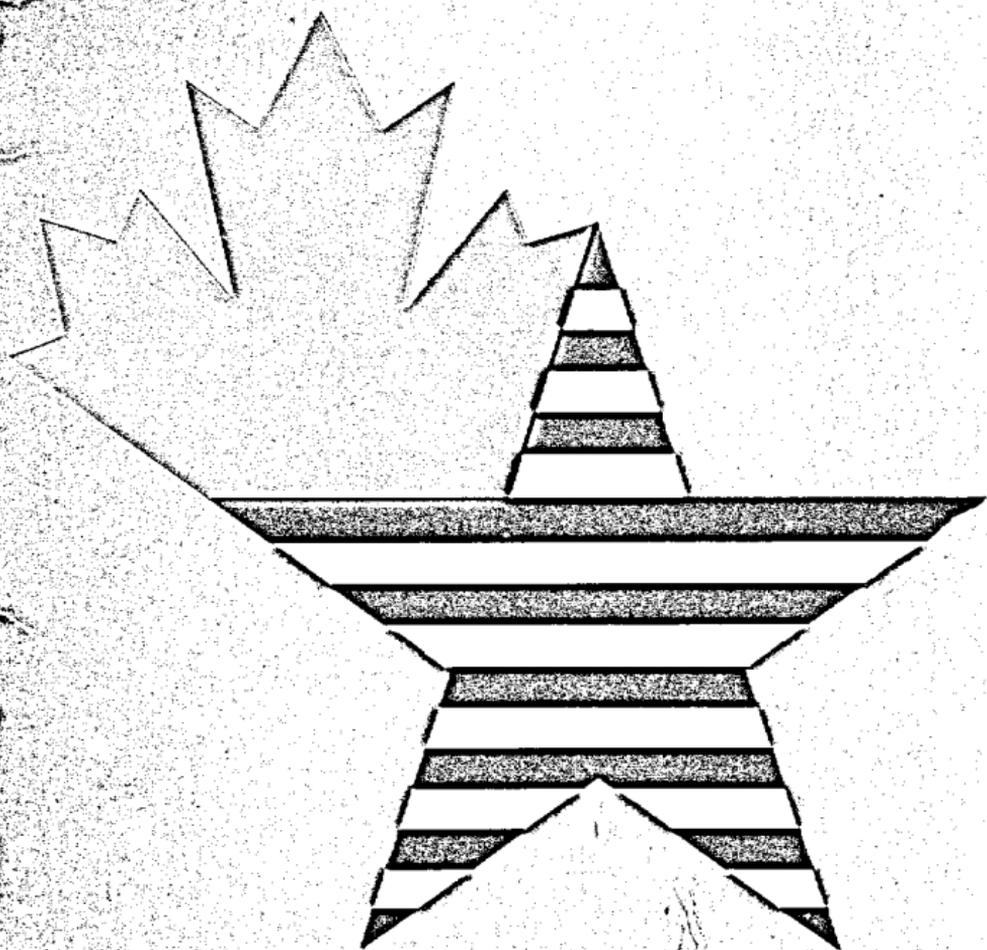


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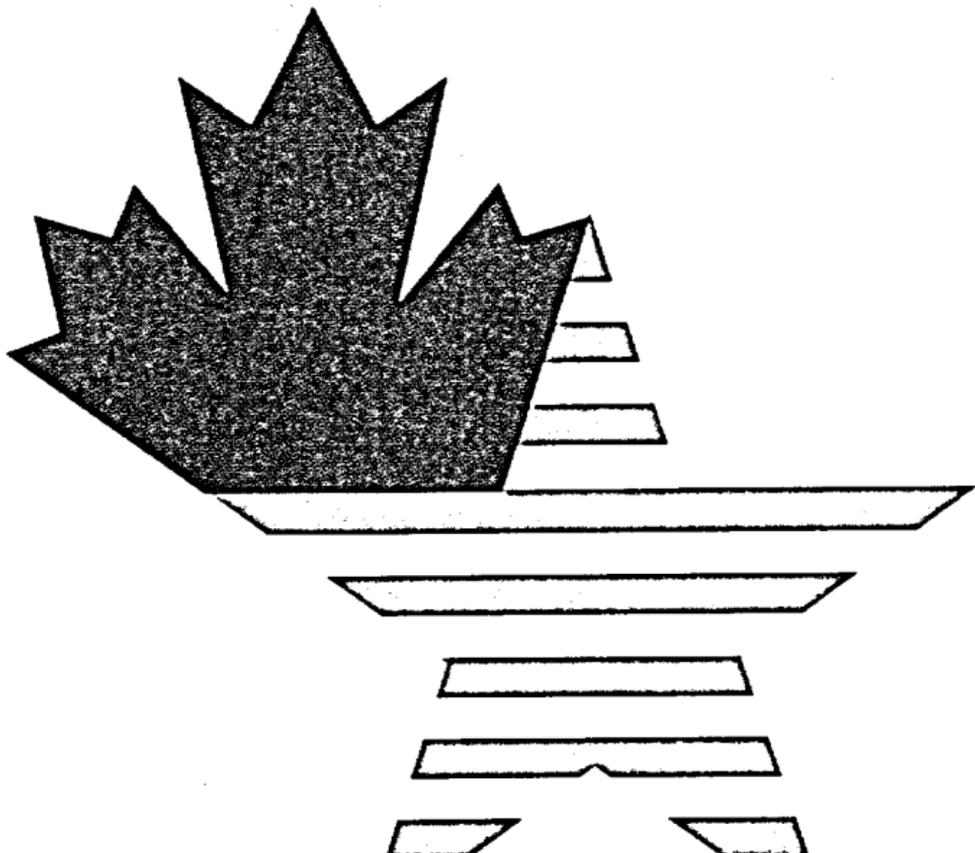
United States-Canada
Defense Production
Sharing Program

A Question and Answer Guide
for U.S. Industry



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Defense Production Sharing Program

A word to American industry
executives . . .

The aim of defense production sharing is to pool the economic efforts of Canada and the United States for common defense. The goals and objectives of this program, which has been in effect since 1959, are outlined in the United States Federal Acquisition Regulation (FAR) and in the Department of Defense FAR Supplement. Under the provisions of this program, Canada has been able to procure much of the sophisticated equipment required for its armed forces from United States defense manufacturers. Conversely, many Canadian firms have been successful in obtaining U.S. defense prime and subcontracts.

Although the long range military and political considerations of the U.S./Canada Defense Production Sharing Program are mutually beneficial, we are aware that you, as businesspeople, must also consider what advantages your company can expect through its use of Canadian sources. Principally, it opens a whole new group of sources from which to select those that can offer you the best quality, delivery and price. Also you maintain diversified sources of supply to ensure timely deliveries.

These sources furnish a wide range of goods from complete systems such as transport aircraft to navigation and communications equipment, castings, forgings, stampings, machined components, printed circuit boards and electronic components.

Some of the questions that come to mind about buying defense goods from Canada are answered here. Should you wish further information you are invited to contact the trade offices listed at the back of this folder.

Have you wondered about buying defense goods from Canada?

