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• (1645)

[English]

The Chair (Charles Sousa (Mississauga—Lakeshore, Lib.)): I call this meeting to order.

Welcome to meeting number 37 of the House of Commons Standing Committee on National Defence.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, February 23, 2026, the committee is meeting to study the impact of the defence industrial strategy.

Today's meeting is taking place in a hybrid format.

Before we continue, I'll ask participants to consult the guidelines on the table. These measures are in place to help prevent audio and feedback incidents, as well as to protect the health and safety of our interpreters.

As a reminder to the witnesses and the members, please wait until I recognize you before speaking. If you wish to speak, please raise your hand.

I'd like to remind witnesses and committee members that you may ask questions in either French or English. If you need interpretation, please take a moment now to prepare your earpiece and select the listening channel you need in advance in order to take full advantage of the time allotted for questions and answers.

All comments should be addressed through the chair.

I'd like to welcome our witnesses now.

From Aéro Montréal, we have Mélanie Lussier, president and chief executive officer. From the Aerospace Industries Association of Canada, we have Mike Mueller, president and chief executive officer. From the Alliance of Canadian Defence Companies, we have Paul Ziadé, who is the co-chair. From U15 Canada, we have Robert Asselin, chief executive officer.

Folks, welcome. I appreciate your all being here.

Ms. Lussier, why don't we begin with you? You have up to five minutes.

Mélanie Lussier (President and Chief Executive Officer, Aéro Montréal): Thank you very much, Mr. Chair.

[Translation]

I thank the members of the committee for the invitation.

What exactly is Aéro Montréal? It is a network of 290 companies and organizations in the aerospace sector in Quebec with 43,000 employees—or, as I like to say, 43,000 aerospace enthusiasts.

The cluster has been in existence for 20 years, and we're the voice of the aerospace industry for Quebec. This industry generates \$22.8 billion in sales for the province alone. Two-thirds of the country's aerospace research and development happens in Quebec, and 93% of the aircraft Canada exports is shipped out from the province.

We're here to talk about the defence industrial strategy, and I want to tell you that the Quebec aerospace industry has really welcomed this new strategy, which is a clear step forward for Canada.

Unfortunately, for too long, it has been easier for some Quebec companies to sell their products to foreign armed forces than to the Canadian Armed Forces. The purpose of this new strategy is to work more effectively with local industry by anticipating needs early on. This is really good news for the province. However, we'll be monitoring the implementation very closely to make sure that what's being said is being done.

As such, we're also eagerly looking forward to seeing the new defence investment agency in action.

Recognizing that the aerospace industry is an important contributor to the development of our defence industry is a major vote of confidence. Our industry will play a key role in many of the sovereign capabilities identified in the strategy, which points to a bright future for our ecosystem, one that will benefit the entire Canadian economy.

Quebec has four of the 10 capabilities identified in the strategy: aerospace, space, training and simulation, and uncrewed and autonomous systems.

Quebec's aerospace industry is phenomenally successful, which is surprising given that we are fighting an unfair battle against the rest of the world, which has been using dual-use technologies for many years.

Everywhere else, industries have benefited from lucrative local military contracts, enabling them to develop innovative products with government support, adapt them and transfer them to the civilian sector.

In Canada, companies have sometimes had to do the opposite over the years. They've had to develop civilian products at their own expense and then adapt civilian products to military use. Everyone is very happy and excited about the colossal amounts of money earmarked for the industry.

Despite the challenge I just mentioned, our industry's success is a real testament to our extraordinary resilience and our capacity for innovation, even when conditions have been a little less favourable in the past.

Today, I have a really big ask for the committee. I've said this before, so it won't come as a surprise to anyone. In Quebec, we think that Canada should build on the strengths that are already in place across the country, not just in Quebec. We already have major hubs. We already have existing sovereign capabilities. Let's make sure that our future decisions really support those existing strengths.

As I was saying, we think that the implementation of this strategy should build on existing strengths rather than try to create new hubs from scratch across the country. We would be better off expanding existing clusters and creating more value in regions that already have well-established sovereign capabilities.

In this regard, a strategy specific to aerospace, similar to what Quebec has been doing for the past decade, would also be a huge asset in helping the ecosystem navigate the coming years. We need a lot more information about the future aerospace strategy.

In closing, outside of aerospace, Quebec has created the Coalition québécoise pour la défense et la sécurité, a coalition of people in the aerospace and shipbuilding industries, federations of chambers of commerce and the business association *Manufacturiers et Exportateurs du Québec*.

The coalition has come up with five recommendations that have achieved consensus across the province. Some of those recommendations are already covered in the defence industrial strategy.

- (1650)

We want to focus on areas in which we excel. The core capabilities identified by the federal government largely align with these areas, which include aerospace and shipbuilding, naturally.

We recommend reforming the defence procurement strategy to maximize benefits for the country. The “build-partner-buy” model we've heard about is very much in line with this approach. However, once again, the way these principles are implemented will be absolutely crucial. The work really has to happen early on with local suppliers during needs assessment so as to minimize the “buy” component and maximize the “build” component.

There are other measures in our recommendations, which I will be happy to discuss with you later during the question period.

Thank you.

The Chair: Thank you.

[English]

Thank you for your presentation.

Mr. Mueller, we'll go over to you for five minutes, sir.

Mike Mueller (President and Chief Executive Officer, Aerospace Industries Association of Canada): Thank you, Mr. Chair and members of the committee, for the opportunity to appear today.

I'm here on behalf of Canada's aerospace industry, including the Quebec industry, which is a major engine of our country's economy and national defence. This industry supports more than 225,000 Canadians and their families while contributing more than \$34 billion annually to Canada's GDP.

The release of Canada's defence industrial strategy was an important and welcome milestone for our industry. It's one that AIAC has long been calling for. This is a very important policy announcement, and I want to thank each and every one of you, and your colleagues from all political parties, for your support and encouragement for this very important document.

The strategy provides a strong foundation and road map for strengthening Canada's defence industrial base, and it appropriately recognizes aerospace as a sovereign capability and strategic national asset. As Prime Minister Mark Carney recently stated, aerospace is among the most important industries in Canada, if not the most important. We couldn't agree more. Canada's aerospace industry earned this reputation through decades of ingenuity, innovation, investment and political leadership that recognized the importance of this strategic sector.

Today, Canada remains one of a select few countries in the world with the ability to design, build, certify and sustain complex aerospace systems and platforms. These capabilities are foundational to the readiness of the Canadian Armed Forces and to our commitments to NORAD, NATO and our allied operations. Canada's aerospace industry already supports defence platforms, sustainment training, simulation and advanced technologies that are critical to Canada's security and global competitiveness.

Canada's civil and defence aerospace sectors are deeply interconnected, relying on a shared workforce, supply chains, industrial base and innovation ecosystems. One cannot thrive without the other. That interconnectedness also makes aerospace a uniquely strategic dual-use sector. Here, investments in civil aviation, defence and space reinforce one another while generating broader economic, technological and security benefits for Canada.

If the government is serious about delivering on the strategy—and we feel it is—as well as strengthening Canada's industrial base and translating commitments into capability for Canadians and our allies, the following priorities, in our opinion, should be addressed through a renewed and enhanced relationship between government and industry. We're very pleased to see pillar one of the strategy reiterate that.

First is procurement reform and speed. We support the establishment of a stand-alone ministry with full responsibility and dedicated staff to ensure faster, more predictable procurement processes. The establishment of the Defence Investment Agency is an important step and should serve as a key pillar for executing the objectives laid out in the strategy. The agency has the opportunity to champion a more agile, responsive and outcome-driven approach. For far too long, defence procurement discussions have focused primarily on being fair, open and transparent, without an equal emphasis on outcomes. In today's environment, procurement systems must also be efficient, effective and timely. Timely delivery is itself a strategic advantage and can help deter potential threats.

Second is long-term demand signals and industrial certainty. Companies invest, scale and retain talent when governments provide stable long-term procurement visibility and policy certainty. That includes creating opportunities to build in Canada where domestic capabilities already exist and ensuring that procurement planning supports our standards and long-term industrial development objectives.

Finally, there's supporting innovation and industrial scale-up. Canada has a skilled workforce, advanced technologies and the industrial expertise required to compete globally. The federal government needs to continue to work with provincial governments on a national skills program to ensure alignment, including from universities and colleges, on industry objectives and needs. Government also has an important role to play as a first buyer, helping de-risk, validate and scale Canadian solutions while providing innovative companies with the credibility needed to compete in global markets.

Mr. Chair and members of the committee, the strategy represents a strong and important foundation, but strategy alone will not determine success—execution will. The opportunity now is to move quickly from strategy to implementation, converting policy commitments into real operational readiness, industrial strength and economic growth for Canada.

• (1655)

Canada's aerospace industry—from the very small to the large—stands ready to partner with the government and the Canadian Armed Forces to help deliver these objectives.

Maybe I'll make a final offer. We're heading into the summer season, and we'd love to have each of you tour one of our facilities. We're located right across the country.

Thank you, and I look forward to the discussion.

The Chair: Thank you, Mr. Mueller.

Mr. Asselin, I'll turn the floor over to you for five minutes, sir.

Robert Asselin (Chief Executive Officer, U15 Canada): Thank you, Mr. Chair.

Canada's defence industrial strategy arrives at a consequential moment. The international environment that shaped decades of Canadian prosperity and security has changed profoundly. Great power competition has returned. Trade, technology and talent are increasingly being used as instruments of strategic leverage. In this environment, Canada cannot assume that the capabilities we need

will always be available from others when we need them and on terms that serve our national interests.

That is why the defence industrial strategy matters. It recognizes that defence policy, industrial policy, innovation policy and economic security can no longer be treated as separate files. If Canada is serious about sovereignty, resilience and operational readiness, we must build more of the capabilities that matter here at home.

The central question is this: Will Canada simply spend more on defence, or will we use this moment to build lasting technological and industrial capacity? Our view is that the answer must be the latter.

Sovereign capabilities are not built on spending alone. They are built on the architecture that enables partnerships. A truly sovereign capability requires depth across an entire value chain—basic research, applied science, engineering, manufacturing and the highly qualified talent to sustain it. Canada has real strengths to build on.

Our leading research universities are among the most important assets in Canada's innovation system. They generate the ideas, talent, technologies and partnerships that underpin long-term competitiveness and sovereign capability. U15 universities conduct nearly \$9 billion in research each year. They are also deeply connected to industry. The private sector invests roughly \$900 million per year in research at U15 universities.

