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THE CANADIAN AEROSPACE INDUSTRY

Contributing to quality jobs and a strong economy, now and for  
the future

Board of Trade of Metropolitan Montreal

Montreal

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Honoured guests,

Ladies and Gentlemen,

Good afternoon,

First, I would like to thank Mr. Leblanc for his introduction, as well as the Board of Trade for inviting me here today.

It's a great honour for me to speak to you today about a subject close to my heart, the aerospace sector. When I was a boy, I had already caught the aerospace bug. I would look at planes in the sky and say to myself, "Someday, I'm going to work in this world."

As a teenager, I dreamed of being a pilot in the Canadian Armed Forces. I sent them an application, and they replied that while they were very interested in my background, they weren't looking for any fighter pilots. However, they offered me a wonderful career... in the navy!

As you can imagine, I didn't follow up on their offer.

So I decided, if I couldn't fly a fighter plane, I could either become an airline pilot or be an engineer and build airplanes. And I chose the second option.

In the early '80s, I wanted to study aeronautical engineering. At that time, the only school offering that major was in Toronto, so I enrolled in the mechanical engineering program at Polytechnique in Montreal.

A lot of people around me questioned my choice because, in those days, aerospace was not seen as a growth industry. Canadair in Montreal and De Havilland in Toronto, two Crown corporations, were not in good financial position. Most people did not see promising jobs in this field; many even thought that the industry was heading for a slow death, to the benefit of other countries such as the United States and France.

You really had to love aerospace like I did to choose this path!

In 1984, after I graduated, I joined Canadair. Two years later, after the Canadian government decided to privatize the company, Canadair was purchased by Bombardier.

And this was the beginning of a wonderful adventure, not just for me, but for thousands of others as well.

Today, in 2011, we are seen as a great industry offering quality jobs with products recognized worldwide. In fact, in 2010, our industry generated revenues of \$24 billion in Canada, 78% being exported around the world. We create 83,000 direct jobs throughout Canada, with a payroll of \$4.6 billion. The industry reported tax revenue of \$1.6 billion to federal and provincial governments and we spend \$1.4 billion on research and development annually.

If you include direct, indirect and induced jobs, our industry is responsible for 163,000 jobs per year in the country.

About 52% of the total Canadian production takes place in Quebec. And Montreal has played its cards right with a strong industry.

Today we are the pride of Canada, Quebec and Montreal.

How did we achieve this success in ONLY 25 years?

How did a country which ranks 36<sup>th</sup> in the world in terms of population wind up in 5<sup>th</sup> place in aerospace after the United States, France, Germany and the United Kingdom?

I see four main reasons.

The first is **entrepreneurship**.

We have had the good fortune of having great entrepreneurs throughout Canada, including many in Quebec. The first on the list is without any doubt Laurent Beaudoin, then President and Chief Executive Officer of Bombardier.

Laurent Beaudoin was able to bring Canadair back to life. As he puts it so well himself, an entrepreneur sees good opportunities where others see only problems.

Mr. Beaudoin believed in our industry. He saw globalization and the transportation needs that it would create and decided that his company would play a key role. So he invested time and money to make Canadair, now Bombardier Aerospace, a great aerospace company. Today, Bombardier is the world's third largest civil aircraft manufacturer, preceded by two giants, Airbus and Boeing.

It was here in Montreal that we developed the amphibious planes sold all over the world. People call these planes “Canadairs,” just as we call a camera a Kodak or a refrigerator a Frigidaire. The company has delivered 204 of them to 14 countries.

It was also here that Bombardier developed the first regional 50-passenger jet, the CRJ, launched in 1989. The CRJ revolutionized regional transport, bringing passengers both scheduling flexibility and comfort.

This line of regional aircraft is the one that has achieved the most success worldwide. Bombardier has sold more than 1,700 to date.

