laurie Hawn: Thank you.

Could we hear quickly from Mr. Parker?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Parker, be very quick, about 30 seconds.

Mr. Ron Parker (Assistant Deputy Minister, Industry Sector, Department of Industry): Sure.

The most significant change, from an industry perspective, has been the increasing use of global supply chains and the distribution of production around the world. Every single original equipment manufacturer in the industrialized countries relies on global value chains. The opportunity that this procurement offers for Canadian firms to become embedded in the global supply chain is practically without precedent.

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much. That was right on time.

All right, colleagues, witnesses, we are going into the third and final round. We have five minutes for each member.

We'll start off with Mr. Simms.

Mr. Scott Simms: We haven't changed our mind on the fixed-wing search and rescue, have we?

Voices: Oh, oh!

The Vice-Chair (Hon. Bryon Wilfert): I haven't changed my mind, no.

Mr. Scott Simms: Darn.

The Vice-Chair (Hon. Bryon Wilfert): But I'm sure we could have a meeting on that at some point, and I'll invite you.

Mr. Scott Simms: As we say in Newfoundland, God love you, then.

First of all, Mr. Hawn made the point about there being the same criticism today as there was back then. Well, I think the CF-18 was a fine aircraft and it served us well. Maybe in the absence of that criticism it would not have been as good. We hope to raise the bar in this particular situation, and I'm sure Mr. Hawn would agree.

Mr. Parker, I want to go back to that point you just made about the global supply chain. It is unprecedented, indeed. I would like to ask a few questions about that on the flip side. It seems to me that the way we're going is that future procurement of aircraft or vessels, whatever it may be in the Department of National Defence, will be subject to that global chain; therefore in some cases the ability to get needed parts in a very quick manner may not be as efficient as it was before. In other words, if we had the same airplane, the F-35, the same aircraft the Americans have, they may demand more because of the mission, whether it be Iraq, Afghanistan, or the next chapter.

How would that affect us? Certainly when it comes to less sovereignty for us...dare I use the word. At any rate, it's the only word I can come up with.

Less sovereignty would certainly put us...hopefully not in a precarious position when parts are needed, because I know that we have that situation when it comes to search and rescue.

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much.

I'm going to go to Mr. Parker.

Mr. Ron Parker: Thank you, Mr. Chair.

There's nothing unique about the F-35 in terms of its reliance on global value chains, parts coming from around the world. The management of supply chains has become an incredible art, just as you see on the commercial side as well.

In terms of this particular procurement, Mr. Slack has explained how various agreements are being put in place, arrangements are being put in place, to provide for the provision of parts. That's going to be managed through the Department of National Defence.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Slack.

Mr. Michael Slack: Thank you, Mr. Chairman.

We're working with our other partners on developing a global sustainment solution that will allow for the delivery of a part to Canada, anywhere in North America, in 24 hours, and anywhere around the world in 72 hours. There are going to be warehouses established around the world with joint strike fighter airplane parts that will be sent out, much like Walmart does right now, to points where they're required in real time.

• (1230)

Mr. Scott Simms: With all due respect, Mr. Payne mentioned that it's not like Walmart, and it's not like Canadian Tire. What bothers me is that at the 103 search and rescue base in Gander—I'm not getting into fixed-wing—there were instances where we had the aircraft unavailable at times of emergency, and one of the big reasons was because of parts, because you can't buy them at Walmart and you can't buy them at Canadian Tire.

I'm just trying to get to the nub of this, which is that I hope you're far more confident about these global supply chains, because from what I've seen thus far—you're more involved in operations than I am, and I understand that—I'm a little bit concerned about that global supply chain and its expediency to get a part on time.

Mr. Michael Slack: Every effort is being made, Mr. Chairman, to address some of the concerns that the member has raised. It's not only a concern to Canada, but it's a concern to all the partners. We need to make sure that we can get parts when we need them, where we need them, and that's an essential part of this.

One of the other facilitators in this process is that we're working with the United States and the other partners on developing a unique export control regime. One of the restrictions we have on getting parts quickly is sometimes the U.S. export control process, where there is a requirement to do retransfer authorization from the U.S. State Department to Canada, to the United Kingdom, to Australia. Within this program, we are working on addressing those particular issues in advance and making sure that no retransfer authorization will be required among the partners for parts required for the sustainment of the aircraft.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Simms.
[Translation]

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

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

Earlier we talked about the possibility of you submitting analysis options and the specific characteristics, that is, the statement of requirements. You said yes.

We would like you to provide a copy of the results of the simulation series that was conducted. We will probably introduce a motion shortly asking that it be submitted. Do you have any objections to submitting the study from your series of simulations that clearly show the superiority of the JSF?

LGen J.P.A. Deschamps: I understand what you are asking. The issue is that the simulations are “classified”. The documents we can supply would be virtually useless.

Mr. Claude Bachand: You mean they would be censored?

LGen J.P.A. Deschamps: It has to be censored. Since Canada does not own the information, we have to comply with the international standards we are subject to. I can, however, share documents that at least provide a more comprehensive view. That way, you would have enough information about the requirements, that is, the SOR. We can use “declassified” documents to begin the dialogue.

Today, we can leave you with an “unclassified” document that could at least serve as a reference point in discussing the airplane and its overall capabilities. If that would be of help to you, we could do it soon. We could provide you with the document on requirements as soon as possible.

[English]

The Vice-Chair (Hon. Bryon Wilfert): General, the committee would certainly appreciate that. Knowing a little bit about documents over the last couple of months—no pun intended—I want to indicate

that the more information this committee has, the better we're able to do our job. So we'd appreciate that.

Monsieur Bachand.

[Translation]

Mr. Claude Bachand: I would like to continue in the vein of what you said earlier, General Deschamps, regarding technological content and intellectual property. It appears that Lockheed Martin is not prepared, in a number of cases, to share the highly technological content and intellectual property it possesses on this type of airplane.

Hearing this kind of thing always scares me. I don't want the work of Canadian companies to be reduced to replacing tires or painting wing scratches. That is not what Canadian companies want. They want to be involved in the high-tech aspect, and they want there to be a certain transfer of intellectual property. I would like to hear your thoughts on that.

I would also like you to talk about ITAR. Do you feel that this policy should be changed? I have made several efforts regarding this in Washington. Do you think we should convince the Americans that, since we are unconditional friends, the ITAR approach should be done away with because it puts a burden on Canadian and Quebec companies?

• (1235)

[English]

The Vice-Chair (Hon. Bryon Wilfert): Mr. Ross, we have about one and a half minutes.

Mr. Dan Ross: Perhaps I'd just fairly quickly point out that Mr. Slack has already talked to the ITAR's special access that will be in place for all the partner countries and that actually takes that off the table.

In terms of intellectual property, we clearly will get access for Canadian companies to fully do maintenance on the joint strike fighters as they do on Hercules or C-17s and so on, particularly first-, second-, and part of third-line maintenance.

The other point I would make is that all the Canadian suppliers, with an amazing amount of Canadian content in the joint strike fighters, will participate in the sustainment over the next 35 or 40 years of 5,000 fighters globally, and they actually already have the technical data and the IP of all those components that are Canadian.

The third thing I would say is that these modern aircraft are heavily software-driven. They are not mechanical hydraulic machines anymore. The software to take off from a runway for an F-35 is more than 10 million lines, and the partner countries individually will never be able to manage that software themselves. The war-fighting software in it alone is tens of millions of lines of code. They are heavily software-driven and very complex. We are not absolutely sure at the present time what level of third- and fourth-line maintenance will be done by individual partners, or would need to be done. We are about six years away from our first aircraft, and we will be able to determine what that looks like at that time.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Ross.

I will now go to my colleague Mr. Harris for five minutes.

Mr. Jack Harris: I don't want to get into a battle of general versus general here, but I'm interested in why we need this particular aircraft, perhaps why we need a fifth-generation aircraft instead of another.

I have before me commentary by retired Major-General Leonard Johnson, and he talks about some strategic questions. I'll just summarize it here. He suggests that in the absence of a bomber threat, unless the new fighters are intended to make war against an enemy with robust air defences, the joint strike fighters don't have a useful military role. He suggests that there is no close air support role for the F-35 in counter-insurgency operations nor any conceivable asymmetrical war against small arms and improved explosive devices any more than the CF-18 has that. The age of major interstate war between developed nations has vanished, so why prepare for one?

These are comments from someone obviously with a significant military background. He also suggests you don't need a stealth fighter to patrol the Arctic.

You may not be able to talk about the simulation studies, but can you talk about why it is we need the kind of things that the stealth fighter can do in terms of realistic military needs for Canada?

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Harris.

General Deschamps.

LGen J.P.A. Deschamps: I've spoken about that a bit before, and I'll just review a little bit of the logic of where we are.

People are certainly allowed to have their opinion, but one thing you have to understand is that things evolve very quickly. In technology writ large, and certainly in military operations at large, future technologies that are currently foreseen or in existence will be very challenging, because we're not the only ones developing good technologies. Therefore the future security environment is going to be very challenging both in conventional terms—nation-states that will have a lot of high technology—and the distribution of technology to non-state actors. Therefore we have to be able to deal with that range of challenges in a complex environment, either as a nation or as part of a coalition.

As you look at all those threats, whether they are advanced fighters or surface-to-air threats or maritime-to-air threats, we have to be able to deal with that. If not, we going to have to look at our defence policy.

As we looked at all those future challenges, we did the analysis of what we needed to get that would be good 30 years from now. We had to look at the leap in technology we'd have to make. We're getting fewer and fewer airplanes because they're costing more and more. So the few airplanes we have must be agile; I can't wait for another three years to get another airplane because we see a new threat on the horizon.

So we looked at all those options and said the only way we could at least have fairly high confidence that we'll be able to be agile 20, 25, or 30 years from now is with this technology. It gives us the best

chance of success in an uncertain future, given the rapidly evolving technology.

Other folks are working hard to achieve fifth-generation capabilities. Other folks have very advanced surface-to-air weaponry. So these things will challenge us. Offshore, at some point, there's technology that can be put on ships that will challenge us, such as cruise missiles. There are other things that we have to worry about in the future. That is why we looked at all those things and said, "What gives us that flexibility?" Fifth-generation is the tool that we have looked at.

If that's the case, the F-35 becomes, of course, the lead contender, and it's the most cost-effective solution in all domains. For us, it was the most obvious, logical outcome of our exercise in looking at what the future would hold for us.

As I mentioned earlier, I can't afford going to multiple fleets of airplanes. This government, Canada, would be hugely stressed to buy fleets that are specifically just for North America and then a fleet for anything offshore. We just can't go that way, given the huge cost of multiple fleets.

This gives us the best solution. It's multi-use. It's flexible well into the future, and, as the minister mentioned, should we be wrong, if we didn't get the number right because the security threat becomes more prominent and we, Canada, have to do something more robust, we can change that without having to redo an entire fleet procurement. Within two years, we can have more airplanes. It's money, but you can make that decision—any government—10 years or 15 years downrange.

That's something we don't have with any current programs, where you buy what you have, and you have what you've got because they stopped making that airplane and the software and the weaponry. That's why this program is very powerful. It gives governments, plural, into the next 30 years, options.

