

Speaker 1

yeah, thanks.

00:01:13

Speaker 1

I look for it.

00:03:01

Speaker 1

All right, everyone, can I ask folks to take their seats, please?

00:03:28

Speaker 1

Okay, thanks very much, everybody.

00:03:29

Speaker 1

We're going to get back going here with the next discussion, which is focused on charting out the new relationship between government and industry

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Speaker 1

that has been mentioned in the strategy, has been mentioned, I think it's fair to say, in a number of different aspects of government policy intent over the last several years.

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Speaker 1

But we're going to bring together a couple different points of view on how the government's looking to engage with industry differently.

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Speaker 1

And happy to have a mix of folks from government and the private sector to offer some perspective on that, moderated by my colleague Nicole Butler, who's our Western Defence Lead.

00:04:08

Speaker 1

for those who haven't met her, one of the newer members of the team.

00:04:11

Speaker 1

We are on stage next to Nicole Lindsay Smith, who's the Acting Director General, Aerospace Defense and Marine Branch at ISAD.

00:04:19

Speaker 1

John Fresois, as you know, the Acting Senior Director, Defense Industry Strategy Team at the Department of National Defense.

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Speaker 1

John Schmidt, who is with the

00:04:32

Speaker 1

Federal Fleet Services at Davy Shipyard.

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Speaker 1

Sorry, I'm having to go back and forth to see what order you did.

00:04:37

Speaker 1

Actually, there was an order that would have made my life easier, but that's okay.

00:04:40

Speaker 1

Then Stephanie Bastone, managing partner at Nirad Inc, an ITB specialist firm.

00:04:46

Speaker 1

And then last but not least, Spence Fraser, the founder and CEO of Landing Zones Canada.

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Speaker 1

Everyone, please join me in welcoming the panel.

00:04:58

Speaker 2

Thanks, Dave.

00:04:58

Speaker 2

Yeah, hi, everybody.

00:05:00

Speaker 2

Thanks for being with us today and starting again after lunch.

00:05:04

Speaker 2

We're here to talk about how the DIS talks about the need for a new relationship between government and industry.

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Speaker 2

And the panelists here beside me are going to at least try to figure out maybe how we can start to implement to that extent.

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Speaker 2

So to start off, Jean-Francois, I'm going to start with you.

00:05:22

Speaker 2

Can you kind of give us

00:05:25

Speaker 2

some insight into what is the intent behind identifying the sovereign capability areas and the DIS in general and kind of just generally why are you framing it in the way you are?

00:05:35

Speaker 3

Thank you.

00:05:35

Speaker 3

Thanks for the question and thank you for the invitation.

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Speaker 3

Great to be here.

00:05:40

Speaker 3

I'll start by mentioning how we got to sovereign capabilities essentially.

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Speaker 3

When we started the process of developing our first ever defense industrial strategy,

00:05:52

Speaker 3

The number one thing that came up when we talked to industry was this idea that we need a clear demand signal.

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Speaker 3

We looked also at the defense industrial strategies of other countries, and that's a thing that came up over and over again was this idea of needing to prioritize.

00:06:08

Speaker 3

So we took that idea on board, and we knew we had to go in that direction, something like this.

00:06:14

Speaker 3

In the current security environment, it's not sufficient to say that

00:06:19

Speaker 3

We need to focus on capabilities, investments, and only those aspects.

00:06:23

Speaker 3

We need also to look at the industrial base that's going to support all of this so that we can have strategic depth, credible deterrence.

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Speaker 3

This is where the idea of sovereign capabilities came from.

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Speaker 3

To identify them, what we did is we looked at what we need to defend Canada, meet our commitments to our allies and partners.

00:06:44

Speaker 3

what we can produce or have a reasonable ability to be able to produce, and what hopefully that we can share export with to allies and partners.

00:06:56

Speaker 3

Sovereign capabilities essentially are where we link the CAF capabilities to what the industrial base can do.

00:07:04

Speaker 3

This is a new way of thinking for D&D CAF, as I'm sure you can imagine.

00:07:11

Speaker 3

So what does it mean to be a sovereign capability?

00:07:14

Speaker 3

The DIS says this is where we're going to prioritize our investments.

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Speaker 3

That means we're going to mobilize all tools of government to grow, support those sovereign cables.

00:07:23

Speaker 3

That means ITBs, that means exports, procurements, strategic partnerships, financing for research and development, and more.

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Speaker 3

So the DIS presents a very ambitious goals for readiness, jobs, research and development, exports.

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Speaker 3

The importance of the sovereign capabilities is where this is all going to come together in terms of making that happen.

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Speaker 3

This is going to be a focal point for action because the objectives that will be achieved by mobilizing Canadian industry ultimately needs to deliver capabilities in the hands of the calf.

00:08:03

Speaker 3

So this is where the importance comes from.

00:08:06

Speaker 3

The work, I should point out to conclude, the work is not over.

00:08:10

Speaker 3

We've begun something new, but we're not done.

00:08:13

Speaker 3

So we have the beginning of a demand signal, but we understand we need more.

00:08:16

Speaker 3

We need to get more precise.

00:08:18

Speaker 3

We need to continue fleshing it out, working with all of you.

00:08:22

Speaker 2

Thank you.

00:08:23

Speaker 2

I think that gives us a good kind of foundational sense of where this conversation starts.

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Speaker 2

You mentioned that we need to mobilize all forces of government, Lindsay.

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Speaker 2

I know there's been

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Speaker 2

some changes within ISED.

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Speaker 2

Can you kind of outline ISED's ongoing role in the defense space?

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Speaker 2

And what will ISED continue to do vis-a-vis defense and its role be in implementing the DIS?

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Speaker 4

Absolutely.

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Speaker 4

Thank you all for having me here today.

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Speaker 4

I better correct Dave.

00:08:46

Speaker 4

I'm not the DG.

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Speaker 4

I'm just a senior director.

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Speaker 4

I know enough of you in this room.

00:08:53

Speaker 4

So some of you might be aware, ISED has traditionally had the mandate and the authority to issue the, to manage the ITP policy.

00:09:02

Speaker 4

that is shifting to the Defense Investment Agency in the near future.

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Speaker 4

So that'll be something that is part of the defense procurement.

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Speaker 4

It'll be all going under there.

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Speaker 4

Historically, currently, and in the future, ISED is still the home of industrial policy for the federal government.

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Speaker 4

Myself, I work within the Aerospace, Space, Marine, and Defense Branch.

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Speaker 4

And so we provide industrial policy sector intelligence for these sectors.

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Speaker 4

ISED also has a role in industrial policy for AI, for quantum.

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Speaker 4

And so a lot of these are either defense or dual use sectors.

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Speaker 4

And so we will still continue to do that.

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Speaker 4

ISED.

00:09:47

Speaker 4

We also are using our programs to flow this funding to industry.

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Speaker 4

So using the strategic response fund, using Innovation Solutions Canada, as well as the Life Sciences Fund to flow funds and use our existing, and again, to JF's point, leveraging the entire government suite of industrial policy measures and programming to ensure that we have a whole of government team Canada approach.

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Speaker 4

And ISED has home to many of the programming that supports industry and

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Speaker 4

We already have expertise and people who know how to move money well.

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Speaker 4

And I would also say that's even broader to the ISED portfolio.

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Speaker 4

So the regional development agencies, there's funding flowing through them for the DIS, as well as BDC has their \$6 billion defense platform, and as well as NRC through IRAP is flowing money as well to achieve our defense objectives.

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Speaker 4

In addition, we're, I said, is responsible for a few of the commitments, action items in the DIS, including the concierge service as one, which is a coordinated single window entry into government to help Canadian companies navigate government programming and really to build upon our existing network because

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Speaker 4

ISAD does have a long history of engaging with industry, and we're trying to help leverage that strength as well with our partners across government.

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Speaker 4

And then finally, as many of you are aware, in conjunction with CADSI, ISAD publishes the State of Defense, and it just came out last month, based on data, which is really going to be important for us to measure our success and to achieve those DIS ambitious metrics that we've committed to.

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Speaker 4

Thanks.

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Speaker 2

So since I said is no longer doing ITV, maybe Stephanie, you could kind of walk us through the recent ITV policy changes and in really your opinion, which do you think are the most significant?

00:11:48

Speaker 5

From an industry perspective, I can talk about the consequential changes that were made recently and announced last week.

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Speaker 5

I think what we saw was really a blend of new policy features that includes some multipliers to incentivize certain types of behavior in the industry.

00:12:06

Speaker 5

and some definitional changes and some administrative changes.