My company, CAE, was founded by a great entrepreneur, Ken Patrick, who wanted to create an innovative, state-of-the-art company. It was a Canadian Forces contract that allowed CAE to find its mission: to build a simulator for the CF-100 Canuck, a plane developed and manufactured by Avro Canada! Today, and we should all take pride in this, the majority of commercial pilots flying are trained on simulators designed and built here in Montreal.

Gilles Labbé, who is at the head table today, is also a great entrepreneur in charge of a company that is the pride of all Quebecers and Canadians. In fact, the Apollo lunar module was equipped with Héroux-Devtek landing gear when Neil Armstrong and Buzz Aldrin first set foot on the moon in 1969.

I could give you many more such examples, and I want to emphasize today the contribution of all the entrepreneurs who have believed in our industry since the early days.

But these entrepreneurs could not have developed this industry alone. They surrounded themselves with quality people. And this brings me to the second reason for our success: **our employees**.

As I often say, if you take all of a company’s employees out of the building, what you’re left with is a building with four walls, a roof, some furniture and a logo. But take these same employees and put them in a new building, and you have your company.

In Quebec, we have 38,000 men and women working directly in our sector. These people are passionate about aerospace. They have developed new products and paved the way for major advances.

And we offer quality jobs. The average salary in aerospace in Quebec is \$67,000 per year, compared to \$40,000 in all sectors.

In Quebec, our industry reported income of \$670 million to both levels of government in 2010.

Our employees work for Bell Helicopter in Mirabel manufacturing helicopters for civil aviation. These are the people who build the Bell 412, 407, 429 and 206, used in civil and military aviation around the world. They also manufacture the Griffons, used by the Canadian Forces in their missions in Afghanistan.

Bombardier Aerospace has more than 13,500 employees in Quebec who assemble commercial aircraft, like the CRJ, and business aircraft, like the Challenger. The 5,000 Pratt & Whitney Canada employees have delivered more than 70,000 engines since the company started in Longueuil.

At CAE, our 3,500 employees based in Montreal develop simulators for civil and military airplanes and helicopters. Since its beginnings, CAE has sold more than 1,300 civil and military simulators around the world. We supply the armed forces of 50 nations, including all branches of the U.S. military, as well as the U.S. Special Forces.

And the employees of these companies are supported by more than 200 Quebec small and medium enterprises. Alta Précision in Anjou provides parts to Héroux Devtek. Aérospatiale Hemmingford in Montérégie does machining, assembly and valve tests for most Pratt & Whitney Canada engines.

For the Bombardier Q400, there are 86 suppliers and 10,500 Canadians who participate in manufacturing the equipment.

It is true that our industry makes excellent products recognized throughout the world, but these products are not just built and assembled here. In most cases, the majority of the research and development takes place here in Canada as well. In Longueuil, Pratt & Whitney Canada does most of the R&D for its engines which power more than 45,000 airplanes and helicopters.

It was Bombardier engineers, graduates of Montreal schools and universities, who imagined, designed, planned and finally built aircraft such as the CRJ, Challenger and Global Express.

And this is the third reason for the strength of our industry: **innovation**.

Today, Bombardier is innovating again by developing a new aircraft, the CSeries. This aircraft responds to new environmental criteria and will permit Bombardier to serve a new niche, the 100-149 passenger aircraft. This new aircraft will require investments of \$3.4 billion.

Pratt & Whitney Canada is the largest investor in research and development in the Canadian aerospace industry. During the next five years, it will invest more than two billion dollars to design the next generation of high-power aircraft engines.

CAE is investing \$715 million in R&D over five years in order to continue to develop the most realistic simulators to train civil and military pilots.

And the whole world knows Canadarm, the Canadian arm on the space shuttle. It plays an essential role in space flight and has helped build Canada's international reputation in robotics and innovation. The MDA employees in Sainte Anne de Bellevue played a key role in developing and manufacturing the Canadarm, and today they are contributing to the development of several satellites.

In total, the Canadian industry invests **\$1.4 billion** per year in research and development, 70% of which comes from our Quebec companies.

Research and development is in our industry's DNA. Our ability to innovate has placed us among the best in the world.