• (1240)

The Vice-Chair (Hon. Bryon Wilfert): Thank you, General. We appreciate that.

We will now turn to Mr. Hawn, for five minutes.

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

I'm going to save four minutes off everybody's lives here and just say that I'm incredibly impressed with the thoroughness we've heard this morning from this group of witnesses and from the previous group of witnesses, with the work that has gone on for the last 10 or 15 years or more, with the vision we're showing going forward, the combination of the good work by the departments to make sure that our military needs are looked after, that our industrial needs are looked after, and that we're taking care of the taxpayers' dollars in the best possible way, to get the best possible capability for the next 40 years.

I just want to thank the witnesses and their departments and all their people for the tremendous work they've done. Canada's future, the military's future, is in damn good hands.

Thank you, Mr. Chair.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Hawn. That was uncharacteristically short. And I agree with you; I appreciate the information that has been presented, and want to thank all our witnesses for appearing today.

Members of the committee, before we suspend, I want to point out a couple of things. At 1:45 sharp, we will do some committee business. There's a motion that we will be dealing with. Whether we do that in camera or not will be, of course, up to you. I would point out that we have two sessions this afternoon: one from 2 o'clock until 3, and one from 3 o'clock until 4.

Again, I appreciate the cooperation of all members of the committee in getting through the first two sessions this morning, and I look forward to reconvening at 1:45 sharp.

The meeting is now suspended.

• (1240) _____ (Pause) _____

• (1345)

The Vice-Chair (Hon. Bryon Wilfert): The Standing Committee on National Defence, meeting number 24, has reconvened. We are now in public session.

Colleagues, I'm having the clerk distribute the motion that we're going to discuss.

I believe Mr. LeBlanc will be moving a motion from Mr. Dosanjh with regard to the continuation of further hearings.

Mr. LeBlanc.

Hon. Dominic LeBlanc: Thank you, Mr. Chair.

I've had a brief chat with Mr. Hawn and my colleagues from the opposition. We'd given notice just to make sure we were in under the line, but clearly this is a subject of great interest to parliamentarians and to a number of witnesses who I understand are on a list and obviously couldn't be scheduled for what was a fulsome day today.

My suggestion—I'm in the hands of the chair and the others who've been on this committee longer than I have—is that next week, or at the first opportunity, the steering committee would be seized of a schedule where we could have additional hearings and hear from additional witnesses with respect to the acquisition of the next generation of fighter aircraft.

So the motion, just to put it on the record, would be that given the number of witnesses who are relevant to this study, the committee schedule further hearings on the issue of the next generation of fighter aircraft.

Mr. Chair, I think we can find a way next week to identify the appropriate times and panels of witnesses, but that would be the text of a motion. *Merci*.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. LeBlanc.

Mr. Hawn.

Mr. Laurie Hawn: Mr. Chair, this is such a good news story that we welcome the opportunity to have as many committee hearings as anybody wants. We have no problem with that.

I will throw out something...and I'm not proposing this, I'm just throwing it out for consideration for maybe next week. The committee may want to consider going to Fort Worth, to Lockheed Martin, to look at the airplane, to talk to people who have designed it and built it, or are flying it and testing it. We could look at the simulator or whatever. I don't throw that out for a decision right now, I just throw that out for consideration.

Is that the kind of thing that might help you guys—because clearly we think this is a pretty good idea—in terms of giving you some kind of comfort level that this is the right way to go?

The Vice-Chair (Hon. Bryon Wilfert): I'm sure, Mr. Hawn, we could take it under consideration. We'll come back to that, but thank you for the suggestion.

All right, you've heard the motion. You have a copy in front of you. Is there any further comment?

(Motion agreed to)

The Vice-Chair (Hon. Bryon Wilfert): It's carried unanimously.

You also have in front of you, colleagues, a copy of the budget for some witnesses. This was put forward in the—

Mr. Mike Wallace: So moved, so moved.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Wallace, you're a wonderful addition to the committee today.

Voices: Oh, oh!

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much.

Is there any further comment?

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

The Vice-Chair (Hon. Bryon Wilfert): It's carried unanimously. I thank you for that.

Mr. LeBlanc, I believe you have something you want to add.

Hon. Dominic LeBlanc: Thank you, Mr. Chair.

Again, I don't want to waste the committee's time. I had a brief conversation with Mr. Hawn.

[*Translation*]

I also spoke with Mr. Bachand, as well as with Mr. Harris and my colleague Mr. Simms.

[*English*]

We have some concerns about documents and information that ministers in particular referred to this morning, statements of requirements, research. The Minister of Public Works referred to research her department has done.

Mr. Chair, it's more to inform you and colleagues, if we can find a way in working with the parliamentary secretary to find an accommodation, I'd certainly be happy to do so. If not, then next week or at the first appropriate moment I think that some of us will want to bring forward a motion around the production of some of these documents. But we'll certainly have a chance to talk with Mr. Hawn and others to see if we can find a way to circumscribe it if it's appropriate.

I'm left, Mr. Chair, having heard the ministers this morning, with the sense that we should have a chance to see some of this information they referred to. We'll find the best way to get at that, perhaps next week.

• (1350)

The Vice-Chair (Hon. Bryon Wilfert): Mr. LeBlanc, as I mentioned before we suspended this morning, with regard to the statement of requirements, we could certainly request any appropriate documents and papers. We can request and send for those, and then obviously that would be in the hands of the various departments. We would then wait for the response. If we were not pleased with the response, obviously we could then report to the House of Commons, but I'm sure that maybe next week....

We don't need to deal with it at this point, but I did get some sense from some of the ministers that there are some documents that certainly could be provided. I would hope we'll be able to come to an accommodation next week. Those are my comments, that certainly any parliamentary committee can request papers or documents, and certainly given the nature of this particular issue, we should be exploring that avenue, depending on the will of the committee.

Mr. Hawn.

Mr. Laurie Hawn: Thank you, Mr. Chair. I acknowledge that we do need to discuss this next week, and probably in camera, I suggest. Maybe we need to discuss it at steering committee, I don't know, because there are clearly classified material implications to this, which is not the same as other document issues we've dealt with in this House that are serious and legal.

The Vice-Chair (Hon. Bryon Wilfert): And I would have no doubt, Mr. Hawn, that only those that are not of a sensitive nature would be made available, of course.

Mr. Laurie Hawn: We need to have a discussion in the next week.

The Vice-Chair (Hon. Bryon Wilfert): Yes, and I think we should set some time aside next week to do that. But I think we should be doing it.

Monsieur LeBlanc.

Hon. Dominic LeBlanc: Yes, Mr. Chair, I share your view that there's a formal process by which the committee can request these, but I think in fairness to Mr. Hawn, we can find a time perhaps when some of the critics could get together with him and see if there's a process that is satisfactory before going to that more formal process. But we can try to resolve this next week in a way that I hope satisfies everybody.

The Vice-Chair (Hon. Bryon Wilfert): Also, colleagues, not to belabour it today, but we passed a motion about further meetings on this issue. We will also have to decide when we want to have those. Are they going to be in addition to or part of the regular committee work? If I know this committee, I already know the answer, but I have to put the question out there.

Is there any further discussion? Are we going to have the steering committee next week?

You might want to pick a day when I... Could I propose Thursday?

Thank you very much.

All right, colleagues, we will have a steering committee next Thursday. We will certainly inform the chair, Mr. Bernier, of that as well.

If there's nothing else, we're going to suspend for a couple of moments. I'm going to ask the media to come in to take a quick shot of the witnesses who are at the table, and then the media's out again and we'll start the procedure formally. Thank you.

• (1350)

_____ (Pause) _____

• (1355)

The Vice-Chair (Hon. Bryon Wilfert): I would ask the media to leave now.

We will resume the committee meeting. I appreciate your all being here on time. We will start with panel three.

We have three witnesses before us: Avcorp Industries Inc., Paul Kalil, president; Aerospace Industries Association of Canada, Claude Lajeunesse, president and chief executive officer; and Pratt & Whitney Canada, J. Richard Bertrand, vice-president, government affairs.

Who's going first here?

Mr. Paul Kalil (President, Avcorp Industries Inc.): Mr. Chairman, I will do that.

The Vice-Chair (Hon. Bryon Wilfert): All right. Just so you know the procedure, you have five minutes and then we will go to a seven-minute first round and a five-minute second round. I think that's all we'll have time for. If you're under five minutes, I won't be upset. We want to get as many questions as we can.

Sir, the floor is yours.

Mr. Paul Kalil: Thank you.

Mr. Chair and members of the committee, thank you for inviting Avcorp to speak at this key defence committee session.

First, who is Avcorp? We're a small aerospace company based in British Columbia. We currently employ approximately 500 staff, and we have facilities in both B.C. and Ontario. The company is a designer and builder of aircraft structural assemblies in both metallic and composite materials. Founded over 50 years ago, the company started out building floats for float planes, and it has evolved into a supplier to most of the large OEMs in the aerospace industry. Our key customers today are Boeing, Bombardier, and Cessna.

We are very pleased to be here today to talk about the decision on the F-35. Since 2005, Avcorp has been working to diversify its portfolio of business by adding defence contracts. The aerospace industry is cyclic, and not having defence work in our portfolio was always seen as a disadvantage. To date the company has been successful in winning work on the CH-47 under the current Government of Canada procurement process, and recently we were able to announce a contract on the F-35 program. We will participate in the global supply chains for both those programs.

One of the key things we'd like to highlight is to thank the public servants at DND, Industry Canada, and Public Works for the time and effort they put in to making these opportunities a reality for Canadian industry. Certainly we, as Avcorp, value their hard work.

The impact of participation in the F-35 program for a company like ours has been extremely significant. By participating early on in the program, as Canada has, we have been able to realign our technology base and train our people to be ready to take on this work. That has put us in a position to compete on a global basis and win significant contracts.

A key part of the process has been the transfer of technology into the company for the F-35. That not only enables us to do this kind of work, but it will also allow us at a later date to transfer this knowledge into our commercial programs and hence build on this technology transfer to compete on future major platforms, like the 737 replacement or the A320 replacement. The issue of technology transfer in a program like this is absolutely key to the long-term success of the industry.

Continued participation in the program by Canada is essential. It will ensure that more opportunities will be forthcoming for other Canadian companies, and obviously it will allow companies that have contracts to continue to participate. We believe the important issue for us now should be to focus on driving more of the subcontract work into the Canadian SME supply base, because again we see the technology transfer opportunity and growing the capabilities of the industrial base.

Any delays or pauses in this process mean we would leave opportunities by the wayside. This program is picking up speed. Production is starting to ramp up, and the window of opportunity on certain types of contracts will close as those aspects of the program are locked down for production purposes. There are significant challenges to the program in the arena of capacity. The Canadian industry, as strong as it is on the global stage, has a wonderful opportunity to get more than our fair share, let's call it, on this program because we're not limited by artificial numbers like we would be under an IRB program. We have essentially unlimited capability to take on work if we have the capacity to do it and if we have the will to actually invest to make that happen. So there is really no upper limit to what Canadian industry can do on this program.

Mr. Chair, thank you very much. That is all I have at this point.

●(1400)

The Vice-Chair (Hon. Bryon Wilfert): Thank you. You're right on time.

