



Aerospace Industries
Association of Canada

L'Association des industries
aérospatiales du Canada

Business Plan

2010-2013

Approved by the AIAC Board of Directors
On March 11, 2010

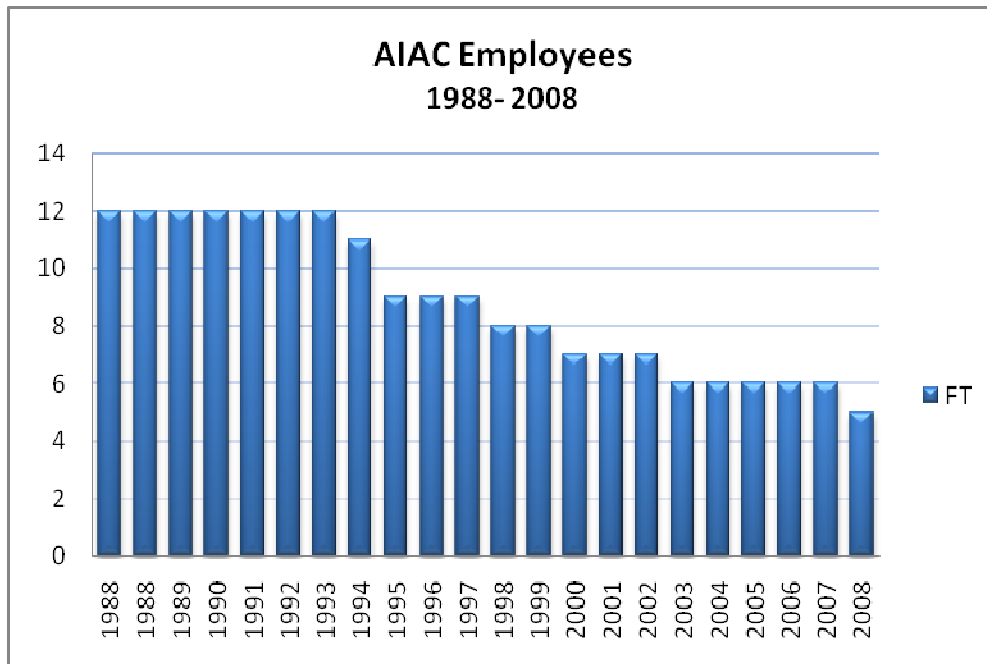
www.aiac.ca

1. INTRODUCTION

This business plan will briefly review the history of AIAC over the past 20 years; identify the strengths, weaknesses, opportunities and threats facing the organization; and will set out the actions and the process for resource allocations that will guide our activities over the next 3 years.

2. HISTORICAL REVIEW 1988-2008

Over these past 20 years AIAC's total revenues, expenditures and membership fees remained essentially flat with a slight dip around 1997. Taking into account the impact of inflation, **AIAC's revenues, expenditures and membership fees have decreased by half in the past 20 years.** They are fifty percent (50%) of what they were twenty (20) years ago. Consequently, the number of full-time equivalent employees has also decreased by at least a factor of two.



Despite these declines a review of past Business Plans written during that same period reveals that **members' expectations for AIAC have increased during the past 20 years.**

For example, the 1995-1996 Business Plan provides a typical statement to this effect: “Merely breaking even or slightly better, results in maintenance of the status quo leave little time (*Human Resources!*) to thoroughly analyze issues”.

The 2005-2006 Business Plan led to the addition of one senior staff member at a total cost of \$150,000 per annum that, it was noted, “could only be covered by digging into the Unrestricted Reserve Fund and hoping that the individual hired would generate revenues to compensate for the expense”. These additional revenues did not materialize.

Finally, in his report to the 355th meeting of the Board in October 2007, the Acting President stated: “Frankly, AIAC is operating on fumes and needs additional sources of funding to continue to serve its members and membership fees need adjustment”. It is important to note that in the Business Plan he presented at the same meeting, substantially the same priorities were outlined as had been in previous years’ Business Plans.

Faced with the challenge of aligning necessary activities with available financial and human resources while balancing the budget, the new (and current) President recommended that a Strategic Planning Session be held in November 2008. During that session, members of the Board came together to validate and prioritize issues facing AIAC. More than 90% of the Board members participated in a day of constructive discussions and made it clear they expected that the Business Plan should look forward three years and should include:

- What has to be done;
- Who is going to do it;
- When it will be done; and,
- How much it will cost.

3. SWOT ANALYSIS

Because it is often difficult to differentiate between the characteristics of the Association and those of the industry as a whole, our analysis includes elements pertaining to both in the sections on *Strengths* and *Weaknesses*.