Canada's challenge is not the absence of research strength; it is the weakness of the interfaces that connect that strength to defence outcomes. Collaboration among defence, universities and industry happens, but it is too often small in scale, episodic and bespoke. We lack the standing mechanisms that would allow Canada to move from research to testing, validation, demonstration, procurement and deployment in a predictable way.

The data are clear. Canada allocates less than 5% of federal R and D spending to defence, compared with an OECD average of roughly 21%. In the U.S., the figure is above 50%. Even within Canada's modest defence R and D effort, only about \$40 million annually flows through higher-education institutions, less than 1% of federal support for university research. In the U.S., by contrast, roughly 15% of federal academic R and D expenditures are defence-funded. This is a structural gap. It means that Canada is not yet making full use of one of its strongest national assets: its research enterprise. That matters because early scientific leadership is a predictor of downstream technological advantage.

Canada has built world-class research strengths in areas directly relevant to dual-use innovation. For example, since 2015, over 11,000 researchers at U15 universities have received \$188 million in federal funding for research into uncrewed and autonomous underwater systems, working with over 350 partner organizations.

• (1700)

[Translation]

This is also an economic issue. Defence industries are highly research-and-development intensive, but Canada has not been able to convert that intensity into sufficient domestic innovation capacity. Since 2014, Canadian defence industry revenues have increased by roughly 55%, while investment in research and development has grown by only 11%. This is not the trajectory of a country building the technological depth required for a more dangerous world.

Our allies have learned this lesson. The United States, the United Kingdom, Australia and France have all built mechanisms that connect universities, industry and defence missions. Their models differ, but the lesson is consistent: Defence innovation depends on standing interfaces, mission-driven research mandates and clear pathways from research to deployment.

The defence industrial strategy paves the way for the implementation of such mechanisms. The real test now will be our ability to move from principles to an operational model.

Thank you.

The Chair: Thank you.

[English]

Paul Ziadé, it's over to you for five minutes, sir.

Paul Ziadé (Co-Chair, Alliance of Canadian Defence Companies): Thank you.

Mr. Chair, vice-chairs and honourable members of the committee, thank you for the invitation to appear before you today.

[Translation]

My name is Paul Ziadé. I am a former professor of mechanical engineering at the University of Calgary, as well as a co-founder and CEO of Calgary-based North Vector Dynamics. We are proud to be building Canada's first and only full-spectrum air defence company that is owned and controlled in Canada. We are currently focusing on low-cost, precision-guided counter-drone missiles.

I am testifying today in my capacity as co-chair of the recently launched Alliance of Canadian Defence Companies, or ACDC. The ACDC network has over 200 members in advanced manufacturing, artificial intelligence, sensors, cybersecurity and the space sector, giving the ACDC a cross-cutting perspective on Canada's defence industrial base.

[English]

A month prior to the launch of ACDC, the Prime Minister argued that sovereignty depends on Canada's ability to withstand pressure and build strategic autonomy. That is also the logic of the defence industrial strategy. The strategy makes it clear that we are no longer content to be the passive consumer of other nations' defence systems.

This is not only a government position. It reflects a broader public expectation. ACDC recently commissioned a national poll, which found that 82% of Canadians believe Canada should defend itself without relying too heavily on other countries. It also found that 74% want Canadian-owned companies to supply Canada's defence equipment and technology, compared with less than half who say the same of foreign companies operating in Canada. Among seniors, the preference for Canadian-owned companies reaches 90%.

ACDC's members agree with Canadians: We strongly support the shift from reliance to resilience and the vision of moving from buy to partner to build. As Canadian-owned builders, ACDC's members believe the definition of a Canadian bidder under the new buy Canadian policy must be tightened. There is a fundamental difference between Canadian assembly of foreign-controlled systems and Canadian-owned firms that develop and own proprietary Canadian intellectual property.

For that reason, I would propose to you that the government integrate sovereign alternative assessments into procurement decisions. When perceived capability gaps exist, procurement authorities should explicitly consider the long-term strategic value of emerging Canadian-owned and controlled vendors. We also suggest a sovereignty fast track within the Defence Investment Agency, or DIA, that would be a dedicated stream to acquire defence technologies that are ready for fielding or close to operational validation.

That brings me to the second issue: Canada must become its own best customer. For too long, Canadian businesses have had to explain to allied customers and governments that, yes, DND helped develop our products, but no, Canada is not first in line to buy it. We must move faster if Canada wants to see homegrown firms scale into the champions that DIS envisions. Now is the time to move from words on a page to orders on the books. The DIS targets 70% domestic acquisitions and more than \$5.1 billion in annual revenue growth for Canadian SMEs. Those targets are not achievable without procurement reform that puts Canadian companies first.

ACDC recommends three practical measures. First, allow SMEs to benefit from expedited procurement by removing or significantly lowering the current \$100-million threshold for DIA-led procurements. Second, ensure that Canadian-owned and controlled companies, including disruptive and innovative SMEs, are designated as strategic partners for sovereign capability areas. A strategic partner framework that designates foreign-controlled firms as sovereign capability development partners undermines sovereignty. Third, implement sovereign production guarantees for strategic SMEs. This can give companies the demand certainty required to secure financing and build domestic manufacturing capacity.

● (1705)

[Translation]

Canada has the talent to defend itself on its own terms. What it needs now is a procurement pathway that transforms Canadian-developed defence technology into Canadian-fielded operational capabilities. That's what we are asking you to support today.

Thank you, and I'm happy to answer your questions.

[English]

The Chair: Thank you all.

We are going to our first round of questions. We're going to start with Mr. Kibble for six minutes.

Jeff Kibble (Cowichan—Malahat—Langford, CPC): Thank you Mr. Chair. My questions are through you.

Thank you to our witnesses for being here and for supporting Canada's defence industry and, more importantly, those in uniform.

Mr. Chair, the defence industrial strategy is a 2030-onward or even 2035-onward instrument, but the operational reality and requirements are right now.

Canadian Armed Forces members in the national capital region were recently directed, on May 13, to return field kit because of critical equipment shortages. There are 2,000 Canadians in Latvia leading a brigade, and Russia threatened Latvia at the Security Council last Tuesday.

The U.S. paused the Permanent Joint Board on Defence last week, with the Under Secretary of War saying, "A strong Canada that prioritizes hard power over rhetoric benefits us all." The Canadian Press reported that the Pentagon has given Ottawa a classified paper "laying out priorities for a collective North American defence pact" but that, according to a senior U.S. defence official, "Ottawa did not deliver a 'credible' response." They cited the F-35 delays as another major irritant.

The point I'm trying to make is that the U.S. defence industrial base needs allied production capacity that Canada can credibly provide, including 155-millimetre shells, propellant, energetics, missile subcomponents and counterdrone technology.

I'm going to start with a soft question for Mr. Ziadé, just to warm him up for our panel.

Specifically looking at the immediate operational needs of Canada, I understand that Ukraine and our allies, and in fact our own personnel over there, are all eager to see modern battlefield

disruptive munitions. I'll refer to North Vector's hypersonic or drone intercept missiles. They'd like to see these in their inventories and, perhaps more importantly, for our Canadian men and women.

As a small business from western Canada, what do you need to see from this government to quickly build, deploy and train this sovereign capability for Europe and for this critical need right now?

● (1710)

Paul Ziadé: Thank you for the question.

I'm going to answer the question as the CEO of North Vector Dynamics, but I believe that my views reflect those of the ACDC membership as well.

Fundamentally, we want to have a very close relationship with our men and women in uniform. A lot of these new defence companies that are popping up across the globe, not only in the United States but in Europe, have this concept of the forward-deployed engineer. It's having engineers from these SMEs, from these defence companies, embedded with our war fighters, developing the capability alongside them by taking their feedback and then iterating very quickly—in a matter of days and weeks instead of years.

We are definitely hearing very loudly from our membership that they are ready to work with the CAF.

In addition, I think any SME in this space will say that we need very strong signals from the government. These signals include contracts—fast contracts. The most efficient use of taxpayer money is contracts, not grants, because we, as disruptive SMEs, then take these relatively small contracts and multiply them by 10 and even 20 in the private markets. I can tell you right now that a lot of private capital wants to come in and support this defence renaissance in Canada.

We need to see strong signals and strong integration with our Canadian Armed Forces.

Jeff Kibble: Thank you very much.

Mr. Mueller, what partnership infrastructure does not exist today that needs to be developed in the next 12 to 24 months to bridge between current operational reality and the long-term aspirations of the Defence Investment Agency? Quickly, could you give me a couple of specific instruments?

Mike Mueller: Thank you for the question.

I'm very encouraged by the defence industrial strategy and the Defence Investment Agency being stood up. Some of the work that still needs to be done by the government to give industry that long-term credibility is defining out the sovereign capabilities very specifically. We're very pleased to see aerospace as one of the listed sovereign capabilities.

Industrial mapping tied to the procurement goes along with that to ensure that we are supporting the industry in all the different regions of the country. We've had a transactional approach to procurement for the last 10 or so years, so it is absolutely required to get in place that strategy and then have the pieces flow from that, which will give the certainty to the industry.

Jeff Kibble: Thank you very much.

Ms. Lussier, would you agree? Or do you wish to add a comment to that?

Mélanie Lussier: Yes, absolutely, and I want to add to what Mr. Ziadé said.

In representing a lot of SMEs in Quebec—230 SMEs—there's always the chicken or the egg effect. Do I get my first contract and then get my certification? Do I get the certification, which is very costly and very long, and then get the contract? We need, in both cases, either to secure the contract in advance or to help the SME get the certification that it needs to play in that new field. That would be my first answer.

Then, on the translation part, on being a civilian talking to the army, talking to the people in the forces, you need experts to do that. There are a lot of people retiring from the army right now. We need to get these people to work in the SMEs, but they will need support to access this talent. That would be my two cents on the SMEs especially.

The Chair: Thank you.

Jeff Kibble: Do I have some time left?

The Chair: No, Mr. Kibble.

Jeff Kibble: Okay. Thank you.

The Chair: Mr. Watchorn, it's over to you for six minutes.

[*Translation*]

Tim Watchorn (Les Pays-d'en-Haut, Lib.): Thank you, Mr. Chair.

I would like to thank the witnesses for being here today.

I have had the pleasure of speaking with Ms. Lussier and Mr. Mueller at several events where the aerospace sector was discussed. This will come as no surprise to any of you: I would like to talk about Mirabel.

The Aéro Montréal aerospace industrial cluster has three hubs: Saint-Hubert, Montreal and Mirabel. An event for small and medium-sized businesses was specifically designed to guide them regarding future military spending and to explore how they could integrate into the supply chain.

