CADSI POLICY PRIORITIES FOR 2011

The mission of the Canadian Association of Defence and Security Industries (CADSI) is to promote a favourable environment for member firms to grow and manage profitable enterprises. CADSI acts as the collective voice of Canadian defence and security industries in advocating to the federal government.

OVERARCHING PRIORITY

Creation and implementation of an Industrial Strategy that supports the defence, sovereignty and prosperity of Canada. Canada’s domestic defence and security industrial base is a vital contributor to the Canadian Forces, to the sovereignty of our country and to the economic wellbeing of the nation. An industrial strategy for the defence and security of Canada will enable Canadian industry to be a dynamic engine for innovation, economic and employment growth while supporting Canada’s defence and security requirements.

SPECIFIC PRIORITIES

An industrial strategy is made up of a number of key building blocks. Federal government attention to each of these blocks will contribute in and of themselves to an improved environment for Canada’s defence and security industries.

CADSI calls for fundamental changes to the defence procurement process. The acquisition and maintenance of sophisticated defence equipment is complex business. In Canada the responsibility for defence procurement is shared among a minimum of three federal departments. Clarity and consistency within the procurement process is essential in such an environment, particularly as it relates to the definition of requirements, the setting of industrial objectives, and the choice of procurement strategies.

CADSI calls on the federal government to adopt the following improvements to the defence procurement process:

a) **Set domestic industrial objectives at the same time as technical requirements**

Defence procurement is the federal government’s most important lever to achieve industrial and jobs growth in Canada’s defence and security sector. Defence and the economy are inextricably linked and, because that reality is recognized around the world, defence procurements are largely exempt from
international trade agreements. Only if industrial objectives are set at the start of the procurement process will the government be able to achieve an optimal economic return on taxpayers’ investment in defence spending for the acquisition and maintenance of military equipment.

b) **Assign procurement and contract risk to the party best suited to manage the risk**
The current risk framework for defence procurements is not working. Industry is expected to carry risk that is more properly held by the government. The consequences to taxpayers and the government of the current imbalance include: the best suppliers may not bid; they may not be encouraged to bid the best solution; and/or they will price into their bids a premium for the undue risk they are being asked to bear.

c) **Stop requiring foreign equipment manufacturers (OEMs) to be responsible for the life-cycle maintenance of Canada’s defence equipment.**
The government can promote Canadian jobs in the defence and security sector by selecting domestic industry to undertake the maintenance, repair and overhaul of military equipment acquired from foreign OEMs and, to that end, by obtaining the necessary licences and the right to use intellectual property at the time of equipment acquisition.

d) **Use Canada’s Industrial and Regional Benefits program as a tool to implement an industrial strategy for the defence and security of Canada.**
Significantly increase Canada’s strategic industrial capability and capacity in key defence and security sectors of importance to Canada’s economic and sovereignty interests.

e) **Advance Canada’s long term economic and security interests through major defence procurement decisions**
Canada has a series of major defence procurement decisions to make in the air, land, soldier system and maritime domains amounting potentially to $240 billion over the next twenty years. How and from where the government procures and maintains these assets will define the health and shape of Canada’s defence and security industrial base for the next 30 years. For example, the National Shipbuilding Procurement Strategy (NSPS) offers the single most important opportunity for jobs and economic activity in Canada’s marine and shipbuilding industries. Given that the majority of the value to the economy from the ship replacement programs will come only once the hulls have been built, workers in Canada’s marine industries ask what the government’s plans are to engage them fully in the fitting out and maintenance of the planned new naval and coast guard vessels? Similarly, at a time when the government has spent a considerable amount of time and money to support Canada’s ailing automotive sector, what
plans does it have to fully engage this important sector of the defence industrial base as it moves to acquire new vehicles for the Canadian Army?

f) **Recognize the importance of the defence and security industrial base as a priority for federal R&D funding programs**
Create and support an environment at the federal level that promotes synergistic, innovative and leading-edge R&D activities within the private sector to produce market-ready technologies of strategic value to the defence and security of Canada.

g) **Promote the competitiveness of Canada’s defence and security industrial base through export market development support**
Export market access and success is critical to the long-term competitiveness of Canada’s defence and security industrial base. The federal government can assist by:
- Coordinating federal government export market development activities through the Department of Foreign Affairs and International Trade’s Integrative Trade Global Strategy: Defence and Security 2011-2012;
- Bringing effect to proposed changes to the US State Department’s ITAR regulation affecting dual-nationals and working to expedite Canada’s administration of controlled goods, industrial security clearances and export controls;
- Committing to be a ‘first buyer’ of Canadian defence and security products, technologies and services to facilitate export sales.

**Improve communications between the government and the defence and security sector.**

Improved communications between industry and government in the defence and security environment is critical to create and effectively implement an industrial strategy and also to address the procurement issues identified above. To achieve improved communications we believe the government should:

a) Create a Defence Industrial Advisory Council reporting at Ministerial level;

b) Create a Joint Industry-Government Defence Procurement Council reporting in at the ADM level to advise on improvements to the defence procurement process and practices; and,

c) Produce an annual report to Parliament on the health and readiness of Canada’s industrial base to respond to Canada’s defence and security needs.