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Brian Little's turbulent battle with Magellan Aerospace

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On Sept. 18, the senior vice-president was fired after he disembarked a plane in Toronto. Since then, he has used up major emotional and financial resources to seek redress

Brian Little's battle with Magellan Aerospace MAL-T has not been kind to the Canadian company's former senior vice-president in Britain.

Mr. Little, 54, says he has been in a physical, mental and financial nosedive since Magellan, controlled by Calgary billionaire Murray Edwards, fired him as he stepped off a plane at the Toronto airport on Sept. 18, 2006.

To fund his wrongful dismissal case, which accuses Magellan and its auditors of "forensic deceit" in relation to a crucial contract awarded by Airbus, he sold his family's 400-year-old estate in Northern Ireland for Â£1.7-million ($2.7-million) in 2008. Unable to afford a lawyer, he has represented himself at hearings in the Employment Tribunals in Bristol, England, where Magellan's British operations are based. With no courtroom experience, his cross-examinations were often clumsy, even though his files were meticulously prepared.

The proceedings were suspended last year, after the self-described whistleblower had a psychological breakdown akin, he said, to "post-traumatic stress disorder." His illness made him black out in court three times and kept him out of commission for months.

Now somewhat rehabilitated, the tall, beefy Irishman is preparing to relaunch his fight. "My agenda was to prove that I had reasonable belief that I was right," he said in an interview in London.

Mr. Little claims he was fired because he accused Magellan of inflating the value of its contract to supply exhaust systems to the Airbus A340 (Series 500/600) long-range passenger jet. Magellan's lawyers say the A340 program had nothing to do with his firing; he was let go because he was "impossibly rude and disruptive to colleagues," and sent "abusive e-mails" to employees.

Magellan dismisses Mr. Little's version of events, and the company' s auditors say the A340 program estimates were valid. Bill Dimma, the Magellan director who heads the board's audit committee, said in an interview that "none of his allegations has merit."

Mr. Edwards, vice-chairman of oil sands giant Canadian Natural Resources Ltd. and co-owner of the Calgary Flames, first invested in Magellan in 1995, when it was called Fleet Aerospace. He is now Magellan's chairman and, through direct share ownership and convertible debentures, effectively controls two-thirds of the company's shares. The A340 contract, one of its biggest, helped to secure Magellan's role as a significant supplier to the top aerospace players.

Mr. Edwards is rebuilding Magellan after a bruising couple of years that saw the share price plunge from $16 to pennies during the financial crisis. It now trades at just under $5, giving the Mississauga company a market value of about $90-million. In 2008, Magellan estimated that the cost of dealing with Mr. Little's wrongful dismissal claim was $3.5-million, which included the price of an independent PricewaterhouseCoopers (PwC) forensic report into Magellan's Airbus program. The figure has not been publicly updated.

Mr. Edwards last appeared in the Bristol Employment Tribunals hearing, by video link from Calgary, two years ago, when he said "I take some offence" to Mr. Little's allegations, arguing that he had trusted the company's auditors, Ernst

& Young and PwC, to provide fair analysis of Magellan's projects.

Mr. Little studied business and accounting at Ulster University, and ran Mayflower Aerospace, a British aerospace component maker that was bought by Magellan in 2003. He stayed on and soon found himself questioning Magellan's Airbus contract.

According to summaries produced by Magellan subsidiary Aeronca at the end of 2006, Magellan expected to ship 827 exhaust systems, including spares and repairs, for the A340 jet between 2008 and 2021. The bulk of the production would come between 2008 and 2012, and the total estimated revenue over those years was $176-million (U.S.).

Since an A340 has four engines, the contract implied that well more than 200 of the planes (Series 500/600) would be built. Before he was fired, Mr. Little said he told Magellan the figure was unrealistically high. At the time, four-engine jets were falling out of favour because of their relatively high fuel and maintenance costs. In tribunal testimony, Mr. Little said sales for the plane from 2005 would amount to no more than 150.

Since Magellan would commit more than $50-million (Canadian) in development and labour training expenses related to the A340 project, a significant shortfall in expected sales would mean that the program might not cover its costs. If that were to happen, Magellan would face a writedown

As it turned out, the A340 sold poorly. According to the Airbus website, the 500/600 series generated only 133 orders (of which 129 have been delivered). Airbus spokesperson Marcella Muratore confirmed that no A340s are under construction, though the model could be revived if new orders come in. "It's a build-to-order program," she said.

Magellan's defence is that the A340 program was thoroughly audited by both Ernst & Young, and later by PwC. The conclusion of both auditors was that the A340 program estimates were valid and that Mr. Little's allegations were unfounded. But Magellan's finance chief, John Dekker, admits "it's too early to say" whether the A340 program will be profitable because of its "heavy investment."

Bruce Gowan, a member of Magellan's audit committee, said Mr. Little seems to have underestimated the market for exhaust system spares and their repairs. "There is a huge replacement market for these parts," he said, adding that, so far, Ernst & Young has not recommended a program writedown.

A June, 2007, PwC letter to Magellan's audit committee examined Mr. Little's allegations. The letter's existence was reported in a May 4 story in the London Daily Telegraph and has been obtained by Mr. Little.

While PwC had dismissed Mr. Little's allegations about A340 program inflation, the letter did say that Magellan's financial control "in the areas we examined is poor and needs to be improved." It went on to say that individual projects, which it did not name, suffered from inadequate accounting control. "Project sales volumes, revenues and costs were not reviewed with sufficient frequency or vigour," it said. The PwC letter also said Magellan had "a lack of awareness of the program accounting requirements under either Canadian GAAP [generally accepted accounting principles] or U.K. GAAP."

Mr. Dekker said the letter was not included in the final report because it was not relevant to the specific accounting matters that PwC was instructed to review. Its contents, however, were contained in the cover letter that went with the report. "The audit committee received all the information in the final report, including the cover letter on opportunities for improving accounting systems and processes," he said, adding that "the recommendations were helpful and [accounting] improvements have been made."

In spite of the publication of the critical PwC letter, Magellan appears to have no intention of settling with Mr. Little and plans to let the Employment Tribunal decide which side has the better case. "We've nothing to hide," Mr. Dekker said.

WHAT THEY SAY

"My agenda was to prove that I had reasonable belief that I was right."

Brian Little

Former senior vice-president, Magellan Aerospace Corp., about the wrongful dismissal case he has brought against the company.

"We've nothing to hide."

John Dekker

Vice-president, finance, Magellan

"Project sales volumes, revenues and costs were not reviewed with sufficient frequency or vigour."

Letter from PricewaterhouseCoopers to Magellan's audit committee. The letter was not part of the final report, though its contents were included in the report's cover letter.