I'd like you to tell us how companies should get involved in the supply chain. We're here to support them.

• (1715)

Mélanie Lussier: I'll repeat what I said before: We need to know how those huge needs will be translated. Mr. Mueller talked about this earlier. We need to ensure that sovereign capabilities are truly in line with concrete demands and concrete needs. Small businesses need to decipher these signals a bit, and they need help doing that. They need predictability. As we know, that means a lot of investment, and it weighs heavily on their balance sheets and their finances.

The government has to be able to give businesses predictability. What we hear from small and medium-sized businesses is that they don't necessarily want things like low-interest loans; they want contracts. As we heard earlier, they want access to that first contract.

You mentioned Mirabel. It's worth noting that this is one of the key hubs of the innovation zone. It's important to be able to integrate innovation into research and development, together with Defence Research and Development Canada. From the word go, the focus has to be on developing intellectual property here—even within small businesses—and securing long-term contracts.

[*English*]

Tim Watchorn: Mr. Mueller, I have the same question for you.

Mike Mueller: To complement what my colleague said, there's a lot of opportunity right now. I'm very encouraged by the Prime Minister's focus on defence. The defence industrial strategy and the announcements today on some of the policy pieces are very encouraging.

We're encouraging companies to make sure they understand the defence supply chain. Money isn't going to be falling from everywhere. Companies really need to identify and take a look at the strategy. More work needs to be done on the strategy to identify where things are going so that companies can take a look at that.

There are high barriers to the defence side of things. You have cybersecurity pieces: AS 9100 and security clearances that have to be in place to be in this. It's very important for government to come alongside those companies, especially the small and medium-sized companies right across the country. Contracts are important, but a lot of these pieces need to be in place in order for companies to contribute to the broader defence play that's happening right now.

Tim Watchorn: Thank you.

[*Translation*]

Personally, I would argue that Canada's industrial strategy is already operating in Mirabel. I'd like to tell you about two or three contracts we've already announced.

The first is the CC-330 Husky maintenance contract. It's worth \$1.5 billion for L3Harris and Avianor, a Drakkar affiliate. Another contract involves upgrading Griffon helicopters by Bell Textron Canada. That's another great announcement we made. Lastly, this morning, we made an announcement about the GlobalEye aircraft, which will be ordered in the near future. That one isn't in Mirabel, but I think it's important to mention it.

When we meet with these companies, they tell us about their biggest challenge: the workforce. Can you tell us how we can help businesses? How will they ensure that they have the workforce needed to fulfill these contracts in the future?

Mélanie Lussier: I'll go ahead and answer first, Mr. Mueller. Thank you.

As a Quebec industry, we do a lot of outreach because talent really is what sets us apart. We've had a strong talent pool for many years; the talent pipeline is in good shape. Quebec is fortunate to have two schools that, for the first time in many years, are both full. That's good news. However, we're going to need more capacity in those schools.

We're working with the provincial government to rapidly increase the schools' capacity for training in avionics and the trades. Our sector also needs to be attractive. We've promoted the aerospace sector extensively, and we'll have to keep promoting the defence sector to the general public to get people to choose careers in this sector and to get parents to encourage their children to study for these careers.

All that to say that it's going to be extremely important to promote the sector, build capacity in schools and retain people, because there will be layoffs and retirements. We'll need to retain talent in our industry.

Immigration will also be part of the solution. I'm sorry. I told you that we currently have 43,000 passionate individuals. Within 10 years, we'll need an additional 65,000 skilled workers, not counting defence contracts. We'll have to pull out all the stops to ensure the talent pipeline remains well stocked.

• (1720)

Tim Watchorn: Excellent.

Mr. Mueller, do you have something to add?

[*English*]

Mike Mueller: On a national level, I couldn't agree more with what my colleague Mélanie said. The Prime Minister has set an ambitious goal of 125,000 new workers in the defence industry, which we applaud, celebrate and support, but there's going to have to be the corresponding training that comes along with that.

We were also encouraged by the focus on skilled workers in the recent budget update. The issue with a lot of our workers is that they're not red sealed but are certified through different mechanisms or other national certifications. A recommendation could be to focus a little more on that so that our companies could take advantage of some of those pieces.

I would also say that we need greater alignment with the provinces, universities and colleges for the demand on the industry side of things. We need to deal with that continuum between folks wanting to come to get the training and ensuring there's a job at the end of the day. We have some work to do on coordination and collaboration across the board, but we are encouraged that the right signals are being sent.

The Chair: Thank you.

Mr. Watchorn, I appreciate it.

Monsieur Gabriel Ste-Marie, we go to you for six minutes.

[*Translation*]

Gabriel Ste-Marie (Joliette—Manawan, BQ): Thank you, Mr. Chair.

My regards to the four witnesses. We are fortunate to have them here. They're adding a lot of valuable content. There has been a lot of back and forth. I thank them for their presentations.

I would like to take a moment to acknowledge all my colleagues. I'm standing in for my friend, Simon-Pierre Savard-Tremblay, today. It's a pleasure to be able to share this happy moment with you.

Ms. Lussier and Mr. Mueller, before we talk about the defence industrial strategy, I'd like to talk about why it's important to have an aerospace strategy, which we see as an economic engine driving value added in Quebec and many places across Canada. This is Quebec's number one export.

Canada is the only country with a significant aerospace industry that does not have a defence industrial strategy. I serve on the Standing Committee on Industry. Mélanie Joly was there on Monday, and I asked her a question about this. I told her that anyone who looks at the departmental plans can see that the government has nine industrial strategies. Defence is one of them, and so is the automotive strategy and strategies for artificial intelligence, quantum technology, genomics and life sciences. However, there is still no aerospace strategy, even though Ms. Joly's predecessor, François-Philippe Champagne, had committed before the last election to developing one.

Do you still want an aerospace strategy? Mélanie Joly seemed unaware of time passing.

Mike Mueller: Thank you for the question.

[*English*]

Thank you for your strong support for the aerospace sector across the board.

There are many nuggets in your question I could go on a tangent about, but there is absolutely still a need for a broad aerospace strategy. I'm very encouraged by the defence industrial strategy and very supportive of the government in the implementation of it. Nonetheless, as I said in my remarks, there's the dual-use nature of the aerospace sector, which may be more unique to this sector than others. With a lot of the innovation and cross purposes, the skilled workers are very much doing a lot of the same work. I think you pointed out that there are strategies for AI, quantum and all these other pieces, but we still need a national aerospace strategy. That's something we're still pushing the government for very aggressively.

As for your comment on exports, they are absolutely critical. Between the civil and defence sides of the sector, 80% of what we do as an industry is export-related, so focusing on that export piece in a strategy is absolutely critical. Again, there's the continuum from innovation to first buyer on the defence side to certification on the civil side, as well as exports. You need that full continuum for the aerospace sector, so we're looking for a strategy to address both the defence and civil sides.

[*Translation*]

Mélanie Lussier: I'd like to add that Quebec has had a provincial strategy for the aerospace sector for over 10 years now. As we've been discussing since the start of our remarks, having a strategy really provides predictability, allows us to stay focused, and truly gives us momentum and a clear direction to follow. Everyone is moving in the same direction. Everyone can work toward the same goal. It also sends extremely important signals.

I think that not having a strategy is more harmful than having one because we have several companies headquartered abroad, and one of the first questions that arises is this: Does this country or province have a national strategy or mechanisms specific to the industry? This helps secure additional investments.

So, the message this sends should not be overlooked. It is extremely important—just like the accompanying measures, of course, which are always well received by businesses—and it also helps maintain momentum and keep interest alive. Despite sometimes fluctuating economic cycles, this helps sustain interest over several years in an industry that is important to a region.

• (1725)

Gabriel Ste-Marie: In terms of Canada's defence industrial strategy, both of you talked a lot about dual technologies.

As you mentioned, Ms. Lussier, when we look at other countries that have an aerospace sector, for example the United States, we see that aircraft are very often developed in the defence sector. Then they are transferred to the civilian sector.

Here, we certainly have procurement strategies and aircraft purchases, but aircraft development is very expensive and is done in the civilian sector.

Do you think that, with Canada's defence industrial strategy, we'll be able to reverse that and get better support for the development of new technologies and planes?

Mélanie Lussier: I am convinced that this will help us compete on a level playing field. You talked about the United States, but there is also another one of our competitors, France, which has no qualms about awarding contracts first in the military sector, then letting companies transform results into civilian products.

If that change could be made, it would be truly generational. I think the defence industrial strategy contains the right signals about the ability to develop these technologies here in Canada. As my colleague said, when we develop intellectual property and products here, wealth is created here. The strategy really sends the right signals for that.

Once again, I remind you that we will have to be clear about how it is implemented and what we want to do, because we won't be

able to do everything. Choices will have to be made, but once choices have been made and communicated, businesses will be there.

Gabriel Ste-Marie: Thank you.

Mr. Mueller, the floor is yours.

[*English*]

Mike Mueller: On the innovation side, it's important to point out that we have the BOREALIS framework in place in the defence industrial strategy to respond to the needs of industry. That is encouraging, but it comes down to its execution. We see a lot of programs that aren't moving at the speed of industry.

How do you reduce the complexity of the programs? How do you ensure on the innovation side that you can bring that to market, whether on the defence side or civil side? It is by having government as first buyer and having timely certification by Transport Canada—and then export certification eventually.

On the innovation side, there are huge opportunities straddling both the defence and civil sides, which we are encouraged to see. However, we do need more on the execution side, with more coordination and more responses to the industry's needs. Having shorter timelines and less—

The Chair: We're short of time at this point. I'm sorry.

Voices: Oh, oh!

The Chair: It was great dialogue, I have to admit.

Mr. Anderson, we go to you now in our second round. You have five minutes, sir.

Scott Anderson (Vernon—Lake Country—Monashee, CPC): Thank you very much, Mr. Chair. All my future questions will be through you.

Mr. Ziadé, I love the acronym of your association, ACDC, by the way. I got in a lot of trouble associated with that acronym in my younger days.

Voices: Oh, oh!

Scott Anderson: Academic after academic and expert after expert who have come before these committees have all mentioned either “grey zone” warfare or prekinetic warfare. Some of them have said that we're in a situation similar to 1913 or 1939, before each of the two world wars. All of them have used the term “war” to describe the situation we're in right now. What that means to me is that there is a great deal of haste in rearming our forces right now.

Given the apparent urgency of rearming, and especially if we want to rearm with deterrence rather than with war fighting in mind, would you support our buying off the shelf initially to rearm for operational needs?