Our next witness is Claude Lajeunesse, president and chief executive officer of the Aerospace Industries Association of Canada.

Sir, you have the floor for five minutes.

[Translation]

Mr. Claude Lajeunesse (President and Chief Executive Officer, Aerospace Industries Association of Canada): Mr. Chair, members of the committee,

[English]

let me thank you for your invitation to testify at this very important committee session.

Having listened all morning, I should also thank the members of this committee for the excellent work they are doing on behalf of all Canadians.

In 2009 the aerospace industry generated \$22 billion in revenues; 80% of that was export. It provided value-added jobs to over 80,000 Canadians, from St. John's, Newfoundland, to Lunenburg, Nova Scotia, Moncton, Saint John, Montreal, Mirabel, the greater Toronto area, Winnipeg, Calgary, Abbotsford, Delta. I hope you get the message: our companies operate across this country.

Now, going to the F-35 decision, AIAC has been advocating for a timely decision to be made on the next generation of fighters, which was part of the Canada First defence strategy. We were therefore very pleased with the Government of Canada's announcement of its intention to proceed with the acquisition of the new generation of fighters this past July.

Several member companies' involvement in this platform date back to 1997. AIAC was favourable to Canada's involvement back then because it involved companies early on in the process, thus presenting rare opportunities for them to be involved at the level of concept development.

●(1405)

[Translation]

This is also a rare opportunity for companies to get fully involved in developing a new major platform. This idea is at the heart of AIAC's concerns, as described in our report on future major platforms, drafted in 2008.

[English]

The "future major platform" initiatives aim at positioning Canadian industry to win large, long-term, value-added job creation packages, on the platform of the future, over the whole life cycle of any aircraft.

As you all know, the F-35 is based on direct industrial participation. This implies that partners, stakeholders, must work together in order to ensure a maximum of opportunity. You've heard this morning from ministers and public servants that this could go as high as \$12 billion, excluding sustainment and foreign military sales. We want to make sure that we get our fair share of the \$385 billion that these planes will generate and cost over the period of 20 to 40 years.

Several companies have been and will be making significant investments up front in order to ensure their competitiveness to win mandates in these contexts. These are important, expensive business decisions that require stability, predictability, and a climate of certainty around the decision.

[Translation]

This decision provides the Canadian aerospace industry with an unprecedented opportunity, as long as we are able to work closely in order to derive maximum benefit for the entire country.

[English]

Now that the decision has been made, the AIAC will work at ensuring that Canada reaps the benefits in an optimal way. We need value-added jobs, technology transfer, as you just heard, and long-term stable contracts. We'll focus now on our efforts to make sure that companies are in a position to win the opportunities and, in collaboration with pertinent government departments, that a clear accounting system is put in place to track not only the quantity but the quality and the amount of work that Canadian companies will gain from this partnership.

[Translation]

Our role will be to ensure that our companies develop in a context where they will be able to derive optimal benefits. We also insist that a control system be implemented to ensure the quality and quantity of jobs created as well as of the work assigned to our companies under this partnership.

As for the maintenance of fighter planes, and pilot education and training, the AIAC Defence Committee will set up a task force with the objective of analyzing the options and recommending to the Government of Canada the best practices to implement.

[English]

In the meantime, we will strive to facilitate access for our companies to the global sustainment opportunities that are currently available, such as the maintenance of main systems—there are 40 of those—depot maintenance, and forging alliances with partner nations with more modest aerospace capabilities.

The Vice-Chair (Hon. Bryon Wilfert): Thank you for that, and I'm sure you'll get lots of questions.

Mr. Claude Lajeunesse: Thank you.

The Vice-Chair (Hon. Bryon Wilfert): Monsieur Bertrand, you have five minutes.

Mr. J. Richard Bertrand (Vice-President, Government Affairs, Pratt & Whitney Canada): Thank you, Mr. Chairman, for the opportunity to appear today.

[Translation]

I am speaking to you as the vice-president of Government Affairs in Pratt & Whitney Canada's president's office.

[English]

Pratt & Whitney Canada has a proud 80-year history of continuous innovation, achievement, and success.

• (1410)

[Translation]

Today, we employ about 9,200 people worldwide and close to 6,200 across Canada in manufacturing, engineering and research sites, including those in Halifax, Longueuil, Mirabel, Mississauga, Thompson and Lethbridge.

[English]

We are a global aerospace leader, shaping the future of business, helicopter, and regional aviation, with new-generation engines. We've introduced a record of 65 new engines into production, more

than any other company in the world, over the last 12 years alone, that exceed ICAO standards for low emissions and noise.

[Translation]

Our ongoing success is proof positive of the benefits resulting from our 50-year relationship with the Government of Canada. We have a public-private partnership, in the true sense of the term. The company and I, as its employee, have been proud to work with Conservative and Liberal governments in developing appropriate, beneficial and collaborative programs, as well as coordinated strategic support tools, and to contribute to our common goals of global economic prosperity.

[English]

Pratt & Whitney Canada is the single largest R and D investor in the Canadian aerospace sector—over 50%—and we rank amongst the top four companies in all industries in Canada in terms of annual investments in R and D. We're also pleased to invest \$15 million each year in 16 Canadian universities. Investments give engineering students full exposure to the gamut of leading-edge aerospace research, from new theory right through to real-world applications on our current family of engines.

Since you've had a full morning of discussions on the joint strike fighter, let me come right to the point in terms of Pratt & Whitney. To start, it's important to recognize that the decision by the Government of Canada earlier this summer to exercise its long-standing option to move forward and acquire the 65 joint strike fighters is the next logical step in a process that began way back in 1997. While the actual F-135 engine for the joint strike fighter will receive final assembly and tests by Pratt & Whitney in the U.S., the F-135 program is very important to Pratt & Whitney Canada and Canadian industry.

Back in October 2004, Pratt & Whitney Canada was awarded a contract to provide engine-critical hardware, the integrally bladed rotor, or IBR—not IRB but the IBR, as we call it—for the 135 engine. This win, and the research we do, was in part due to our collaborative efforts with Canadian universities, of which I spoke a moment ago.

The knowledge that we have developed and applied to these IBRs will allow us to create a global centre of excellence. Indeed, being the best in the world at high-value, high-skilled, and high-innovation tasks is a policy goal that has been pursued by successful federal governments for the past 20 years.

Second, Pratt & Whitney has already awarded 20 JSF-related industrial participation contracts across Canada, with more contracts currently in negotiation.

The government's decision to move ahead with the joint strike fighter is good news for all these companies in terms of future sustainment opportunities and is critical to being able to plan activities and future investments with greater certainty.

As Paul mentioned, and it's important to emphasize, certainty is very important for industry. If there is going to be ongoing uncertainty, suppliers in countries where the purchase of a joint strike fighter has been concluded could have an advantage.

[*Translation*]

That certainty is important given the vulnerability of the current economic recovery in the wake of a global recession that has strongly affected and continues to affect the global aerospace industry.

We are confident that Pratt & Whitney can be competitive and win contracts based on the global support model, which is different from how we usually proceed when it comes to industrial and regional benefits, and large-scale military acquisitions.

[*English*]

Indeed, the opportunity for Pratt & Whitney Canada and our value chain partners to provide depot, repair, and equipment for a potential fleet of 2,000 or 3,000 or 5,000 aircraft—whatever the final market will be—instead of just 65 aircraft is immense.

Honourable members, Pratt & Whitney Canada is well positioned for these global sustainment opportunities.

We thank you for taking the time and for giving us the opportunity to be here today.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Monsieur Bertrand.

We'll go to the first round. It is a seven-minute round, colleagues.

I will go first to my colleague Monsieur LeBlanc.

Hon. Dominic LeBlanc: Thank you, Mr. Chair.

[*Translation*]

Gentlemen, thank you for your presentations.

I have two questions, which will probably be for Mr. Lajeunesse.

Your company represents the Canadian industry. I represent a predominantly rural region of New Brunswick. You mentioned Moncton as well as nearby Dieppe. A number of small companies are making efforts, and some of them have been doing so for years. They are becoming increasingly competitive or are at least showing growth. Mr. Kalil said that he represents a small company with 500 employees. My colleague from Newfoundland and Labrador and I think that this company is rather large.

Mr. Lajeunesse, if you were based in the Atlantic region, for instance, what could the federal government and especially the provincial governments do to help your industry and the members of your association, which are probably not all large, well-known companies, be competitive and prepare for the kinds of benefits you have described so well? What can be done in terms of a regional development strategy? That is a term that can mean so much and yet so little all at the same time. If you were an entrepreneur in New Brunswick or in Newfoundland and Labrador, what kind of support could you ask your provincial government and the federal government to provide so that you would not be left out simply because larger companies necessarily have a larger share of the market?

• (1415)

The Vice-Chair (Hon. Bryon Wilfert): Mr. Lajeunesse, go ahead.

Mr. Claude Lajeunesse: Thank you.

That is an excellent question. We would first have to ensure that the government makes a firm decision, one that makes it possible to take action and that encourages companies to invest in the future. That is the first point.

Second, I would like to mention the New Brunswick company Apex. It has already received a visit from Lockheed Martin's people, who conducted a capacity and feasibility study. That type of review will help ensure that Apex has the necessary capacities to provide the services that Lockheed Martin will need at a given time. Apex has received the support of certain programs, be they federally or provincially funded. That has enabled it to conduct research and development. I feel that a company like Apex can already compete for contracts. It has already moved in that direction.

[*English*]

Hon. Dominic LeBlanc: Mr. Chair, I'm finished. Maybe my colleague has something he'd want to add.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Simms, you have three minutes and 25 seconds.

Mr. Scott Simms: Okay.

Just for information, wasn't there a second engine that was to be financed for this from the American government, I mean...vis-à-vis your competitor?

Mr. Claude Lajeunesse: I just read what happened. You could read in the paper yesterday, for example, that there was a Senate appropriations committee vote. We know where the Obama administration is on that, and we've just been following that. That's all that our role as an association would be. We do not get involved in selecting various winners of various contracts. We do not get involved in regional distribution.

Our role is to ensure that the government makes a decision—the government made a decision in this case—and that the decision is enforced, and then that our companies, our industry, our regions, can benefit according to their strengths.

Mr. Scott Simms: So that essentially makes you the only provider at this point for this F-35. Is that correct—that's it, you're it?

Mr. Claude Lajeunesse: I think you're talking to my colleague here, Mr. Bertrand, who is the one with the contract.

Mr. Scott Simms: Yes, Pratt & Whitney.

The Vice-Chair (Hon. Bryon Wilfert): Monsieur Bertrand.

Mr. J. Richard Bertrand: Currently the engine on the airplane that is in production is the F135 produced by Pratt & Whitney. The competing development engine is being developed currently by the joint strike fighter team, the GE Rolls-Royce Team, which is continuing to work on the program but is seeking U.S. government support.

What Claude is referring to is that yesterday a subcommittee of the Senate rejected the bid for the support. That said, this has been an ongoing discussion, over years, so I'm not able to comment as to the pros and cons or whatever at this time.

To be fair to them, they are spending funds in Canada, doing work with the NRC—as we are—and so on.

