

## **SUBMISSION TO THE HON. HARJIT SAJJAN, MINISTER OF NATIONAL DEFENCE**

**Prepared by: Aerospace Industries Association of Canada (AIAC)**

**July 6, 2016**

In advance of the roundtable Minister Sajjan will be conducting with industry in early July, we have been asked to provide a response to the question, "What could DND and its partner departments in the federal government do to improve defence procurement?" The following suggestions represent the views of the Aerospace Industries Association of Canada (AIAC) and our members.

**Our primary recommendation is that the Defence Policy Review's findings include a recognition that an active, modern and clearly defined defence industrial policy is an integral part of Canada's overall national defence agenda.**

Developing and implementing a policy for managing the Canadian defence industrial base is a critical step in recognizing that the Canadian defence industry is one of the instruments that the government uses to implement its Defence policy. In order to effectively contribute to the government's defence policy agenda, the defence sector in Canada must possess the capabilities and the capacity required to ensure Canadian sovereignty over key functions and to generate socio-economic benefits from the money that the government spends on defence.

This recommendation presents some questions that we believe should be an important part of the discussion at the roundtable, and of the Minister's deliberations throughout the Defence Review process. We have summarized the industry's perspectives in our comments below, and look forward to discussing them further with the Minister.

### **What do we mean by the term "Defence Industrial Policy"?**

When we talk about an industrial policy for the Canadian defence sector we envision a high level statement by the government that indicates what defence industrial capabilities and capacities the government wants to see, and will support. Just as importantly, this statement must explicitly identify what means the government is prepared to use in order to encourage the development of a sector that matches their vision for Canada's overall industrial and defence agenda.

### **Why is a Defence Industrial Policy such a pressing need at this time?**

First, we believe that an industrial policy would provide some needed coherence to the implementation of the Defence Procurement Strategy (DPS). Much progress has been made to improve the leverage the government obtains from its defence spending. The Defence Procurement Strategy contains the elements necessary to integrate industrial development policy into the defence procurement system without compromising the principle of obtaining the right equipment for the Canadian Armed Forces at the right price. While DPS sets out goals for how the process should operate, it does not address the long term policy goals of the

government for the future of the defence sector. As a result, there are multiple initiatives underway across and inside various departments that lack a common thread to provide consistency and cohesion to the procurement process as a whole. From our perspective, it seems that this lack of a "big picture" has a tendency to lead to confusion, duplication and contradiction. A defence industrial policy endorsed at the highest level of government would provide this big picture and allow for less effort being spent by policy makers, practitioners, and contractors in trying to arrive at a common understanding of the overall goals that DPS is meant to enable.

We also believe that an industrial policy would improve efficiency by providing long term objectives which endure beyond individual procurements and projects. Currently, industrial development objectives are being discussed on a procurement by procurement basis. In our experience, this requires substantial consultation inside government and with industry that must be repeated with each procurement. The lack of long term, overarching defence industrial policy aims leads to significant negotiation and renegotiation every time a new stakeholder community is consulted. This significantly slows progress. A single set of publicised industrial development aims that apply to all procurements would save time and increase efficiency by leaving practitioners and procurement officers to implement policy rather than creating it on a procurement by procurement basis.

### **What specific elements should an industrial policy for the Canadian defence sector contain in order to make it effective?**

From our perspective, there are three elements which are essential to an effective Defence Industrial Policy:

Firstly, the Defence Industrial Policy must be seen to be an essential element of an overall Defence Policy. It must be acknowledged at all levels of the government that having and implementing an effective policy for managing the capacity, capability and readiness of the Canadian defence industrial base is not only a valid concern of government but also a critical tool for the government to use in reaching its national defence objectives.

Secondly, a Defence Industrial Policy must contain clear aims that the government wishes to achieve for its industrial capacity within the context of its overall defence objectives. These aims should be stated in terms of capabilities and capacity that the government wishes to see developed and maintained in Canada's domestic defence industrial sector. They should also flow out of the joint imperatives of being able to maintain Canadian sovereignty over the supply of critical goods and services, and having a domestic defence industrial base that is capable of leveraging public spending to generate socio-economic benefit for Canadians.

Finally, a Defence Industrial Policy should provide clear direction on what tools the government is prepared to use to create the capabilities and capacity it desires. The policy needs to provide direction to procurement officers and other practitioners regarding what instruments, policies, and other levers the government is prepared to use and prioritize in order to achieve the aims set out in the policy. It is essential that the policy address this issue so that practitioners at all levels understand both the expectation that they will deploy available tools and practices in aid of implementing the Defence Industrial Policy and the constraints that they must operate within. This kind of policy certainty is essential to efficient implementation.