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Speaker 5

I think one of the most consequential changes is the introduction of a two times credit multiplier for direct work with Canadian SMBs.

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Speaker 5

So this brings double the amount of ITB credit to bring a Canadian small and medium-sized business into the supply chain for a defense procurement here in Canada.

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Speaker 5

So you can see that in our conversations with our clients, we can see that has the potential to really change some behavior and align with some of the objectives of the DIS, which is building that capability and that supply chain resilience within Canada.

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Speaker 5

So we're happy to see that change.

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Speaker 5

There's also a change to the definition of small and medium-sized business that will now incentivize the growth.

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Speaker 5

So we used to see

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Speaker 5

a whole bunch of policy applications for small businesses that were under 250 employees.

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Speaker 5

We're seeing that now grow.

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Speaker 5

So the same application of these policy features like that two times multiplier will apply to companies that have grown past 250 and up to 500.

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Speaker 5

especially those that have done that recently.

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Speaker 5

So that opens up a lot of potential when you think about the two times multiplier getting double the credit for having these small businesses in the supply chain for defense procurements and now looking at companies that grow beyond the 250 and up to 500.

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Speaker 5

That should help to meet some of these objectives.

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Speaker 5

Also, they reinstated a multiplier that used to be there actually to encourage

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Speaker 5

skills development and training investment, obviously a huge part of building sovereign capability in Canada.

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Speaker 5

And that hasn't been a part of the policy for the last several years.

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Speaker 5

And I think it was.

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Speaker 5

Unfortunately, it stopped leveraging a lot of investment in that area.

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Speaker 5

And as we see this buildup of an industry here and the buildup of the capability, obviously there needs to be a buildup of talent.

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Speaker 5

So that should help drive some of the investment through the ITV policy in that area.

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Speaker 5

There was a new activity or a new policy feature that was introduced called strategic investments.

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Speaker 5

And this has a lot of potential to attract investment here for things like establishing production capability in the sovereign capabilities, enhancing or expanding production capability in Canada, and also R&D and IP generation in Canada.

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Speaker 5

So the idea here is you're going to get five times every dollar invested in this type of an activity.

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Speaker 5

It's really meant to be a large scale investment.

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Speaker 5

They've put a minimum of a \$5 million investment up to \$100 million.

00:15:02

Speaker 5

So that range gives you an idea of the scale of the investments that they're looking to leverage through that as well.

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Speaker 5

There's also a couple of more administrative pieces, and I don't know how consequential they'll be.

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Speaker 5

I think time will tell.

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Speaker 5

So the Prime Minister talked about one, I believe, which is

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Speaker 5

this idea of a boost.

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Speaker 5

So when you bring a Canadian company, regardless of whether they're a small or large business, into your supply chain to work directly on a defense program in Canada, as long as they have a Canadian content value of 70%, they will be treated as if they have 100%.

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Speaker 5

So I think that on paper seems like a really good change and should incentivize behaviors.

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Speaker 5

I'm not sure though, because really the administration of that is so deeply

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Speaker 5

ingrained in reporting and that type of administration of the policy.

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Speaker 5

I don't know if it'll change behaviors at the supply chain level, but time will tell.

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Speaker 5

I mean, it's definitely a step forward.

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Speaker 5

So I think those are kind of the major pieces that we see.

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Speaker 5

It was this blend of administration and new incentives through multipliers.

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Speaker 2

Great.

00:16:09

Speaker 2

Yeah.

00:16:09

Speaker 2

So I mean, across the board there has been a lot of changes, which is good to see.

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Speaker 2

John and Spencer, now I know you guys have been in the industry for a long time and I'm going to ask you a joint question and you can answer separately and if your answers are different, that's actually better.

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Speaker 2

But since you guys have been in the industry and we have seen some changes, do you see the work that the government is doing differently with regards to its approach to engagement with industry?

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Speaker 2

Is it truly different?

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Speaker 2

What do you think is so substantial about how they're approaching it now versus in the past?

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Speaker 6

I guess I'll go first.

00:16:44

Speaker 6

Age has its advantages sometimes.

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Speaker 6

So I've been around the industry now, I guess, around 50 years, and I've seen a lot of changes in government policy and things, and I've spent most of my career about split half with industry and half with government.

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Speaker 6

So first of all, I'd like to commend the government on introducing the DIS.

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Speaker 6

I think it's long overdue.

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Speaker 6

It's something that we've needed for at least 20 years to bring that expertise and capability to drive procurement and drive programs.

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Speaker 6

but not just that to deliver capability.

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Speaker 6

I think that's what everybody's been saying here.

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Speaker 6

But I'm a bit skeptical, like I say, having been around for so long and old people tend to be skeptical anyway.

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Speaker 6

The proof is going to be in the pudding.

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Speaker 6

I hate to use that old expression that my parents used to use on me when I promised certain things.

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Speaker 6

But at the end of the day, the relationships I think are very strong now.

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Speaker 6

The fact that we have the DIS means that

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Speaker 6

The government was listening to industry because industry has been pushing for this for a long time, as well as the Defence Investment Agency, that these are the changes needed to drive that push towards capability.

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Speaker 6

But where I get to is that most of my career has been spent in project management and contracting on both sides of the fence.

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Speaker 6

And where I find it bogs down is when we get into discussions about the contracting.

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Speaker 6

And it's great to have a relationship when we're defining a requirement and we all agree that we need new planes, we need new submarines, we can define those, we can work together on the definition phase.

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Speaker 6

But when we sit down across the table, how do we discuss and how do we share risk and how do we put contracts in terms of commercial arrangements?

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Speaker 6

In other words, if we keep building these contracts to be so complex that it takes an army to manage

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Speaker 6

we not only increase the cost of product, but we're also delaying delivery.

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Speaker 6

So my message is you're moving towards a more commercial approach, then you have to adapt more commercial contracting mechanisms and the way you manage projects.

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Speaker 6

In other words, my shipbuilding background, do we really need to put in 25 or 30 people in a project office to manage progress?

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Speaker 6

Can we not just use, again,

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Speaker 6

the systems that we have in place, earned value measurement, for example, and agree on how we're going to assess progress and let's work towards fixed price contracts where we're not always arguing about what's cost reimbursable and what's not.

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Speaker 6

Overall, my message is if you want the relationships to stay strong, you've got to build a contract that works for both parties and you've got to work expeditiously and you've got to work to a fixed price and a fixed schedule.

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Speaker 6

That's how I see

00:19:28

Speaker 6

did the IS being successful?

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Speaker 2

Spencer, agree, disagree.

00:19:32

Speaker 7

Okay, so I'll be a little spicy here.

00:19:36

Speaker 7

I guess it's the seat.

00:19:38

Speaker 7

Elliot was here earlier.

00:19:40

Speaker 7

Look, I have gone from being cynical to skeptical.

00:19:44

Speaker 7

And that's not an age thing, John.

00:19:48

Speaker 7

I listened this morning and for the love of God, let's not do another survey.

00:19:55

Speaker 7

we don't need to do, we have a drinking game in our company called the ecosystem.

00:19:59

Speaker 7

Every time we hear someone talk about the ecosystem, we have to take a shot, okay?

00:20:04

Speaker 7

And the reason I'm saying this is because it gets back to government funding.

00:20:08

Speaker 7

A lot of the governments provincially, they'll pay ecosystems because it's vanilla, it's easy.

00:20:15

Speaker 7

We're not giving companies assistance, right?

00:20:17

Speaker 7

I'm gonna give this association \$1 million to go map out yet again

00:20:24

Speaker 7

who's who in the zoo.

00:20:25

Speaker 7

And the local machine shops doing world class work on nuclear power plants go, you know what?

00:20:31

Speaker 7

I just don't have time to play in this.

00:20:32

Speaker 7

You guys are too slow, okay?

00:20:35

Speaker 7

My only, if you remember anything from this six months from now other than I'm a loud mouth, is for the love of God also let's just get contracts going, okay?

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Speaker 7

Like get spending.

00:20:44

Speaker 7

There's money.

00:20:46

Speaker 7

There are contractual vehicles.

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Speaker 7

In preparation, where's Dave?

00:20:50

Speaker 7

In preparation for this, I thought I would read the FAA, Bill C-31, and the former Defence Production Act.

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Speaker 7

Now that is not exciting reading on the weekend.

00:21:00

Speaker 7

But I will challenge the mantra that we've had for years.

00:21:03

Speaker 7

Fair, open, transparent competition.

00:21:06

Speaker 7

Where did that come from?