• (1420)

Mr. Scott Simms: Just for clarification on the issue of IRB, can you give me a good example of how you've been involved in an IRB in the past when it comes to a certain procurement, a certain aircraft? Give us an idea of how you're going to benefit.

One of the biggest concerns we have here, obviously, is the fact that we're in a larger pool of people and more competition. Some might even fear that it's less likely for us to receive those regional benefits.

Mr. Kalil.

Mr. Paul Kalil: IRBs provide quality work for Canadian companies. This program is different because of its development nature, and it has allowed us to position ourselves more appropriately.

A lot of times there is less value-added, we'll call it, in terms of technology transfer work packages under IRB programs. Because you're buying an off-the-shelf product, there isn't an opportunity, necessarily, to develop technology.

Mr. Scott Simms: All right. Now—

The Vice-Chair (Hon. Bryon Wilfert): Mr. Simms, thank you very much.

Mr. Scott Simms: Aw.

The Vice-Chair (Hon. Bryon Wilfert): You're right on.

Mr. Scott Simms: Well, I don't know about that, but...

Voices: Oh, oh!

An hon. member: Debate.

The Vice-Chair (Hon. Bryon Wilfert): Debate is noted, yes, thank you.

Mr. Scott Simms: Yes.

[*Translation*]

The Vice-Chair (Hon. Bryon Wilfert): Mr. Bachand, you have seven minutes to ask your questions.

[*English*]

I would remind everyone to go through the chair with both the questions and the answers. Thank you very much.

Monsieur Bachand.

[*Translation*]

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

I would like to welcome the industry representatives.

My first question is about certainty and stability. If I read between the lines, the message seems quite clear. You don't want us to talk about competitive bidding; nor do you want the project to be reviewed in the event of a government change in Ottawa. Is my interpretation correct?

Mr. J. Richard Bertrand: I will begin by answering your questions. Afterwards, Paul can talk about the impact because he is currently in negotiations.

I have an IBR contract with Pratt & Whitney Canada. The field is competitive. People from Italy, France and around the world manufacture engines or parts. Companies like certainty. They like to know that the future will not bring changes. So, in the case of a country that has already signed a contract, the companies that want to continue working will just say they know that that country will buy airplanes, but they do not know whether that other country will. They will gauge their chances of working in those other countries.

Paul, would you like to add something?

[*English*]

The Vice-Chair (Hon. Bryon Wilfert): Mr. Kalil.

Mr. Paul Kalil: Mr. Chair, the certainty issue certainly helps in the extension of contracts, the continuance of contracts. What's key at this point is that obviously everybody is aware that this program is in existence and it's going well. If there's any lingering uncertainty about Canada's commitment to the program, then the primes—again, Lockheed Martin—are going to be less desirous of putting work into Canada.

Their biggest challenge is that, yes, there are a number of countries participating in this and they all want what they see to be their fair share. The fact that Canada has been involved early on means that we've done better than anybody else on this program to date in terms of the work content so far. To stay in that position, we need to put the pedal to the metal and get involved in growing the production base, not just the development base, for the contracts.

[*Translation*]

Mr. Claude Bachand: Mr. Lajeunesse, that brings me to your way of measuring benefits. Are you planning on using the same method for all of Canada? If the contract is worth \$16 billion, do you think that the benefits should be at least \$16 billion? Do you see a geographic component in that? For example, if we, as members of the Bloc Québécois, claim to have 55% of the industry, we would also like to get 55% of the spinoffs. What is your view of the measurable process?

• (1425)

Mr. Claude Lajeunesse: First, in order to have a measurable process, we must have an objective. As the ministers and deputy ministers explained this morning, the purchasing objective seems to be \$12 billion. If we set a \$12-billion goal, we will then have to determine what the targets will be in the next few years for aircraft maintenance and sales abroad. We will want to know where we are at every three to six months, as needed. For example, we could meet in six months and announce that we have \$2.6 billion, and that we will have \$5.7 billion in a year. This way, members of the industry, the public, journalists, the press, media, and so on, will be able to see if we are moving towards that objective. In my opinion, the only way to succeed is to make public our progress towards achieving the objectives.

Mr. Claude Bachand: Mr. Chair, I have the following concern. I'm worried that, if the government agrees to implement a measurable process, the economic spinoffs will be lacking as the project develops.

You were here this morning. There have not been many comments on the bidding process. Concerns have rather been raised on the economic benefits. For example, if taxpayers invest \$16 billion in the project, they will definitely expect the same amount to be generated in economic benefits. The minister told us—and you seem to agree—that it was not the normal way of doing things, given that the memorandum of understanding states that economic benefits policies must not be taken into account. The possibility of reaching up to 3,000 or 5,000 platforms should have been considered instead. That's where the novelty lies.

Meanwhile, as long as there is no contractual obligation, there is a risk, you will agree. If you realize that things are not developing at the speed that you expect them to develop, your measures do not allow you to revisit a contract and tell the others that they have obligations.

Isn't there a way to establish a two-track approach that says that we are competitive and that we want to have access to 5,000 aircraft, but that we are asking for a minimum of economic benefits? In your opinion, would such a hybrid formula work?

Mr. Claude Lajeunesse: The deputy ministers were asked that question this morning. They answered that an approach like that would create problems for them. I personally believe that having to provide a progress report will allow the public to know what is happening and the government to take action. Governments have fairly effective ways that allow them to step in if it turns out that obligations are not being met.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Bachand, you have 20 seconds.

Mr. Claude Bachand: Could we examine the possibility of a hybrid formula? I don't like the idea of leaving it solely in the hands of Lockheed Martin. If Lockheed Martin does not address some of the needs, we have no other options.

I would like us to discuss a minimum benefits formula in future meetings, if possible.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Bachand. [English]

Mr. Harris, you have seven minutes.

Mr. Jack Harris: Thank you, Chair.

Welcome, gentlemen. We appreciate your comments.

My first question is for Monsieur Lajeunesse. We get it, as a committee, and we've heard from you and your organization talking about the IRBs. The concern that I recall hearing was that you like the IRB program, but the real problem is that you're not getting the value-added stuff. There is no mechanism to ensure that you're getting the high end that makes more money for you and helps develop the industry. If we can't get that in smaller contracts, perhaps less sophisticated ones, how can we have the kind of confidence that I'm hearing from you all when we're talking about this open-ended field here where we have no guarantees at all, and yet we're committed to spending considerable amounts of public money?

There seems to be a bit of a disconnect in the theory here. I recognize the opportunity and it's exciting if you're there to pounce on it, but there's no guarantee of success of course, and it seems to

me you can't have it both ways. Why is it that this is okay for this contract and yet you're concerned about how IRB operates?

● (1430)

Mr. Claude Lajeunesse: Mr. Chair, we've had concerns with the IRB programs. We've expressed them, and Minister Clement, last year, about six months after he came into office, was able to make amendments to that program that made it much better. It had not been changed in 23 years, so certainly we were quite pleased to see these changes in the IRB programs that he was able to bring in. On that front, we feel much more comfortable than we did before he made those changes.

With regard to the commitments, again, if we set a bar at \$12 billion for this program for the purchase of the planes and whatever else goes with the purchase of the planes.... Don't forget the \$9 billion is not only for the aircraft but is also for the infrastructure, the weapons, the logistic support and so on. If we look at the \$12 billion, we feel that if we have a public accounting of the progress toward meeting that goal, it will have an impact and we will see the goal being attained.

Mr. Jack Harris: I hear what you're saying; however, we are seeking, as Mr. Kalil says, more than our share in terms of what we're contributing to the program. We can't change our mind, so what would the accounting do along the way? You're suggesting that if we had this process of accounting along the way—and I don't disagree with that—we would know whether it was working or not. But we can't change our mind, so what are you suggesting here?

The Vice-Chair (Hon. Bryon Wilfert): Monsieur Lajeunesse.

Mr. Claude Lajeunesse: What I am suggesting is that this public accounting would allow government, should a problem develop, to use some of the instruments that governments have to make sure that the commitments that have been made will be met.

Mr. Jack Harris: Thank you.

I have only time for one more question, but I will involve both of the other witnesses.

Mr. Kalil, you have contracts now. Were there contracts associated with the early part of the program? Were they received since the announcement in July?

I have the same question for Mr. Bertrand. I'm delighted that you're active in this program and I know you do great work, but it seems to me that there have been contracts around that are not directly related to this announcement on July 15, although I will accept the fact that any certainty would open up the doors. Can you tell us about the contract history? Is it new or is it something that has been going on for some time?

Mr. Paul Kalil: Mr. Chairman, we've been working toward achieving this contract for the past five years, so yes, nothing happens overnight. However, the announcement in many ways was a catalyst for the decision going forward and gave everybody that last push they needed to bring this to fruition.

Would it have happened anyway? Nobody can really tell. But certainly we believe that announcement was key to engendering confidence in all the participants in the program.

Mr. J. Richard Bertrand: In terms of the importance of this in the context of what you're saying—to answer your question specifically—as I said, in 2004 we started the contract on that because that is a very sophisticated and high investment from our point of view. As I said, because we had the involvement of the university also, we were able to bring some of that R and D to apply.

Now that you announce a program going forward, it gives opportunities, and not only to our company, to be able to offer other services. We must remember that down the road we also do, for instance, in Canada and with some of our partners, engine maintenance. When you do an engine maintenance, then you have to do some more assembly and tests. We'd like to hope that in the future we have an opportunity to do that.

To answer your question specifically, did something happen between then and now? In the case of Pratt & Whitney Canada, no, but in the case of a number of the other contracts—there are some other industry people here who could address that, if you wanted—for them it's been very important. It has allowed them to conclude contracts since then and has opened up the field a lot more.

•(1435)

The Vice-Chair (Hon. Bryon Wilfert): Mr. Harris, you have about 35 seconds.

No? Thank you very much, Mr. Harris.

We'll now turn to Mr. Hawn for seven minutes.

Mr. Laurie Hawn: Thank you, Chair.

Thank you, witnesses, for joining us for this important discussion.

Mr. Kalil, you talked about your work in the global supply chain on the CH-47 as well as the F-35. So what we're doing on the F-35 program is in fact not unique, but in fact is the new way that industrial participation is rolling out in other contracts, other large contracts as well, such as the CH-47 Chinook?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Kalil.

Mr. Paul Kalil: Mr. Chairman, I guess it's just a contrast between the IRB approach versus what is possible by being involved early on in a development program. That is not always available. If we are buying an off-the-shelf platform, that opportunity to participate in the development and develop the technology is not there, and therefore the IRB program is entirely appropriate.

Mr. Laurie Hawn: Yes, I understand, which is exactly the point, I think, with a program like the F-35, which is a development program. The opportunity to participate in the global supply chain is far superior at the end of the day, by any reasonable level of prediction, than the old IRB program.

Mr. Paul Kalil: We believe so, at this point. Yes, sir.

Mr. Laurie Hawn: I think it was you, Mr. Lajeunesse, who said that we want our share of that \$385 billion—and I couldn't agree more. If there are 5,000 aircraft built, if you do the math, 65 aircraft worth of that is about \$4.5 billion.

So if we're looking at \$12 billion plus, we're probably going to come out pretty well. Would that be a fair statement?

