



# CANSEC 2019

## FEDS LOOK TO PARTNER WITH INDUSTRY

BY JAMES CARELESS

**It was busy, it was packed, and the government ministers who appeared talked about procurement, procurement, procurement! That just about sums up CADSI's CANSEC 2019 convention and trade show that was held in Ottawa at the EY Centre on May 29-30, 2019.**

Punctuated by a Saab Gripen jet fighter parked at the front door, the busy two-day schedule of events was packed full of delegates eager to listen to keynote speeches and view exhibits out on the trade show floor. And when the three ministers in attendance delivered their speeches, they focused on defence procurement – the billions Ottawa is spending on updating Canada's military, its progress in doing so, and how important much of the fiscal well-being and input of the defence sector matters to the federal government.

### LEADING WITH DEFENCE PROCUREMENT

The Hon. Harjit Sajjan, Minister of National Defence, kicked off CANSEC 2019 on May 29, 2019 with a breakfast keynote speech.

The Minister was the first to tout his government's achievements on defence procurement — \$32.7 billion in committed spending over the next ten years — and the progress it's made in speeding up the procurement system.

These improvements include raising the limit on DND's competitive contracting authority from \$1 million to \$5 million per project. This "streamlining of the procurement process", as Sajjan called it, "puts 80 percent of procurement back into National Defence." Likening this change to the federal government's success in improving the procurement performance, he added, "... we earned this."

As the Minister enumerated DND's procurement results item by item, he repeatedly stressed how important Canada's defence suppliers are to the Canadian Armed Forces. "We need to continue our close partnership with all of you," said Sajjan. "Our partnership is delivering the modern equipment and tools that the Canadian Armed Forces need to succeed on operations. (And) we see the benefit to the Canadian economy, and better middle-class jobs."

The second federal leader to emphasize procurement was Minister of Innovation, Science and Economic Development Hardeep Bains. He sat down with CADSI President/CEO Christyn Cianfarani for their third



Jackie Pothier and Ian Marsh at the DEW booth



CDR's James Careless interviews Patrick Palmer at the Saab booth



CDR's Defence Executive of the Year award co-winners Alex Vicefield and James Davies of Chantier Davie

annual “fireside chat” in front of a CANSEC audience during the event’s May 29th luncheon.

This time around, the Industrial and Technological Benefits (ITB) Policy and its predecessor, the Industrial and Regional Benefits (IRB) Policy, dominated their conversation. According to Bains, these programs have generated more than \$47 billion in Canadian investments since 1986. The move to the ITB/IRB has “really strengthened our supply chain,” he said, “. . . particularly for small and medium-sized enterprises.”

#### 4.7 BILLION IN ITB WORK

“Last year . . . \$4.7 billion worth of economic activity was generated due to ITBs, which 46,000 jobs were connected to that,” Bains told Cianfarani. “With major procurements coming, we’re confident we’ll be able to sustain that (level) for decades to come.”

Procurement wasn’t the only topic they covered during the lunchtime chat. Minister Bains also talked about the under-representation of women in defence, and what has to be done to remedy this situation.

“We can’t afford to leave half of our workforce on the sidelines,” he said. (In line with this position, a number of initiatives to bring more women into defence were announced at CANSEC by CADSI and the defence industry.) Bains made a similar point about involving Indigenous people in defence. This group is “the fastest growing group in the Canadian economy,” he said. “So there’s a lot of potential there as well.”

Minister Bains talked about cyber security as well, and the many commercial opportunities it offers to the defence industry. For instance, banks and other financial institutions are “looking to the defence sector -- and their new solutions and ideas -- to protect our financial data and our financial assets,” he said.

Cianfarani echoed his point. “We are seeing banks come to us (CADSI) to say, ‘we’re really interested in what your community is doing in terms of cyber security, and cyber advancements.’”

Concerns about the CAF’s cyber security and its need for defence industry support were cited by Lieutenant-General Paul Wynnyk, Vice Chief of the Defence Staff, during his luncheon address on May 30th. “We need to look at our cyber dependencies in absolutely everything, and mitigate the risks that are associated with them,” he said.

“Healthy partnerships are an important factor in our success in the cyber domain.”

Closing out the chat, Minister Bains promised CANSEC delegates that the Government of Canada would keep their best interests at heart as it buys “a few jets and a few ships in the coming years. As the Minister responsible for industrial benefits, I’ve got your back.”