00:21:07

Speaker 7

Where did those buzzwords come from?

00:21:09

Speaker 7

That is not actually in the legislation.

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Speaker 7

What the legislation says is probity, prudence, and transparency.

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Speaker 7

Don't do anything illegal.

00:21:19

Speaker 7

Be transparent about it.

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Speaker 7

Make sure you get as many people in there.

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Speaker 7

This fairness, is it fair to the Canadian taxpayer or is it fair to the company?

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Speaker 7

We talk about IP.

00:21:28

Speaker 7

One of the challenges I see, we've got multinationals in Canada who've been here for 70 years, have hundreds of employees, and are developing IP that they sell around the world.

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Speaker 7

Well, they should be just as welcoming in terms of funding than a small startup.

00:21:46

Speaker 7

If they have a world product mandate, and what that means is that, sorry, we just met, it means that Industry Canada, I said, has to go to the OEM who shelved Canadian IP that the taxpayer spent a quarter billion dollars, true story.

00:22:01

Speaker 7

And you spend a quarter billion dollar Canadian taxpayers' money, and then the multinational goes, hey, you know what?

00:22:07

Speaker 7

No one's looking, so let's just put it on the shelf.

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Speaker 7

And those companies should be brought alongside, as we say in the Navy, and said, you do that, you're blacklisted.

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Speaker 7

That doesn't happen in other countries.

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Speaker 7

People remember how much taxpayer money they put in.

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Speaker 7

Now, I'm not going to bad mouth because I'm actually gone from cynical to skeptical.

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Speaker 7

I think the DIS is a huge success.

00:22:29

Speaker 7

JF, you and Wendy and the team.

00:22:31

Speaker 7

Think about it.

00:22:31

Speaker 7

I've been in this for 42 years.

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Speaker 7

I've never seen anything like it.

00:22:34

Speaker 7

So we've got a policy.

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Speaker 7

Is it perfect?

00:22:35

Speaker 7

No, it's first shot across the vowel, let's go.

00:22:39

Speaker 7

The other thing is with all the changes, the DIA, look, it's going to be easy to throw darts in their back, but people are genuinely trying to change.

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Speaker 7

So I'm very optimistic that we've got a lot of good people.

00:22:51

Speaker 7

They're constrained, as John says, by process.

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Speaker 7

How do we change the process?

00:22:55

Speaker 7

DSS 1031-2, right, hasn't been updated since the Department of Supply and Services.

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Speaker 7

But I'll also point out that if you actually look at the DIA Act, it doesn't talk about PSPC because we never updated the Act

00:23:09

Speaker 7

from PWGSE.

00:23:10

Speaker 7

So the act is actually going through the Gazette as the change from PWGSE to DIA.

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Speaker 7

So that kind of emphasizes the change, the sea change that we've seen.

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Speaker 7

But look, if you compare us even to a year ago, I think there's substantive change.

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Speaker 7

There's a willingness.

00:23:27

Speaker 7

We're not the pariah.

00:23:28

Speaker 7

The chief of defense staff in the UK talked about this.

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Speaker 7

They're having a similar change.

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Speaker 7

And if you read his article in the Daily Mail, he said a year ago, the members of Parliament

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Speaker 7

treated them like a pornographer or a crypto pirate, because that's how popular defense was, okay?

00:23:45

Speaker 7

There's A.com boom going on.

00:23:47

Speaker 7

There's a lot of, there's gonna be a lot of need for probity, but let's get moving.

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Speaker 7

So we don't need, if I hear someone say again, we need staff, can't do that, we need staff.

00:23:58

Speaker 7

Sorry, why do you need staff?

00:24:00

Speaker 7

Like, you're buying something.

00:24:02

Speaker 7

And the last point, which is in the, like if you get a chance to read C-31,

00:24:08

Speaker 7

Man, you can drive a truck through it, so well done DIA.

00:24:12

Speaker 7

Because for sovereign capability, it's important.

00:24:16

Speaker 7

National standing offers, I'm not talking master standing offers, but NISOs are the most important element for a small, medium-sized business that's gone through ISC, that's gone through ideas and this kind of stuff.

00:24:30

Speaker 7

You've been through the ringer with PSBC, cost analysts, by the way, you don't have enough, you need another 30, or hire a consulting.

00:24:36

Speaker 7

And if for price certification under the FAA, there's only two ways.

00:24:41

Speaker 7

Bottom-up audit, or you've sold stuff around the world and you can use comparative pricing.

00:24:47

Speaker 7

But national standing offers will preclude what I just lived through, which is we love your product, man.

00:24:54

Speaker 7

It's great, but it's going to take us a year to write the paperwork to do the demand signal to PSPC, who can then buy it from you.

00:25:04

Speaker 7

versus if you have a NISO in place, the price for equipment and labour is already negotiated.

00:25:10

Speaker 7

And by the way, a NISO is not a contract.

00:25:12

Speaker 7

A NISO is just a framework.

00:25:14

Speaker 7

It doesn't obligate the Canadians to do anything.

00:25:17

Speaker 7

In the US, a lot of you here have talked to me about this.

00:25:20

Speaker 7

You get an IDIQ, you can get an IDIQ in the US for half a billion dollars.

00:25:24

Speaker 7

They may end up just buying 50K off of you.

00:25:26

Speaker 7

But you have a framework.

00:25:27

Speaker 7

But if I come to the end of the smorgasbord, the March Madness, and I know money gets lapsed now, but it's the same

00:25:34

Speaker 7

every year, there's a certain amount of money they got to get out the door.

00:25:37

Speaker 7

And someone says, we're going to spend it this year.

00:25:40

Speaker 7

And then you go, do you have a contract?

00:25:42

Speaker 7

No, we don't.

00:25:43

Speaker 7

Well, you know that's going to take six months to get a contract if you don't have one.

00:25:47

Speaker 7

So NISOs, NISOs, NISOs.

00:25:50

Speaker 7

John, how long did it take you when you were running the ship to organize?

00:25:53

Speaker 7

You talk about an afternoon to put a NISO in place.

00:25:55

Speaker 6

Oh, yeah.

00:25:56

Speaker 6

One day.

00:25:57

Speaker 6

One day.

00:25:57

Speaker 7

So let's get back to face to face.

00:26:00

Speaker 7

So looking at our government, look, if you want a product, sit down, negotiate, industry's got to accept the price for three years or four years, but you get a contract.

00:26:09

Speaker 7

None of this, in our case, our price certification took six months, albeit we were right after a RiveCan scam.

00:26:16

Speaker 7

They audited 1000 invoices.

00:26:20

Speaker 7

Imagine, 1000 invoices got audited to see if the price was correct.

00:26:25

Speaker 7

That's just ridiculous.

00:26:27

Speaker 7

I mean, and I'm not criticizing the people.

00:26:29

Speaker 7

They were given a process to follow.

00:26:31

Speaker 7

But yeah, so well done, DIA, well done, DIS.

00:26:37

Speaker 7

Oh, by the way, last point.

00:26:40

Speaker 7

I think the biggest consequential change in the last few months, other than the DIS and DIA,

00:26:46

Speaker 7

is BDC.

00:26:47

Speaker 7

I know there's some people in the audience who won't agree with me, but what Isabel Houdon, Peter Daw, Peter Suma have done is phenomenal.

00:26:54

Speaker 7

We're the first people through it.

00:26:56

Speaker 7

And I can tell you if it wasn't for them, I was moving to the States.

00:27:00

Speaker 7

Not because of volition, I still have a tattoo that says Canada, but because the US are buying stuff.

00:27:06

Speaker 7

Like they're like, Spence, we want 1,000 units.

00:27:08

Speaker 7

And if you're going to build 1,000 units and Canada's not buying it, well, you're going to set your production up in the US.

00:27:16

Speaker 7

So Canada, to pick up on Elliot's point, just get contracts out the door, right?

00:27:21

Speaker 7

It's different for the big guys, but the SMEs, we're only 40 employees, get them out the door.

00:27:27

Speaker 7

Here endeth the lesson.

00:27:29

Speaker 2

Love the spice.

00:27:32

Speaker 2

Thanks, Spencer.

00:27:32

Speaker 2

I mean, I think the through line there is you're communicating that there needs to be action and there needs to be action quickly.

00:27:38

Speaker 2

And Lindsay, maybe you can kind of help

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Speaker 2

connect the dots between the policy and the action and provide some clarity around the terminology in the DIS?

00:27:47

Speaker 2

And kind of how does industry need to interpret it?

