



Aerospace Industries  
Association of Canada

L'Association des industries  
aérospatiales du Canada

## SPEECH BY CLAUDE LAJEUNESSE, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE AEROSPACE INDUSTRIES ASSOCIATION OF CANADA (AIAC)

AIAC Annual General Meeting

October 14, 2009

-Check against delivery-

Distinguished guests, ladies and gentlemen

This year, we are celebrating one hundred years of flight in Canada. One hundred years ago the Silver Dart was built and flown in Canada. We are also celebrating 40 years since the first lunar landing – an exploit which included Canadian technology by Héroux-Devtek they provided the lunar landing module exhibited in the foyer. And 25 years ago, Marc Garneau was the first Canadian in space.

These exceptional achievements have been followed by numerous exploits which Canadians should be extremely proud of – including, of course, the Canadarm. Thanks to the work of visionaries such as those we will honour this afternoon the Canadian aerospace industry reached the position of 4<sup>th</sup> in the world. We have become the envy of many nations, gaining world leadership in regional aircraft, small gas turbine engines, commercial flight simulators, aerostructures, landing gear systems, commercial helicopters, business aircraft, niche space products and MRO.

Canada also boasts the pioneer exploits of visionaries such as Jim Floyd who was the Chief Engineer for the C 102 Jetliner and later, for the Avro Arrow. No one knows where the production of these aircraft would have led our industry. We are not here to redo history, but rather, to celebrate and understand it so we can better plan for the future.

My message today is a call for action. If the Canadian aerospace industry of the future is to meet the expectations we all have, then each and every one of us has a role to play.

The Canadian aerospace industry is a remarkable success story. With yearly sales of over \$23 billion and 80,000 employees, our industry is the second nation in the world in terms of aerospace penetration as a percentage of GDP. SECOND. This is the kind of industry Canada needs, an industry that creates wealth for all Canadians, with high paying jobs, and R&D opportunities to foster a climate of innovation.

Over the past two years, we have seen tremendous gains in support of our industry. We have achieved success and met critical milestones in some of AIAC's key objectives.

1. The federal government has recently announced an additional \$200 million over 4 years to the SADI program
2. The IRB Policy is being updated for the first time since 1986, to better reflect the new reality of the industry
3. Under the Green Aviation R&D Network (GARDN), we are beginning to see tremendous initiatives leading us towards more eco-efficient technologies
4. The Future Major Platforms Initiative has led to the identification of those most significant technologies that will allow Canadian industry to play a leading role in future platforms
5. The FMP initiative is also leading to strategic relations with major OEMs around the world
6. The federal government is reaching out to the defence community to gain better insights into how to improve the procurement process
7. The federal government is committed to developing a long term space plan and it has announced \$110 million over three years for space robotics
8. We now have a non-partisan, pan-Canadian, Aerospace Caucus that allows government representatives to gain insights in our industry and debate the critical issues that surround it. They form a *core group* of MPs representing all regions of Canada who will help us carry our messages to the government and beyond.

All of us should be proud of these results. They demonstrate that we can achieve success when we work hard, in a constructive way, towards common goals together: small, medium and large firms, Atlantic, Quebec, Ontario and West, governments and industry.

In this context, I wish to recognize Minister Clement who has added his name to the list of Industry Ministers who have become true and effective champions of our industry.

I also want to thank our partners in the Federal Government: the Departments of Foreign Affairs and International Trade, National Defence, Public Works and Government Services, the National Research Council, the Natural Sciences and Engineering Research Council, along with many others, and finally Industry Canada and in particular, Chummer Farina, Sharon Harrison,

Daniel Duguay and their respective dedicated teams who have done due diligence and delivered on strategic issues.

Let us also recognize the contribution of AIAC members, without whose involvement and commitment we could not have met our objectives. I want to thank those who see value in taking time to get involved in our committees which allow us to stay focused on their needs and priorities. A strong and effective association can only be built on a constant willingness of all its members to work together towards a common vision and in cooperation with our governments.

A word of caution. While we have achieved success on IRBs and the door is open on engaging industry in revising the approach to defence procurement, we must continue to advocate for a strong Defence Industrial Base in Canada to optimize the impact of defence procurement and we must come to grips with the issue of Single Point of Accountability.

Today and tomorrow, we will be hearing views on positioning for recovery, on the challenges of the future, and on the opportunities that lie ahead for those who are well prepared.

At this point, let us take stock of where we are.

A recent AeroStrategy study commissioned by AIAC and Industry Canada on the impact of Globalization on Canada reveals that:

1. Today, Canada is absent from the top 10 countries in the world for investment in Aerospace R&D, manufacturing and MRO. Canada has not sufficiently taken advantage of the 'investment boom' of the past 20 years. Based on research of 121 leading aerospace suppliers, fewer than five investments per year was the norm among the sample group in the early '90s. By 2008, it was 63 per year! The most popular locations for engineering centres are Russia, the USA, India and Singapore. In manufacturing, OEMs are dispersing labour-intensive activities to 'low-cost poles' the most popular locations being Mexico, China, the USA and Russia.

In comparison, Canada, a knowledge-industry country, has attracted few R&D centers from non-Canadian firms.

2. Today, countries like Singapore, China and the United Arab Emirates – a country of less than five million people – are emerging as popular locations for MRO investments. These investments are creating new MRO hubs that are literally changing the landscape of the aerospace industry's maintenance infrastructure.
3. In the manufacturing sector, countries such as China and Russia are serious about their aerospace business. COMAC (Commercial Aircraft Company of China) is planning to introduce a new single-aisle competitor by 2020. Numerous Western suppliers are currently submitting bids for this new aircraft. Is Canada there?