Paul Ziadé: As my colleague said, I don't think we can do everything immediately. I think we can do everything, or nearly everything, in Canada. As I mentioned, I spent 10 years as an engineering professor. I know what our STEM talent can do, and there is absolutely no reason that we cannot make some of the world's best precision-guided missile interceptors or quantum computing technology.

To answer your question directly, yes I would. This is not a black and white position that we take, as ACDC, in which we must buy everything Canadian and immediately so. However, right now, before we find ourselves in the next situation in which we urgently need something, we can start planning. We have a lot of very innovative companies that are sitting at this technology readiness level of six or seven, are fairly mature and need that acceleration—

• (1730)

Scott Anderson: If you don't mind—I only have five minutes here—I'd like to ask the same question of Mr. Mueller.

Mike Mueller: It really depends, and that's why we've been looking for that defence industrial strategy, to get away from that transactional approach.

We had a strategy 10 years ago, identifying the sovereign capabilities and making the investments on the innovation side. You could do things differently in aerospace. It's a globally integrated supply chain and industry. In some cases, it makes sense to do it right here in Canada, if we have that strength. In some cases, in terms of the build-partner-buy, it makes sense to buy.

For me, it's the outcomes. Are we creating jobs in the country? Is that IP transfer coming? The maintenance repair overhaul piece—

Scott Anderson: What I'm getting at, though, is that there seem to be two separate problems, and we're conflating the two of them in this discussion: rearming our forces and making them Canadian-owned. There are two different things. We need haste in rearming right now. We may have that capability in the longer term, but in the short term, we do not have it.

It took over 30 years to develop the F-35. If we start from a perfect situation right now, we're looking at 30 years—2055—before we actually have this thing. We don't have that time, or at least the academics we've talked to say we don't have that time.

We're faced with two separate problems. Would you say that we have two problems that we're conflating?

Mike Mueller: I would say there are two problems. It's an issue, for sure.

When you take a look at the sovereign capability, the government should be defining what we can do immediately, what we need to buy off the shelf and what the benefits are to the Canadian industry through that process.

As for the longer-term pieces, we won't need them in a little bit, but how can we develop the industry here in Canada? I think of drones and things like this. We're world leaders on that, and we have the capability to do some of these things. However, in aerospace, we can't do everything. We have to rely on our partners.

Scott Anderson: Ms. Lussier, would you agree with that?

Mélanie Lussier: Yes, absolutely. It's a matter of timing. What we cannot do now, we might have to buy, and that's okay. The important thing is making sure that a lot of the offsets are coming back in real investment. We can already send that demand signal that we want to be able to build that in the future, so start working on it now, and time it. We can say that we're not going to be able to do an F-35 for the next 30 years, so do we want to build it?

Scott Anderson: Thank you so much.

The Chair: Thank you.

I'm sorry, Mr. Anderson—next round.

Ms. Lapointe, it's over to you for five minutes.

Viviane Lapointe (Sudbury, Lib.): Thank you, Chair.

[*Translation*]

Mr. Ziadé, I really liked a number of the points you raised in your remarks.

[*English*]

Some witnesses in this study have talked about the importance of regional industrial capacity. In northern Ontario, for example, we have strong mining, advanced manufacturing, automation and dual-use technology expertise, but companies often feel disconnected with the defence sector. It's not a field they normally play in.

In your opinion, what needs to happen to better connect regions like ours to Canada's broader defence industrial strategy?

Paul Ziadé: There's a role to play. The supply chain in defence is very complex, and even some industries that are not traditionally considered to be traditional defence industries can play a part. I think something was mentioned earlier—and this applies not only to SMEs but also to non-traditional defence companies—about what is going to be required for them to participate in the defence renaissance that we're going through right now.

A phrase I use a lot is that it's more than just rebranding. There is a lot required from government, from industries and from experts to help them get through all the certifications and the regulatory piece, because it's a very complex environment. I think the government is hitting on all the right notes with the defence industrial strategy, but I'm sure some of my colleagues have some interesting points to make on that.

• (1735)

Viviane Lapointe: For a country of our size, where do you see the right balance between the need to work with trusted allies and the need for domestic capacity, particularly in areas tied to national security and critical supply chains? What is that balance?

Paul Ziadé: I can give you my own perspective. In the long term, we can do a lot more than we currently do. That is absolutely it. The build-partner-buy framework is precisely that we cannot immediately do everything.

I'll touch a little on a previous question. In this urgent moment in which we find ourselves, there's a lot more we can do now, because the technologies of 21st-century warfare, defence or deterrence are not 10-year or 15-year projects; they are in autonomy, in cyberspace. These are things that we can ramp up much more quickly. We've seen our allies do it even in Europe, which is not traditionally known to be a very fast-moving jurisdiction. They have lots of very exciting companies right now selling to their armed forces in record time, and we can do that as well. We can bring up that proportion much more quickly than a lot of people probably think is possible.

Viviane Lapointe: Mr. Mueller, because Canada's aerospace sector is so highly integrated into allied supply chains—particularly with the United States and with NATO partners—and as Canada expands defence spending and industrial capacity, where do you see the strongest opportunities for Canadian aerospace firms within those allied ecosystems?

Mike Mueller: A zero-for-zero trade framework for aerospace is absolutely critical across the board, and we've had that in place since 1979—the WTO rules. I'm very encouraged by the government's push on new free trade agreements. I think of all the work that Minister Sidhu has been doing across the board. I think of Mercosur as one of the key markets that we have right now.

There are opportunities everywhere in the world. We strongly support the Prime Minister's push for Europe. I was just in Budapest talking about the EU SAFE agreement that Canada is now a part of. There are large opportunities in eastern Europe.

Canada is blessed to have an aerospace industry that can think of, design, certify and sell right across the board, both on the civil and the defence side of things. We need to continue to double down on that and to have those free trade agreements continue to give us access to some of these defence frameworks that are happening. It's not an easy ride sometimes, but having the government open those doors, either through free trade agreements or through some of the funding mechanisms, is absolutely critical for our industry. It's global in nature, and we need to be a part of that.

[Translation]

Viviane Lapointe: Ms. Lussier, do you want to add any comments?

Mélanie Lussier: While my colleague was answering, I was thinking of all the businesses that have told us in recent months that supply chains are indeed closely linked. That's a good thing. It took us years to build the supply chains that are linked to the United States or Europe. It's going to be extremely hard to unravel them, and it's inadvisable.

The number of opportunities is increasing rather than decreasing. Our relationship with the United States remains extremely significant. We need to remember that 70% of what we make is exported to the United States. Therefore, we absolutely have to keep what we've had since 1979, meaning zero tariffs for all trade, because parts related to the aerospace sector can cross the border up to eight times. It's very significant.

That said, we are naturally very pleased with the opportunities Europe represents.

The Chair: Thank you.

Mr. Ste-Marie, you have the floor.

Gabriel Ste-Marie: Thank you, Mr. Chair.

My questions are still for you, Ms. Lussier and Mr. Mueller. I'm going to ask you two questions at once.

First, to replace the CP-140 Aurora aircraft, National Defence awarded the contracts to Boeing, so the aircraft will be built in the United States. However, we have learned that there will be a significant delay. If I'm not mistaken, it is three years. Do you think that, given the new defence strategy and the delays, there could be a review of the agreement, or is it already too late to buy Canadian in this case?

Second, Ms. Lussier, in your presentation, you said that, in the defence sector, it's easier to sell to other countries than within Canada. Should the national strategy address that?

• (1740)

Mélanie Lussier: I'll start with your second question first.

In fact, I said that, historically, some businesses, particularly SMEs, told us that it was easier for them to sell their products to other armies than to the Canadian army. However, the strategy's signals are really extremely encouraging.

What they are telling us now is that they see a real path opening up and that they will have support to be able to break into the market, as I mentioned in my remarks.

What's more, we really sense a willingness on the part of the Canadian government. Not only that, but we sense a complete change of rhetoric, with the government saying that it will first look at whether anything is available here.

In terms of contracts that have already been awarded or will be awarded, our aerospace cluster never takes a position on one candidate or another. Naturally, you will understand that I have as many members in Boeing's supply chain as in other chains.

However, we're looking at one aspect very carefully: We want to make sure that investments have industrial and technological benefits in Canada. For each of the contracts, whether it be the one you were talking about or those to come, we will make sure, when we need to make purchases, that there are real benefits with real projects. The aerospace cluster received an investment as part of the spinoffs. We're going to make sure that we increase the leverage that these contracts can bring to the country.

Gabriel Ste-Marie: Thank you, Ms. Lussier.

Mr. Mueller, what do you have to say about that?

[English]

Mike Mueller: Contracts that are ongoing, I can't speak to. It would probably be better to talk to the CAF or PSPC on some of those matters.

Again, industry requires the long-term certainty piece. On all these questions, that's really why we've been pointing to the need for an industrial strategy. Are there going to be bumps along the road in implementing that strategy? Absolutely, there will be, but if we had had a strategy five or 10 years ago, a lot of the challenges that we're seeing on different pieces would have been addressed.

The big piece that we've been looking for is getting away from that transactional approach. How do you bring industry and government together to have these conversations earlier in the requirement-setting cycle?

I'll be very interested to see how the defence advisory forum is going to be structured. We're looking forward to having a seat at that table to make sure that we're bringing industry and government together, but it has to be very focused. It can't be another box-checking exercise for government. It has to include some meaningful discussions taking place with industry, with problem sets coming to industry, industry giving advice to the government and government being held accountable as to why they are taking the advice—or maybe why they aren't taking the advice.

We have a lot of work to do across the board on some of these things. I'm encouraged that we're going in the right direction, but we still have a way to go.

[Translation]

Gabriel Ste-Marie: Thank you, Mr. Mueller.

Thank you, Mr. Chair.

[English]

The Chair: Thank you.

Mr. Kibble, it's back to you, sir.

Jeff Kibble: Mr. Ziadé, I appreciated your comments about Canadian expertise and innovation, and I couldn't agree more.

However, do you think this committee should consider recommending that the government formally propose to its allied part-

ners, such as the U.K., Germany, France and Korea, an immediate framework for an interval of lend-lease, training and co-development agreements to bridge between current Canadian operational requirements and the long-term 2030-35 DIS deliverables?

Please answer briefly with a yes or no.

Also, how would your organization collaborate on such a plan to address that short-term challenge, and what would it contribute?

Paul Ziadé: It's an interesting idea. We'll have to see what the membership thinks of it.