00:27:50

Speaker 2

And specifically, what do the terms anchor customer, strategic partners, and national champions mean?

00:27:56

Speaker 2

And obviously these are interrelated concepts, but kind of explain.

00:28:02

Speaker 2

Specifically, how does industry need to interpret those terms to guide action?

00:28:07

Speaker 4

Sure thing.

00:28:08

Speaker 4

So what I would say is that in the DIS, all three phrases or names are used, but national champions and anchor firms are just, they're in the narrative of it.

00:28:18

Speaker 4

The real one where I would say to put all the emphasis in terms of that cluster would be on the student partnership.

00:28:25

Speaker 4

Many of you, I'm sure, or most of you, probably all of you actually, were at CANSEC a few weeks ago and our PM announced the new framework for partnerships.

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Speaker 4

And that's an example of us trying to do things differently.

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Speaker 4

We have heard industry loud and clear for many years when I said that industry wants contracts.

00:28:39

Speaker 4

They don't want handouts, they don't want other things, they want contracts.

00:28:42

Speaker 4

And so we are trying to be more flexible and have a more fulsome suite of tools that we're using to work differently with industry.

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Speaker 4

And I think that is something that

00:28:52

Speaker 4

we're doing across the DIA, across DND, across ISED, among others.

00:28:56

Speaker 4

But we are really trying to change our culture, change our approach, and really trying to be able to, because from industrial policy sector, as a customer who doesn't buy something, it takes a year to buy something, that's not a good competitive environment.

00:29:09

Speaker 4

It's not being a good client.

00:29:10

Speaker 4

And knowing that the defense sector is based predominantly on the Canadian Armed Forces buying as the customer,

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Speaker 4

We need to be able to do that, especially if you want to export to allies where they say, did your own armed forces buy this?

00:29:23

Speaker 4

And so we know that's important, and we have colleagues at the DIA and among other places that are working on those authorities to make them more flexible.

00:29:32

Speaker 4

But I would say that the framework for student partnerships is 1 tool out of many.

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Speaker 4

It's one example of how we are going to work more closely with industry to advance those key sovereign capabilities.

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Speaker 4

They're more structured and sustained engagement.

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Speaker 4

align with our defense and security priorities.

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Speaker 4

So instead of a transactional procurement by procurement basis, we are trying to look at how we can broaden that and have a really more longer term approach that would lead to better results.

00:30:01

Speaker 4

Because within government, we recognize that private sector and industry, they are the ones creating innovation, they're the ones creating the latest and greatest new technologies, and we're not even aware of everything that they have.

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Speaker 4

So

00:30:17

Speaker 4

have that more back and forth, two-way dialogue, two-way communication, and space to have that is really important.

00:30:24

Speaker 4

And the strategic partnerships are really going to be under, they're a core element of the build, under the build partner by for the DIA.

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Speaker 4

And it's how we're going to grow, how we're going to grow stronger world-leading heating companies.

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Speaker 4

And again, I just would say that they're going to be assessed on a case-by-case basis.

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Speaker 4

And really, it's going to be considerations can be given

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Speaker 4

primarily on what the CAF need and very specific and detailed defense capabilities.

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Speaker 4

And then also how they are going to strengthen our Canadian industrial base, as well as looking at how we can maybe export and work with our allies is another consideration.

00:31:01

Speaker 4

But I'll leave it there.

00:31:03

Speaker 2

Great.

00:31:05

Speaker 2

John, do you think these types of supports to the sector are addressing the right issues?

00:31:11

Speaker 2

Do you think these types of supports, all the changes, are they addressing the right issues from the industry perspective?

00:31:18

Speaker 6

I think so, but once again, I think one of the issues is how do we deal, again, I hate to go back to contracting, is how are we going to empower the people at the working level?

00:31:27

Speaker 6

So your officers, for example, at ISET, or the contracting authorities, whether they're working for DIA or whether they're still going to rest in PSPC, I think you've got to push those decisions down to the working level.

00:31:40

Speaker 6

so that there's not so many levels of approvals required by people to get things done.

00:31:45

Speaker 6

And the same holds true for industrial benefits, to have those approved at the working level, especially if you're dealing with large projects, empower the people, but also have them work together.

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Speaker 6

One of the things that I've observed over some of the projects that we did in the early days, I'm going back to maybe a few people that were here in the CPF days, I don't know,

00:32:05

Speaker 6

But it was a fairly successful program simply because we put everybody together in the same project office.

00:32:10

Speaker 6

That was government, all the agencies, the shipyard people.

00:32:15

Speaker 6

So all the stakeholders were there to make decisions as a group.

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Speaker 6

And if there was issues, it was brought forward to senior management very quickly for decision making.

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Speaker 6

So we weren't siloed in that we had to wait until we got together in a monthly meeting or a quarterly or a senior level review and PMC or an EGC.

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Speaker 6

that those decisions were at the working level and in the common project office.

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Speaker 6

So I think that will expedite things.

00:32:40

Speaker 6

So we need to deal more with process, streamlining processes and getting people to work together at the delivery level, in other words, in the shipyard or in the factory or wherever we're delivering the product.

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Speaker 2

In terms of streamlining, I know there's been some comments today about that there's many sovereign capability areas that have been listed.

00:33:02

Speaker 2

Jean-Francois, do you maybe want to explain how these areas are intended to be indicators to industry?

00:33:08

Speaker 2

And maybe are there specific ones that you're prioritizing to kind of help guide our relationship building moving forward?

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Speaker 3

Yeah, for sure.

00:33:17

Speaker 3

I'd start by reminding of the vision of the DIS, which is

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Speaker 3

to build a robust Canadian defense industry that provides technological and operational advantage to the CAF.

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Speaker 3

So to the point that was made earlier, I think targeted investment is important rather than maybe too broad ecosystem.

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Speaker 3

I think for the first year that we did it, there was something necessary in terms of putting more investments in general.

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Speaker 3

But as we look forward, if the goal is to get a capability through Canadian industry, I think we have to be deliberate about it.

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Speaker 3

Again, I'll remind that this is the start.

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Speaker 3

Like we're doing something new.

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Speaker 3

This is a policy framework.

00:34:01

Speaker 3

We just need to.

00:34:03

Speaker 3

make it happen and kind of fill it with intent and meaning and action.

00:34:08

Speaker 3

So you're totally correct to be skeptical because that's where we should be in terms of understanding we have everything to prove.

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Speaker 3

It's not enough to publish a document and have new programs set up.

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Speaker 3

The success is going to be when we can have what we want out of it in terms of actual capabilities.

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Speaker 3

So the sovereign capabilities are meant to provide that signal in that respect.

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Speaker 3

And what we want to do is maximize strategic autonomy and maximize sovereignty.

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Speaker 3

I know these terms get thrown around a lot, and I'm not going to go into necessarily definitions, but it's about having a sovereign control over our ability to conduct a conflict, to wage war, to defend ourselves.

00:34:57

Speaker 3

So that doesn't only go through the actual capabilities, that goes through the ability of the industrial base to provide those capabilities.

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Speaker 3

So we've identified 10 large areas.

00:35:09

Speaker 3

They're all very different.

00:35:10

Speaker 3

So having a sovereign capability in quantum computing is not the same thing as shipbuilding or ammunition or space capabilities because there are different challenges, different stage of development, different needs.

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Speaker 3

in terms of sovereignty.

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Speaker 3

So when we think about the near term, we have to think about what do we need made in Canada if war were to break out in the near future?

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Speaker 3

Where do we need to put our policy energy?

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Speaker 3

There are things like, for instance, that are critical for any military like ammunition.

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Speaker 3

There's areas where we have challenges where we

00:35:53

Speaker 3

We want to make sure we protect industries, like I mentioned, the quantum sector.

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Speaker 3

We want to protect our advantage that we have there.

00:36:01

Speaker 3

But there's also areas of strength where we can continue to build on and not only get capabilities for us, but also bring something to our allies like space.

00:36:09

Speaker 3

Maybe we want to build space launch as well, because we have a need, allies have a need as well, and they're looking to us as a potential provider.

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Speaker 3

So those are the kind of things that we're thinking about when we look at the near term.

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Speaker 3

But all the sovereign capabilities are equally important.

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Speaker 3

But we need to think about where do we put some of our finite policy energy for the near term.

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Speaker 3

The other thing I would mention is it's not something that we're going to be able to do on our own.

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Speaker 3

We'll need to do this with industry to get the feedback about what we should be, not only about delivering the capabilities, but what we should be pursuing

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Speaker 3

Where are the opportunities?

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Speaker 3

Where are the challenges?