Strengths:

- A vibrant industry recognized world-wide for excellence
- An industry which has a presence from coast-to-coast
- An industry that contributes to a positive balance of payments
- An industry that employs highly qualified human resources at wages above the national average
- An association that has 47 years of presence in Ottawa

Weaknesses:

- Difficulty by members of the industry to provide coherent, consistent, long-term, well-supported objectives for the Association
- Diversified interests of membership
- Difficult to build ongoing constructive dialogue and feedback within the Association structure
- Lack of financial resources to meet members' expectations
- Apathy some of the members towards the Association
- Association divided in its public advocacy between defense and civil aviation; large, medium and small enterprises; space and aeronautics; Canada-based activities and activities focused primarily on business development in Canada

Opportunities:

- Precedents exist regarding support to the industry from federal and provincial governments
- Industry has potential to create "high-value added jobs" in time of need
- Future global demand for aircraft : opportunity for growth
- Increased Canadian spending in defence procurement
- Strong networks of provincial and regional associations connected to respective provincial/regional governments

Threats:

- Public perception of an industry surviving on government grants
- Perception of an industry centered in the Montreal area
- Federal government's reluctance to interact with national associations
- Proliferation of "national" associations claiming to represent various sectors of the industry, thereby draining financial resources and creating confusion in messages

4. GUIDING PRINCIPLES

Members' expectations of AIAC are very high and cover a wide array of services and interests. As a national organization representing a major industry that touches all the regions of Canada, however, AIAC does not have the resources to successfully respond to all of the requests expressed by Board members. We must therefore make difficult choices. These choices will take into account the following constraints:

4.1 – Our ability to deliver on agreed priorities credibly, effectively and in a timely manner;

4.2 – The availability of the human resources required to provide support to priority activities (e. g. gathering research to inform credible advocacy positions, providing secretarial and other services needed to support Board Committees).

4.3 – The availability of financial resources to support activities (e. g. developing and maintaining a modern, interactive website and database; producing high-quality documentation to inform decision makers, the public and our own members about the industry's needs and priorities; traveling across Canada to ensure the visibility of AIAC and its priorities with the public, the media, our member companies and decision makers);

4.4 – The availability of Board members to participate in Committee meetings and contribute to providing and validating technical information in support of advocacy;

4.5 – The necessity of balancing our budget;

4.6 – The mutual advantages of maintaining and enhancing close working relationships with provincial and regional associations and act complementarily when appropriate for the benefit of the industry as a whole;

4.7 – The advantages of partnering with other organizations to enhance our effectiveness when appropriate.

5. ACTIVITIES

AIAC must be, and must be perceived as, **THE national voice of Canada's aerospace industry**. In order to reach this objective, it will identify the potential for consensus, will build consensus, and will provide leadership on issues of interest to the industry. AIAC will seek to attain the highest common denominator amongst its membership in assessing its priorities and advocacy positions.

AIAC will focus on the following activities:

5.1 – **Federal Government** - Interaction will be centered on Industry Canada, National Defense (DND) and Public Works and Government Services (PWGSC), as well as Foreign Affairs and International Trade Canada (DFAIT).

Members' views will be solicited to develop positions that are based on their needs and the on-going analysis of the environment (government and the public). During the November Strategic Planning session, the following issues were identified as priorities. They should be validated by the members of the Board on a yearly basis.

- **SADI** (Strategic Aerospace & Defence Initiative) – The objective will be to ensure that the program is flexible enough to respond to the needs of a diverse membership and that funding continues to be available at a level that meets the needs of those members. Pressure will also be exercised to ensure that repayments are entirely reallocated to the program rather than to the Comptroller General.

Efforts will be made to have the program rules and conditions improved over the 3 year period.

In September 2009, the Minister of Industry announced that \$200 million funding would be granted to the initiative.

MEASURE OF PERFORMANCE: \$300 M additional commitment to SADI by 2012-2013; review of program to be completed by 2013.

- **IRBs** (Industrial Regional Benefits) – The objective will be to ensure that the IRB policy and its application be revised in order to maximize its contribution to the development and competitiveness of Canada's aerospace industry within the country and abroad. AIAC will ensure that the IRB policy will allow foreign prime contractors to build long-term technology relationships with Canadian firms and facilitate their early involvement in new development programs.

In September 2009, the Minister of Industry announced long awaited improvements to the Industrial and Regional Benefits (IRB) Policy along those lines.