It kind of bridges that gap, because we're trying to send the message very strongly that the IP ownership is very important. I think that if Canadians are to get on board in the long term with the idea that we need to spend more money on defence, they need to see the economic benefits come back to them. In the 21st century, that is through IP ownership. It is not solely through job creation.

In terms of what our organization can do, we do not charge any membership fees. We are very lean right now, but we are very happy to help with the thought leadership and even get the opinions of our wider membership.

• (1745)

Jeff Kibble: Thank you very much.

I'd like to pivot a little and focus on the Permanent Joint Board on Defence's being paused and Mr. Colby's challenge. This should be a wake-up call, I believe, to all Canadians.

Where can Canadian defence production add value that helps close the U.S. production capacity shortfall and, in doing so, let our country answer the Under Secretary of War's challenge with capability rather than rhetoric?

I'll start with Ms. Lussier.

Mélanie Lussier: I don't want to say that we can help anywhere and everywhere, but we almost can. As I mentioned, the supply chains are really well intertwined. Most of my members have clients in the United States or are suppliers already, so we can provide.... That's one of the messages that we're always saying: In Quebec, we can build an aircraft from A to Z, as well as helicopters, drones, etc., which we can certify. We can help in all the fields needed by our allies.

Jeff Kibble: Thank you.

Mr. Mueller, would you care to comment on that?

Mike Mueller: We have very highly integrated defence supply chains across the board. A lot of Canadian companies have direct contracts with the USAF, the United States Air Force, for example, so keeping those linkages very live....

I would also say critical minerals. To me, that is the low-hanging fruit. They're absolutely critical for the development of aerospace products. We're a world leader in that. I'm encouraged to see the DIS have some sort of a focus on that. It comes down to execution and having those discussions across the board.

We have the capacity, the ability, to do a lot of these pieces. I'm having weekly conversations with my counterparts in the U.S., so there's a lot of collaboration there and right across the world.

Jeff Kibble: Thank you.

Mr. Ziadé, I'll ask for your organization's perspective on the same question.

Paul Ziadé: I would echo my colleagues' remarks. We can do quite a bit right now. Upstream in the supply chain, in critical minerals, there is an immediate opportunity where we can definitely contribute.

Jeff Kibble: That's perfect.

How much time do I have, Mr. Chair?

The Chair: You have 54 seconds.

Jeff Kibble: Ms. Lussier, very quickly I'll jump back to my initial question in which I was speaking about allied partnerships to deal with the short term, not the long term.

Do you think we should be doing these potential lend, lease, training, co-development agreements in the short term for the gap, yes or no?

Mélanie Lussier: Yes, I think we should do it. It provides that opportunity to include Canadian IP in foreign projects. The U.K. did it terrifically with the F-35s and having BAE Systems as part of the aircraft, and they sold 166 aircraft afterwards.

Jeff Kibble: You're waving a hand, Mr. Mueller. Would you agree on the same context there?

Mike Mueller: Our industry is built on collaboration, so it's absolutely critical. I think of certain opportunities that are out there, such as sixth-generation GCAP. The earlier you get into these programs, the more opportunity Canadian companies have to contribute and develop IP and to be part of long-term solutions that are going to be serving our allies right around the world.

Jeff Kibble: Thank you, Mr. Mueller and Mr. Chair.

The Chair: Thank you to both our witnesses.

Mr. Malette, I'll turn the floor over to you now for five minutes.

Chris Malette (Bay of Quinte, Lib.): Thank you very much, Mr. Chair.

Thank you, witnesses, for being here today. I know a lot of you took time to come here from CANSEC. Speaking of that, my first question will be directed to Ms. Lussier.

Today at CANSEC—as I'm sure you're well aware—the Prime Minister announced that Canada is entering negotiations to procure Saab's GlobalEye platform, with major opportunities for Canadian manufacturing, innovation and skilled jobs tied to the project. This is projected to support more than 3,000 jobs.

In your view, how important are initiatives like this in positioning Canada's aerospace and defence sectors for long-term growth while also strengthening Canada's contributions to NATO and continental defence?

Mélanie Lussier: These are parts of the good signals that are part of the strategy—that when we can, when we have the capabilities here and when we are willing to do it, we do it. Again, I'm not going to comment on whether it is better to go with that route than the other routes. It's okay. We're going to follow.... Once a decision is made and there's predictability.... Having a focus now is certainly well welcomed by the industry because they know now that we have a project—or a potential project. We welcome more, I would say, the predictability and the previsibility than the announcements themselves—while we're super happy anyway.

• (1750)

Chris Malette: I'll ask Mr. Mueller the same question, as well, in terms of the signal it sends to the industry.

Mike Mueller: Signals are very important. I'm not going to comment on that particular one, just because there's that contract—

Chris Malette: I'm not asking anybody to say yea or nay on the exact contract.

Mike Mueller: The Prime Minister's announcement from this morning on ITBs is very good. Increasing multipliers to drive certain outcomes.... It's the outcomes piece. It's beneficial to the larger companies, as well as the small and medium-sized businesses, to drive those outcomes. As for the strategic partnership framework, I haven't had a chance to digest that fully, but putting these signals out there is absolutely important.

I think there was a previous question, too, about how small and medium-sized companies take advantage of this. We've been dealing a lot with ISED on the concierge service, so there are great opportunities for a lot of these small and medium-sized businesses to determine how they're going to get into some of these supply chains with regard to, maybe, the announcement that the Prime Minister made. There are opportunities in whatever platform is chosen for the supply chain right across Canada.

Again, these are very encouraging signals from the Prime Minister today. We're eager to continue working with him, the government and officials as they're developing these pieces, because the execution is very much what we're looking at.

Chris Malette: Yes, and I'm happy you mentioned that concierge service for some of the smaller pairings, because right in my riding we had a very smallish contractor who had been running into a brick wall in trying to.... He has just signed on with General Dynamics. I think that's the kind of stimulus we want.

Mike Mueller: I think that's—

Chris Malette: To go back to you as well on that theme, Mr. Mueller, many Canadian defence firms are innovative SMEs, some as small as nine employees, as I've learned from the group I was just referring to. What specific policy tools do you think, aside from this concierge...? Is there anything more we can do to help scale up and participate more effectively in procurement?

Mike Mueller: ITB is absolutely critical for the small and medium-sized businesses in order to take advantage of some of the pieces that are there. Again, I'm pleased to see a focus on innovation, because the innovation side of things is what drives the jobs and the further and spillover effects, perhaps to the civil side. We have examples of that with companies.

On the concierge service, I will say that a big focus of mine on that is on the outcomes. It can't be another bureaucratic box-checking exercise. If companies are going to be going to this concierge service, there has to be ownership over the issue they're trying to solve. In a lot of cases, you see everything being bounced around: "Well, that's PSPC. Well, that's Treasury Board. Well, that's defence. You have to go to the CAF. You have to go to ISED." How do we encourage government to take ownership over some of these pieces?

The Chair: Thank you, Mr. Malette and Mr. Mueller.

Mr. Anderson, we're back to you again.

Scott Anderson: Thank you very much.

I'll start again with Mr. Ziadé.

There was a recent SAHA trade show in Istanbul. Canadians, specifically under the DIA, sent a trade delegation. The purpose of being there was to sell Canadian goods overseas, something that we should have done decades ago, in my opinion. The government should have been behind this.

However, we got there, and I think that, much to their surprise, the Canadian delegation found that they had a mixed message. They are trying to get foreign governments to buy into our industry and buy our wares, but at the same time, they are announcing that we're going to keep 80% of our supply chain Canadian.

It's a mixed message: "Please buy our stuff, but we're not going to buy your stuff." In your opinion, how should we reconcile that message, and what should we be saying at these overseas trade shows?

Paul Ziadé: Thank you for your question.

This is a complex one. Defence procurement is quite complicated.

We're not the only country that looks to onshore a lot of the manufacturing, for example. You see countries like Sweden, and they have Saab. In Norway, they have Kongsberg. These are world-class

companies that they have very deliberately supported through various policies.

We can probably reconcile these two things to an extent. These are not mutually exclusive.

• (1755)

Scott Anderson: They're not mutually exclusive...?

Paul Ziadé: I don't believe so, no.

Scott Anderson: Okay.

Mr. Mueller, could you answer the same question?

Mike Mueller: I agree. Our government representatives who are travelling around the world should be promoting Canadian aerospace in particular. We've heard the examples from the past in which we had government officials soliciting foreign companies to try to bid on, to give some competition here domestically and—

Scott Anderson: What kind of message are we sending, though, if we're saying that we want them to buy our stuff, but we're not going to buy their stuff?

Mike Mueller: Well, the message is that if the Canadian government is not buying Canadian, why should others do that?

In aerospace, we have certain niches that we need to double down on. We can't do everything. Where we are strong, we should be purchasing that domestically, promoting it internationally and building those collaborative relationships across the board. Again, I don't think it's one or the other. It's not a zero-sum game. We can be doing both, and we should be.

Scott Anderson: Okay.

Ms. Lussier, would you agree with that?

Mélanie Lussier: Yes. For several years, I've been doing trade shows with companies. We're always doing that. We're selling our products and saying, yes, we're going to buy first and develop our industry first, but we won't be able to do everything. There's a "buy" portion in the strategy that makes it a non-issue. We can do both.

Scott Anderson: Okay.

Let me return to this. We're doing these things. As you said, we're talking about messaging. We're messaging to companies. The companies aren't the only ones getting the message, though. Foreign governments are getting the message, our domestic voters are getting the message and so on and so forth.

Are we taking steps that are long-term and structural right now that will deter the next administration next door to us from trying to repair some of the trade relations that have been disrupted? Are we creating long-term structural destruction to address what might be a short-term problem?

Mélanie Lussier: I have a sense that the American industry is the one talking on our behalf. When we had the crisis on tariffs, the American association was more vocal about the quality of the relationship that exists in aerospace with Canadians. I don't think we're—

Scott Anderson: The government is not the aerospace industry, though. That's the trouble.

Mélanie Lussier: No, but they're still passing the message, and I think they're getting it through.

Mike Mueller: That may be a better question for the government. We're seeing the outside. From an aerospace perspective, we've been very grateful to receive carve-outs on aerospace. It's due to the fact that aerospace in the U.S. is in a trade surplus there. There's a huge opportunity. They see the benefit from the global integration that is happening.

Again, a focus on building up the domestic industry is a good thing, from my perspective. It's not a zero-sum game, as I talked about before. Going internationally and finding new markets is absolutely critical. I agree that we cannot ignore the Canada-U.S. relationship and the integration of the supply chains there. Our encouragement to the government and all parliamentarians is to preserve that relationship, and to preserve the linkages on both the civil side and the defence side, while continuing to go out and broaden our agreements internationally.