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Speaker 3

What should we be thinking about?

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Speaker 3

So that's something that we definitely think that we're going to need to do, not only from a whole of government perspective, but from a government industry perspective and even a whole of society perspective to some extent.

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Speaker 3

And when we think about what we should be thinking about specifically to build those capabilities, it's things like making sure that to have that sovereignty, that autonomy,

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Speaker 3

thinking about things that have been already mentioned, but where's the research and development coming from?

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Speaker 3

Where does the IP reside?

00:37:25

Speaker 3

What's the control that we have over it?

00:37:28

Speaker 3

What is supply chain considerations?

00:37:32

Speaker 3

Can we build partnerships as well when we think about the build partner by?

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Speaker 3

Doing sovereign cables doesn't mean doing things in isolation.

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Speaker 3

It can mean partnering as well, but doing so in a matter where we're not a dependent, but we're

00:37:48

Speaker 3

We're value added.

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Speaker 3

We can do things together.

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Speaker 3

We bring value to other partners.

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Speaker 3

So those are the types of considerations when we think about building sovereign capabilities.

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Speaker 2

Yeah, that's valuable to understand, I think, a better idea of what are the objectives behind it.

00:38:04

Speaker 2

Stephanie, in terms of the objectives of the DIS, how do you think the new ITV policy connects to achieving those objectives, and specifically the sovereign capability areas?

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Speaker 5

I wouldn't call it a new ITB policy.

00:38:20

Speaker 5

I would call it very much the same ITB policy with some new features.

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Speaker 5

And I think, as I described those multipliers and administrative changes, you can definitely see the impact of the DIS in those, right?

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Speaker 5

We're talking about skills development and training, incentivizing direct work.

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Speaker 5

There's going to be a large focus on that.

00:38:42

Speaker 5

I think we can read the tea leaves, bringing supply chain resilience

00:38:47

Speaker 5

and that type of thing in the new policy features.

00:38:51

Speaker 5

There were a couple of disappointments, I'd say, in this round of changes, and that would be just some mixed signals.

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Speaker 5

When you look at what's there right now on the website, the objectives of the ITV policy have not changed.

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Speaker 5

So we would have expected the objectives of the ITV policy to be highly influenced and actually the same as

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Speaker 5

the objectives of the defence industrial strategy, but they have remained the same, which is very broad.

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Speaker 5

It's everything from regional economic development to things that we've seen in the value proposition areas of R&D and that type of thing.

00:39:28

Speaker 5

So hopefully there'll be some iterations of this and we'll see a closer alignment to the defence industrial strategy from an objective perspective.

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Speaker 5

Sovereign capabilities play a bit of a supporting role in the new changes.

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Speaker 5

We expected that to play more of a role as well.

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Speaker 5

And where we see sovereign capabilities mentioned in the new policy changes, they are alongside CICS.

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Speaker 5

So we're not talking about sovereign capabilities.

00:39:59

Speaker 5

We're talking about now incentivizing anything in the CICS or sovereign capabilities.

00:40:04

Speaker 5

So you can see how we haven't quite got there with this round of ITB changes.

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Speaker 5

We are, if I can be the optimist on the industry side, I'm hopeful for an update where we do see that alignment, a stronger alignment between those two things so we don't end up with a bit of a Frankenstein between the old and the new and again, a policy trying to do a lot of things across a lot of sectors rather than actually really meaningfully make these changes and help implement the objectives of the DIS.

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Speaker 5

I think one of the major changes that we see that hasn't been well thought through, I'm going to say, is the intersection between the Buy Canada policy and the ITB policy.

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Speaker 5

So we've seen a couple of RFIs come out on major procurements since the Buy Canada has been announced.

00:40:57

Speaker 5

And there's some statements that say both will apply.

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Speaker 5

both the ITP policy will apply and the Buy Canada policy will apply, but it doesn't say how.

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Speaker 5

And there's some major ramifications for industry in not understanding how these two policies will intersect.

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Speaker 5

Depending on how Buy Canada applies, it could influence evaluations, how you actually get points, how you win a program.

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Speaker 5

And the same for the ITB policy.

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Speaker 5

So within those two policies, you also see some definitional problems, some challenges.

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Speaker 5

So you see a different definition of Canadian content value and a different definition of Canadian supplier.

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Speaker 5

And so if you are a company looking to bid on those programs, now you're not sure where to go.

00:41:46

Speaker 5

If I go this way with my supply chain and partnering strategy,

00:41:51

Speaker 5

I can, and by Canada is implemented in this way, I can maybe do my best to increase my probability of win here.

00:41:59

Speaker 5

But if it's not implemented that way, I need to do it in a completely different way to meet the objectives of the ITP policy and hopefully gain points in the evaluation there.

00:42:08

Speaker 5

So these are very strategic on the industry side, pieces that have not been really

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Speaker 5

reconciled at this point.

00:42:18

Speaker 5

I've had some conversations and it seems almost like these are thought of as technical details.

00:42:26

Speaker 5

They're a lot more than technical details as we are pushing faster in procurement and trying to get these things delivered.

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Speaker 5

I think the most promising change, we mentioned the DIA.

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Speaker 5

I think the movement of the I2B policy to the DIA

00:42:44

Speaker 5

We're very optimistic about that change.

00:42:46

Speaker 5

I think for a long time, having the ITB policy sit in a different department at ISED, it had its advantages, but one of the major disadvantages was a lack of understanding of the procurement, the defense procurement context by senior executives within the department.

00:43:06

Speaker 5

Having that fall under the DIA will now give some strong oversight and some alignment of objectives.

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Speaker 5

These things don't have to be complete trade-offs, right?

00:43:17

Speaker 5

They can be in alignment.

00:43:19

Speaker 5

You can align your industrial strategy with your capabilities, which is exactly what the DIS is trying to do.

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Speaker 5

So I think probably the best change in integration and alignment will actually be on the governance side, moving to the DIA.

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Speaker 2

Okay, that's great.

00:43:34

Speaker 2

That's good.

00:43:35

Speaker 2

optimism.

00:43:37

Speaker 2

And I don't know if Spencer will be able to maintain that, but I am going to shoot our last question towards you.

00:43:44

Speaker 2

And you've mentioned contracts, and feel free to bring that up again.

00:43:47

Speaker 2

But on top of that, if the government genuinely wants a different relationship, what do you think still needs to be done?

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Speaker 7

Look, I think we're going to iterate over the next few years.

00:43:57

Speaker 7

There's been some fantastic work done.

00:44:00

Speaker 7

I think people got to, particularly industry, they got to stay away from lawfare.

00:44:04

Speaker 7

Let's face it,

00:44:05

Speaker 7

People go to CITT federal court to screw over their competitor.

00:44:11

Speaker 7

We got to nip that in the bud.

00:44:14

Speaker 7

I think the \$100 million MCP level has been around for, well, I've been in it 42 years.

00:44:22

Speaker 7

It's been 100 million for 42 years.

00:44:24

Speaker 7

I'm sure if you put CPI in there, it would change.

00:44:29

Speaker 7

I actually think, look, I've had the benefit of exporting to 22 countries.

00:44:35

Speaker 7

And the one ask I would hope that, talking to Diogo here, I'm really optimistic that if we can keep the bureaucrats in the DIA and make it a career, there's nothing worse than walking someone around a shipyard and they go, wow, I didn't know you had a dry dock.

00:44:53

Speaker 7

And you're like, well, we're a shipyard.

00:44:58

Speaker 7

And that's a true story.

00:45:01

Speaker 7

I'm a good person too, but I mean, if you get parachuted in,

00:45:04

Speaker 7

to defense from Agriculture Canada, there might be a bit of a difference of what's going on.

00:45:10

Speaker 7

And then when you compare that to say South Korea or Germany or other places where you have people who started at a low level and worked their whole career, and by the way, this is what Industry Canada used to be when I started.

00:45:23

Speaker 7

You had to have come from industry to be in Industry Canada.

00:45:27

Speaker 7

And then the clerk back 30 years ago said, no, it doesn't matter what you do, it's how you do it.

00:45:33

Speaker 7

I would disagree that is a life skill.

00:45:36

Speaker 7

You need people doing this who talk about machine shops doing different types of capabilities.

00:45:44

Speaker 7

The other thing too, and it's amazing, I don't live in Ottawa, so I'm not in the bubble.

00:45:49

Speaker 7

There's a bunch of Albertans here.

00:45:52

Speaker 7

But this notion that we can't do things in Canada just drives me around the bend.

