

## **Best Defence Conference 2014 Panel**

### **Defence Procurement Panel**

Moderator Remarks

November 13th, 2014, London Convention Center, London, Ontario

#### **Check Against Delivery**

GOOD MORNING LADIES AND GENTLEMEN AND WELCOME TO AN UPDATE ON THE CANADIAN DEFENCE PROCUREMENT STRATEGY. I'LL BE YOUR MODERATOR FOR THE PANEL.

THE SUBJECT IS DEFENCE PROCUREMENT AND GIVEN THE PRESENCE OF GENERAL DYNAMICS LAND SYSTEMS HERE IN LONDON, I WOULD THINK THAT IN THIS REGION MANY OF YOU ARE ALREADY QUITE SENSITIVE TO THE IMPORTANCE OF OUR CANADIAN GOVERNMENT'S ENDORSEMENT OF CANADIAN PRODUCTS AND SERVICES THROUGH PROCUREMENT AND HOW THAT CAN BE THE IMPETUS FOR EXPORT SALES.

BEFORE I TURN THINGS OVER TO THE EXPERTS ASSEMBLED WITH ME THIS MORNING, LET ME TAKE A FEW MINUTES TO SET THE CONTEXT.

A COUPLE OF YEARS AGO, I SERVED ON A SMALL ADVISORY GROUP CHAIRED BY TOM JENKINS THAT WAS ASKED TO RECOMMEND HOW CANADA'S HUGE PROJECTED DEFENCE PROCUREMENT--FORESEEN AS TOTALING \$200 BILLION OVER THE 20 YEARS THROUGH 2027--COULD MORE STRATEGICALLY SUPPORT THE DEVELOPMENT OF CERTAIN KEY INDUSTRIAL CAPABILITIES, OR KICS AS THEY CAME TO BE CALLED.

NOW THE STRATEGIC USE OF PUBLIC PROCUREMENT TO STIMULATE THE ECONOMY IS NOT REALLY A NEW IDEA. IN CANADA WE HAVE HAD SINCE 1986--AND LESS FORMALLY EVEN BEFORE THEN--AN "OFFSET" POLICY - MANY OF YOU KNOW THIS AS INDUSTRIAL AND REGIONAL BENEFITS POLICY OR IRBS.

BUT IT'S NOT THE 90'S ANYMORE AND TODAY'S DEFENCE PROCUREMENT INVOLVES VERY BIG SPENDING--CURRENTLY RUNNING AT AN ANNUAL AVERAGE OF NEAR \$10 BILLION EACH YEAR.

GIVEN THE SHEER SCALE OF OUR EXPENDITURES AND THE POTENTIAL TO GENERATE SUBSTANTIALLY GREATER ECONOMIC IMPACT, DURING THE COURSE OF THE PANEL AND IN THE EVENTS THAT FOLLOWED, NATURAL QUESTIONS AROSE:

COULD WE ALIGN OURSELVES TO ENGAGE IN SOMETHING VERY STRATEGIC FOR OUR COUNTRY?

COULD WE USE THE COMPETITIVE ENVIRONMENT TO MAKE OUR PURCHASES, WHICH ARE ESSENTIALLY OUR INVESTMENTS, MORE POTENT?

COULD WE DO THIS WITHOUT SLOWING DOWN THE PROCUREMENT PROCESS?

IN LIGHT OF THE JENKINS REPORT AND EMERSON BEFORE IT, THE FEDERAL BUDGET 2013 COMMITTED TO A NEW DEFENCE PROCUREMENT STRATEGY (DPS) INCLUDING A CLEAR PRIORITY TO USE THE PROCUREMENT LEVER TO FOSTER MORE INNOVATIVE AND GLOBALLY COMPETITIVE COMPANIES IN CANADA. ALONG WITH THIS CAME A COMMITMENT TO STREAMLINE THE PROCUREMENT PROCESS, BECAUSE TIME IS OF THE ESSENCE.

FOLLOWING THE FEDERAL BUDGET ANNOUNCEMENT, THE GOVERNMENT BEGAN WORK TO IMPLEMENT THE DPS. IN NOVEMBER 2013, THE GLOBAL MARKETS ACTION PLAN WAS RELEASED WHICH IDENTIFIED DEFENCE AS A PRIORITY SECTOR FOR TRADE PROMOTION AND ECONOMIC DIPLOMACY AND REITERATED THE COMMITMENT TO THE DPS WITH A CLEAR EXPORT-ORIENTED COMPONENT.

IN FEBRUARY 2014, THE GOVERNMENT ANNOUNCED THE MEASURES IT WOULD TAKE TO IMPLEMENT THE DPS AND AMONGST THESE WAS A NEW POLICY, CALLED THE INDUSTRIAL AND TECHNOLOGICAL BENEFITS POLICY (ITBS), AND AN ADDITIONAL PROCUREMENT LEVER, CALLED THE VALUE PROPOSITION, ALL AIMED AT WHAT MINISTER FINLEY CALLED "BETTER REFLECT[ING] THE REAL COMPETITIVE ADVANTAGES OF COMPANIES AND CANADA". MINISTER NICHOLSON ALSO ANNOUNCED THE CREATION OF A DEFENCE ACQUISITION GUIDE AND INTRODUCED THE NOTION OF AN INTERNAL-TO-DND CHALLENGE FUNCTION FOR REQUIREMENTS. IN JUNE 2014 THE FIRST DEFENCE ACQUISITION GUIDE (DAG) WAS PUBLISHED BY NATIONAL DEFENCE.