Mr. Claude Lajeunesse: Yes, absolutely. I do believe that if we're in a position to gain \$12 billion from the purchase—and I hope we

would get more—if we get that, we're already doing a lot better than we would do through the IRB program.

Mr. Laurie Hawn: Absolutely.

With respect to the AIAC companies, which as you've said are coast to coast, what's your judgment of their ability to adapt to the real-world changes that have come along in the last several years with respect to industrial participation? Some people seem to be stuck in this model that if it's not the old IRB process, then there must be something wrong. Well, processes evolve. Industry evolves. The world evolves.

For your AIAC member companies, what's their ability to evolve with this real-world change in how business is done and be profitable for their shareholders, and for their workers, and for Canada?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Lajeunesse.

Mr. Claude Lajeunesse: Our companies have been very supportive of the announcement. They see that as an opportunity, as you've heard. There are many others in this room, such as CMC in Montreal, CAE, Héroux-Devtek, Cascade, Bristol-Magellan, Rolls-Royce, who certainly see that as a great opportunity to create jobs, to create new opportunities to export abroad, to create new opportunities to develop new products and so on.

I have not received one criticism from our companies with regard to the announcement that was made. Of course they will have to compete. Of course sometimes they will have to compete against each other. But quite clearly this is an opportunity that they are really pleased to have.

Mr. Laurie Hawn: Competition is never unhealthy, I would suggest.

Mr. Claude Lajeunesse: That's right.

Mr. Laurie Hawn: I have a couple more quick things to ask you, Mr. Lajeunesse. You said the most important thing is a firm decision so you can get on with some planning. Are you satisfied that what we have at the moment is a firm decision?

Mr. Claude Lajeunesse: That's a very important point. Mr. Kalil covered that in his presentation, but let's be clear. Companies have to invest up front to gain these contracts, and Canadian companies will be leery of investing up front if there seems to be some uncertainty as to where the program is going. Moreover—Mr. Kalil was quite eloquent on this—if a Lockheed Martin sees some uncertainty also, they will certainly perhaps think twice before dealing with some of our companies. So we feel it is extremely important that the government has made a decision and that the decision be implemented.

•(1440)

Mr. Laurie Hawn: If the consequences of any uncertainty that might be generated by somebody else were carried to their fruition—God forbid—what would be the consequences of that for your member companies and for the economy of Canada?

Mr. Claude Lajeunesse: It's quite clear that if they don't invest, they won't create jobs. If they don't get contracts, they won't have jobs.

Mr. Laurie Hawn: Thank you.

Through you, Mr. Chair, to Mr. Bertrand, I have just a short one. Pratt & Whitney is a high-tech company. Obviously engines are pretty high-tech stuff. Pratt & Whitney is a large company, and there are some concerns expressed that this is fine for the big guys, but how about those little guys? How do they manage in this competitive world? Pratt & Whitney deals with an awful lot of much smaller companies in terms of subcontractors. How do you see the ability of those Canadian companies to survive and profit and prosper in this kind of environment? What has been your experience with those companies that have their acts together?

The Vice-Chair (Hon. Bryon Wilfert): Monsieur Bertrand, you have about one minute.

Mr. J. Richard Bertrand: Thank you.

Again, with us today is, for instance, Magellan Aerospace. Pratt & Whitney Canada works very closely through Magellan, Haley Industries in Renfrew. We have a long history of being able to do that, and part of our responsibility....

Just so you understand, under the former TPC agreements that we had, and the new SADI agreements, as part of the commitments we make, we make commitments to work with those SMEs and to help them get along. As a matter of fact, we work very closely because it's part of our mandate. And the other companies that come into Canada....

You mentioned IRBs before, by the way, and you know, we shouldn't say one or the other. I think we're blessed with both now. When you do an investment on an IRB—for instance, in Mirabel, and Monsieur Laframboise is going to benefit because we're going to have an announcement in October—those things are very important. They became part of the IRBs. At the same time, if I am able to sell IBRs, which I mentioned before, I'd like to do it to more than 65 planes, which I would do under an IRB kind of agreement in the future.

The Vice-Chair (Hon. Bryon Wilfert): Thank you very much.

Thank you, Mr. Hawn.

Colleagues, we're going to the second round, and since it was so popular this morning, we're going to the lightning round again. The lightning round will be two and a half minutes.

First on my list is Mr. Payne.

Mr. LaVar Payne: Thank you, Mr. Chair.

Welcome to the witnesses. We are really pleased to have you here today.

My question, through the chair, is first of all to Mr. Bertrand.

You did talk about Pratt & Whitney Canada and some of the engine work they are doing for the company out of the U.S. I wonder if you could describe the engine technology developments that these engines have and how they've made them so much more reliable.

Mr. J. Richard Bertrand: Sure. As a matter of fact, I just want to give you this—through the chair—to be able to respond.

For instance, with the rotor blade that we talked about, that unit that we've been able to take, research, and so on, what we have been able to do at Pratt & Whitney Canada with our centre of excellence on this is actually take a part that would normally be 100 separate pieces and actually create a machine and build that one part that replaces 100 parts. You can imagine that in a new engine, for future technology, if you are able to take that many parts and put them into one, you have so much less opportunity for difficulties. It is the same thing for servicing and for following up.

Does that answer your question?

Mr. LaVar Payne: Yes, it does.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Payne, you have about a minute.

Mr. LaVar Payne: Thank you, Mr. Chair.

Again to Mr. Bertrand, I have a couple of quick things. First of all, you talked about having an opportunity to potentially sell parts to 3,000 or 5,000 aircraft around the world, depending upon how many are built. How important is that to your company here in Canada, as well as with other contracts that you might be able to give to other Canadian companies?

As a second question, you mentioned that the uncertainty would give other countries a bigger advantage than Canada.

Could you just touch on those two for me? Thank you.

• (1445)

The Vice-Chair (Hon. Bryon Wilfert): And it will be touching on them, because there are 25 seconds left.

Mr. J. Richard Bertrand: Chair, let me deal with that last issue quickly.

What happens is that the train has left the station around the world in terms of being able to produce for the joint strike fighter. There are contracts signed on an ongoing basis. The fact is that when there is uncertainty in a situation, that could cause difficulty.

In the case of Pratt & Whitney, we already have a relationship, but if there is not a joint strike fighter acquisition, that relationship might be narrowed and opportunity given to another country.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Bertrand and Mr. Payne.

[Translation]

Mr. Laframboise, you have two minutes and 30 seconds.

Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ): Thank you, Mr. Chair.

Mr. Lajeunesse and Mr. Bertrand, you're asking us to support this entire program without giving us any guarantees. As you know, 55% of the industry is in Quebec. I am lucky to have Pratt & Whitney Canada in my riding. Although you have no qualms about competing globally with the other companies, you asked for more transparency.

Are other governments pressuring you? Mr. Bertrand, you have negotiated all your preparations and research with the Americans. You might have done the work. Have you been pressured or, with all your companies being spread around the world, do you feel comfortable distributing any work you want to your companies in different countries?

Mr. J. Richard Bertrand: I'll answer you as the representative of Pratt & Whitney Canada. This is an independent company. The headquarters are in Hartford. What we want is to help Pratt & Whitney Canada everywhere in the world.

You're asking me if there is pressure on Lockheed Martin, Pratt & Whitney Canada and other companies. There is pressure because these companies are equally active in those countries. These countries are doing the same thing as you are doing for them. I have no doubts that the Department of National Defence wants to be sure before buying those planes. The other countries are doing the same thing.

Mr. Mario Laframboise: Do they require signed contracts? Do you know anything about that, even though you're focusing on Canada?

Mr. J. Richard Bertrand: Personally, I can only answer for what our company does in Canada. I'm not sure whether Mr. Kalil has more information on the topic.

Mr. Mario Laframboise: Mr. Lajeunesse, do you have any comments on your discussions with aerospace organizations from other countries?

Mr. Claude Lajeunesse: I think Mr. Bertrand was accurate in saying that all countries and all defence ministries try to obtain the maximum benefits. We are confident that we can compete because of the quality of our companies, their innovation and the fact that they are already successful. In fact, 80% of what we build in Canada is exported. In my opinion, that's a guarantee for the future.

Mr. Mario Laframboise: Great, thank you.

[English]

Mr. Claude Bachand: Is there some time left, Mr. Chair?

The Vice-Chair (Hon. Bryon Wilfert): No, that's it, Mr. Bachand. I know you're concerned about the time, and so am I.

Mr. Braid, you have two and a half minutes.

Mr. Peter Braid: Thank you very much, Mr. Chair.

This is still the lightning round? I look forward to the daily double, whenever that comes up.

I'll start with a question for both Monsieur Kalil and Monsieur Bertrand. Could you let the committee know how many jobs at your respective companies this contract has already created or will create in the next two to five years?

Mr. Paul Kalil: Mr. Chair, we have to date in the order of 30 positions related to this contract. They have been working on this in preparation for this. We expect ultimately, on the specific work statement, to have between 50 and 70 positions involved.

The Vice-Chair (Hon. Bryon Wilfert): Monsieur Bertrand, would you like to add something?

Mr. J. Richard Bertrand: I apologize, I don't have that number; otherwise, I'd be pleased to answer.

Mr. Peter Braid: Very good.

Monsieur Lajeunesse, you spoke about the very effective public-private partnership between industry and government that has existed with respect to this initiative, really for years. Do you have any insight as to how our process has compared in Canada to any of the other eight partner countries, and whether our process has been just as good, superior, or whether there's room for improvement? Do you have any thoughts or insight as you compare our process to the other eight countries?

• (1450)

The Vice-Chair (Hon. Bryon Wilfert): Mr. Lajeunesse.

Mr. Claude Lajeunesse: My understanding is that all the partner countries follow the same process.

The Vice-Chair (Hon. Bryon Wilfert): You have about 40 seconds.

Mr. Peter Braid: Are you confident that our companies in Canada can compete with the best in the world?

Mr. Claude Lajeunesse: I believe they've proven that by the fact that we export 80% of what we produce.

Mr. Peter Braid: Thank you.

Thank you, Mr. Chair.

The Vice-Chair (Hon. Bryon Wilfert): I thank the witnesses for appearing here today. I thank my colleagues.

We're going to suspend for five minutes before we go into the fourth panel.

Gentlemen, if you have anything you would like to elaborate on and you want to submit anything in writing, feel free to give it to the clerk.

Thank you.

• (1450)

_____ (Pause) _____

• (1455)

The Vice-Chair (Hon. Bryon Wilfert): Members of the committee, we are continuing with the national defence committee, meeting number 24, panel four.

For Project Ploughshares, we have Ken Epps, senior program associate, and John Siebert, executive director. And by video conference from Calgary, for the Centre for Military and Strategic Studies, University of Calgary, we have Robert Huebert, who is the associate director.

Gentlemen, the rules are very simple: you have five minutes. That's five minutes for both of you, five minutes for the gentleman on the screen, and then we will go to a first round of seven minutes. All questions and answers are to go through the chair.

Gentlemen, you have the floor.

Mr. Siebert.

Mr. John Siebert (Executive Director, Project Ploughshares): Thank you, Mr. Chair, for this invitation to Project Ploughshares to address the standing committee on the proposed purchase by Canada of 65 joint strike fighter F-35 aircraft.