However, we cannot do R&D all by ourselves. In order to be at the same level playing field as our competitors around the world, we must work in partnership with the Canadian and Quebec governments. This **partnership** is the fourth reason for our industry's success.

Since the earliest days of the aerospace industry, our governments have played a key role. The two levels of government support us through the investment tax credit program. At the federal level, programs such as DIPP, Technology Partnerships Canada and the Strategic Aerospace and Defence Initiative, better known as SADI, have enabled Canadian businesses to stand out and offer innovative products.

The Government of Quebec, through Investissement Québec, has played a key role in the success of Quebec's aerospace businesses. These investments stimulate the industry and allow us to do more R&D so that we can maintain our leadership position.

And let's not forget the strategic contribution of military contracts. By obtaining contracts with the Canadian armed forces, we are able to develop expertise so that we can then export our know-how and obtain contracts in other countries.

Remember that at the beginning, Canadair manufactured military aircraft under license. It made 1,815 Sabre aircraft for the American and Canadian armed forces, and more than 650 Silver Star aircraft for the Royal Canadian Air Force.

For CAE, winning a contract for a CF-100 simulator for the Canadian Armed Forces was the gateway to success. More recently, since CAE obtained the contract to build two Hercules transport aircraft simulators for the Canadian Armed Forces, we have won contracts to manufacture seven simulators for six countries.

Export Development Canada also plays a critical role with businesses in our sector by offering export loans. For example, Bombardier's CRJ aircraft are now used in over 30 countries, and EDC has supported several clients by offering them financing.

Our partnership with governments is therefore at three levels: R&D support, military contracts and EDC's contribution.

**Let me be clear:** we do not ask for charity. In 2009, CAE obtained the Hercules simulator contract after a competitive bidding process. CAE was already Lockheed Martin's preferred supplier for Hercules training systems and had sold 12 simulators to the defense forces of four countries.

So when the Canadian Forces buy our products, there is no doubt that they are buying the best products in the world, because they are buying from the world leader based here in Montreal.

Héroux-Devtek obtained several Lockheed Martin contracts for the new fighter plane, the F-35. And so it is this Greater Montreal company that will provide the door lock systems and aerostructure parts for all the F-35s sold around the world. Our country is planning to buy 65, but in all, Lockheed Martin plans to build more than 3,000 and Héroux-Devtek will provide parts for all of these airplanes. Once again, Lockheed Martin chose Héroux-Devtek because of the quality of its products.

For its part, EDC offers export support. these are not subsidies, but financing granted under market-based terms and conditions. EDC closed its last fiscal year with a net profit of \$258 million.

In 2011, Montreal is an aerospace hub. Our cluster, Aéro-Montréal, brings together all the stakeholders in the industry for a total of 38,000 direct jobs and 100,000 indirect jobs.

And this doesn't even include the Canadian Space Agency in Saint-Hubert, the head offices and operations of the international carriers Air Canada and Air Transat, or international organizations based in Montreal, such as the ICAO and IATA.

The industry also offers jobs to our university and trade school graduates. In all, Bell Helicopter, Bombardier, CAE and Pratt & Whitney Canada hired 2,320 new engineers from 2005 to 2010, although the industry was in a difficult period for a good portion of those five years. Our companies also support projects and research chairs in Canadian universities.

Several institutions offer programs specific to our industry. For example, the École Polytechnique de Montréal offers an aerospace engineering program, ETS offers a master's in aerospace engineering and the École nationale d'aérotechnique of Collège Édouard-Montpetit offers three college-level aerospace programs.

In Montreal, one person out of 95 works in aerospace. In fact, Montreal is the only city in the world where it would be possible to build an entire airplane. No other city can make that claim, not even Toulouse or Seattle. Here, Pratt & Whitney Canada manufactures engines.

Héroux Devtek builds landing gear. Esterline CMC Electronics and Thales do avionics. Bombardier assembles aircraft. And CAE trains pilots.