...AND OUR PRESENTERS ARE HERE TODAY TO EACH TAKE YOU THROUGH THE TIP-TO-TAIL WAY IN WHICH THE REST OF THE ON-GOING ROLL-OUT OF THE DPS IS OCCURRING. THE PLAN IS TO HAVE EACH PANELIST DESCRIBE THEIR ROLE IN THIS STRATEGY AND WHAT HAS HAPPENED SINCE THESE ANNOUNCEMENTS--GENERALLY EACH WILL TALK FOR ABOUT 10 MINUTES.

THAT SHOULD LEAVE 15 MINUTES FOR QUESTIONS FROM YOU, THE AUDIENCE.

OUR FIRST SPEAKER, MR. TOM RING, ASSISTANT DEPUTY MINISTER - ACQUISITIONS BRANCH, PUBLIC WORKS AND GOVERNMENT SERVICES CANADA, WILL GIVE US AN OVERVIEW OF THE DPS, THE OBJECTIVES AND THE GOVERNANCE MODEL TO MAKE IT ALL HAPPEN.

IT SHOULD BE TAKEN AS GIVEN THAT DEFENCE PROCUREMENT HAS TO DELIVER THE REQUIRED OPERATIONAL CAPABILITIES AT A COST THAT GIVES REALLY GOOD VALUE FOR THE TAXPAYER'S DOLLAR. MR. JOHN TURNER, ASSISTANT DEPUTY MINISTER DEPARTMENT OF NATIONAL DEFENCE - MATERIEL GROUP AND OUR SECOND SPEAKER, WILL REFLECT ON DND'S CONTRIBUTION TO SUPPORTING A MORE FOCUSED DIALOGUE BETWEEN INDUSTRY AND GOVERNMENT THROUGH THE DAG AND THE INTERNAL CHALLENGE FUNCTION.

OUR FOCUS TODAY WILL ALSO INCLUDE A DEEPER DIVE INTO THE DESIGN AND IMPLEMENTATION OF THE LEVERAGING TOOLS SO AS TO GENERATE THE GREATEST POSSIBLE ASSOCIATED ECONOMIC BENEFIT. MR. PHILIP JENNINGS, ASSISTANT DEPUTY MINISTER - INDUSTRY SECTOR, INDUSTRY CANADA, WILL DISCUSS THE NEW INDUSTRIAL AND TECHNOLOGICAL BENEFITS POLICY AND THE KEY ECONOMIC LEVER WITHIN IT CALLED THE VALUE PROPOSITION. A "RATED AND WEIGHTED" COMPONENT OF A CONTRACT BID, THE VALUE PROPOSITION WILL REQUIRE WOULD-BE PRIME CONTRACTORS TO PUT FORWARD THEIR BEST PLAN TO PARTNER WITH CANADIAN COMPANIES IN WAYS THAT PROMOTE DEVELOPMENT OF SOPHISTICATED CAPABILITIES. THIS ACTIVITY HAPPENS BEFORE A WINNING BIDDER IS SELECTED MAKING IT A POWERFUL INCENTIVE FOR INCORPORATION OF HIGH-VALUE CANADIAN CONTENT.

OF COURSE, THIS STRATEGY WILL BE INEFFECTIVE IF IT DOESN'T GENERATE SOMETHING SUSTAINABLE. WE KNOW THAT ON AGGREGATE 50% OF THE DEFENCE MARKET IS EXPORT-DRIVEN. IN THE CASE OF SOME OF THE LARGER CANADIAN FIRMS, WE'RE TALKING 80-90%. IT TELLS US THAT TO BE SUSTAINABLE WE CANNOT ONLY BE CONCERNED WITH THE DOMESTIC MARKET, BUT MUST TURN THESE INVESTMENTS INTO SOMETHING INNOVATIVE THAT HAS EXPORT-POTENTIAL WHICH, IN TURN, HELPS MAINTAIN THE INDUSTRIAL BASE LONG-TERM. MS. SUSAN BINCOLETTA, ASSISTANT DEPUTY MINISTER, INTERNATIONAL BUSINESS AND CHIEF TRADE COMMISSIONER, WILL COVER HOW HER DEPARTMENT, THE DEPARTMENT OF FOREIGN AFFAIRS, INTERNATIONAL TRADE AND DEVELOPMENT, IS WORKING TO MAKE THAT HAPPEN.

LET ME NOW TURN THE FLOOR OVER TO MR. TOM RING WHO WILL BEGIN OUR DISCUSSION.