In our view, with respect to what has also been heard today, we don't believe the case has yet been made for this acquisition. Given the projected cost and complexity of the JSF program, there has been surprisingly little detail made available on costs, benefits, and, especially, anticipated missions of the aircraft. We'll focus on the strategic environment, and then the affordability, industrial benefits, and opportunity costs of the JSF program.

The Canada First defence strategy released in June 2008 highlights the international circumstances in which security threats emanate to Canada from "failed and failing states, civil wars and global terrorism". There are also emerging "nuclear-capable adversarial states", pernicious "Islamist militants in key regions", and the "buildup of conventional forces in Asia Pacific countries".

On the domestic front, Canada First identifies possible terrorist attacks, human and drug trafficking, foreign encroachment on Canada's natural resources, and potential outbreaks of infectious diseases. In our view, you'd be hard pressed to create a credible scenario from these threats where a stealth-enabled fifth-generation jet fighter is logically part of the Canadian Forces response. Canada First also focuses on being a strong, reliable defence partner, and that Canadian Forces remain interoperable with the U.S. military.

We would argue that Canada can be good ally and neighbour without the purchase of the joint strike fighter, and the Canadian Forces do not need them to be interoperable with the U.S. military.

Mr. Ken Epps (Senior Program Associate, Project Ploughshares): Mr. Chair, the government has emphasized the affordability of the F-35 aircraft. However, U.S. government sources now cite the per-unit cost of the JSF at close to twice the initial projected price.

Denmark, Norway, and the Netherlands have postponed their F-35 procurement decisions until the rising production costs stabilize or are guaranteed. The projected life-cycle costs for the Canadian F-35 aircraft, essentially the costs of operation and maintenance, have not been made public by the Department of National Defence. A former senior Canadian defence procurement official has stated these costs may be two to three times the \$9 billion cost of acquisition. A report in *The Globe and Mail* based on government documents placed life-cycle costs at \$17 billion, meaning the total program outlay over 20 years would be almost \$26 billion.

These figures support our estimate, using U.S. government studies, that the Canadian JSF program costs could total \$30 billion over 30 years. Surely these figures redefine the meaning of affordability.

The Canadian military aerospace industry has fared well in winning program subcontracts, yet future Canadian industrial benefits face two major risks.

The first is that the projected global market for F-35 aircraft will continue to shrink. Initial global projections have already been revised downward from a high of 6,000 aircraft to the current 3,200.

The second risk is the changing nature of U.S. military trade relationships with JSF program partners. For decades, Canada has had a unique military trade relationship with the U.S., easing access of the Canadian military industry to the U.S. military market. However, recently announced changes to U.S. export controls, combined with growing pressure from JSF partner governments to ensure subcontracts for their industries, will likely alter the comparative advantage the Canadian industry has enjoyed in the U.S. market to date. The terms of the JSF partnership agreements, as they now stand, do not obligate U.S. prime contractor Lockheed Martin to guarantee subcontracts to Canadian industry.

• (1500)

Mr. John Siebert: Just to complete these thoughts, Chair, a procurement program that may cost \$30 billion over 30 years will inevitably result in opportunity costs, both to equipping the Canadian Forces and to other federal programs that contribute to Canada's and international security. What other investments in the Canadian Forces will be passed over to secure the stealth technology on fighter jets that will seldom, if ever, be used for their primary purpose?

As important, Canadian security preparedness in our view involves more than its military capacity. It includes adequate funding for development, democracy promotion, disarmament, and diplomacy. Currently Canadian government security spending is weighted heavily toward defence, and the JSF program would make this more pronounced. Currently projected expenditures on diplomacy and on development are frozen or being reduced.

During the period before Canada must commit to a JSF order, there should be a thorough and continuing public exploration, as through this parliamentary committee, of the security threats to be met, the costs and benefits, and the consequences of the acquisition of a new generation of fighter aircraft.

Thank you, Chair.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, gentlemen, for your comments.

Now, by video conference, we have Robert Huebert, associate director, University of Calgary.

Sir, you have five minutes. The floor is yours.

Dr. Robert Huebert (Associate Director, Centre for Military and Strategic Studies, University of Calgary): Thank you very much.

I'm going to be limiting myself to three major issue areas. The first one is the need for the F-35s; the second is the competition or the alternatives, as is often being discussed in the media; and the third, a couple of critiques that in fact suggest that the decision to buy the F-35A may not even go far enough, that we may want to be considering buying some of the B variant.

Let me start with the need. One of the biggest challenges we are facing in trying to decipher whether we need an F-35 is, of course, the type of crystal ball that one needs. If we look back to when we made the decisions for the CF-18s, those go back to the mid-1970s, 1978 and 1979, and we still see the CF-18 being utilized in ways that, quite frankly, no one predicted back in the late 1970s. It is expected that the F-35 in the traditional Canadian context will go beyond what we're saying, so we're seeing a possibility of it still being utilized by 2050, even possibly 2060, and of course, that presents all sorts of challenges in terms of trying to predict the future defence needs.

What we have seen in the last 20 years since the end of the Cold War is that air power remains a critical enabler for almost any conflict that occurs. This includes conflicts even of a low intensity such as Afghanistan, but the American dominance of air superiority in this context usually hides from the public view what a critical point it is in being able to have the various airspace, hence battlefield, dominance that is required.

The other issue, of course, is trying to look at who they would be utilized for. From a security perspective, the issue that many people are the most concerned about is the resumed interest by the Russians in their bomber capability. The Russians had stopped all bomber patrols in 1989, but then in August 2007 resumed them, with numbers that are confidential and that the government has not been sharing with the greater Canadian public, but it is rumoured to be higher than what is released on the occasional report of Russian bombers in our airspace. Even more important, however, was the spring announcement by Putin and the head of Tupolev that the Russians are now in the process of designing and hope to deploy by 2017 or 2018 the next-generation stealth long-range bomber. This is not to confuse capabilities with intent, but it suggests that there will be challenges going well into the future.

The other issue in terms of need is that as long as the Russians continue with a bomber capability, regardless of what Canadians think of the intent of the Russian government, the Americans will take it very seriously. If we lose our fighter capabilities with the expected retirement of the CF-18s with no replacements, Canadians will then have to accept that the Americans probably will feel it necessary to do the various air patrols that CF-18s are currently engaged in, creating, of course, sovereignty issues of themselves.

In moving to the issue of the source and contract, one of the greatest challenges we face is that we are seeing a concentration worldwide of who has the capability of making advanced fighters. Currently the options really are the Europeans, who have banded together to create the Eurofighter, but this is an older technology. Some estimates suggest that it probably is not going to be any

cheaper than the F-35s, but once again the jury is out in that particular context.

The Super Hornet is considered one option, but once again that is technology going back to the 1990s. The Americans have a congressional law against the export of F-22s. The Swedish V fighters will probably go out of business, because as has been mentioned earlier, all of the other Scandinavian countries are looking at purchasing F-35s rather than going to the Swedish, and it is expected that it probably will be the death knell of the Swedish fighter capability.

That leaves the Russian and Chinese variants of the fighters, and Canada has always had a policy about buying any of its advanced military capabilities from either one of the countries.

In terms of critiques, I would like to offer something that probably goes against most of the critiques and suggest that perhaps Canada is not thinking quite far enough. The variant that we are going to be purchasing is the F-35A. These are basically what the Americans are having to replace their F-16, their air force fighters. They are presumably a very good aircraft in terms of a relatively short airfield, but it is their B variant, the short takeoff and vertical launch, that the Marines are to purchase, that Canada should think about buying, at least a few.

● (1505)

The reason, I would suggest, is that all the predictions are, of course, that Canada will be involved with oversea deployments and with the Arctic opening. The reality is that we probably will find ourselves in a circumstance in the future where having at least a handful of the F-35Bs to be placed on a future naval combatant vessel—probably in terms of a replenishment-sized vessel, one has to acknowledge—might be very useful, with an increasingly ice-free Arctic, in terms of being able to ensure Arctic sovereignty and security and also in terms of any future oversea deployments against any foes we don't know at this point in time.

In conclusion, if we are to be honest with ourselves, within the strategic environment there is no indication that we are seeing a diminishment of the type of security requirements for "fast air", as the air force likes to refer to it. Nor, unfortunately, do we see any viable competitor. I would argue that perhaps we have not gone far enough in looking at some of the future capabilities we will be needing.

Thank you very much.

The Vice-Chair (Hon. Bryon Wilfert): Thank you for your comments, and I'm sure you'll receive questions in this first round.

The first round goes to Monsieur LeBlanc for seven minutes.

Hon. Dominic LeBlanc: Thank you, Mr. Chair.

Thank you, gentlemen, for your comments and your observations. I think they're very interesting.

Perhaps through you, Mr. Chair, I can ask a brief question, and if there's time remaining, I will give it to my colleague Mr. Simms.

Mr. Epps, you referred to decisions made by, I think you said, Denmark, Norway, and the Netherlands to delay procurement of the F-35. One of the concerns was escalating costs. I think the American general accounting office and American authorities have had some review and some concern about what seem to be fluid costs, not only in terms of the per-unit cost of the plane, the actual initial procurement, but also for the maintenance over the life cycle. You talked about that, and you used figures that are considerably higher than some we've heard at this table today.

I'm wondering if you could expand on that, or share with us other information you have about other countries, or what your concerns might be with respect to escalating costs, both for the initial purchase and with respect to the life cycle of the aircraft.

Mr. Ken Epps: Yes, I think one of the points to make about the JSF program is that it has been almost universally controversial within all the partner countries that are participating in the program. As you mentioned, in the U.S. alone there's been a lot of debate about the rising costs of the aircraft program, and some doubt as to what the final costs will actually be. The GAO report you mentioned leaves open what the final costs may eventually be.

In terms of the partner countries and the extent to which they have now committed to the program, based on my review of a number of periodicals and industry articles that have referred to the program, we know, for example, the Netherlands, in August of this year, said it will not make a decision on the purchase of the joint strike fighter until after the next election, which is expected in 2014.

Norway has said it will not sign a contract until it is assured that the aircraft will be available at the lowest price, which isn't clearly defined but is presumably lower than what is expected at the moment.

Denmark, in March of this year, delayed its decision on acquisition because of rising costs, and the government there is saying it's waiting for costs to stabilize.

Meanwhile, we also know there's a major defence review going on in the U.K. We don't know the outcome of that review, but *The Economist* already has suggested, in an article last week, that it might result in the order for JSF aircraft being halved.

In Italy, there are federal budget cuts under way. The suggestion there is that there is a fairly basic commitment to the JSF program, but again the numbers are unknown.

All of that is to say there is still considerable doubt around how the partners are going to be committed to this program.

• (1510)

The Vice-Chair (Hon. Bryon Wilfert): Thank you.

Mr. Simms, you have about three minutes.

Mr. Scott Simms: Let me follow up on that. Certainly this creates quite a bit of apprehension in the whole thing if many of these countries are not going to fulfill their orders.

To the Ploughshares group, I want to ask you about this cost measure again. In your submission, you do say...well, you're quoting a former bureaucrat, estimating that as borne out by a recent GAO report, which noted the JSF program office now estimates life-cycle

costs to be \$764 billion, and you used \$30 billion for this country alone.