4. More telling however, while we have taken justified pride in being 4<sup>th</sup> in the world, we have now officially slipped to the 5<sup>th</sup> position. Other nations are aggressively pursuing our market shares and clearly, maintaining our current level of investments will not be enough to guarantee our status as world leader.

This is today's reality. Now, let's look at the future.

The opportunities before us are *phenomenal*. According to Boeing and Airbus forecasts, assuming an annual increase in passenger traffic of 4.9% and 5.4% for freight, corresponding to an average annual growth of 3.1% of the global economy, the world will require between 25,000 and 29,000 new aircraft at a cost of over 3 trillion \$ in the next 20 years. This estimate does not take into account defence procurement, MRO and space opportunities. Canada has the track record and the capacity to reap these opportunities, if we make the right decisions today.

We must now look beyond "Positioning for Recovery". We must ask ourselves some key questions.

- Does Canadian industry wish to play a significant role in this exciting future?
- Is Canadian industry *well positioned* to capture its 'fair share' of this tremendous market?
- Has Canadian industry *adapted* to the new business model of the OEMs?
- What has industry done to take up the challenge of *moving up the supply chain*?
- Are we still relying too much on traditional machining, metal fabrication and assembly technologies and other competencies the use of which is expected to substantially diminish in the new generation aircraft?
- Are we investing sufficiently and in the right technologies for the future – the leap-frog technologies?
- And, given that Tier One Suppliers will create a larger share of aerospace value and employment – what is Canada doing to support the development or attraction of one or more major Tier One supplier for aircraft systems, engine modules or aerostructures?

We cannot afford to play '*at the margins*'. Other countries have invested massively in creating an industry of their own.

Perhaps we did not take these countries seriously enough. Who anticipated Embraer's success? Who thought that one day, Mitsubishi would be competing head on with Bombardier? Did any of us see the emergence of competitors in Mexico, Morocco, or Singapore?

Mexico's total aerospace employment is over 20,000, with exports of more than \$3 billion US, a figure that will grow significantly in the years ahead. In 2008, Mexican investments exceeded \$1 billion US.

Countries like Malaysia have created the Malaysian Aerospace Council – a national level steering body – to implement their *National Aerospace Blueprint*. The results are impressive – Malaysia is one of the top ten locations for MRO investments.

To understand the international investment dynamics, I will highlight a few other international 'investment' facts which demonstrate what Canada is up against.

- The European Union, through its 7<sup>th</sup> Framework Program, is investing 6.5 billion \$, over 5 years, non repayable, matched by industry, for collaborative research projects.
- The European Union, through the Clean Sky Program, is investing 1.2 billion \$, over 7 years, non repayable, matched by industry, to develop 6 technology demonstrator aircraft. This program's investment in R&D initiatives amounts to nearly 25 million \$ a year. Even with this budget, the head of the Aerospace and Defence Industries Association of Europe says the budget for collaborative research is too small to reach the ACARE goals. This compares with Canada's yearly investment of 11.8 million \$, over 4 years, non-repayable, matched by industry, for the GARDN Program.
- In the US, the Federal Aviation Administration (FAA) will invest through its CLEAN Aircraft Program, 123 million \$ over 5 years, non-repayable, matched by industry.
- In the UK, through the Next Generation Wing Program, the government will invest 75 million \$, over 3 years, non-repayable, matched by industry.
- Embraer has recently announced that it will produce *complex composite aerostructures and components* in Evora, Portugal, with support of Portuguese government funding.

This sets the stage. This is the environment we are playing in. This is what the competition is all about. Our response can only be to set our sights very high, join forces across the country and get our act together.

- Let us create pride in our industry across the country. Let us mobilize on Minister Baird's proposal to make February 23<sup>rd</sup> Aerospace Day. Let us celebrate our accomplishments at every opportunity, like today.
- Let us create an environment for our young people to 'want to work' in this sector. The new 'cohorts' of young people will bring with them a love of technology, an openness to change and a willingness to challenge paradigms. We must inspire them.

- This is a most appropriate occasion to salute the Air Cadets who are among us today. They are part of the ‘visionaries’ of tomorrow. They make us proud!
- Let us find ways to increase our R&D efforts to ensure we do not lose the momentum created in the past decades and go after world product mandates. The Aerospace industry is not asking for ‘bail-out’ money. We are seeking risk-sharing partners who reap the benefits and more.
- And most of all let us recognize that this industry benefits all people from across Canada. We must then work together, small, medium, large companies, Atlantic, Quebec, Ontario and the West, governments and industry, to take advantage of the tremendous opportunities ahead of us.

Canadian industry has the potential to seize these opportunities. For this, we – all the players which includes the industry, the unions, the research and academic community, the federal and provincial governments and Canadians across the nation – must decide that AEROSPACE IS IMPORTANT. We must tell the public and government about the opportunity we represent for our country. Aerospace means high quality jobs. Aerospace means R&D and benefits to all Canadians. It has tremendous wealth creation potential for Canadians all across Canada

Let us unite once again under the umbrella of the **Canadian Aerospace Partnership** to develop a national strategy that will allow the industry to capitalize on the tremendous opportunities of the next 20 – 30 years and ensure we move back to 4<sup>th</sup> and even 3<sup>rd</sup> position. Let us set a goal of doubling our sales by 2020. Let us, TOGETHER, give ourselves the means of our ambitions.

Ladies and Gentlemen – as you heard at the beginning of this presentation, this is a CALL TO ACTION for each and every one of us. Let us mobilize our forces. Let us demonstrate the tremendous capabilities of our industry. Let us continue to be a major player in the Canadian economy and be the pride of Canadians.

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