

## 1.0 Introduction

This guidebook has been written to provide guidance to Canadian manufacturers participating or wishing to participate in the Canada-U.S. Defence Production Sharing Program. Without going into a lengthy description of the program's origins, it is sufficient to say that defence production sharing is an implementation of the principles of defence economic cooperation between Canada and the United States for their mutual benefit in defence matters. The U.S. government authority for this program is expressed in Defense Acquisition Regulation (DAR) Section 6 Parts 5 and 14, the specific agreement being contained in DAR 6.1406.1(a).

Throughout this guidebook references are made to the U.S. Defense Acquisition Regulation (DAR), which is described in section 2.1.6. These references are included to facilitate study of this Regulation and for use as a ready reference authority in discussions with U.S. government and industry officials.

The program provides Canadian manufacturers with the opportunity to supply to the United States Armed Forces a wide range of defence supplies and services in competition with U.S. industry. A Canadian firm offering competitive price, delivery, and quality can obtain substantial United States defence business and will not generally encounter discriminatory legislative or regulatory restrictions, except as noted in Chapter 5.

Because the United States defence market is so large it attracts a large number of suppliers, with consequent fierce competition. Not only must a Canadian company price its products competitively to be successful in bidding but it must maintain the highest standards in contract performance to meet the buyer's expectations.

To implement production sharing the United States government waives United States Customs duties on most Canadian supplies entering the United States for defence programs. This waiver officially applies to prime contracts placed by the U.S. government with Canadian suppliers, and has been extended by the U.S. government to cover subcontracts placed by defence contractors in the United States with Canadian suppliers for defence work. The Buy American Act has been waived for all defence supplies made in Canada. Balance-of-payments directives, which implement the policy of the United States Department of Defense of reducing defence expenditures abroad, do not apply to United States procurement of Canadian defence supplies and services for use in the United States or Canada.

The Canadian government does not require a Canadian firm to obtain an Export Permit for the export of defence goods to the United States under the Program. This applies to both prime contracts and subcontracts.

Within the Canadian government the Defence Programs Bureau (DPB) of the Department of External Affairs is responsible for administering the Defence Production Sharing Program in Canada. The Trade Commissioner Service (TCS) maintains representatives in the United States (see attached appendix) to promote the Program and to provide on-the-spot assistance to Canadian defence industry. Canadian companies interested in the Program are urged to contact the U.S. Division of the Defence Programs Bureau in Ottawa. The mailing address is:

**Director, U.S. Division  
Defence Programs Bureau  
Department of External Affairs  
235 Queen Street  
Ottawa, Ontario K1A 0H5**

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