Scott Anderson: I hope our government is listening to that.

The Chair: Thank you, Mr. Anderson.

Ms. Idlout, it's over to you for five minutes.

Lori Idlout (Nunavut, Lib.): *Qujannamiik.*

I lost track of time, listening to all the great testimony. Thank you so much to each of you for sharing all your expertise. I've learned so much about the great work you all do. This is such a diverse group of witnesses from different areas.

I have only one question. In the defence industrial strategy, I love pillar five especially, because it talks about making sure they'll work with many others to ensure an inclusive, sustainable and geographically balanced approach, especially regarding Arctic and northern security. What needs to happen to ensure that indigenous peoples are included in growing the domestic defence sector?

Perhaps we can start with Paul, and then we can go to Robert, Mike and Mélanie.

• (1800)

Paul Ziadé: Thank you very much.

I can tell you that we count among our members within ACDC several indigenous companies. There is enthusiasm across the board, not just in defence and aerospace but also within our various communities in all parts of Canada. We're definitely seeing a lot of activity and interest when it comes to development and testing.

For example, up north, one of the key priority areas in the defence industrial strategy, our partners have a lot of knowledge on how to navigate the terrain. We want to be part of the solution and the defence of Canada alongside them. There are lots of opportunities on that front to engage and even to co-own some of these solutions together.

Robert Asselin: I'll comment briefly to say that there's a huge depth of expertise in research on indigenous issues. In the Arctic, there are groups of researchers that have been going there for decades. This is not just starting now. A group of researchers from Université Laval has been in the Arctic every summer for the last decade working in indigenous communities and with them, almost as a part of their communities. They are working through all the dimensions of the stuff we're talking about, including social ones.

Your question is really important. The message I want to convey is that we're not starting from scratch. We have a lot of expertise inside our universities on these topics.

Mike Mueller: There's a huge opportunity when I think of the labour force. Even without the Prime Minister's ambitious goal of 125,000 new workers, 50,000 projected workers are needed in the aerospace field over the next 10 years. Tapping every resource and every community is absolutely critical.

The investments the supply chain is making—and some of our member companies are indigenous-owned—are absolutely critical. There are very substantive, high-technology pieces that are driving more innovation and creating more jobs right across the board.

When I think of the north, aerospace connects the north. A lot of communities up north would not exist, at least with the standard of living they have now, without the aerospace sector. We're in every region of the country in terms of maintenance, repair and overhaul. A lot of our member companies are touching those communities up north at every turn.

We need workers in every region of the country, so there's a huge opportunity there.

[*Translation*]

Mélanie Lussier: If I may, I will answer in French, because this is a subject that I am too passionate about. I want properly articulate what I saw about diversity and inclusion.

As far as indigenous populations are concerned, yes, there are assets that have not yet been harnessed. As for women in aerospace, and even in defence, their numbers are still too low compared to those of men. We need to encourage women to enter the aerospace and defence trades.

We also cannot do without the talent of small and medium-sized enterprises, or SMEs. We talk a lot about large companies, but SMEs are often run by people from diverse backgrounds. We need to connect with them. I'm also thinking of remote areas. There are people who live far away from the workplace. We have to go and find talent wherever it is.

It's extremely important to keep going. The demand is so high. As was said earlier, we are talking about 65,000 workers within 10 years. We can't neglect any talent, whether it be indigenous talent, female talent or SMEs.

On that point, and I'm going to sound extremely self-serving, Minister Joly announced a program to help Aéro Montréal make the transition and help companies break into the defence market. We look forward to continuing to push for more diversity and inclusion in all areas of defence.

• (1805)

The Chair: Thank you.

[English]

Monsieur Ste-Marie, it's back to you.

[Translation]

Gabriel Ste-Marie: Thank you, Mr. Chair.

Ms. Lussier, I want to talk to you about the defence, security and resilience bank. I would first like to commend the work of the government, which managed to attract it to Canada. Which city is still to be determined. Obviously, Montreal would be very qualified, with its 68 international organizations, many of which are at the heart of global governance; its robust financial sector; its skilled workforce; and its pioneering role in artificial intelligence, advanced technologies, naval technologies and, obviously, aerospace.

I would like to ask you what it would mean for your aerospace cluster to have the bank in Montreal?

Mélanie Lussier: As you mentioned, we already have international organizations in Montreal. Here, I will show my clear bias. I can tell you that I will definitely support Montreal's candidacy for the bank.

As you also mentioned, the aerospace sector is there. Having that proximity, being able to exchange information quickly, being able to show examples of what the bank can provide, being able to implement the bank's actions fairly quickly and being able to show it to the general public will definitely help the aerospace industry. The impact on the cluster would be very welcome.

You also talked about the defence sector. In Quebec, Montreal is the leader in sustainable finance. One of the defence investment bank's ambitions is to make sustainable investments. With the sustainable finance available in Montreal, I think choosing the city makes a lot of sense.

Gabriel Ste-Marie: Okay.

Do you see a role for your members, especially the major contractors, or could there be a funding role at other levels, for example at the SME level?

Mélanie Lussier: It would actually be for all parts of the chain.

Naturally, the major players will benefit. I do represent quite a few SMEs, 230 of them, as I was saying. They will benefit from it as well. By default, any investment in large or even tier-1 manufacturers is beneficial for SMEs, because they are integrated into global and Quebec supply chains. It is therefore absolutely certain that any investment will benefit the entire sector, including all links in the chain.

Gabriel Ste-Marie: If I understand correctly, physical proximity, being able to visit plants and connect quickly improves the situation greatly.

Mélanie Lussier: Yes. In fact, we already do this with ICAO, the International Civil Aviation Organization. We invite it to come and work with us.

Gabriel Ste-Marie: Could you remind us of what ICAO is, for everyone's benefit?

Mélanie Lussier: Yes. It's a regulator. It's a UN agency located in Montreal, right next door to us. We work a lot with ICAO. Not only does it set all the rules for aircraft certification, but it also handles everything we do to promote a greener shift in aerospace. We take representatives on plant visits and show them what is feasible now, meaning what will influence future regulatory policies for aircraft flights.

We're already seeing an immediate impact on all organizations. Canada can naturally influence Quebec, but it will have that much more influence when the bank is set up. Basically, we're extremely pleased to have the bank. We will be able to influence its actions in the future.

The Chair: Thank you.

[English]

I think Mr. Bezan wants to give you more time.

Is that correct, sir?

Voices: Oh, oh!

The Chair: I will turn the floor over to you, sir.

James Bezan (Selkirk—Interlake—Eastman, CPC): Thank you, Mr. Chair.

I want to thank our witnesses for coming today.

I apologize for showing up only at the end. I had to speak to Bill C-31 in the House. I wanted to talk about the Defence Investment Agency act and the changes to the Defence Production Act, which does provide, if you have a chance to read it through, some powers to the minister that will limit competition on bids. It will give the minister power to reduce the ability of some companies.... They can be disqualified by the minister without giving any reasons. The minister is essentially given immunity from any possible litigation or challenges as to why he would disqualify someone or rig the competition process by moving all sorts of exemptions. It's one thing to use a national security exemption with proper reasoning, because of the time we're in, with conflict and great operational requirements; it's quite another to disqualify companies because they don't want them to bid. It's two different streams that we have to be concerned about.

First and foremost, have any of our witnesses had a chance to read division 16 of the budget implementation act, number two, which is Bill C-31?

• (1810)

Mike Mueller: At a very high level, we've looked through it, yes.

James Bezan: Okay, Mr. Mueller.

I encourage all of you to read it in detail, have your lawyers go through it and be prepared to appear at the finance committee. If we can split this off and bring it to defence, it would be a better idea when it comes to committee study.

One thing that we've always been critical of is.... We need certainty in procurement, and the best way to get certainty is to sign contracts.

Mr. Ziadé, can you speak about how many of your member companies have had contracts signed in the last 12 months from this government?

Paul Ziadé: We represent a wide range of companies. Most of them are indeed SMEs. We have not collected that data yet. We are still a very small and nimble organization, but if that is of interest, we would be happy to collect that and report back to you.

James Bezan: Mr. Mueller, can you report on how many contracts have been signed by the government in the aerospace industry?

Mike Mueller: I wouldn't have an exact number, Mr. Chair, but I know there have been some. There have been other announcements in which there are also lots of negotiations going on.

James Bezan: It looks as though we heard another announcement today at CANSEC. There is another negotiation but no actual contracts. We don't know how much is being spent. We don't know what is going to be delivered as to AWACS—something we all support getting. I'm rather agnostic on what platform we use, but let's just get it bought, and that's something the air force has identified that we need.

On the SME side, in my time on this file I keep hearing from our entrepreneurs, our innovators, about how tough it is to do business with the government.

Mr. Ziadé, can you provide us with some examples and some solutions on how we can ensure that SMEs are getting opportunities to bid, build and benefit and bring their innovations to the forefront to benefit our Canadian Armed Forces?

Paul Ziadé: Yes, sure.

We've talked about ITBs. I've heard about reforms today. I have not yet had a chance to digest that. I want to stress that ITBs are only a small part of a defence industrial strategy. The best way that we can support our SMEs is definitely to provide that strong signal and certainty. That includes contracts for relatively early stage companies. We can find ways to contract with innovative companies with enough off-ramps for the government in case they do not meet certain expectations or validate their technology along the way.

Also, there's denoting Canadian SMEs as some of these Canadian strategic partners that the DIS suggests will be announced sometime this summer. It cannot be just foreign multinationals with a presence here; we need Canadian companies as well.

As I've mentioned before, we need to lower that DIA threshold as well, because in this 21st-century warfare, we cannot go through these 10-year procurement cycles. These things need to happen in weeks and months. We need access to the DIA, which is supposed to accelerate defence procurement. Right now, as far as we know, the threshold is \$100 million. That needs to be reduced for SMEs to meaningfully participate.

The Chair: Thank you very much.

Ms. McKelvie, welcome to our committee. You have up to five minutes.

Jennifer McKelvie (Ajax, Lib.): Thank you, Mr. Chair. Thank you for welcoming me here today.

My questions are for Mr. Asselin.

Perhaps it's no surprise, but I am also on the science committee. We are looking at dual-use research there as well. As you're aware, central to the government's defence research strategy will be BOREALIS. BOREALIS is the Bureau of Research, Engineering and Advanced Leadership in Innovation and Science. I was certainly very excited to see in budget 2025 that there was an investment of \$68.2 million over three years to accelerate delivery of advanced technology, align federal innovation and connect partners from government, academia and industry.