Some of the questions asked most frequently by executives in the U.S. defense industry are answered here:

1. Don't I have to "Buy American" in my defense work?

No. The Defense Department has waived the "Buy American Act" for Canadian materiel and supplies used in defense equipment. Canadian goods are considered domestic for purposes of the "Buy American" clause in your defense contract. Regulations covering this are outlined in the Federal Acquisition Regulation and in the DoD supplement.

2. Do I have to pay duty to import Canadian items?

Only in rare cases. The great majority of Canadian products, when imported into the United States for defense use, is entitled to be free of U.S. customs duties. Details are outlined in Part 25 of the FAR, DoD supplement.

3. What procedures would I encounter in placing orders with Canadian firms?

The only additional requirement, when thinking of buying in Canada, is that you ensure DFARS 252.225-7008 "Duty-Free Entry - etc." is in the prime contract in order to have any first-tier subcontract or lower-tier subcontract eligible for duty-free entry. This clause is included in most prime contracts in excess of \$10 000 but during pre-contractual negotiations, you should advise the Department of Defense contracting officer of the possibility of your buying from Canada and ask for inclusion of the duty-free entry clause. This will not penalize you nor render you unre-

sponsive, and it may save you money. The contract number of the military prime contract (which must contain DFARS 252.225-7008) is to be shown on your purchase order placed with a Canadian supplier. The procedures that the U.S. firms must follow to have duty-free entry forms executed by U.S. Department of Defense officials are outlined in DFARS 252.225-7008.

4. If I wish to ship goods such as forgings or castings to a Canadian firm to have work done on them and then returned, what procedures are required to clear these goods through customs?

