

The Honourable Anita Anand, P.C., M.P.
Minister of National Defence
101 Colonel By Drive
Ottawa, Ontario
K1A 0K2

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For Public Circulation

Dear Minister Anand:

I am writing to provide you with the views of the Canadian Association of Defence and Security Industries (CADSI) as input to the Defence Policy Update (DPU).

CADSI represents approximately 700 small, medium, and large corporations across the country that comprise the Canadian defence industrial base (DIB). Canada's DIB is vital to the operational readiness and effectiveness of the Canadian Armed Forces (CAF). *Strong, Secure, Engaged (SSE)* articulated that importance well:

"The Canadian defence industry is critical to the ability of the Canadian Armed Forces to deliver on the defence mandate. Industry provides the military with broad defence capabilities including satellites, a range of aerospace technologies, naval shipbuilding, and various army vehicles. In addition to support services these contributions from industry directly enable the military to succeed in everything they do." (SSE, p. 74)

Any meaningful change in Canada's defence policy, associated funding and equipment acquisition plans will, therefore, have a significant impact on the Canadian DIB now and into the future. Defence policy, the equipment derived from it, and how that equipment is purchased, shapes our industry. History has shown policy can shape it in either a negative or positive direction. No external stakeholder is affected more directly by defence policy change than the companies that comprise CADSI's membership.

With that in mind, I would like to make two recommendations that I hope you will consider for inclusion in the DPU.

The Chief of Defence Staff's public comments over the past year calling on the defence industry to increase production to meet the demands on the battlefield in Ukraine are indicative of a new, higher level of demand for defence products and services among all NATO states. NATO as an organization is actively and collectively working on this issue, and, as you know, the topic was on the agenda of your Defence Ministerial meeting in February 2023. In the past year Canada's NATO and Five Eyes allies have come to recognize that they need to bolster their domestic defence industries to meet this new level of demand. This sudden, significant, and likely long-term increased demand for defence technologies and services is a major change to the international security and defence business environment to which Canada must respond.

Consequently, **we would like to see the DPU make an explicit commitment to grow and develop the Canadian DIB through Department of National Defence acquisitions and export sales support** (recognizing that half of our industry's sales revenue comes from exports). The ultimate goal should be a larger domestic industry that is both sustainable and more capable of responding nimbly to the demands of the CAF and our allies. The Canadian defence industry is already highly efficient and produces many world-leading components and finished products, as well as services, relevant to the new global security environment and the CAF's role therein. Enclosed, for your reference, is the latest version of the ISED-Statistics Canada "State of Canada's Defence Industry" report, and the ISED-Statistics

Canada “State of Canada’s Cybersecurity Industry” report, which detail the defence and cyber industrial landscape in Canada. The foundation is in place to take our industry to the next level in the service of the CAF, our allies, and Canada’s national interests and ensure it can meet growing demands in the future.

This can only be achieved, however, through the establishment of a new, truly collaborative partnership between DND and the Canadian DIB. The threat landscape is continually changing. To keep pace, Canada’s allies have recognized the importance of working with their DIBs and are sharing information, leveraging the skills and infrastructure resident with industry, and co-developing solutions. The partnership should be focused on two-way information sharing, forward planning, demand-signalling, industrial and key capabilities development, and acquisition strategy that favours and protects the growth and sustainment of a vibrant industrial base. A renewed partnership should cover both “traditional defence” as well as cyber defence/offence, and emerging and disruptive technologies, all of which are areas of existing Canadian industrial strength that are recognized and purchased by our allies. **We would therefore like to see the DPU commit to developing a new, structured, persistent, and strategic partnership between the government and the Canadian DIB toward this end. The government should use its acquisition strategies and policy guidance to protect, sustain and grow Canada’s DIB.**

Finally, we have heard that senior CAF leadership are increasingly aiming to acquire new platforms through Foreign Military Sales (FMS) and directed or sole-source purchases for “off the shelf” technologies from foreign primes. When this has been done in the recent past, it was done in a manner that largely excluded the Canadian DIB and did not make use of the leverage that the government has over foreign primes to include benefits to Canada and Canadian workers. It did not consider where resident capability within Canada could be maintained by mandating, directing or incentivizing partnerships with strong Canadian suppliers. We cannot simply be passive participants in foreign OEM supply chains. We must strategically insert ourselves by showing up to the conversation prepared. I note that the Royal Canadian Navy is now into options analysis on their submarine replacement program. This will be the largest dollar value defence procurement in Canadian history, surpassing even that of the Canadian Surface Combatant. It is imperative that Canadian companies have a strategic participation arrangement in whatever foreign submarine design Canada chooses given that this equipment should undoubtedly be maintained, repaired, and technologically upgraded in Canada. It is critical that Canada understand, in advance of conversations, what capabilities it wants to embed in the supply chain if possible, preserve in the ISS/MRO and grow through policy incentives.

To conclude, last month *The Economist* published an important article (attached for your reference) which argued better coordination between NATO governments and their defence industries, aimed at increasing the production of technologies the Ukrainian armed forces need on the battlefield, is *the* vital element required to defeat the Russian army in Ukraine and re-stock allied militaries which have been seriously depleted over the last year. There is a sense of urgency Canadian firms are witnessing coming from our allies and they see a willingness of those allies to engage systematically and transparently with their industrial partners to proactively plan re-stocking and upcoming tranches of aid. Recurring, structured mechanisms for collaboration which proactively share information such as what, how much, when, and commitment through contracting mechanisms will be required. Canada’s Defence Policy Update provides an important opportunity to re-configure the relationship between the Canadian DIB and the government such that Canada can play its part in supporting what *The Economist* appropriately calls “The Arsenal of Democracy.”

I submit these recommendations for the DPU in that spirit.

Sincerely,



Christyn Cianfarani
President and CEO