

## 2.0 Selling to the United States Defence Market

As mentioned in the Introduction, a Canadian manufacturer may sell defence supplies to the United States either as a prime contractor or as a subcontractor to American prime contractors (or to American or Canadian subcontractors as a lower tier subcontractor). Since the rules differ for each of those cases, the first part of this chapter will focus on the Canadian firm as a prime contractor, and the second part on it as a subcontractor.

### 2.1 Prime Contracting

#### 2.1.1 United States Military Acquisition Agencies

The United States military structure is headed by the Secretary of Defense whose Department of Defense (DOD) is the policy group. Each of the three Armed Services is organized into an operational Military Department, designated the Departments of the Army, Navy and Air Force. Each of these Military Departments is responsible for acquiring materiel and services peculiar to its requirements.

In addition to the Armed Services Departments, the following agencies of the Department of Defense acquire materiel and services —

- a) the Defense Logistics Agency (DLA) — requirements not peculiar to sophisticated defence systems or to a single Military Department — DLA in turn has established several Defense Supply Centers, each responsible for acquiring a number of different commodity areas.
- b) Defense Communications Agency
- c) Defense Nuclear Agency

The acquisition policies and practices of the Department of Defense and of the Military Departments are codified in a publication known as the Defense Acquisition Regulation (DAR). Throughout this book reference will be made to various parts, sections, and paragraphs of the DAR, but the sheer size of the document makes reproduction of all relevant excerpts in this handbook impracticable. Canadian companies can consult the DAR by contacting DPB at its Ottawa location or by purchasing their own copy from the Superintendent of Documents (see paragraphs 2.1.5.2). The acquisition regulations of the Military Departments and other defence agencies require that they normally place prime contracts for Canadian products and services with the Canadian Commercial Corporation (CCC), which in turn places a back-to-back contract with the Canadian company concerned.

#### 2.1.2 Canadian Commercial Corporation (CCC)

The Canadian Commercial Corporation (CCC), a Canadian Crown Corporation, established by an Act of Parliament, acts primarily as a contracting agency when other countries or international agencies wish to purchase Canadian supplies and services from the Canadian government. The CCC subcontracts the foreign requirement completely to Canadian industry.

#### 2.1.3 U.S. Military Solicitation and Bidding Procedure

CCC contracts with the Department of Supply and Services to provide the "Export Supply Centre" (ESC), an agency which, on behalf of CCC acts as a "prime contractor" to the appropriate U.S. Defence acquisition agencies. As such it receives and distributes to Canadian suppliers the solicitation documents "Bid Sets" relating to U.S. military requirements.

These Bid Sets which originate with the U.S. military acquisition agencies are mailed directly to both the CCC/ESC and the Canadian firms whose names appear on the agencies' Bidders Mailing Lists (see paragraph 2.1.5). Attached to each Bid Set received by CCC/ESC is a list of the Canadian addressees to whom it was mailed directly.

\*Those Canadian companies interested in pursuing the U.S. military market should register with CCC/ESC as early as possible, since CCC/ESC must have a record of the company and its capabilities before certifying bids.

The Bid Set may take the form of an INVITATION FOR BID, REQUEST FOR PROPOSAL, or a REQUEST FOR QUOTATION as follows:

##### 2.1.3.1 Invitation for Bid (IFB)

The IFB is a formally advertised competitive procurement available on request to any person in any country. It is the acquisition method used for the purchase of about 80 per cent by number of all U.S. military acquisitions. Because considerable competition is expected for each IFB it is conducted in strict accordance with clearly defined procedures. Acceptance by the U.S. agency of a bid will result in an immediate award and thus the bid document must be considered as a binding contract at the time of submission. There are provisions and procedures for appeal by unsuccessful bidders, information on which can be provided by CCC/ESC.

The IFB will define, in its contractual clauses, any restrictions which would preclude the award of a contract to any particular bidder. (See Chapter 5 — Limitations of the Program).

Because the accepted bid immediately becomes a legally binding contract, care must be taken to avoid errors in prices and delivery commitments and misinterpretations of packaging requirements, specifications, etc. Changes to a bid cannot be made after bid opening unless the otherwise successful bidder wishes to make his bid more attractive to the U.S. agency.