The Canadian importer or his agent requires that you complete a Canadian Customs M-A Invoice form providing origin, description and value of the goods exported. You should state on the form that the goods are for use on a U.S. government defense contract and will be returned to your company upon completion. M-A Invoice Forms are available from most large wholesale stationery suppliers but if you have any difficulty obtaining them, contact the Canadian firm or its agent, or the nearest trade office.

5. How do Canadian firms quote?

They quote the same as the U.S. firms — that is in U.S. dollars, f.o.b. origin or f.o.b. destination if you so request.

6. Are Canadians familiar with MIL specifications?

Yes. MIL specifications are widely used throughout Canada, and Canadian military requirements are frequently based on MIL specifications. Canadian firms receive Quality Assurance Approvals based on nearly identical requirements to those in the United States. The Director General for Quality Assurance (DGQA) of the Canadian Department of National Defence has offices across Canada and assures the quality of U.S. acquisitions from Canadian firms. DGQA personnel use the quality assurance provisions of the U.S. contract.

7. My contract requires military source inspection. How can I buy important parts from Canada and yet meet that requirement?

An agreement between the United States and Canada provides for each country's military inspectors to inspect on behalf of the other, at no charge. Your resident military inspector can easily arrange for source inspection at your Canadian supplier's plant by DGQA, Department of National Defense.

8. I must use only parts which are qualified products to the appropriate MIL specification. Could a Canadian firm become qualified?

Yes. A U.S.-Canada agreement on reciprocal qualification provides for U.S. military agencies to accept Canadian products qualified in Canada, if the specifications are the same.

9. I've heard of something called the Canadian Commercial Corporation. If I buy from Canada, do I become involved with it?

The Canadian Commercial Corporation is an agency of the Canadian government which exists to accept contracts for Canadian supplies and services, when other countries wish to buy them on a government-to-government basis. By U.S.-Canada agreement, all purchases of Canadian materiel by DoD agencies should be made through the Corporation which accepts the U.S. Defense contract and subcontracts completely for a mutually acceptable Canadian supplier. The Corporation buys for the U.S. military agencies in the same way as when buying for the Canadian government. Defense subcontracts from a U.S. company to a Canadian company do not involve the Corporation and, contractually, are commercial undertakings.

10. Do all firms make regular "vendor" calls to U.S. industry?

Many Canadian firms do visit U.S. firms on a regular basis, either by using their sales or technical staff or by appointing a manufacturer's representative. We suggest that you inform the trade officer located near your area of your buying requirements and he will arrange to have qualified Canadian companies, including smaller ones, visit your firm.

11. If I have any difficulties in dealing with Canadian firms, such as a technical problem, how do I deal with it?

The same as you would with any U.S. vendor. The fact that the company is located in Canada does not make it any more difficult to deal with a particular problem. We, of course, hope that you will not have any problems, but if you do and are not certain how to deal with them, our trade offices will be pleased to offer assistance.

12. May I deal with Canada on matters which have a military security classification?

Yes, within the provisions of U.S. national policy. The subject of classification, security, and the transmission of classified data is covered under procedures developed within the framework of the U.S.-Canada Industrial Security Agreement.

13. I have government contracts from NASA, FAA, AEC, and others that aren't defense. Can I buy from Canadian firms on this work too?

