



# CADSI Annual General Meeting

## Report of Chair of CADSI Board of Directors

Remarks

March 29th, 2017 14:20, Westin Hotel, Provinces Ballroom, Ottawa, Ontario

### **Check Against Delivery**

Good afternoon. It will be my pleasure to take a few minutes to walk you through the salient points of the final Chair's report that I have submitted to the membership, as well as add some additional commentary on my views of our journey the past seven years, and the current state of our sector.

To start, I'd like to say that it has been an absolute pleasure to have had the opportunity to serve CADSI the past seven years. I am grateful for having been given the opportunity. When I joined the board seven years ago, I certainly had no expectations to become Chair, and certainly did not expect to be Chair for six years - but this has been an exciting time to witness the maturation of our professional association from a grass roots collective of defence companies, to a professional domestic and international trade association acting on behalf of Canadian industrial performers, with a strong, respected, advocacy position with the Canadian government and the Canadian Forces. Milestones that live with me after this seven years of experience include the increased interaction between the association and senior levels of government, the "monetization" of our sectors impact on the Canadian economy through repeated economic impact studies, the significant participation in policy studies including Jenkins, Emerson, Defence Procurement Strategy (DPS), and the expansion of the defence sector in election and governing dialogues of those running our country. These milestones have been met with annual growth in participation by membership in sector trade activity including Outlook sessions, CANSEC, and a growing list of Team Canada level trade pavilions at international defence shows around the world.

I am very proud to have been a part of these developments.

Throughout this time, I have had the opportunity to interact with a very supportive group of Board Members, past and present. I would like to thank them for their dedication and support, but mainly for their professionalism in leaving their corporate hats off when sitting at the board table, for their full participation in dialogue and debate, and for their commitment at continuous improvement and maturation of the professionalism of board operations over time. We have truly moved from a grass roots industry association to a recognized professional sector association with a respected advocacy agenda. This has resulted in an increasingly strong voice for our members.

As I depart the Board today, I am very pleased to announce that the Board has elected a new Chair to whom I hand over the reins following this AGM. We're excited to welcome Danny Deep, the Vice-President responsible for General Dynamics Land Systems, as our new chair.

Danny - could you stand and give a wave, to ensure all folks know who you are?

GD Land Systems uses the company tagline "World Class, World-wide, Proudly Canadian". I would offer that this tagline could also describe Danny as their leader. I have had the pleasure of working with Danny professionally and as a CADSI board member for a number of years. Danny brings a unique perspective to the board as a leader of an historical Canadian defence company, with a strong supply chain of over 400 companies, and a global mandate to export world-wide from Canada. Danny has a strong appreciation for the Canadian defence industry, the forces required to ensure engagement of small Canadian companies in large firm global supply chains, and the requirement for the policy support and international advocacy support of the government of Canada as our firms endeavour to win business with the Canadian Forces at home, and then export that success world-wide. Danny has proven his leadership abilities to do this, and has demonstrated that he has the respect and partnership of Canada while doing so. He is a solid, diplomatic, board member, who leads with insight and balance. I am very happy to place the role of Chairperson into his very capable hands.

I would now like to make a few brief remarks about the accomplishments of the Association in 2016, and the strategic direction that the Board has set for 2017.

In 2016, the Board challenged CADSI staff to undertake the most ambitious strategic communications and advocacy campaign it reasonably could--and resourced it accordingly. With this, the Association successfully executed on an advocacy agenda that was design to build relationships with the newly elected Trudeau Government. The result was an intense engagement plan that included hundreds of engagements with targeted decision makers, half of which were with Members of Parliament, key ministers and their staffs, including the Prime Minister's Office. From one-on-one meetings, to roundtables, to parliamentary committee appearances, to our first ever reception on Parliament Hill, we took every opportunity to ensure the government understood our industries and heard our message.

Given the relative youth of the Trudeau team--Mr. Trudeau, a majority of his ministers, senior staff and advisers are under 50, and many are under 40--outreach through non-traditional media was critical to delivering our message. The Board approved a refreshed and enhanced Made Across Canada campaign that ran the entire year.

I'd like to personally thank the member companies who have contributed your success stories, thank you--it is your stories that define the face of our industrial sector and the basis for our connection with Canadians. For those of you who have not yet had the chance to showcase your success, it is not too late. Please continue to reach out to CADSI staff and add your success to the storyline as we continue the Made Across Canada campaign.

Early on in 2016, the Board engaged with key decision-makers at CADSI's first ever Parliament Hill event. It was so successful that we decided to make it an annual activity. This success was followed by our engagement in a series of consultations on important policy areas that included defence, innovation, cyber-security, and procurement policies. With each opportunity, we reinforced our key message around the need for a defence industrial policy to connect both the Government's Defence Policy Review and Inclusive Innovation Agenda. Our strategy also included appearances before a historically high number of parliamentary committees.

More specifically, we have been and will remain very engaged with the Department of National Defence on the Defence Policy Review. We understand that DND is re-examining the results of the Defence Policy Review in light of the new U.S. administration, including defence priorities, funding levels, and language. We will continue to be engaged through this process.

While procurement processes remain unwieldy, procurements are starting to move. We saw the announcement of the Fixed-Wing Search and Rescue Aircraft Replacement and the Headquarter Shelter System. There has been movement on the fighter file and the Canadian Surface Combatant Request for Proposal has been released. All of these have now included Value Propositions. For those examples where contracts have been awarded, the Value Proposition has moved the marker for the investments bidders have made in Canada and the efforts they have made to engage Canadian industry in the solutions for these larger platforms.

