

Defence Policy Review 2016

6 July 2016 MND Pre-Consultation Inputs

General Dynamics Land Systems-Canada Defence Policy Review Inputs & Perspectives– 27 June 2016

Context and Background

General Dynamics Land Systems-Canada (GDLS-Canada) is world leader in providing Light Armoured Vehicle platforms to the Canadian Army and international militaries.

GDLS-Canada has delivered over 10,000 made-in-Canada light armoured vehicles (LAVs) since 1977. With approximately 1,500 of these vehicles being delivered to Canada, GDLS-Canada depends on exports to complement our domestic business base, and to sustain our business in Canada.

GDLS-Canada, based in London, Ontario represents a global centre of excellence for design, testing and advanced manufacturing of Light Armoured Vehicles. Our Canadian supply chain has over 500 suppliers in all regions of Canada, and when our product is exported it includes our Canadian suppliers. Current contracts sustain over 15,000 direct and indirect technology intensive, high paying Canadian jobs

Supporting this GDLS-Canada wishes to note that:

- i. 90% of our product is exported, and over 85% of our sales are attributed to exports;
- ii. In the last 20 years, our export contracts have been valued at over \$28 billion;
- iii. GDLS-Canada employs over 650 engineers in our work force; and
- iv. With over 1 million hours in engineering research and development effort, GDLS-Canada contributes substantially to the development of Canadian intellectual property. We have developed Canadian technology such as the life saving Double V Hull which is being used on Canada's LAV 6.0, in addition to other customers' LAVs.
- v. GDLS-Canada continues to represent high-quality, innovative jobs that are deeply linked to the knowledge economy.

General

Defence policy cannot be viewed in isolation of foreign policy and domestic industrial strategy. Defence policy must incorporate underpinning policies and strategies that support and enable the cost-effective delivery of military capability and materiel. In addition, defence policy must enable the defence industrial base to sustain a presence in Canada, and continue to contribute to Canada's economy. In a more globally competitive, yet economically and politically unpredictable world, retention of strategic defence industrial capability will enable the Government to maintain defence industrial support for strategic platforms and capability which it operates, and the associated supply chains that are domestically tied to them.

GDLS-CANADA RECOMMENDATIONS

GDLS-Canada strongly urges Canada undertake a Whole-of-Government approach linking the changes to the Defence Procurement Process to the clear need for a defence industrial strategy. As such, GDLS-Canada provides two specific recommendations for improvement in two public policy areas:

Defence Industrial Strategy

Encouraging and rewarding companies that invest in development of Canadian Intellectual Property

- It is essential to retain original equipment manufacturers in Canada. Manufacturers of large finished platforms, such as Light Armoured Vehicles, draw other supporting industries to Canada, and contribute to the development of Canadian intellectual property and its associated economic benefits.

Support for Exports

- The Defence Policy Review should acknowledge the importance of trade and the ability to export for sustainment and growth of domestic industry that is unsustainable on domestic defence needs alone.
- Supporting exports might include supportive activities such as designating Defence Attachés in countries where Canada has significant defence exports, or potential exports, and ensuring that other ministries and departments support exports through an aligned Whole of Government approach.

International Competition

- Often Canadian companies are not afforded opportunities to compete in certain foreign markets due to foreign country defense industrial strategies which significantly favour domestic manufacturers. The Government of Canada should ensure reciprocal access to these markets, otherwise, Canada should be prepared to block access to Canadian opportunities.

Procurement Process

Simplification and accountability for Defence Procurement

- A feature of the current defence procurement environment is that the process is extraordinarily complex and lacks a single point of prioritization and decision making. A lead organization should be identified within government, accountable for executing procurements in priority and streamlining of procurement. The responsible organization should have a clear mandate to satisfy the requirements of a specific procurement while ensuring that procurement execution considers Canadian industrial capability and long term sustainment of the Canadian Industrial base.

Procurement projects should be assessed for capability need and ability to meet Canada's economic objectives (similar to the RCN's National Ship Building Procurement Strategy).

- Contribution to Canada's economic objectives could be viewed as contributions in the areas of
 - Research and Development investment – contribution to development of Canadian intellectual property and innovation.
 - Export performance and potential – the development of product in Canada and if it has been exported.
 - Product performance – is the company a platform developer or significant contributor to the defence industry and is recognized as a global centre of excellence that contributes to the Canadian economic base, and therefore is in Canada's strategic and economic interest to retain.

Determine ways to shorten capability delivery timelines and reduce procurement and lifecycle costs

- Provide National Defence and Public Services and Procurement Canada (PSPC) the ability to recommend the best procurement approach in order to more effectively manage capability delivery and project costs. If there is an ability to shorten project cost and timelines, and decrease overall equipment lifecycle costs (eg cost of parts, training, fleet sustainment) departmental resources could be then used elsewhere.