The third leader to drive home the procurement message was the Hon. Carla Qualtrough,

Minister of Public Services and Procurement and Accessibility. As the part of the government charged with translating Ottawa’s procurement promises into reality, “... we have to make sure we’re delivering the goods,” Qualtrough told CANSEC delegates on May 30th. “We’re doing just that.”

The content of Qualtrough’s speech echoed the feel-good points made by Sajjan and Bains, namely: Ottawa is delivering on its defence procurements, and the federal government sincerely cares about the Canadian defence sector, the jobs it creates, and its economic impact on the overall Canadian economy.

## THE FUTURE FIGHTER COMPETITION

That said, Minister Qualtrough’s speech did address Ottawa’s easing of ITB contractual requirements for the Future Fighter Capability Project; a change apparently made to keep Lockheed Martin’s F-35 in the competition.

Despite this change – which critics see as giving Lockheed Martin an unfair ITB exemption over other bidders – Ottawa remains committed to ensuring “a level playing field” in the Future Fighter procurement, said Qualtrough. Then she got tough: “Let’s be clear: Every bid must still include a plan for ITBs equal to 100 percent or more of the contract value. That doesn’t change.”

Minister Qualtrough then outlined changes to the Future Fighter procurement process that appear to undercut the concession given to Lockheed Martin. After noting that, “... it will be up to every supplier to decide whether they will provide a contractual obligation for their ITBs,”

Qualtrough said that, “... bidders will score more points (in the bid ranking process) if they choose to back their ITB proposal with a contractual obligation, than if they don’t ... (and) we will increase the overall weighting of the economic benefits category, while keeping the capability category unchanged with by far the largest weighting.”



Cyclone helicopter on display



Mark Freeman and Vince Malley at the QinetiQ booth



CDR publisher, Brett Kitchen, presents a plaque to Simon Jacques of Airbus in recognition of the company's # 1 ranking in CDR's annual survey



F 35 test pilot, Billy Flynn, chats with CDR Aviation Editor, Joetey Attariwala, on the show floor

In plain

English: What Ottawa gave to Lockheed Martin by easing the contractual ITB requirement on the one hand, is being taken away by preferring Future Fighter bids that include ITB contractual obligations on the other hand.

The federal government's decision to give Future Fighter bidders with conditional ITB contracts more scoring points came as good news to Lockheed Martin's competitors.

### SAAB PLEDGES TO BUILD GRIPEN IN CANADA

Previous to Qualtrough's statement at CANSEC 2019, Saab Canada EVP of Marketing and Sales Patrick Palmer (whose company is offering to build 88 Gripens here in Canada) was "worried" that the CAF "wouldn't get what they ultimately deserve" from the Future Fighter contract. "Maybe they won't get the best 'made in Canada' solution with full support and sustainability for 35-40 years," he said.

This 'good news' for Saab dovetailed with the generally good news from the busy trade show floor. There were lots of potential customers here coming into the vendors' booths — and many were serious about doing business.

Such was the case at Bluedrop Training and Simulation's booth, which hosted delegations from the UK and Bangladesh. "We're getting high quality visitors, and we're very happy about that," said Jean-Claude Siew, Bluedrop's VP of Technology & Simulation. "Sometime you have a lot of people coming, but they're just taking the pens and the USB sticks."

Heavy traffic was also flowing into the booths at PAL Aerospace and Meggitt Training Systems.

According to PAL Aerospace SVP Joseph Galimberti, the delegates' mood was upbeat. "I think there's a lot of enthusiasm not just about the year to come, but the foreseeable future in Canada," he said. Reflecting on Ottawa's current procurement strategy, Galimberti then added, "... the government has enunciated some big strategic goals, and we're excited to see those be carried forward."

"It's been a very busy show," agreed Meggitt Training Systems President, Edward J. Duckless, with lots of people interested in Meggitt's products. And as for the feel-good procurement messages delivered by Sajjan, Bains, and Qualtrough during CANSEC 2019? "We have seen a lot and heard a lot in the last two-three years about the procurement



L3 had a significant presence at this year's CANSEC show

initiatives becoming more streamlined." Duckless said, "But I'm not so sure that we've seen that in our instances."