MEASURE OF PERFORMANCE: New IRB policy to be implemented gradually and successfully by 2011-2012.

- **Review of Procurement** – An external review, in which AIAC and member companies participated, was completed by CADSI in 2009.

MEASURE OF PERFORMANCE: Negotiate a satisfactory policy on procurement by 2010-2011; implement by 2011-2012.

- **ISS** (In-Service-support) – The objective will be to ensure that the ISS considerations are an integral part of contract negotiations with international OEMs. AIAC will ensure that the ISS policy allows Canadian companies to build expertise, to create jobs in Canada and export their activities abroad.

MEASURE OF PERFORMANCE: Negotiate a satisfactory new policy on ISS procurement, based on the internal review completed in 2009, by 2010-2011; implement by 2011-2012.

- **ITARs** (International Traffic in Arms Regulations) – With the arrival of a new government in Washington, AIAC has renewed its pressure on Ottawa to resolve all issues related to ITAR.

MEASURE OF PERFORMANCE: Obtain support from the Federal government to seek changes from the USA; development and implement new rules by 2011-2012 particularly on the issue of dual citizens.

- **Financing** – In the current fiscal environment (i.e. a global economic recession), AIAC will continue to press the federal government to encourage and support banks and other lenders in their efforts to improve the financing of activities for small, medium and large companies involved in aerospace.

MEASURE OF PERFORMANCE: Obtain a continuing commitment from the federal government (Finance, Industry Canada, Public Works and Government Services etc.) to improve financing conditions for small, medium and large companies in 2010-2011.

- **Defense Industrial Base Policy** – AIAC will continue to press for the development of an effective Defense Industrial Policy that will enhance the development of existing industries and encourage the development of new ones in responding to the stated government policy of major purchases in defense over the coming decade.

MEASURE OF PERFORMANCE: Obtain government commitment to the development of a Defense Industrial Base Policy by 2010-2011; negotiate new policy by 2011-2012.

- **Space Policy** – AIAC will continue to press government to develop and approve the Space Policy promised by Minister Prentice in September 2008.

MEASURE OF PERFORMANCE: Obtain a federal government Space Policy in 2010-2011.

The following approaches will enhance our ability to influence policies and programs:

- **Canadian Aerospace Partnership (CAP)** – AIAC will continue to explore the possibility of revitalizing the CAP process in order to bring together all actors: federal and provincial governments and agencies, unions, universities, colleges and the industry to develop consensus in dealing with the challenges ahead.

MEASURE OF PERFORMANCE: Hold a meeting of the CAP in 2009-2010.

- **Federal Government Agencies** - AIAC will also intervene with other relevant government agencies such as the National Research Council, the Canada Commercial Corporation, Export Development Canada, etc., in order to ensure that members' needs are well understood and adequate response is given.

MEASURE OF PERFORMANCE: Members' satisfaction with the activities of these agencies will be surveyed in 2010-2011 and 2011-2012 to reflect progress.

- **Aerospace Caucus** – A non-partisan aerospace caucus has been created and holds regular meetings.

MEASURE OF PERFORMANCE: Follow closely, support the activities and enhance collaboration with the members of the non-partisan Aerospace Caucus in the period 2010-2013.

- **Aerospace Intelligence Repository** – AIAC will become the repository of up-to-date information on Canadian and international issues related to the aerospace industry.

MEASURE OF PERFORMANCE: *The Canadian Aerospace Industry and Resource and Publication* sections of our new website should show constant increase and have doubled between 2010-2011 and 2011-2012.

At this time, one of the major obstacles to having effective government relations is the lack of an up-to-date, comprehensive database/repositories that would strengthen the quality of our presentations to the government and help us to 'build our case'. As mentioned below in Section 7, steps will be explored to identify savings that could be affected to the hiring and support of a research analyst. This activity will include up-to-date comparisons with other countries' public support for their respective aerospace industries.

5.2 – Public Relations

AIAC needs a global approach to its public relations activities in order to increase public awareness of the importance of the industry for the Canadian economy, and to put pressure on governments to support the

industry as a result of publicly acknowledged importance. Some of the following activities and goals reflect the essence of the Communication Plan adopted by the Board in May 2008 and will contribute to reaching that objective:

- **Website** – The new Website was launched in 2009.

MEASURE OF PERFORMANCE: AIAC Website will provide up-to-date information and obtain members' buy-in in 2010. Annual visits to the AIAC Website will double by 2011.