00:45:57

Speaker 7

We're a G7 country, okay?

00:46:00

Speaker 7

We export, we make it, and there hasn't been enough emphasis on the export.

00:46:05

Speaker 7

Is there anyone from GAC here?

00:46:08

Speaker 7

There we go.

00:46:08

Speaker 7

We talked earlier.

00:46:09

Speaker 7

Anyone from export controls?

00:46:12

Speaker 7

Dave, I'd recommend you get them on your next board, but I mean, they don't get out much, no, but I mean, let's face it, export controls.

00:46:21

Speaker 7

are a major sense of worry for a lot of companies.

00:46:24

Speaker 7

Who are the early adopters in the military space?

00:46:28

Speaker 7

People who are actively engaged in combat, okay?

00:46:32

Speaker 7

So some of them we may not like.

00:46:34

Speaker 7

So the export, if you look at what Korea did, I happen to have been in Seoul when the president of Korea got up and said, in 10 years, we're gonna be in the top five defense exporting countries.

00:46:45

Speaker 7

We've said we wanna have defense industry sovereign capability

00:46:49

Speaker 7

But to support that industry, we're going to have to do a lot of exports.

00:46:52

Speaker 7

So #1, please, we have junior staffers, keep them in the defense file so they actually know what's going on in the ecosystem.

00:47:00

Speaker 7

There, another drink.

00:47:04

Speaker 7

But also to pick up on John's point, just contract, get out there.

00:47:09

Speaker 7

It's not that complicated.

00:47:11

Speaker 7

The number of times people say, oh, the FAA doesn't permit it.

00:47:15

Speaker 7

it's pretty boring reading, but if you read the FAA, it's pretty liberal.

00:47:18

Speaker 7

You need a section 41 and you need a section 32.

00:47:22

Speaker 7

They can't be the same person.

00:47:23

Speaker 7

That is the only requirement from Treasury Board.

00:47:26

Speaker 7

Okay?

00:47:27

Speaker 7

So, Drew, you sign off on one and someone else signs off on another.

00:47:32

Speaker 7

The probity from the government of Canada has meant you're not going to be in the Globe and Mail, and you do it.

00:47:36

Speaker 7

So, just get those contracts moving, because our competitors are, and by the way,

00:47:44

Speaker 7

No one in Europe is waiting for us.

00:47:47

Speaker 7

No one in Asia is waiting for us.

00:47:50

Speaker 7

It's harder to export from Canada today than it was 10 years ago because while we're trying to build up our sovereign capability, so are they.

00:47:59

Speaker 7

So I work in the drone space and I can tell you, go to a foreign country now and you say, I'm going to sell you a Canadian made drone.

00:48:06

Speaker 7

They're asking, well, what are you going to make here in our country?

00:48:10

Speaker 7

So

00:48:12

Speaker 7

For those in uniform, push Canadian, buy Canadian, however you want to define it.

00:48:17

Speaker 7

If you're producing something of value, and by the way, this is for the war fighter.

00:48:20

Speaker 7

I just came from the US.

00:48:22

Speaker 7

They're not talking about process, okay, in an environment like NDIA.

00:48:27

Speaker 7

They're not talking about how do we improve the process, right?

00:48:31

Speaker 7

How do we get stuff out the door?

00:48:33

Speaker 7

How do we buy things?

00:48:34

Speaker 7

They're talking about closing with and destroying the enemy, okay?

00:48:38

Speaker 7

How are we gonna prevail on the battlefield?

00:48:41

Speaker 7

So if someone is saying we're building a ship, that ship better be properly armed for the threat it's facing.

00:48:45

Speaker 7

We had a good description from our colleague from Ukraine.

00:48:49

Speaker 7

For those, there's a bunch in the audience who've made multiple trips, most of the innovation in Ukraine has not been top down.

00:48:57

Speaker 7

The FPV drone came from the bottom up.

00:48:59

Speaker 7

It was dismissed as a toy by the senior leadership of the Ukrainian army.

00:49:03

Speaker 7

They're producing, what, 4.5 million of them, 5 million of them this year?

00:49:07

Speaker 7

They dismissed the fiber optic drone.

00:49:10

Speaker 7

Well, that was a bad decision because the Russians are leading the world in fiber optics.

00:49:14

Speaker 7

They're going 100 kilometers now with fiber optics.

00:49:17

Speaker 7

So how is that going to change the war fighting for Canada?

00:49:19

Speaker 7

We're buying \$100 billion worth of ships.

00:49:23

Speaker 7

You can take out the ship with a fiber optic drone sitting on the beach.

00:49:27

Speaker 7

We better be investing in counter UAV stuff.

00:49:30

Speaker 7

And you know what, 90% of it won't work.

00:49:32

Speaker 7

So we better use the US model, throw a bunch of spaghetti at the wall, tell our political masters, you know what, it's got a 50% chance of working.

00:49:39

Speaker 7

But if you're that young sailor airman or army guy, 50% is a hell of a lot better than 0 because we're waiting for a perfect solution.

00:49:47

Speaker 7

So that's my view.

00:49:49

Speaker 2

Excellent.

00:49:51

Speaker 2

Before we head to questions, does anyone else want to comment on still what they think needs to be done?

00:49:57

Speaker 6

If I can add, Spence, we've worked together, you can tell.

00:50:00

Speaker 6

So he's dynamite and I'm just a regular guy.

00:50:05

Speaker 6

But at the working level, and that's where we don't quite agree, Spence, I think policy needs to have some teeth to it, but we don't want to dwell on building policy to the point where we can't manage a contract or deliver a contract.

00:50:18

Speaker 6

But when you talk about solutions, again, I get down to the working level.

00:50:22

Speaker 6

And when I joined PSBC, you had to have 10 years of shipbuilding before you could be a PG-4.

00:50:28

Speaker 6

So I mean, those days have changed.

00:50:30

Speaker 6

And I'm not saying that we should go back to that, but what I'm saying is educate your people, keep them in those domains.

00:50:36

Speaker 6

If they're gonna start in marine, keep them in marine or keep them in the air side or the land side so that they learn the files, they learn the capabilities, but more importantly, they learn how to deal with industry because that's where it's gonna happen.

00:50:48

Speaker 6

That relationship you have at the working level,

00:50:51

Speaker 6

with your counterpart, whether it's PSBC or ISED or whomever with the contractor, it's going to be important to build that relationship.

00:50:59

Speaker 6

And somebody mentioned it earlier, why not have industry exchanges?

00:51:03

Speaker 6

We used to do that many years ago.

00:51:05

Speaker 6

Put people in the industry, let them learn, let them see how the industry works.

00:51:09

Speaker 6

And again, I get back to my other mantra, which I've been preaching for years, and that's co-location on the work site.

00:51:16

Speaker 6

where you're building the product.

00:51:17

Speaker 6

It'll go faster, it'll deliver quicker, and believe it or not, you'll probably reduce the cost.

00:51:25

Speaker 2

Other comments?

00:51:26

Speaker 2

No, we're good.

00:51:27

Speaker 2

Okay, let's head to questions.

00:51:29

Speaker 2

We've got a new system.

00:51:30

Speaker 2

We're going to make sure everyone gets their steps in today.

00:51:33

Speaker 2

So we have a microphone in the middle of the room.

00:51:35

Speaker 2

If you have a question, please just come up to the microphone and speak loud and clearly and keep your questions short and brief, please.

00:51:57

Speaker 2

Hang on.

00:52:00

Speaker 8

Test, test.

00:52:00

Speaker 8

There we go.

00:52:02

Speaker 8

Go again.

00:52:03

Speaker 8

That was a fantastic panel.

00:52:04

Speaker 8

I appreciate everything you've said.

00:52:06

Speaker 8

I'm Lee Carson, North Strat Consulting, and I guess my question is about the Arctic.

00:52:11

Speaker 8

We're talking about the DIS today, but of course our real defense policy is our North strong and free and the DIS is to support that.

00:52:18

Speaker 8

When I look at some of these things, the sovereign capabilities, there's no mention of the Arctic.

00:52:24

Speaker 8

And really when you look at them,

00:52:26

Speaker 8

They're technologies.

00:52:27

Speaker 8

They're not capabilities.

00:52:29

Speaker 8

Spence, I think you talked about prevailing on the battlefield.

00:52:33

Speaker 8

Well, our battlefield is the Arctic, and there's nothing about prevailing as war fighters in the Arctic.

00:52:41

Speaker 8

And I think we've got capabilities in this country about that.

00:52:45

Speaker 8

We've got a DRDC that's well-funded to study how to do that in the Arctic, and yet I don't see it reflected.