Over at the QinetiQ booth, Senior Business Development Management Patrick Keyes was very happy but exhausted by Day Two. "This year is the biggest I've seen it," he told CDR. "I'm running out of water and fluids in my body, because we're getting so much traffic at our booth. It's been crazy here!"

## DEFENCE EXECUTIVES OF THE YEAR

Of course, CDR's activity at CANSEC 2019 would not be complete without its presentation to this year's joint winners of the CDR Defence Executive of the Year award. They are Inoceca Group's Chairman/CEO Alex Vicefield and Chantier Davie President/CEO James Davies. The two have brought this 194 year-old Quebec shipyard back from the brink of bankruptcy and their company is now supplying the navy with a much needed supply ship capability, constructing icebreakers for the Canadian Coast Guard and will also refit the RCN's Halifax-class ships.

"This (CDR) award has come at quite a timely moment, because last week the government announced that a third shipyard would be brought into the National Shipbuilding Strategy," Vicefield said

following the award presentation. (Prime Minister Trudeau announced that a third shipyard would be added to the NSS program on May 22, 2019.) "I think you hit the nail on the head when you recognized us (with this award), because I think the government did (so) at the same time."

Apparently so: Two days after Vicefield and Davies received their CDR award, Chantier Davie won a \$7.2 million refit contract for CCGS Louis S. St-Laurent, the Canadian Coast Guard's largest icebreaker.

By all measures, CANSEC 2019 appears to have been the biggest, best-attended and most professionally-managed convention/trade show that CADSI has produced to date.

## A TRIUMPH FOR CADSI

What was most noticeable at this year's convention was the palpable air of enthusiasm that permeated the EY Centre; even as CANSEC 2019 wound down on May 30th. This was especially evident on the trade show floor, where the high level of sustained energy and traffic extended into the closing hours.

The bottom line? CANSEC 2019 was a major success. The only downside for CADSI is the challenge they will face trying to top it all in 2020. ■

*James Careless is CDR's Ottawa Correspondent*

## CAE STARTS PRODUCTION OF MAD SYSTEM

The day before CANSEC 2019 opened, CAE held its annual pre-show briefing for defence journalists. The afternoon event was presented by Joe Armstrong, who now wears two hats as VP of Business Operations, CAE Defence & Security, and VP and GM of CAE Canada.

At the briefing Armstrong touched upon CAE's many simulation-based services to the Canadian military. These include providing realistic pre-deployment training to RCAF CH-146, CH-147F and CC-130J crews flying in Mali; and a CAE 3000 flight simulation system with a 12' dome and two Level D helicopter simulators (Bell 412EPI and 429) for the Canadian Coast Guard.

The level of visual detail in the Canadian Coast Guard simulator system is so precise, that it is equivalent to seeing a moose pooping and then being able to see what berries it consumed, Armstrong quipped during an otherwise sober session. "I personally enjoy using moose poop in a briefing," he joked.

On a more serious note, Armstrong talked about CAE's role in the Canadian Surface Combatant (CSC) shipbuilding contract, which it won as part of the Lockheed Martin and BAE Systems team. Under a subcontract from Lockheed Martin Canada that will run for several years, CAE will support combat systems training needs analysis and training media analysis for the overall CSC training system.

CAE will also be helping with human factors engineering and offering input to the design of critical spaces within the ships, and supporting the development of an integrated data environment.

By the way, in related CANSEC Navy news, Quebec's Ocean Industries has won a \$102 million contract to build four new RCN fire/towing tugs, to replace the Navy's existing Glen-class towing tugs and two Fire-class rescue boats. Two of the new tugs will be assigned to Canadian Forces Base Esquimalt, the other two will be based at CFB Halifax. Delivery of the tugs will occur in the 2021-2023 time frame.

Also at the CAE briefing: The company announced that it has started production of the CAE Magnetic Anomaly Detection-Extended Role (MAD-XR) system, and that the Government of Canada has purchased the first unit under the Build in Canada Innovation Program (BCIP).

According to CAE, the MAD-XR is a highly sensitive magnetometer designed to sense changes in the earth's magnetic field, and it turns out, this is useful for detecting submarines. This new model is small and light enough to be installed on helicopters, unmanned aerial vehicles (UAV) and smaller fixed-wing aircraft; as well as large maritime patrol aircraft.