My question for you is, can you speak to the state of readiness and expertise of our Canadian academic community and their ability to accelerate innovation and drive dual-use research?

• (1815)

Robert Asselin: On BOREALIS, to be absolutely frank with the members of the committee, so far it's a concept. It's an empty shell. There's nothing there. I would even say it's pretty underwhelming in terms of what has been shown to date. It has been decided that it would be under DRDC, which is the federal lab inside defence. The early signs are that nothing will really be different from before. It's a new entity channelling current programs. I would urge members of this committee to follow BOREALIS's implementation very closely because so far, for the leading research universities, it's very disappointing in terms of the interface and the promise that was communicated. The concept was good. It could have been a Canadian DARPA, or a version of DARPA, but so far it's not, so I want to raise that flag.

In terms of our capabilities, I've spoken to the data, what we represent in terms of the capabilities in the research community. As a country, we have the chance to have this expertise and this intellectual capital. Today's discussion has been focused on procurement, the end of contracts and how that works, but we're not going to have SMEs, we're not going to have companies in defence, if we don't have the talent and the research and development that will allow these companies to be competitive globally.

Again, I would urge the committee to think about the foundations of success for R and D-intensive sectors that represent the defence industry and really focus on the investments that will make this happen. I think we need to build interfaces and pathways that don't exist right now between our universities and the defence department. That is what I'm working on with my group.

Jennifer McKelvie: Great. I absolutely agree. We're very much in early days, and it is exciting to see the academic community wanting to step up and come to the table around that.

One of the things under way, though, is the launch of the defence innovation secure hubs. It has a strong focus on AI, quantum and cybersecurity, among other things. Can you speak to how past federal investments that we've made in the pan-Canadian AI strategy, in quantum, have really ensured that our researchers and our leaders internationally are ready to step up in BOREALIS, step up with the DISH strategy and really work on those collaborations with our defence industry?

Robert Asselin: Thank you for the question.

Not to be too discouraging, but to give a sense of scale, the DISH that have been announced are \$50 million over two years, and there have been two or three announced. In a scale of billions of dollars' worth of announcements, it's very small and very limited in impact.

I will also say that it's not clear at this point that they will include their best researchers from our universities. It's mostly focused on federal labs. In other words, they are scientists who already work for the government. That, for me, would be another flag.

On the level of technology readiness, these DISH are set up to be at the end—TRL 7, 8, 9 and 10—which is fine for testing and prototyping. Again, we need a pipeline to get to these technologies at

the end in this defence industrial strategy. You cannot just put something at the end of the chain. You have to work upstream. I would argue that this aspect is not in the DISH right now.

Jennifer McKelvie: You mentioned Canada's 5% versus the United States' 50% for research and dual use.

Can you speak to how broadly they've cast the net on that definition and maybe to how broadly we should cast that definition here?

I will note things like the Superfund sites for environmental contamination—naval bases, air force bases, and research on cancer, because it was a major outcome for military personnel. The United States has cast that net very wide in the definition of dual-use research.

What should we be doing in Canada as we embark on this early journey that we're starting around BOREALIS and others?

• (1820)

Robert Asselin: That's a great question.

As for your point, DARPA in the U.S. funds biotechnology that led to the development of RNA vaccines that saved us in the last pandemic.

It's a very broad view of technology development. I would urge this committee to really focus on that.

This is what we're trying to do as a country: to develop technology that will be Canadian-owned and Canadian-developed. It will come from our talent, our researchers, transfer into our companies, be grown here and scaled here. If we don't connect all of these things together.... Sure, we can change the rules of procurement, but at the end, I don't think we'll be able to scale our companies the way we want.

I would really agree with the premise of your question that we have to have a broad portfolio of research. It's not just defence or military use. It's broad use. I would say, in credit to the government, that the 10 capabilities they have put forward seem to be broad enough to have a broad portfolio.

The Chair: Thank you, sir.

Thank you, Ms. McKelvie.

We're going to our last round of questions. I want to give us about five minutes at the end to talk about something else.

I'll go to Mr. Kibble, Ms. Romanado, Monsieur Ste-Marie and then Mr. Bezan at the end. Try to keep it tight.

Jeff Kibble: Mr. Ziadé, you spoke earlier about the need for stability and decision-making to support and spur on innovation and production. I heard that comment.

Right now, the Liberals are still standing up the Defence Investment Agency and the defence industrial strategy, but as we've heard in testimony, this is without embedded strategic threat assessments in those plans, without consideration of prekinetic threats that we're facing and, indeed, without a national defence strategy—surprisingly enough—that would guide economic, strategic and efficient procurement planning.

In your opinion, in the context of stability, is this harming the stability?

We have this laundry list of shopping that doesn't really seem to have a plan. Is that impacting your decision-making within the industries that you represent?

Paul Ziadé: We definitely need to move a lot faster. Are you talking about stability with the United States or...?

Jeff Kibble: We have a laundry list of things that we're buying, but we don't have a national defence strategy. We haven't considered prekinetic threats, so we're going to follow this way for a while, and then that way. We don't have that overall guidance. You said you needed stability, and I think that would bring stability.

Can you comment, please?

Paul Ziadé: Well, I agree with you that we are in a state of prekinetic threat. I think most Canadians do not realize how real the danger is.

From the stability perspective, we need very strong signals from the government and a sense of urgency. All of my colleagues here would probably agree with that.

Jeff Kibble: Mr. Mueller, would you comment?

Mike Mueller: When I was at this committee about a year ago, I was arguing for a national defence strategy that identifies the threat and then informs a defence industrial strategy, which is then operationalized, perhaps through a defence investment agency.

The government has done it the other way. They created the Defence Investment Agency and then the strategy. I do think that a defence strategy for identifying the threats is still a missing piece.

I'm very encouraged by where the government is going on this. We're going in the right direction, but that threat piece to inform the sovereign [*Inaudible—Editor*] is required.

Jeff Kibble: I agree with you that we wouldn't be able to go anywhere without that.

Ms. Lussier, would you agree as well that it's a critical component?

Mélanie Lussier: Yes. We need to be super clear, especially for the SMEs, especially for the researchers, especially for the compa-

nies that are looking for a clear demand signal, because we need predictability in the long run, specifically.

Jeff Kibble: Thank you.

Mr. Asselin, would you agree?

• (1825)

Robert Asselin: Yes.

Jeff Kibble: Thank you.

The Parliamentary Budget Officer has costed the announced 3.5% NATO core commitment at \$33 billion a year, meaning \$159 billion by 2035-36. There's not really a fiscal road map without this national defence strategy, but maybe you could help us with a national inventory. To help us establish this.... We would need this across the country. Could you provide your input on a national inventory of what we have?

Specifically, from your respective vantage points in the industries that you represent, what do we have today in numbers of firms, workforce numbers and sectoral capability that your members represent?

I'll start with Ms. Lussier and go across. That will give us a snapshot here at the table and show the need that we should probably be well aware of for the entire country, because we don't have this critical inventory to help bring that stability.

Mélanie Lussier: Part of the announcement that was made a month ago on the program that Minister Joly announced was that there is a portion of money that's reserved to do that mapping of capability in Quebec.

We're going to be able, in the coming weeks, to know how many firms there are, what they can provide, what equipment they have and what they can provide as services.

Jeff Kibble: Is that in a couple of weeks?

Mélanie Lussier: Yes. Axya is working on it. We've already been working on it for several months now, for Quebec anyway.

Jeff Kibble: You have. Okay, so we're going to have that framework for Quebec.

Would you agree, Mr. Mueller?

Mike Mueller: I think we need to expand that right across the country. That's one of the asks that we've had to government. I've called it a capability-mapping exercise, mapping sovereign capabilities connected to the procurements, and we're missing that—

Jeff Kibble: Thank you. This is happening in Quebec, not from your perspective.

Mr. Ziadé, what about the organizations that you represent?

Paul Ziadé: We are very closely tied to two organizations. One of them is called The Icebreaker and the other one is the Council of Canadian Innovators, and they did a national survey of defence and dual-use companies. I would be happy to connect you with them. They have a lot of data on our current capabilities in the SME landscape.

Jeff Kibble: There are all these different sources. Some are being done in Quebec but not in other places. As different organizations, do you think we need a government-led map and inventory as a one-stop shop of our capability to support a realistic strategy? Without it, it seems impossible.

Would you agree, yes or no?

Mélanie Lussier: We can share ours, and it can be deployed across—

Jeff Kibble: Do we need it nationally? That's what I meant.

Mélanie Lussier: It can be deployed across the country, of course.

Jeff Kibble: We need a national list.

Mélanie Lussier: If it's led by the government, my fear is that it's going to take too long. Let the industries define themselves and—

Jeff Kibble: Okay—

Mike Mueller: Yes, absolutely.

Jeff Kibble: Yes, and don't take too long, as well.

Mr. Asselin, would you agree?

Robert Asselin: I will say that for research, we are able to tell you on every sovereign capability how many U15 researchers are working on each capability. That asset mapping for research exists.

Jeff Kibble: Is that just within your organization or for all institutions?

The Chair: Mr. Kibble—

Robert Asselin: It's for all leading research universities.

Jeff Kibble: Thank you, Mr. Chair.

The Chair: You're welcome.

He wants a white glove approach. We get it. We need to have speed and expedite these matters. That's why I'm going to Ms. Romanado now.

Sherry Romanado (Longueuil—Charles-LeMoine, Lib.): Thank you very much, Mr. Chair.

Through you, I'd like to thank the witnesses for being here today. A lot of information has been provided to us. I don't want to call it "cleanup", but I want to make sure I wrap up a lot of what was shared.

There was a question with respect to the \$100-million threshold for the Defence Investment Agency. When Mr. Guzman presented to us at the national defence committee in April, there was a question on whether that was a hard line. That decision was to have a number to start with. Now that the DIA will be up and running through the budget implementation act and get its legs—once proof of concept and so on start rolling—I anticipate that the number may change.

With respect to the people, each one of you has talked about the people who work in the defence industry. I have children serving in the Canadian Armed Forces. As much as I want every Canadian to consider a job in the Canadian Armed Forces, not everyone will. I would love to convince people to consider a job working in the defence industry. All of you have mentioned that there is a huge need for people to consider work in that field.

In the budget, we talked about expanding Canada's skilled trades training to reservists. I want to get your opinion on reservists' serving in the Canadian Armed Forces but also, perhaps, working in the defence industries, which would allow them to share that expertise, in terms of what they need, with defence industry employers. It's a win-win-win. I'd love to get your opinion on that.