And our reputation is international.

Bombardier is a leader in regional and business aircraft. Every three seconds, a Bombardier airplane takes off or lands somewhere in the world; and every second, an aircraft powered by a Pratt & Whitney Canada engine takes off or lands on one of our five continents. This Longueuil company is number one in the world for helicopter engines as well as regional and business aircraft engines.

Bell Helicopter is known for its customer service, and more than half of the helicopters throughout the world are Bell helicopters.

CAE is the world leader for civil simulator sales as well as for training civil and military pilots.

And we revolutionized pilot training by creating the world's first simulator so realistic that today the entire training is done on the simulator.

Did you know that our simulators are so realistic that a pilot's first flight is done with passengers like you and me on board?

Today we have a sector of which all of us can be proud. We offer quality careers and we are a flagship industry for our governments internationally.

This sector is headed for a promising future. Demand is growing at an accelerated pace. During the next twenty years, experts agree that air traffic should more than double.

Experts at Deloitte who have just done a report on our industry anticipate that employees in our industry could double in Canada in the next 10 years. This means that we could have 158,000 direct jobs in 2020, throughout the country. But these jobs won't fall out of the sky.

We have a head start on keeping our leadership position, even increasing our market share. But this is not our God-given right.

Several countries envy our position. China, Russia, South Korea and Japan all want their piece of the pie.

It would be a mistake to underestimate these countries. Remember when Japan and South Korea entered the automotive industry? In the '70s, who would have believed that we would eventually see so many Japanese and Korean cars on our roads?

Many countries are beginning to compete with us, and the competition is becoming fiercer by the day.

We have a tremendous industry in Canada and in Quebec, but we cannot rest on our laurels.

We are in a leadership position. How can we maintain it? Let's take advantage of our head start and build on our expertise.

Let's become born entrepreneurs.

Let's offer quality jobs by working with our education system and develop a continuing education program for our employees. Let's continue to offer our employees challenges that meet their ambitions.

Let's be imaginative and innovative. It is important to continue R&D, and even intensify it if we want to remain the world leaders and see our industry grow. And our industry is doing just this!

And let's continue to have a "win-win" partnership with our governments. The industry is in good health thanks in part to the research programs conducted in partnership with governments. Without these programs, our companies would be at a disadvantage compared to our international competitors.

And Canadian companies must be able to participate in bidding when our armed forces buy equipment.

These purchases are essential if Canada wants to continue to be a major player on the world scene. Our armed forces must have the best equipment at the best prices for taxpayers. Canada has already bought C-17 transport aircraft and CH-47 helicopters from Boeing. It has also bought Hercules transport aircraft from Lockheed Martin.

Thanks to Industry Canada's regional industrial benefits programs, Boeing and Lockheed Martin gave Canadian companies contracts totalling \$7.3 billion over 20 years. Using the expertise they had acquired, our companies then obtained contracts in other countries.

Canada has been taking part in the development of the F-35, the Joint Strike Fighter, since 1997. This aircraft was selected by experts at the Department of National Defence. Today, Lockheed Martin, which manufactures the F-35, has to choose the companies that will supply parts for the entire production of this aircraft. Our country has committed to buy 65 airplanes.

Thanks to Canada's participation, our Quebec and Canadian companies will have the opportunity to offer their products to Lockheed Martin for the manufacture of the more than 3,000 airplanes planned, and the pilots have to be trained here in Canada, because we are world leaders.

All of these investments are in Quebec's and Canada's interest. Every additional \$100 million in income in Quebec represents 310 direct jobs. And if we include direct, indirect and induced impacts, this \$100 million in income generates 570 jobs.

With our entrepreneurs, our employees, our capacity to innovate and our partnership with our governments, we can continue to have a prosperous industry of which all Canadians and Quebecers can be proud.

My greatest hope is that when our children and grandchildren are making their career choices, they will see our industry as an industry of the future. Every day, I work alongside people who love aerospace and I firmly believe this will continue.

Thank you for your attention.