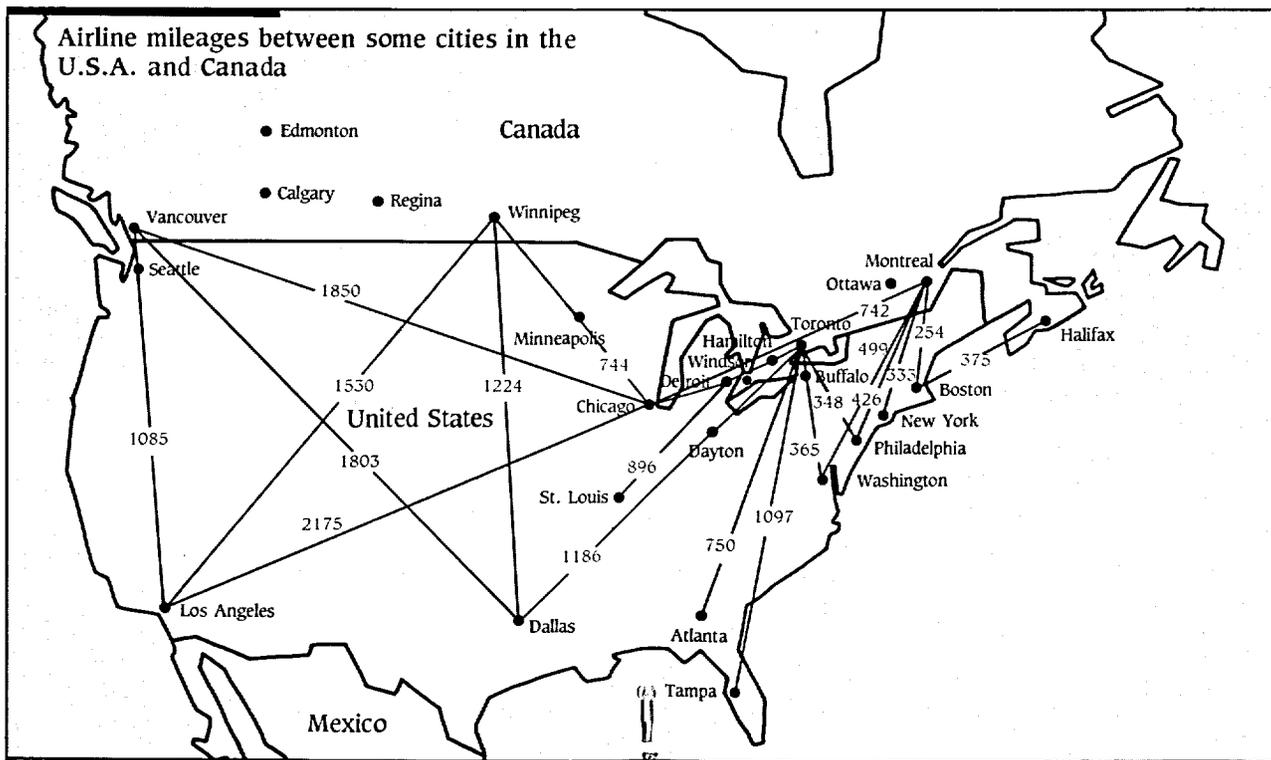
You may buy from Canadian sources for your NASA work, since NASA has waived the Buy American Act for Canadian supplies. With some exceptions U.S. duty must generally be paid. For contracts from the federal agencies, we suggest you consult with the government contracting office to determine the rules in each case.

14. You said that under the terms of the arrangement that Canadian firms are allowed to compete freely for defense prime contracts and subcontracts in the U.S. However, isn't it true that Canadian firms are not eligible to bid on small business set-aside contracts?

Since the U.S.-Canada Defense Development/Production Sharing Arrangement does not have treaty status it can be subject to legislation passed by Congress. In the case of small business set-asides, Canadian firms are not allowed to bid as prime contractors. However, they may win subcontracts from U.S. firms that qualify for small business set-asides.

15. The "NOFORN" clause appears in some contracts and MIL spec documents. What action can be taken with regard to potential Canadian suppliers or subcontractors?

The NOFORN clause may be included in some contracts because of special security requirements or for national interests. If you find that use of a Canadian source would be beneficial we suggest that you consult with the government contracting officer to determine the rules in each case.



16. I have heard there is a U.S. defense organization known as DCASMA located in Ottawa, Ontario, Canada. What is it? Do I contract through it? Can it help me in contracting with Canadian companies?

It has been mutually agreed that the economic efforts of the U.S. and Canada be co-ordinated for the common defense and that production and resources of both countries be used for the best combined results. This objective was stated by the President in 1950 and is amplified in a Department of Defense Directive entitled "Defense Economic Co-operation with Canada." A special section of the Federal Acquisition Regulation (FAR) guides defense contracting practices in Canada. The U.S. and Canadian governments have established procedures and waived certain procurement rules to enable U.S. contracting officers to use the Canadian Government Procurement System by contracting with the Canadian Commercial Corporation (CCC). Contract management in Canada was therefore established by the Defense Logistics Agency's only out-of-country Defense Contract Administration Services Management Area (DCASMA).

Most of the functions of contract administration found in FAR 42.302 are performed by DCASMA Ottawa staff. Since a CCC contract with the Canadian firm is a Canadian government instrument, DCASMA Ottawa personnel must be aware of both U.S. and Canadian government contracting systems and their differences. They further deal with their counterparts in the Canadian Department of Supply and Services as well as the supplier of the goods or service.

17. I have a negotiated contract with the Department of Defense. In this position I am required to submit cost and pricing data to the contracting officer. How do I get cost and pricing data from my Canadian subcontractors?