• (1830)

[*Translation*]

Ms. Lussier, we talked a bit about women in the defence sector. I was with Women in Defence and Security this morning, and I swear I made an effort to convince women to consider working in the defence sector. I can assure you of that.

Is there anything we can do with that? Perhaps we should look for reservists so that they can work in the industry but also serve their country.

Mélanie Lussier: What we offer our businesses is support. In order to bring reservists on board, accommodations have to be made in terms of human resources policies. That may be more natural for large companies. Smaller companies need to know what the best practices are and what it means to hire reservists. They also need to be shown that they are a great asset. These people have project management skills, and they have talent that we can bring in.

I said earlier that we can't neglect any talent. Reservists are part of that. We offer support for businesses, and I think that all businesses, all provinces and all regions of the country should do the same. We can't neglect any talent, including reservists and women, obviously.

[*English*]

Sherry Romanado: Mr. Mueller, go ahead.

Mike Mueller: I would agree. Anything that's win-win-win, we're open to. Tapping some of those untapped resources in the labour market is absolutely critical. In aerospace in particular, those are very attractive jobs that are highly skilled and highly paid. The number may be a little dated, but the wage is 30% higher than the average in manufacturing.

Again, I encourage everyone to take a look at aerospace. There are huge opportunities there. Any way that the government can help support building in that pipeline of Canadian youth, or of anyone who wants to get involved, we'd be supportive of.

Sherry Romanado: Mr. Asselin, we talked a bit about the DISH. Perhaps that element can also expose some young researchers to considering a field in which they work in the defence industry. Would you say that this could be an element to add to the DISH in terms of exposing young people to considering jobs in the field?

Robert Asselin: Well, right now, DISH is only secure environment research. To give you a sense of it, JPL, the lab that does the robotics research for NASA—this is very sensitive technology—does 80% of their research openly. On this notion that we have to be inside the room, with full security in every part of the research we do, it's certainly not what our allies do. In certain areas, for sensitive reasons, we need to protect against IP theft.

At the end of the day, this is my message for you: If we don't create these pathways, these interfaces, between academia and the defence department, we can create DISH and these secure environments, but they are not viable long-run pathways that will yield the results we want in research. They are an important niche, but they are very small in scale, I would say.

Sherry Romanado: Thank you.

The Chair: Thank you both.

Monsieur Ste-Marie, it's over to you for a few minutes.

[*Translation*]

Gabriel Ste-Marie: Thank you, Mr. Chair.

Mr. Mueller and Ms. Lussier, can you tell us about how important the space sector is to the defence industrial strategy?

Mélanie Lussier: I'll actually talk about how important it is to the province. In Quebec, we have extremely significant companies in the space sector, including MDA Space and Reaction Dynamics, which will be able to launch rockets using new technologies.

The space sector is important, first of all, for continuing our good interactions with our neighbours to the south. We're extremely smart. We've seen the effects of the recent Artemis mission, which are really good economically. We are able to contribute to the mission. Businesses are increasingly prevalent. The democratization of space provides even more opportunity. It's economically worthwhile.

However, let's also think about talent. We inspire young people. Talking about the space industry inspires people. You have to fill the pipeline with talent. When we encourage the space industry, we also encourage the industry as a whole.

As we know, people in the industry are mobile. They are able to move around throughout the industry. That's extremely important from an economic perspective. It's also extremely important from a research standpoint. An enormous amount of research is being done in the space sector and is transferable to other fields, particularly the field of robotics. The Canadarm has brought us to the forefront.

This sector must not be overlooked. You're right: We often talk about aeronautics, but aerospace also includes the space sector. Canada has long been a major player, and it must remain so. It's a good opportunity to maintain good relations with other nations.

• (1835)

Gabriel Ste-Marie: Thank you, Ms. Lussier.

Mr. Mueller, I'd like you to comment on that.

[*English*]

Mike Mueller: From a national outlook, to give you a bit of perspective on the potential for the space industry in Canada, we're leading companies right across the board. I think of Magellan Aerospace out in Winnipeg doing phenomenal things. They're predicting that the space economy will be worth \$1 trillion by 2030. It's a huge opportunity for Canada to get involved in that. It's around \$500 billion today.

A large portion of Canada's expertise is low-earth-orbit satellites. They're predicting that 25,000 new satellites will be launched. You just looked at, as Mélanie said, the Artemis II launch and Jeremy Hansen, whom I've had the pleasure to meet. It's inspiring. A lot of spinoff effects are happening. It's a huge opportunity for the industry across the board.

[*Translation*]

Gabriel Ste-Marie: Thank you, Mr. Mueller.

Thank you, Mr. Chair.

[*English*]

The Chair: Mr. Bezan, it's back to you, and we'll wrap up.

James Bezan: Thank you, Mr. Chair.

I'll bring it home. How's that?

Mr. Asselin, on the research side, how do you rate DRDC, Defence Research and Development Canada, on the work they're doing? Are they working closely enough with industry to get the stuff built that we need?

Robert Asselin: It's a very small part of DND overall, in terms of capabilities. I think we have to be frank that they've been neglected, as the defence department has been, on funding for the last 20 or 30 years. They've been working on technology development at the end of the TRLs, levels 7, 8, 9 and 10. It's very niche.

I will say that the weaknesses, as far as I can tell, are collaborations with academia that are episodic but not at scale. The scientists who work there are career scientists in the federal government. They don't necessarily come from U15 universities, for example.

They do good things, but I would say that in terms of scale and whether their research is consequential in terms of technology development in Canada.... These are good questions.

James Bezan: Would there be opportunity for academics, SMEs, entrepreneurs and innovators who are out there working alongside DRDC in DRDC facilities? Particularly, we have this big space sitting out at Suffield, where DRDC is located—an awesome location—to test some of our new technologies. Do you think that's something we should be recommending as part of the defence industrial strategy report?

Robert Asselin: It's an important part of the research continuum, but as I said, one that is really at the end when the products are almost ready to be launched at the commercial level. The problem is that if you focus only on that part of the continuum, then you won't have the pipeline that will get you the products at levels 8, 9 and 10. I feel that we're weak in this, because academia is not really being asked to contribute—or has not been to this date. We're working to change that. You need a better, fulsome pipeline of research that comes from TRL 1, fundamental research.

I would remind this committee that AI came from fundamental research. It was not directed research. Sometimes it's just curiosity-driven, and that goes all the way to what DRDC does, which is prototyping, testing at the end of the chain. Focusing only on what DRDC does on the research side would be largely insufficient, in my view.

James Bezan: From an SME standpoint, Mr. Ziadé, what opportunities are your members looking forward to in working more closely with DND in particular, and maybe DRDC?

We have this problem that the Government of Canada, the bureaucracy, is risk-averse. How do we get them to be adopters and take on some of the risks associated with novel ideas?

Paul Ziadé: I'll maybe address the DRDC point. That's a good one.

I have personal experience working with DRDC and at the Suffield research base, which you mentioned. They're very capable people, and it's a unique asset, not only in Canada but worldwide. I can attest that companies from Europe want to come and test here, and as far as the ACDC membership goes, yes, they are looking for a much clearer path. We have some autonomy companies looking to test as well, and they're trying to find a much clearer and linear path to get into these facilities.

I can say that there are some excellent people working there, because you have the DRDC Suffield research centre and CFB Suffield as well. It is kind of separate, but it is under-resourced, as my colleague mentioned, and I think it is going to be a key pillar to accelerate the technology development for many SMEs, because they need these facilities.

In my capacity as the CEO of North Vector Dynamics, where we make missiles, this is basically one of the few places that we can test, so we need access as well, and frequent access.

• (1840)

The Chair: Mr. Bezan, you're done.

Some hon. members: Oh, oh!

James Bezan: Check my pulse.

The Chair: To the witnesses, thank you so much. We talked about Bill C-31, and it's coming up before the House now. It incorporates the enactment of the Defence Investment Agency as a stand-alone agency to facilitate and expedite the very things that you're talking about. However, we do need expert advice, support and opposition to ensure we get it right, so thank you for being before us.

Before I adjourn the meeting, I'll say that tomorrow we have two informal meetings. One is with the Ukrainian delegation. It's from 8:30 a.m. to 9:30 a.m. in the West Block. I'm trying to gauge who around the table will be able to attend that meeting. I see one, two, three. It's important. I would like to have some members of the opposition there too, of course, from the Conservative Party, so let's make sure we have a good number there, because it's a good topic.

I've invited some other members to attend. I've also invited some from the Senate, if they're available. I'm not sure they'll be able to be there, but it's an important topic and it's important to be there with the Ukrainian minister.

Then the next meeting is going to be at 1:15 p.m. with the head of the Bavarian State Chancellery and their delegation. That's going to be in conjunction with another committee, so we're there more as observers than as actors. It's with the head of the Bavarian State Chancellery, Dr. Florian Herrmann, and their delegation.

It's a joint meeting with INDU.

An hon. member: Isn't Bavaria a province in Germany?

James Bezan: Are we meeting with provincial delegations now?

The Chair: I know you federalists, but I have—

[*Translation*]

Gabriel Ste-Marie: Should I raise a point of order, Mr. Chair?

[*English*]

The Chair: If you can make that meeting, I'll try to be there as well for the 1:15 meeting. It will be in conjunction with another committee.

Lastly, we have a trip coming forward. I know it's not for these members, but we have an outline of that trip, and the members who are on it are the ones who have been brought forward by your respective whips.

The clerk wants us to make certain that you can, on your own account, go to the respective events, so let's make sure we deal with that so there will be no surprises. I want all of us to be there if we can. The clerk is concerned about logistics and accommodation, so let's make sure that we have a good understanding before we proceed.

I'm going to approve the clerk's...

Go ahead, Mr. Watchorn.

Tim Watchorn: Mr. Chair, do we have the outline of the trip yet? It's hard to talk about finance—

The Chair: I have an outline of the dates and bookings. I don't have accommodations or meetings yet.

Tim Watchorn: Do we at least have dates and where we're going to be?

The Chair: I'll ask the clerk to provide that to me and then share it with you in terms of whether you can accommodate and whether

he can accommodate in the end, because he's citing some issues that may be of concern.

James Bezan: Bring your ball and glove because we can play baseball at midnight. They have a midnight baseball league in Inuvik.

[*Translation*]

The Chair: Mr. Ste-Marie, do you want to speak? You're shaking your head.

[*English*]

Ladies and gentlemen, members of the committee, with your agreement, may we adjourn?

Some hon. members: Agreed.

The Chair: The meeting is adjourned.

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