On the subject of Value Propositions, large companies, OEMs and Tier 1s, need now more than ever to build their Canadian footprints, develop strong Canadian supply chains and introduce Canadian technology into their product lines wherever possible. SMEs need to showcase their capabilities through all means possible including direct business-to-business supply chain forums and through government programming. The opportunities will continue to grow, and CADSI will continue to provide forums to educate and connect our member businesses with opportunity.

We are seeing a resurgence of protectionism in the United States. In parallel, other countries, like the UK and Australia, continue to develop sector specific industrial strategies. They use a range of government interventions, for example tax breaks, special programs and incentives, strategic procurement decisions, and investments in particular skill sets to leverage their defence procurement activity to the benefit of their nation. Throughout 2016, we have been working on convincing the Canadian government of the value of a sector specific industrial strategy for defence and we will continue to do so in 2017.

We have also been drawing links between the defence and security industries and a national innovation strategy. We suggested that government programming should be enhanced and improved to bring to Canada a program along the lines of the U.S. Small Business Innovation Research Program. This was a proposal the Board made to the Minister of Defence at the Defence Policy Review industry roundtable. The Board also provided significant feedback during roundtables last year on the need to change Defence Research and Development Canada's current operating model. We are now working with them to perhaps introduce a policy framework for more DARPA-like thinking with respect to their programming.

Where our events are concerned, CANSEC remains our flagship event. We hosted the largest, most well-attended and newsworthy CANSEC in history. When surveyed, 92 per cent of participants expressed a strong satisfaction with CANSEC. Our strategy of continued capital investment in show improvements has clearly been the right decision.

Part of CANSEC included the release of The State of Canada's Defence Industry 2014, CADSI's first report in partnership with Statistics Canada and Innovation, Science and Economic Development (ISED) to measure the state of our sector in Canada and monitor its evolution over time. I would like to thank the many members who participated in the study. I also appeal to all members to participate in the 2016 study for which data collection has begun. The 2014 study was missing key statistics on research and development in Canada. Given the Government's focus on innovation, we REALLY need to ensure that we complete that R&D section. I encourage you to think about all your expenditures in this area: products enhancements and improvements that are built into your margins and process changes to make use of new methods or equipment are forms of research and development that you may not be capturing in the traditional R&D sense. This survey has and will have an important impact on our industries. The design of ITBs/Value Propositions are showing us how as we see bid evaluation scoring criteria placing points against work in Canada, engagement of supply chains, R&D investments, advanced manufacturing investments, and exports.

As much as we are asking for your support to ensure the impact of our collective advocacy, the association has also worked to support members better this past year. The Association has been increasing the value that is provided to our members. We created an emerging markets portal that pulls together information on export markets for your business. The staff also reached out to you on the phone to ask how your business is doing and ensure you are able to take full advantage of all of the services your membership brings to you beyond CANSEC.

In this focus on increased support, we have also sought to enhance our organizational policies and procedure. We have put in place such things as a new Board of Director's nominating process and an ethics policy to increase transparency. We recognise the importance of showcasing not only our products and services, but also our corporate social responsibility as a rigorously regulated industry. We believe that the industry will be viewed more positively and our Association will be stronger as a result. The Board has also added a Governance Committee to continually monitor and improve board operations.

With all that has been done however, I urge everyone to move forward together. Despite it being a challenging environment in which to do business, I am going to repeat what I said last year "this is a long-game play", with a lot of work ahead to still realize effective business impacts of these efforts.

The Board has approved an equally aggressive and intense strategic communications campaign as part of our advocacy agenda for 2017. We will continue with the direct one-on-one engagements with key influencers and our key messaging will remain the same:

- o We employ highly-skilled, technology-driven labour;
- o We bring important dividends to the Canadian economy;
- o We are innovation intensive;
- o We are a strong net exporter, once successful in Canada;
- o We operate in a managed, regulated and protected global market place and our competitors in peer nations have active defence industrial policies that advantage their domestic firms. We need partnership with Canada to compete on that global stage.

We will continue to repeat these messages to key influencers over 2017, looking for additional opportunities to engage with think-tanks and academia.

We will continue to advocate for the Government to invest in Canadian industry. We want to see a rebalancing of risk between government and business and a progressive approach to best value reflected in the application of the cost and profit policy. And of course we will always push for budgets to be spent, and for programs to move.

We have set aside funding to further improve CANSEC and to develop more value-added services and tools for members. We have asked that event content be fresh and relevant and that every activity, including international shows, be assessed for their value to the membership.

To end my final report as Chair, I want to recognise that our industry, as a whole, is continuously evolving and that we, Canadian companies, must evolve with it. Canadian OEMs and Tier 1s need to be investing so that we are ready to win increasing amounts of business when Canadian procurement opportunities become available. We must also develop greater collaboration between our companies and with and amongst small- and medium-sized enterprises that make up the majority of our membership. We cannot afford to let stand the suggestion that it is cheaper and better to buy off the shelf from abroad than buy best-in-class from Canada. When Canadian industry exports 60 per cent of what it sells, we know this critique does not hold water.

While there is still a lot of work to do, there are over 800 members to carry the load. Together we have the best chance to achieve our goals. I am proud to have contributed to CADSI's growth in size, in the maturation of our operations, and enhanced influence during my term as your Chair.

I would especially like to thank and commend the two CADSI Presidents that I have worked with, Tim Page and Christyn Cianfarani. Each of these two leaders demonstrated extraordinary levels of dedication and professionalism in representing our interests to the outside world, and incredible diplomacy and balance when integrating our very diverse interests across 800 companies into one coherent voice for the sector in line with the principles under which the association was established. It has been a pleasure working with you both, and I wish Christyn continued success as she takes us all forward.

I wish you all prosperity in your business ventures in the future.

Thanks very much.