

Thales Canada is a key industrial player with 1800+ Canadian employees in high-tech, knowledge company jobs, with a domestic presence in Canada since 1981. We appreciate the invitation by the Department of Defence, and are pleased to participate in the public consultations to inform the development of a new Defence Policy for Canada. Defense Policy is an integral part of the sovereignty of a country. Sovereignty, as also defined by our closest allies, includes a defense industrial base component. And of course, we must also recognize that products and or platforms are what generate exports with significant economic benefits with wide-reaching supply base impacts.

Consistent with CADSI recommendations, Thales urges the Minister's advisory Panel on the Defence Review to recommend that the Defence White Paper commits to developing, in collaboration with Industry, a made in Canada Defence Industrial Policy designed to address Canada's unique security challenges and economic opportunities

In addition, Thales Canada would like to raise a few specific points that should be considered to develop a robust Defence Policy for Canada:

- **Sovereign and National Interest** – Canada should decide what defence capabilities (not technologies, not industrial capabilities...) need to remain sovereign given their importance to the National Interest. That National Interest needs all party commitment to remain enduring beyond election cycles. A defence capability could be a platform or a system, for example a Command&Control system. What capabilities can be sustained by the Canadian economy, how do we ensure those capabilities remain innovative and competitive, how can Canada promote these defence capabilities with a whole of government approach to export? Our economic capacity and domestic defence spending also needs to be factored into the decision process. However if Canada commits to several "made in Canada" defence capabilities, then Canadian industry that includes global corporations can make informed investment decisions, develop the required industrial footprint and benefit from both the domestic defence market and the support of the GoC with respect to export opportunities.
- **Streamlining the Procurement System:** Canada needs a better functioning Defence Procurement System that can make effective use of the funds available. Not only is the current system not using government funds wisely, it is very expensive for industry to participate with seemingly endless reviews and consultations, followed by mountains of paper to submit as part of the RFP. The opportunity for saving for both the government and industry is tremendous.
- **Predictability** – the Defence procurement system must be more consistent in terms of meeting major program milestones specifically concerning strategic capital projects. Such projects require significant industry investment in the Canadian economy that is realized through a strong industrial footprint, R&D investments and partnerships with Canadian companies and academics. The consistent, lengthy delays in capital projects combined with significant swings in the capability being sought and the procurement approach creates risk and uncertainty, leaving global companies apprehensive about committing to Canadian defence programs. On the global defence market Canada competes for market share with other major NATO countries. Canada must be viewed as a market that is attractive based on having a more predictable defence acquisition program that meets schedule milestones within reason.
- **Working with Industry:** For some staff in the government, there is a fear and/or misconception of industry. We need to find ways to increase the understanding of industry, and develop better intimacy and mutual trust.
- **Promoting Canadian Industry:** There are recent developments on some major procurements such as CSC and AJISS where Canada (PSPC) wants to contract directly with the legal entity that has the relevant experience rather than the local Canadian affiliate. This is understandable to a

certain degree if the local affiliate is only a sales office, but when the affiliate is a proven prime contractor in its own right, it does not make sense and does not seem aligned with the Value Proposition (VP) that ISED is pushing and the multi-domestic nature of many global businesses.

- **Intellectual Property (IP):** IP is a key issue that needs to be fully understood from both government and industry angles. There is a feeling by several members of Industry that Canada's current rights to background IP are too broad. We recommend that that be studied closely, and that Canada's license to be limited to its operational needs. Industry's IP is critical to competitive positioning, and should not be disclosed to competitors freely. Limitations must also take into account National export control regulations of the exporting nation.
- **Export Support:** As a multinational company, Thales has witnessed the support US, France, UK, Australian, and other governments give to their Defence Industry. The whole of government response is impressive in many instances, and is clearly instrumental in booking export orders. As we develop our Defence Industrial Policy, we need to consider the reasonable measures that can help Canadian Defence exporters succeed.

Thales applauds the Minister and Department for the public consultations on this very important issue and we look forward to constructive discussions.