00:52:54

Speaker 8

I represent the Arctic, the Inuit-owned businesses across the north.

00:52:59

Speaker 8

We're not strategic partners.

00:53:01

Speaker 8

We can't even seem to get one of those standing offers that we can apparently do in a day.

00:53:07

Speaker 8

Where is the Arctic partnership in this all this?

00:53:11

Speaker 8

Thank you.

00:53:17

Speaker 2

Anybody that wants to take it, go for it.

00:53:19

Speaker 3

Yeah, for sure.

00:53:21

Speaker 3

I can provide the beginning of an answer.

00:53:23

Speaker 3

So 2 things I would say.

00:53:25

Speaker 3

The first one is that

00:53:27

Speaker 3

when you're right, the words Arctic, North don't come up in the sovereign Kiblis.

00:53:32

Speaker 3

But what I can tell you is when we looked at identifying them, we looked at scenarios for defense of Canada, meeting our commitments in the Arctic and threats in and through the North were a big part of it.

00:53:46

Speaker 3

So that's why we have things like in ammunition, we have missiles and bombs, right, for these kind of things.

00:53:53

Speaker 3

Sensors, marine sensors is a big thing as well.

00:53:56

Speaker 3

So they're all playing like that, but it's true.

00:53:58

Speaker 3

It's not kind of framed as Arctic capabilities to your point.

00:54:05

Speaker 3

But it was top of mind and in terms of what we can do with our allies as well, that's something we need to think about a lot in terms of how can we cooperate with other Arctic countries for our benefit and their benefit.

00:54:17

Speaker 3

But you're also very correct that it's an area of challenge in trying to figure out how are we going to best partner

00:54:26

Speaker 3

with the North in terms of building the industrial base, the capabilities there in that space and building infrastructure as well.

00:54:35

Speaker 3

It's a little bit outside of my space, but it's an ongoing conversation, right?

00:54:40

Speaker 3

So there was a big vision put forward in Are North Strong and Free?

00:54:46

Speaker 3

As we work towards the bigger commitments in NATO, that's going to have to be a big area of focus for sure.

00:54:53

Speaker 8

Thank you.

00:54:53

Speaker 8

I think we need to work on that together.

00:54:55

Speaker 8

We need to make this operational.

00:54:58

Speaker 8

Thanks so much.

00:54:59

Speaker 3

Thank you.

00:55:02

Speaker 2

Any other questions?

00:55:08

Speaker 2

Please.

00:55:11

Speaker 9

I don't like to hog the mic, but since no one else is asking questions, it's okay.

00:55:15

Speaker 9

All right.

00:55:17

Speaker 9

Ukraine used to be more bureaucratic than Canada, and the procurement systems were longer.

00:55:23

Speaker 9

But now the Minister of Defence is Fedorov.

00:55:26

Speaker 9

Fedorov came from the IT sector and he's brought in the fast procurement that comes from that sector.

00:55:33

Speaker 9

Canada has an IT sector and knows how to procure IT as well.

00:55:38

Speaker 9

I used to be at the Department of Justice a long time ago when I began my career with IT sectors.

00:55:43

Speaker 9

So my question is to you this, have you considered

00:55:47

Speaker 9

integrating or getting closer to Brave One and the people that are running procurement in Ukraine in the very quick, iterative fashion that the ground up development of weapons is forcing onto them.

00:56:02

Speaker 9

Have you considered, there are many Ukrainians that came here from Ukraine that have the Ukrainian language

00:56:09

Speaker 9

and that could help you understand what's going on there and how to learn from them about what to do.

00:56:16

Speaker 9

Just give you one example.

00:56:17

Speaker 9

Two weeks ago, there was an online conference called Miltech from Ukraine.

00:56:22

Speaker 9

Four tracks all day long about how you procure, how they are procuring these weapons that they're using on the front lines.

00:56:30

Speaker 9

You could learn from that.

00:56:33

Speaker 3

Thank you for the comment.

00:56:34

Speaker 3

It's a great comment.

00:56:35

Speaker 3

I'm not in a procurement space and I don't want to speak for my material colleagues or the DIA, but certainly Ukraine is a place where we look to for a lot of lessons in how to do things faster, better.

00:56:54

Speaker 3

And I would also say it's not just about the processes, it's also about the culture and how we look at

00:57:02

Speaker 3

how we approach our problems and taking risks and things like that.

00:57:06

Speaker 3

So we definitely have a lot to learn from Ukraine.

00:57:09

Speaker 3

I can't provide the specifics because I'm not in that space, but that's a great comment.

00:57:15

Speaker 7

So I'll comment.

00:57:18

Speaker 7

I think Ukraine started in a position that's better off than Canada.

00:57:23

Speaker 7

I don't think people understand just how bad it is in Canada in terms of our sovereign capability.

00:57:29

Speaker 7

We cannot produce ESADs.

00:57:31

Speaker 7

Does everyone know what an ESAD is?

00:57:33

Speaker 7

We lost the ability to make fuses, which we made millions of during the Second World War.

00:57:38

Speaker 7

I'm talking mechanical fuses.

00:57:41

Speaker 7

Forget electronic fuses.

00:57:43

Speaker 7

We can't do it.

00:57:44

Speaker 7

That's A five-year, I mean, Ukraine had companies doing it.

00:57:48

Speaker 7

So they could

00:57:49

Speaker 7

they could actually use weapons that were being made locally.

00:57:52

Speaker 7

We've lost that capability.

00:57:55

Speaker 7

When I retired from the military in 03, we still had probably 25, 30 people at DRDC and other agencies who had an experience designing safety fuses, this type of thing.

00:58:08

Speaker 7

Now, we don't have the existential threat that focuses the mind.

00:58:13

Speaker 7

If you look in Canadian history, when we've had to focus, I think of Afghanistan, urgent operational requirements,

00:58:19

Speaker 7

I love the recent, we don't call them urgent anymore, I guess, because they take two years.

00:58:24

Speaker 7

We called them, what was it?

00:58:27

Speaker 7

Unsolicited.

00:58:28

Speaker 7

What was that?

00:58:28

Speaker 1

Unforecasted.

00:58:29

Speaker 7

Unforecasted, but in the DIA, it still says urgent.

00:58:34

Speaker 7

But I mean, we got aircraft when we needed, tanks when we needed, artillery when we needed.

00:58:38

Speaker 7

So Canada will move.

00:58:40

Speaker 7

It gets back to John's point about people following process, you know, 27 signatures.

00:58:45

Speaker 7

Ukraine is interesting.

00:58:47

Speaker 7

I happen to have a fair amount of experience there.

00:58:51

Speaker 7

Existential threat.

00:58:53

Speaker 7

They've lost a lot of people through accidents that we would not support in Canada.

00:58:58

Speaker 7

They were making bombs in their kitchens to go blow up Russians down the street in Kyiv.

00:59:03

Speaker 7

And that was good for the first two years, first three years when they had the urgency.

00:59:08

Speaker 7

But even they've moved to polygons for testing.

00:59:11

Speaker 7

If you're a Canadian company going over to Ukraine today, don't think you're going to show up with, they're going to have open arms.

00:59:17

Speaker 7

They've probably heard from 100 different Western suppliers and you're going to have to prove your stuff, right?

00:59:22

Speaker 7

You're going to have to show up and not have a sales brochure, glossy, you're going to have to do the business.

00:59:29

Speaker 7

And if you don't know how a fuse works and you don't know the safeties on a fuse, they'll kick you out.

00:59:33

Speaker 7

Two years ago, they would not.

00:59:36

Speaker 7

The other thing I'd say about Canada, where we are strong, anyone here from Celestica?

00:59:44

Speaker 7

Celestica is the biggest printed circuit board maker in the world.

00:59:47

Speaker 7

They're Canadian.

00:59:50

Speaker 7

You go to them in defense and say, yeah, I want 1000 boards this year.

00:59:53

Speaker 7

They're like, Spence, that's 20 minutes of production.

00:59:57

Speaker 7

They're producing hundreds of thousands of boards a month.

01:00:00

Speaker 7

Novotel, great company from Alberta, good shout out.

01:00:04

Speaker 7

They probably produce most of the GNSS systems used in Ukraine today

01:00:10

Speaker 7

that are on the flamingos flying into Moscow.

01:00:14

Speaker 7

Now, the Ukrainians are prepared.

01:00:16

Speaker 7

They're losing 18 out of every 20 flamingos being shot at the Russians from air defense.

01:00:22

Speaker 7

That is the scale that we're talking about.