For prime contracts placed with CCC, the requirements for contractors to submit cost or pricing data and the associated certification are waived by Determination and Findings. The Canadian government pricing and audit systems are used to assure fairness and reasonableness of proposed and realized prices. In the case of your dealing directly with Canadian subcontractors, these companies will submit the required data with assistance and advice provided by the CCC as required.

18. As a substantial defense contractor, I am required to make a disclosure statement in relation to cost accounting standards. The volume of the subcontract held by a Canadian subcontractor of mine would require compliance if he were American. Can I require him to comply with all cost accounting standards?

Contracts and subcontracts awarded to the Canadian government and its agencies, including the Canadian Commercial Corporation, are exempt from standards and rules of the Cost Accounting Standards (CAS) Board. Contracts and subcontracts awarded to Canadian concerns, which are to be performed outside the United States, are exempt from CAS Board Standards except Standards 401 and 402. Canadian concerns required to disclose their accounting practices may use the Canadian "Statement of Cost Accounting Practices (3/79)" in lieu of Form CASB-DS-1. DCASMA Ottawa administration contracting officers can assist in obtaining necessary disclosure statements.

How can I find out more?

Contact the nearest office listed below
or write or phone:

Director Tel: (613) 996-3437
Defence Programs and
Advanced Technology Bureau
Defence Programs Division
Department of External Affairs
125 Sussex Drive
Ottawa, Ontario, Canada
K1A 0G2

Washington

Counsellor (Commercial) Tel: (202) 682-1740
Canadian Embassy
501 Pennsylvania Avenue Northwest
Washington, DC 20001

Atlanta

Consul and Senior Trade Tel: (404) 577-6810
Commissioner
Canadian Consulate General
Suite 400, South Tower
One CNN Center
Atlanta, GA 30303-2705

Boston

Consul and Senior Trade Tel: (617) 262-3760
Commissioner
Canadian Consulate General
Three Copley Place
Suite 400
Boston, MA 02116

Buffalo

Consul and Trade
Commissioner
Canadian Consulate
One Marine Midland Center
Suite 3550
Buffalo, NY 14203-2884

Tel: (716) 852-1247

Chicago

Consul and Senior Trade
Commissioner
Canadian Consulate General
310 South Michigan Avenue
12th Floor
Chicago, IL 60604-4295

Tel: (312) 427-1031

Cincinnati

Consul and Trade
Commissioner
250 East 5th Street
Suite 150C
Cincinnati, OH 45202

Tel: (513) 762-7655

Cleveland

Consul and Senior Trade
Commissioner
Canadian Consulate
Illuminating Building
Suite 1008
55 Public Square
Cleveland, OH 44113-1983

Tel: (216) 771-0150

Dallas

Consul and Senior Trade
Commissioner
Canadian Consulate General
St. Paul Place
Suite 1700
750 North St. Paul Street
Dallas, TX 75201-9990

Tel: (214) 922-9806

Dayton

Consul and Trade

Commissioner Tel: (513) 255-4382

Canadian Government Defence -4537

Trade Office -4492

MCLDDP, Area "B"

Wright Patterson Air Force Base

Dayton, OH 45433

Detroit

U.S. Army Tank

Automotive Command (TACOM) Tel: (313) 574-5233

Liaison Officer (CDDPL/DT)

Building 231

Warren, MI 48397-5000

Los Angeles

Consul and Trade

Tel: (213) 335-4439

Commissioner

Canadian Defence Liaison
Office (DCASR)

222 North Sepulveda Blvd.

11th Floor

El Segundo, CA 90245-4320

Minneapolis

Consul and Senior Trade

Tel: (612) 333-4641

Commissioner

Canadian Consulate General

701 Fourth Avenue South

Minneapolis, MN 55415-1078

New York

Consul and Trade

Tel: (212) 586-2400

Commissioner

Canadian Consulate General

1251 Avenue of the Americas

New York, NY 10020-1175

Philadelphia

Tel: (215) 697-1264

Canadian Defence
Production Office (CNDA)
Navy Aviation Supply Office
700 Robbins Avenue
Building 15
Philadelphia, PA 19102

Pittsburgh

Tel: (412) 392-2317

Commissioner
Canadian Defence Production Office
Gateway One, 9th Floor, South Wing
Pittsburgh, PA 15222

San Francisco

Tel: (415) 495-6021

Commercial Officer
Canadian Consulate General
50 Fremont Street
Suite 2100
San Francisco, CA 94105

Seattle

Tel: (206) 423-1777

Commissioner
Canadian Consulate General
412 Plaza 600
Sixth and Stewart
Seattle, WA 98101-1286

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