

Section I

INTRODUCTION

One of the functions of the Air Force Materiel Command Liaison Office (Canada) and the US Army Research, Development, and Standardization Group Canada is to stay current on Canadian industrial capabilities and trends and to make this information available to the USAF and USA R,D,&A community. This guide was prepared in pursuit of that objective. It presents descriptive data on 270 companies that have expressed interest in doing business with the USAF and USA. All information was provided by each of the respective companies. Leads to new entries were obtained through newspapers, magazines, and through contacts with various departments of the Canadian government. This guide presents a representative cross-section of the Canadian aerospace and defense industry.

Defense economic cooperation between the United States and Canada has deep roots. In the late 1950s, the governments initiated an agreement that has come to be called the Defense Production Sharing Arrangement (DPSA). The DPSA was historic in that it became US defense procurement policy to consider Canadian defense contractors as an integral part of the US industrial/mobilization base. The terms of this arrangement remain valid today. Canadian contractors are to be considered the same as domestic US suppliers. The Buy American Act is waived for all defense supplies made in Canada. US Customs duties are waived on most Canadian supplies entering the US for defense programs. The specifics of the arrangement are valid for both Canadian prime contractors and for Canadian subcontractors to US primes. The DFAR Section 25.71 and service supplements thereto apply to this program. The letter agreement itself is contained in DFAR Appendix T.

Under the procedures of the DPSA with Canada, the US buyer contracts with the Canadian Commercial Corporation (CCC). CCC is 100% government-owned and a Crown Corporation—basically an arm of the Canadian Government. CCC wholly subcontracts the work to the Canadian defense contractor. In the process, CCC guarantees the performance of the Canadian contractor, and if necessary, will re-procure at CCC's expense to get the job done. The DPSA provides US acceptance of all Canadian government contracting and contract management procedures. CCC and their associates with the Canadian Department of Supply and Services certify all pricing data supplied by the Canadian contractor. There are bilateral arrangements for quality assurance, in-plant inspection, and security for classified programs.

There is a second special arrangement with Canada called the Defense Development Sharing Arrangement (DDSA). The DDSA was signed by both governments in November 1963. The Development Sharing Program enjoys all the benefits of the Production Sharing Program. In addition, projects under the DDSA receive financial assistance from the Canadian Government. Project agreements are negotiated for each effort and generally reflect a 50/50 cost sharing ratio. The jointly-funded projects support US defense requirements, and the US project office remains the design authority throughout the effort. The DDSA is also contained in DFAR Appendix T. Use of the DDSA can really stretch your R&D dollars, an important consideration in the face of declining defense budgets.

The DPSA and DDSA have received high-level support from all administrations. The joint declaration by the Prime Minister of Canada and the President of the US at the Quebec Summit on 18 May 85 stated that "...To provide for an effective use of resources and to aid both our countries in bearing our share of the Allied defense burden, we reaffirm the Canada/United States Defense Development and Production Sharing Arrangements and agree to strengthen our North American defense industrial base." Similar expressions of support have come from subsequent meetings.

All project officers are encouraged to take full advantage of these arrangements with Canada and to submit Canadian sources for their projects. Please feel free to contact the AFMC Liaison Office (Canada), the USARDCG-C, or EAITC to assist in locating sources or in other aspects of the arrangements. Please use the addresses noted in the preface to this report. The international cooperative R&D focal point located at your organization can also provide insight in the process of doing business with Canada.

For the most part, Canada's high-technology industrial capability is on an even par with that of the United States, but on a smaller scale. It may certainly be considered another source base for USAF and USA R&D procurements, as well as for commodity buys. It is hoped that this Guide will provide the user with some insight into the Canadian system and encourage its use if deemed appropriate. Increased competition and "new blood" can reduce USAF and USA procurement costs and lead to better products.