- **AIAC Guide to Canada's Aerospace Industry** - The Guide was published in 2009 and will be published again in 2010. An online version linked to an optimized search engine was launched in 2009. A review will be made to evaluate the appropriateness of eliminating the paper copy and replacing it with an interactive online version to be available only on the new website (accessible free of charge to members and perhaps for a fee to non-members), while ensuring that the Guide remains a considerable source of revenue for AIAC.

MEASURE OF PERFORMANCE: The online version of AIAC's Guide will generate increasing numbers of visits on a monthly basis. An assessment of the elimination of the paper version will be made by 2010-2011.

- **Correspondence with the Federal Government** - In order to ensure that members are immediately aware of positions taken with regards to Federal government policies and to facilitate and coordinate their own lobbying activities, copy of letters, position papers and other documents such as meeting agendas and minutes of past meetings will be immediately posted in document repositories in "members only" sections of the website. Members (Board, Official Representatives and members of various committees) will be advised of these postings through URL links and have constant access to repositories.

MEASURE OF PERFORMANCE: The AIAC Website will include document repositories to facilitate the flow of information and access to correspondence by the members of the Board and of the various Committees; the majority of members (companies) will use this feature of our Website by the first half of 2011.

- **Search Engines** – The new website was developed taking into account Search Engine Optimization (SEO) best practices. With the help of experts, tools have been put in place to help ensure that individuals using search engines such as Google find information on the Canadian Aerospace Industry as well as member company profiles and services and will be directed in priority to the AIAC website.

MEASURE OF PERFORMANCE: Number of external visits to AIAC website will double between 2010-2011 and 2012-2013.

- **Regional and Provincial Associations** – The proposal regarding changes to the By-Laws to provide the status of full voting Members of the Board to the four Regional and Provincial Associations representatives was approved by the Board at the Annual General Meeting held October 15, 2009. Protocols to enhance the working relationships and mutual benefits of AIAC and the regional and provincial associations will need to be developed.

MEASURE OF PERFORMANCE: Protocols of Understanding will be proposed and discussed in 2010-2011 and approved in the first part of 2011.

- **Other National Associations** - AIAC will strengthen its links with the Canadian Manufacturers and Exporters Association led coalition, with the Canadian Association of Defence & Security Industries (CADSI) and other appropriate national organizations to develop common positions whenever possible.

MEASURE OF PERFORMANCE: We will have obtained the support of other national associations and partners in support of our advocacy and messages on a regular basis by 2010-2011.

5.3 – Member Relations

- **Priority Needs of the Industry** - AIAC needs to ensure that all its activities are carried out with a full understanding of the priorities of its members and that its activities reflect those priorities. A review of the AIAC's communications vehicles such as Aero.com is underway to ensure that accurate and timely information is available to members. The new website ensures that information from member companies is available and promoted through the website. Members have access to news about the industry, government press releases regarding the industry and member companies through the new website. They

will have the option to upload information about their companies, such as product/service information (company profiles), press releases and employment opportunities.

MEASURE OF PERFORMANCE: In cooperation with official representatives, AIAC will have identified and trained end users on the functionalities of the new Website in 2010-2011. These functionalities will be used by a majority of Board and Committee members by 2011-2012. An assessment of these functionalities and their use will be made in 2012-2013.

- **Information Sharing with Members** –

1 - A monthly conference call will be organized where members will have the opportunity to call in and have a dialogue with the President and the two Vice-Presidents about current issues and activities and provide feedback, comments and suggestions.

2 – The President and CEO will provide Board Members at every meeting with a report on current issues.

MEASURE OF PERFORMANCE: Monthly phone conferences will be held and CEO will provide report to Board.

- **Membership Diversity** - AIAC will attempt to provide better access to the identification of national and international opportunities available in particular to our small- and medium-size members. Again, the publication of the Guide on the website will be a select instrument to provide visibility to all our members nationally and internationally among others.

MEASURE OF PERFORMANCE: The number of external visits on the new Website and in particular to the on-line version of the Guide will show constant and significant increase over the base period of 2009-2010. An assessment of the effectiveness of our SEO methods will be made in 2010-2011.

5.4 – Regional and Provincial Associations

Developing clear protocols of interaction between regional and provincial associations and AIAC will allow the industry to benefit greatly from the leverage that will occur by, for example, having the provinces support the re-establishment of CAP. A more proactive multi-tiered relationship will enhance the ability of the industry to increase its profile with governments and the public.

Representatives of regional and provincial associations became full members of the Board of Directors of AIAC. They, along with the current Board of Directors, will provide a clear forum to build on the existing relationships and have full voting rights according to the By-Laws which were amended at the Board meeting in October 2009.