Based on your research, then, how does that compare with how we've procured certain aircraft, such as the CF-18, in the past? Did they go through a similar process, and were costs much higher than first anticipated?

I put that question to our friend at the University of Calgary as well.

The Vice-Chair (Hon. Bryon Wilfert): I'll start with Mr. Epps. Then I'll go to Mr. Huebert.

Mr. Ken Epps: Mr. Chair, thank you for that question and the reminder that I didn't answer the earlier question on that.

In terms of past programs, our experience has been that there have been quite a number of them for which initial cost projections have been too low. I don't have the figures for the CF-18 program in front of me, so I don't know the details of that in particular, but certainly there have been others. In the case of what's projected for this particular program, the figures show that what we're hearing from the Department of National Defence is perhaps only part of the picture. Certainly because the acquisition cost is still unknown because of rising production costs, what the final expenditures will be is still somewhat unclear.

The Norwegians have actually tried to cost out in some detail the life-cycle costs. There was a *Defense News* report in April of this year that said the Norwegian Ministry of Defence estimated the total cost of a 30-year program to purchase and support 48 aircraft at \$145 billion kroner. When we work that out in Canadian dollars over an equivalent 30-year program, the cost would be about \$34 billion Canadian. So it is significantly higher than the figures we have seen so far.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Huebert, do you care to comment?

Dr. Robert Huebert: Yes, thank you very much.

Almost every single defence expenditure in the modern era will always come in higher than what is expected. In fact, within the open literature this is often the argument that's put forward for signing early. You can never completely keep costs down by getting in early, particularly when dealing with a sole-source provider, but some studies have suggested that if you come in early you will avoid cost escalations. Historically speaking, it is hard to find a single modern program in the western world that has not come in over cost. That tends to be a bit of the nature of the beast.

One other point is that the Norwegians are sending mixed signals. In August of this year, Norway's defence minister met with the head of the American Navy, Admiral Gary Roughead, and signed an agreement to buy anti-ship missiles for the F-35s. So what Mr. Epps said about their stating that they are postponing is somewhat correct, but on the other hand, the Norwegians are also going ahead and actually making purchases to arm the aircraft.

• (1515)

The Vice-Chair (Hon. Bryon Wilfert): Thank you.

[Translation]

Mr. Bachand, you have the floor for seven minutes. Please, go ahead.

Mr. Claude Bachand: I would like to welcome our guests.

I visited your Project Ploughshares website. I looked at what we might call the six pillars. You are talking about economic equity, political participation, being inclusive, respect for human rights, the integrity of individuals, and a healthy environment. The last two points are particularly important. You are talking about developing peaceful ways to resolve conflicts, as well as reducing and putting strict limits on instruments of war. Could you expand on this last point?

I personally agree with your statement that we should resolve conflict through diplomacy, development and peaceful means. But the lessons we've learned from history encourage us to be cautious. Everyone knows that non-aggression pacts and treaties of friendship between nations have often been broken. When that happens and if we have not taken the necessary precautions, we may have to pay a fairly high political, economic and human price.

If the JSF was not in the picture, would you agree that the Canadian air force had to be modernized so that it had a small reserve in case conflict resolution through diplomacy and development was not successful?

[English]

The Vice-Chair (Hon. Bryon Wilfert): Mr. Siebert.

Mr. John Siebert: Thank you very much, Chair.

Our approach is that definitely conflicts exist and will continue to exist and that the pursuit of peaceful means of resolution of conflicts is preferable to the resort to violence, and so we talk about the reduction to the resort to violence.

We also believe that Canada, as a wealthy nation with no existing threats to its territorial integrity, has an incredible array of choices about where it might invest to both secure the monitoring of territorial land and waters and also contribute to longer-term investments in international peace and security. We say there should be a military capacity, and that military capacity should be properly equipped for missions that we choose to define and also define how we want to participate in them.

The range of threats, as I've indicated, that even are supported through the Canada First defence strategy, that we are currently facing and foreseeably facing into the future, are of a nature that a joint strike fighter with stealth technology probably will not be used. In fact, some comparisons have already been made in this room

throughout the day. The CF-18 came into place, we have this range of possibilities, we couldn't predict them all, and we can't predict into the future. In fact, even at the height of the Cold War, which is a significantly different strategic environment than we are in now, fighter aircraft were rarely used in the full capacity to which they were designed.

So we are placing a question for this committee. More analysis and public debate should take place: what is the nature of those threats, and is the JSF the place to invest the dollars we have available, which we acknowledge are not unlimited?

• (1520)

[Translation]

The Vice-Chair (Hon. Bryon Wilfert): Mr. Bachand, you have three minutes.

Mr. Claude Bachand: Mr. Huebert, I find that the Russians are currently serving the Conservative government well in terms of justifying major contracts, whether in the north or in relation to high-performance planes. Don't you sometimes get the impression that the Canadian government is inclined to depict the Russians as demons, especially since, as far as I know, the Russians have not violated our airspace? They went into the buffer zone, but never into Canadian airspace. It seems that we never miss an opportunity to arm ourselves to the teeth because the Russians are coming. You even brought it up yourself, I think, when their infamous project to build stealth bombers was being discussed.

Doesn't this trigger escalation? By making noises like that, the Russians push the Canadian government to react by saying that it is going to arm itself too. Do you sort of get the impression that we are witnessing military escalation?

[English]

Dr. Robert Huebert: It isn't, and the reason why is that you have to ask why the Russians had the motivation to resume bomber patrols when in fact we had more or less worked out arrangements at the end of the Cold War whereby we acknowledged how these are perceived as escalatory activities, or at least as creating a mistrust that had not been there before.

The question is why, then, in 2007? One could say, okay, they were doing it because Putin was getting more money back into the military and they wanted to show that it was for domestic consumption. But, if anything, there are reports in the open literature saying that our governments are not sharing the degree to which overflights are in fact occurring. In other words, there are suggestions that the numbers are substantially higher than those announced by, say, Minister MacKay on a trip to the north.

If that is true—and I have no way of verifying whether it is—one has to ask the question, are the Russians are doing it for domestic consumption, are they doing it for intelligence-gathering, or are they doing it for other various reasons?

The other issue that's suggested in the open literature is that the Russians, unlike NATO, do not share pre-flight clearances. In other words, the Russians are staying in international airspace, and they're not required to.... But as a confidence-building measure, when NATO does similar activities, we tend to notify the Russians that we will be having these exercises, and we give them advance notice. My understanding—and I stand to be corrected—is the Russians are not doing this in that particular context, which raises concerns for me regardless of how they're portrayed as a means of political advancement.

Mr. Claude Bachand: I'm okay.

The Vice-Chair (Hon. Bryon Wilfert): Good, because it's over. Thank you.

Mr. Harris, you have seven minutes.

Mr. Jack Harris: Thank you.

Mr. Huebert, following on your last comments about the behaviour of the Russians, we do know the Russian Bears are 1955-designed aircraft, propeller-based, that fly back and forth. NORAD tells us publicly and consistently that both sides do the exercises of testing airspace and response times on an occasional basis, and that despite the—I won't call it hysteria—at least political use of these flights by the Government of Canada, this is just routine, and there's nothing really to it.

A new long-range bomber may or may not be in the works by the Russians, but do we need to have a type of aircraft other than the CF-18s? I'm not saying the CF-18s are going to last forever. Obviously, we have to replace planes if they're going out of service, but for what reason do we need or would we need something like the F-35 stealth strike fighter to keep track of those?

Dr. Robert Huebert: This is the interesting question. It gets very much into the gestalt of how we try to understand what the Russian intentions are. There are the arguments that Putin is doing this, of course, simply for domestic consumption to show that he is the strong man. In other words, there is this whole aspect that he's not even focusing on the outside world.

However, the issue of course is why in 2007 they had maintained this at substantial cost and, of course, whether they are going to follow through with the new advanced bomber as they say they are. If they don't, many of the premises of your question are, indeed, in order.

The second part of your question is whether we actually need the F-35. Theoretically, could we have a cheaper aircraft, something that perhaps will provide us with the type of air superiority or at least air surveillance that fighters give us? The answer is in theory yes, but we simply don't see that type of company capability.

As I said, the Eurofighter is probably going to come up at a cost roughly akin to what the F-35s are, or at least that's the speculation. That may be proven to be wrong, but it's an older technology, and it won't last quite up to the 2060 timeframe. I expect we'll be seeing the F-35s go...despite the government saying they will be replacing them sooner.

If you're not willing to go to the Russians to buy your fighters, there really are going to be limited options. You either go with the F-

35, which may not be a perfect fit, or you go with nothing. It's almost the type of choice that any government...and this was reflected, of course, even with the Liberals when the initial contract in the mid 1990s to engage in the development of the F-35 was taken. This is the real challenge any western government outside of the United States is going to be facing.

● (1525)

Mr. Jack Harris: Of course, we do have the Super Hornets.

If the stealth bombers are what we're worried about, surely the capability you require is to actually be able to find them, not by going and looking for them but by being able to detect them through other means, whether it be by satellite or by detection systems. The idea of stealth versus stealth sounds like cloak and dagger: you have an invisible plane, so I need an invisible plane to find you. It doesn't make sense to me. It seems clear to me that you have to find ways of having your detection system.

I think Canada and NORAD now know when a jet takes off in Russia, if that's what we're worried about. It's not a big secret. It's not likely to be a big secret when stealth bombers take off either, if we concentrate on detection systems as opposed to interceptor jets.

Would you care to comment on that?

Dr. Robert Huebert: I guess my response to that is that it's along the lines of the unknown. We're talking about going for the Russians, who probably will not be the major issue.

When you say NORAD knows, well, of course we have recently seen the re-coverage of the events of 9/11, and NORAD was not able to respond to the type of capability, the type of threat, that people were not perceiving. NORAD, as everyone knows, was looking outward, not inward. When somebody decided to turn these aircraft into basically what amounted to be cruise missiles, NORAD did have a problem understanding and responding.

I'm not saying there is a continuous terrorist threat of using aircraft as cruise missiles, but we have to have serious debate on the question of having a response capability that goes beyond surveillance and on what we do when we have this type of threat.

Unfortunately, a fast aircraft is still your best means for the necessary force on force when you are dealing with very short time periods. At least that's the argument amongst most of the air power circles. You want to have that quick capability that goes beyond simply knowing what's happening. Let's be blunt: we're talking about using deadly force against some future...[*Technical difficulty—Editor*]

The Vice-Chair (Hon. Bryon Wilfert): Mr. Harris, you have about a minute and a half left.

Mr. Jack Harris: I have a question for the representatives of Project Ploughshares.

The cost issue is—

The Vice-Chair (Hon. Bryon Wilfert): Mr. Harris, we've lost Mr. Huebert in Calgary.

Mr. Jack Harris: I didn't think he was finished—but I was going to go to Project Ploughshares.

The Vice-Chair (Hon. Bryon Wilfert): Maybe he anticipated another question from you—I don't know—but he's not here. We're going to check on that.

Mr. Jack Harris: Will we wait and check? I would just as soon have another question....