5.5 – International

AIAC will work with Industry Canada and DFAIT to maximize the impact of Canada's presence at *Le Bourget* and Farnborough International Air Shows. Clear plans of actions will be developed and submitted to the Federal government to ensure that members derive the maximum benefits from their participation in these events.

6. FEE FOR SERVICE

It should be recognized that, regrettably, AIAC does not currently have the financial and human resources needed to offer programs or services beyond those listed in Section 5. In order to balance its budget, AIAC must look at alternative funding for other activities.

AIAC recognizes that members as a whole or in sub-groups may wish to have AIAC undertake other activities.

In these cases, AIAC will carefully review the requests, assess the associated costs and obtain the necessary financial commitments from the members involved before submitting to the Board of Directors any recommendation to proceed ahead.

An example of this will be the operations of the GARDN initiative, a business-led Network Center of Excellence recently approved for funding by the Federal government. AIAC contributed to the preparation of the successful proposal but is not in a position to provide on-going support to its operations without an appropriate level of funding.

Further, AIAC will evaluate the opportunity of offering services such as webinars, international missions and meet-and-greet activities that will provide fee-based access to opportunities for its members.

6.1 - Canadian Aerospace Day on the Hill

This event will be organized annually and will bring together CEOs and other representatives from the aerospace industry with Members of Parliament, Ministers, and Senior Civil Servants. Clear, well-targeted messages will be developed for all participants to ensure that the industry's needs and priorities, as well as the importance of the aerospace industry for the economy, are well understood by members of the different political parties in Ottawa.

MEASURE OF PERFORMANCE: The Aerospace Day on the Hill will be held every year, 2010, 2011 and 2012; participation of an increasing number of high level industry representatives along with an increasing number of high quality meetings with elected officials from all parties and government representatives over the three year period.

6.2 – Study of the Impact of the Canadian Aerospace Industry

A rigorous and credible study of the direct, indirect and induced economic and social impact of the Canadian Aerospace Industry across the country will be undertaken by an independent, highly reputable consultant that will also provide for a future outlook on the industry. This will allow statistics to be available to the participants of the Aerospace Day on the Hill. It will also serve to support the ongoing advocacy activities of AIAC in Ottawa and with the public in general.

MEASURE OF PERFORMANCE: The financing and successful completion of the study on the economic and social Impact of the Canadian Aerospace Industry on the Economy of Canada.

7. BALANCING THE BUDGET

A balanced budget has been approved by the Board for fiscal 2009-2010. This budget has no contingencies and is optimistic with regards to revenues to be generated from the Annual General Meeting, the 2010 Guide and the Farnborough Air Show.

There remains a need to continue to review our current staff complement to ensure that it meets the needs of the organization. It should be noted that the Board and the Annual General Meeting have amended the By-Laws to ensure a level of fiscal reserves with sufficient funds on hand to cover the costs of the unlikely decision to close the national office. An annual review of these costs will be performed under the responsibility of the Audit Committee with the advice of independent consultants.

Finally, AIAC still needs to conduct a review of its salary and benefit structure in comparison to other similar national organizations to ensure that it can attract and retain the appropriate personnel. A proposal will be submitted to the Executive Committee in 2010.

MEASURE OF PERFORMANCE: The Budget will be balanced for 2009-2010 and a balanced budget for 2010-2011 will be presented to the Board for approval in October 2010.

8. RESPONSE TO THE AIAC GOVERNANCE REVIEW REPORT FROM SECOR

This report and the response of Board members were discussed on March 11, 2010.

Many of the recommendations are significant and will require thoughtful consideration. It should be noted that the recommendations are based on key principles outlined in the report. Implementing the orientations and recommendations will have an impact on our relations with members, our ability to interact successfully with the government and the public and on clarifying the expectations of members with regards to the role of AIAC.

- **Committees Review & Reorganization** - All existing AIAC committees and their subservient entities such as a "Task Force", "Advisory Group", "Working Group", etc. will be reviewed, evaluated for effectiveness, reorganized as required and have appropriate Terms of Reference drafted and approved by

the Board. The analysis and potential reorganization of the committees and other entities will take into account their current relevance and interrelationship with like groups, both within the AIAC and outside.

During the recent survey of our membership by Secor, at least one new committee was proposed by members, i.e. "Technology Committee". This newly proposed group is intended to focus on and facilitate the technology related activities, especially those in support of the Future Major Platforms initiative.



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MEASURE OF PERFORMANCE: Review of committees and subservient entities and drafts of proposed changes and supporting Terms of References to be completed in 2010-2011.



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