• (1530)

The Vice-Chair (Hon. Bryon Wilfert): Is your question directed at—

Mr. Jack Harris: I was going to direct it at these other witnesses, but if we need Mr. Huebert's presence....

The Vice-Chair (Hon. Bryon Wilfert): If your question is for either of these gentlemen, please proceed.

Mr. Jack Harris: It is, actually.

I wonder if you could talk a little about the cost. With regard to the potential cost escalation causing these other countries such as Norway, Denmark, and the Netherlands to postpone decisions, along with the U.K. experience and possible downsizing, which has already been done by the Americans, are we looking at the kind of cost uncertainty in the future that may make this...? If you look at the Norwegian numbers, the comparable number for Canada is 65. A straight arithmetic comparison would mean it would be \$42 billion or \$44 billion. Are you looking at escalating numbers for Canada's costs as well should these numbers change downward as we go forward? Do you think, in your analysis, that the costs for Canada could escalate considerably up into the \$40 billion range?

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Harris.

Gentlemen, the easiest way to answer the question is to submit a response in writing, because Mr. Harris' time is up, but we would be looking for additional information.

You can give a very short, short answer.

Mr. Ken Epps: I don't have a short answer, I'm sorry.

Mr. Jack Harris: Time would seem to be taken up by Mr. Huebert disappearing from our screen.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Siebert, do you have a short answer?

Mr. John Siebert: Well, we don't know.

The Vice-Chair (Hon. Bryon Wilfert): That's a short answer. Thank you, sir.

That's the end of the round for Mr. Harris, and now we will go to Mr. Hawn.

Mr. Hawn, you have seven minutes.

Mr. Laurie Hawn: Thank you, Mr. Chair, and thank you to the witnesses.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Huebert is now back.

Mr. Laurie Hawn: Nice try, Mr. Huebert. You can't get away that easily.

Voices: Oh, oh!

Mr. Laurie Hawn: I have just a quick question for you. We've talked a lot today about the fact that the air sovereignty mission in the north is only one of the missions of the F-35, and it's probably, relatively speaking, one of the most benign missions of the F-35 compared to the other things it gets involved in in places like Afghanistan and so on. Would you have a short comment on how air sovereignty or sovereignty generally is largely about just being there?

If we're going to say that we're exercising sovereignty and if aircraft that have not filed flight plans are operating within our air defence identification zones, we have an obligation under NORAD and under common sense to exercise air sovereignty and just be there so that they can see that we are there and we are exercising it. Would you comment on that?

Dr. Robert Huebert: The major thing about responding by being there is, of course, having the ability to do something about it. When we see police on the road, their just being there is part of it, but the fact is we know there is a penalty.

Somebody made the observation, of course, that deterrence didn't require the use of fighter aircraft, but the reality is that was because deterrence was successful. The Soviets ultimately made the decision that if push came to shove, presumably our aerospace, our air power with the NATO alliance, would be sufficient to possibly cost them in terms of any invasion. In other words, yes, we never utilized them, but it was that potential to actually utilize them that was so critical.

Mr. Laurie Hawn: Thank you, Mr. Huebert. I can identify with that personally.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Hawn.

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

I have a question for Mr. Epps. Fire trucks spend most of their time in the fire hall, but when there's a fire, firemen kind of need fire trucks. Would you agree with that?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Epps.

Mr. Ken Epps: Yes.

Mr. Laurie Hawn: It's a pretty self-evident question.

Are there any weapons acquisition programs, deadly force capability acquisition programs, that you support for the Canadian Forces?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Epps.

Mr. Ken Epps: That's a very loaded question, of course.

Mr. Laurie Hawn: Absolutely.

Mr. Ken Epps: I would say in response that, as John mentioned, we certainly support Canadian Forces being equipped with appropriate equipment for the missions they have been assigned.

Mr. Laurie Hawn: Can you define that, please?

Mr. Ken Epps: Well, the range of missions is vast. We all acknowledge that. They include, in some cases, the use of force, particularly if a mission involves protecting civilians, for example. We would also like to note that because there is a range of missions, Canada does get to choose where it may want to emphasize its engagement. I think that's the question we would want to raise: has there been a full discussion of the mission range that this aircraft in particular would be meeting?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Hawn.

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

Well, you may not have had that full discussion, sir, but I suggest that others may have. And those folks, who have a little more insight into those things than any of us do, can't predict what's going to happen in 30 years or 40 years, or what we might be involved in. I suggest that none of us here can, which is why we have to be prepared with the fire truck to put out whatever fire comes along, to use an analogy.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Siebert.

Mr. John Siebert: Certainly, Mr. Hawn, there are a range of fires going on in terms of international security. Canada has never had and never will have the full range of response capacity that others do. In other words, we don't have aircraft carriers. We don't have atomic submarines or nuclear powered submarines. There's a range of things we have chosen not to get into because of costs or for a range of strategic reasons, etc.

So not every fire that comes up in the world creates a call on Canada to send a fire truck.

• (1535)

Mr. Laurie Hawn: Absolutely, and that's why we're part of alliances. That's why we have allies who count on us to do our part.

Do you believe we should be part of NORAD?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Siebert.

Mr. John Siebert: Mr. Chair, there are benefits to NORAD. There are certainly aspects of it that are worth sharing. Allies can share capabilities for deterrence, for surveillance, and for detection, but finally Canada always needs to maintain the capacity and the ability to respond to threats as it sees fit, and also to engage or to ask for the assistance of allies. We do not want threats emanating from within Canada to our allies, and so we need to be a good neighbour.

Mr. Laurie Hawn: So you approve of our continued participation in NORAD?

Mr. John Siebert: There are good reasons for allies to work together on—

Mr. Laurie Hawn: Please answer the question: do you approve of our participation in NORAD?

Mr. John Siebert: There are good reasons to work together in NORAD, yes.

Mr. Laurie Hawn: Thank you.

Would think that it's acceptable for the U.S. if we didn't buy an aircraft like the F-35 to replace the CF-18? Do you think it's acceptable for us as Canadians to rely on U.S. forces to provide air sovereignty over Canadian airspace?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Siebert.

Mr. John Siebert: I don't believe we need the joint strike fighter to maintain air sovereignty in Canada. There are other options. I know there are capabilities that are not reported to be or dreamed of as being as sophisticated or advanced as the joint strike fighter, but there are other options for Canada.

Mr. Laurie Hawn: Given that we have to respond to other fires around the world, where we will need aircraft or a capability more robust than that required for the relatively simple air sovereignty exercise, and given the fact that cost is definitely a big consideration, and given the fact that we can't afford to buy 20 or 30 F-18E/Fs or anything else and then buy a more robust, more survivable, more operationally capable aircraft to do the worst fires around the world, do you not see some logic in having one aircraft type? If you're going to have one type, then do you not see some logic in having an aircraft that will be able to put out the strongest fire you think you might face in the next 20, 30, or 40 years?

The Vice-Chair (Hon. Bryon Wilfert): You have 25 seconds, Mr. Siebert.

Mr. John Siebert: It's feasible to propose that Canada would not do those sorts of things alone. It would do them with allies or in a coalition, as it has in the past. We don't need to have joint strike fighters that replicate the capabilities of the U.S. and others. We can play other roles in those coalition processes and be just as good an ally, and not necessarily provide the stealth joint strike fighter.

Mr. Laurie Hawn: Well, we disagree.

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Siebert.

Thank you, Mr. Hawn.

That will conclude this round.

In the second round I have Mr. Wallace first.

Mr. Wallace, you have four minutes.

Mr. Mike Wallace: Thank you, Mr. Chair.

I want to thank our guests, both from Calgary and from here, for coming today. The parliamentary secretary stole some of my questioning lines, but I'm going to follow up a little bit, maybe in more general terms.

My understanding of Project Ploughshares is basically that the organization is interested in turning military spending into more peaceful opportunities in terms of where to spend the money.

When we announced the Canada First military strategy, did your organization come out as being opposed to that strategy?

The Vice-Chair (Hon. Bryon Wilfert): Mr. Siebert.

Mr. John Siebert: Mr. Chair, perhaps only Peter Braid from Waterloo read the Waterloo region *Record* op-ed piece that I wrote on Canada First, in which I raised significant questions, first about the strategic environment that was being described there and also about why the military is being called on to carry out a number of roles, in other words about mission creep. We're clearly advancing the ability of the civil power as opposed to how providing aid to the civil power would do that.

Also, I did raise the question of having military power as the leading foot in the international expression of a country's best foot forward, and I have a question about that.

Mr. Mike Wallace: Okay, I appreciate your telling us that.

So what surprised me today in your discussion here is that Project Ploughshares, though, in general terms, is still supportive—is that correct?—of Canada having a military and a military presence.

• (1540)

Mr. John Siebert: That's correct, and there are certain missions that it's appropriate to apply to.

Mr. Mike Wallace: Would you also agree that the men and women who have volunteered in Canada to be part of our military family should be well equipped to do the jobs we're asking them to do? I'm assuming Project Ploughshares agrees with that.

Mr. John Siebert: Yes, and what we're asking them to do should also be balanced with the proper equipping of our diplomats, our development practitioners, and our democracy promoters.

Mr. Mike Wallace: In your presentation today you talked about opportunity costs. I'm on the finance committee and I hear about opportunity costs of things virtually every day. Were you supportive of our recent announcement on navy procurement and what we're doing with the navy?

Mr. Scott Simms: On a point of order, Mr. Chair, certainly if I can't talk about fixed-wing search and rescue, I don't see the relevance of bringing in the navy.

The Vice-Chair (Hon. Bryon Wilfert): [*Inaudible—Editor*]

Mr. Mike Wallace: If you don't want to hear the answer, Mr. Simms, you can get the white flag out now, if you want.

Mr. Scott Simms: I just want to ask my own questions, sir. I want to ask just like you do.

The Vice-Chair (Hon. Bryon Wilfert): Mr. Simms, before your quick intervention, I was about to say to Mr. Wallace that we're above ground, not on the water here. We're talking about airplanes.

You have one minute.

Mr. Mike Wallace: However, Mr. Chair, I'm responding to them coming up.... In their presentation they talked about opportunity costs, and that if they were not spending the money on the F-35s, the money could be spent elsewhere. So I was asking whether it would be wise to spend the money they think could be saved by having a plane other than the F-35 on the navy, and how they felt about the navy procurement we announced earlier this summer. I think it is relative to what we are talking about today, but I'll be happy to move on.

Let me finish by asking for predictions. With regard to your discussion about what you wrote in the Waterloo region *Record*, would it be fair to say that your organization, like any other...? This plane that we're looking at purchasing has a 30- to...so by the time it hits the tarmac here, another 30 years after that, so it's about a 40-year life span. There is no way you can predict what challenges and issues Canadians and the world might face in 30 or 40 years. Would you agree that we need to at least equip our folks, if we're going to be spending this kind of money now, for any eventuality that may happen in the future?

The Vice-Chair (Hon. Bryon Wilfert): Thank you, Mr. Wallace.

Mr. Siebert, a short answer.

Mr. John Siebert: We can never equip ourselves to meet any eventuality.

The Vice-Chair (Hon. Bryon Wilfert): On that note, I want to thank our three witnesses for their comments today.

I want to thank members of the committee for their cooperation.

The meeting is adjourned.

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