01:00:24

Speaker 7

When you talk to the Americans, they're talking about scales, like we talk hundreds of units.

01:00:28

Speaker 7

The Americans are talking 10s of thousands of units.

01:00:32

Speaker 7

And I think that's the discussion, Elliot was talking about it today.

01:00:35

Speaker 7

Those are the numbers we have to.

01:00:37

Speaker 7

I mean, it took us what, 4 1/2 years, five years now to get 155 shells.

01:00:42

Speaker 7

Anyone from IMT here?

01:00:45

Speaker 7

Okay, so IMT got a contract from the US military because some guy drove up from Picatinny, said contract to follow, build a factory and send us the bill.

01:00:55

Speaker 7

So they've been in production for over a year and a half making 155 casings and we still have not started a new production line.

01:01:02

Speaker 7

Maybe GDOTS is here.

01:01:04

Speaker 7

I don't want to get sued.

01:01:05

Speaker 7

Maybe you guys are far ahead.

01:01:07

Speaker 7

But the fuses, we've got unemployed people in Toronto who could do this work, and we're not making fuses in Canada?

01:01:15

Speaker 7

Are you kidding me?

01:01:17

Speaker 7

This is ridiculous.

01:01:18

Speaker 7

We can build the printed circuit boards.

01:01:20

Speaker 7

We have all the things.

01:01:22

Speaker 7

General Electric, hopefully they're not here because I'm going to badmouth them.

01:01:28

Speaker 7

General Electric closed their plant in Peterborough, Ontario.

01:01:33

Speaker 7

So what were they making in Peterborough?

01:01:34

Speaker 7

They've been winding electric engines there for 140 years.

01:01:38

Speaker 7

So what is our critical failure right now in drones?

01:01:42

Speaker 7

We have no ability in Canada today, even if you drop the contract, to make electric engines at the scale they're using in Ukraine.

01:01:51

Speaker 7

The Ukrainians are now making their own.

01:01:52

Speaker 7

They're going to ramp up to several million a year.

01:01:55

Speaker 7

We lost that capability.

01:01:57

Speaker 7

Because there was no one at Industry Canada, sorry, I'm not picking on Industry Canada, who said, you know what?

01:02:02

Speaker 7

And this is not a criticism.

01:02:04

Speaker 7

It's the times of the way it was.

01:02:06

Speaker 7

We just said, you know what, it's fine.

01:02:07

Speaker 7

We don't need that.

01:02:08

Speaker 7

We don't need PPE.

01:02:09

Speaker 7

We don't need to make masks.

01:02:11

Speaker 7

But we do now.

01:02:14

Speaker 7

So we're the military guys.

01:02:16

Speaker 7

More contracts.

01:02:18

Speaker 7

Anyways.

01:02:19

Speaker 2

Dave, last question.

01:02:21

Speaker 1

Just to pull on this thread a little further, for the government folks in the panel,

01:02:25

Speaker 1

What can people, other than winding Spence up and have a name off companies in Canada, as you're trying to build out a better understanding of like what are the competencies that we either do or don't have that are critical supply chain inputs, like what role can people play outside of government in helping broaden out and develop that understanding with more detail?

01:02:45

Speaker 1

There's lots of different efforts, a whole bunch of cities, municipalities are discovering their passion for defense that didn't exist a year ago.

01:02:52

Speaker 1

I've seen that in a lot of other places.

01:02:54

Speaker 1

What are the things that folks outside government can do to help broaden up the overall national level of understanding?

01:03:01

Speaker 4

Yeah, I'll take this one to start off.

01:03:04

Speaker 4

I would say if you're part of an association, if you're working through provincial or territorial government, make sure you're engaging.

01:03:12

Speaker 4

Make sure you engage with us.

01:03:13

Speaker 4

Please, we have our new ISEG concierge service, which is a window at this time into the federal family.

01:03:21

Speaker 4

We are trying to make it, at least at the initial onset first phase, is trying to make it that you need to go have few stops within Ottawa and try and assemble more federal people together so there's less meetings together.

01:03:34

Speaker 4

But please come to the ICED website.

01:03:37

Speaker 4

And I think a first step, hopefully you'll see from us as a government that we are more receptive to engaging with industry.

01:03:44

Speaker 4

ICED has done this for a long time, but it hasn't always been the default for the rest of the defense family within

01:03:50

Speaker 4

government, but please talk to us.

01:03:53

Speaker 4

Please talk to the provinces and territories.

01:03:55

Speaker 4

They also have a new passion for defense, as Dave said.

01:03:58

Speaker 4

Everybody loves defense all of a sudden.

01:04:01

Speaker 4

And I think I would say as a person, as a policy person who has been in the defense world for almost close to 10 years, I'm not an expert in it, but please let us know what you do.

01:04:13

Speaker 4

in a, and be, I don't want to say simple, but don't get bogged down in the weeds on it, but make sure that it's very clear to us what you guys do, how, it actually has been fantastic.

01:04:26

Speaker 4

And even in the last, we've been engaged with defense companies for many, many, for a long time, but even the last few weeks, the keenness to help and the true, honest, keen, and is

01:04:39

Speaker 4

the willingness to help from industry is really appreciated.

01:04:42

Speaker 4

I think it's a little bit, maybe it's a bit unique in this space because there is a real imperative right now to land this.

01:04:50

Speaker 4

But talk to us, talk to anyone within government.

01:04:54

Speaker 4

There is no wrong door at this time.

01:04:58

Speaker 4

Talk to any kind of association that you're part of or talk to provinces, territories, groups, and that is just getting yourselves known.

01:05:12

Speaker 3

I would just add to Lindsay's point that it's really important for us to have these type of conversations like we're having today that we don't have all the answers.

01:05:23

Speaker 3

Even for the ones among us that come from industry, it's complex, it's broad, it's ever-changing.

01:05:31

Speaker 3

So we need to continue hearing from you.

01:05:33

Speaker 3

And I think so far it's been great and we're hearing a lot of that feedback.

01:05:38

Speaker 3

One of the ways in which we want to facilitate that is by putting ourselves out there more.

01:05:44

Speaker 3

So having things like, I'll call them industry days, where we can have particular topics of conversation with industry, with academia about problems we're trying to solve with regards to research and development, innovation, the supply chain, for instance, and get at those

01:06:02

Speaker 3

that feedback from industry about what we should be thinking about, not only in terms, again, of the final capability, but what we need to think downstream in terms of their sovereignty, in terms of those components, those materials that go into that.

01:06:16

Speaker 3

So expect that we'll try to do that across the country on different topics going forward.

01:06:21

Speaker 4

And if I could just finish on this.

01:06:24

Speaker 4

This is, we're still in the early implementation time.

01:06:28

Speaker 4

We know we need to execute.

01:06:29

Speaker 4

We know we need to deliver.

01:06:30

Speaker 4

We are not, this is not the end state.

01:06:32

Speaker 4

And we are, as a government, as a team, government, DIA, D&D, I said, we are looking at different ways and better ways to interact with industry and how to do that online, whether it's in person, online, there's value in both.

01:06:47

Speaker 4

Looking at how can we learn about products and capabilities better.

01:06:50

Speaker 4

And so,

01:06:52

Speaker 4

Stay tuned.

01:06:54

Speaker 4

And if you have great ideas, also let us know.

01:06:57

Speaker 4

But we are also trying to work and mature this.

01:06:59

Speaker 4

So I'll stop there.

01:07:00

Speaker 6

And whatever you do, make sure you empower your people at the lowest possible level to get those contracts out.

01:07:06

Speaker 4

So contracts out to the ecosystem, right?

01:07:10

Speaker 1

Those people too.

01:07:11

Speaker 2

Thanks, everybody.

01:07:12

Speaker 1

On that note, please join me in thanking the panel.

01:07:22

Speaker 1

We're not going to break for a little longer coffee break, just to make sure everybody's well caffeinated enough to get through the last three pieces of the day, which is one more panel, a fireside chat, Secretary of State Feuer, and then Minister McGinty is going to come and say a few words for the reception.

01:07:36

Speaker 1

So between that and the cold temperatures earlier, for people that are complaining about how cold it was, are you still chilly now that it's 30 degrees outside this giant wall of windows on a sunny 30 degree day?

01:07:48

Speaker 1

So that's the strategy to keep everybody awake and fresh to be back at 1325.

01:07:54

Speaker 1

Thank you.

01:07:55

Speaker 4

Great job.

01:07:56

Speaker 4

Thank you so much.

01:07:56

Speaker 4

Thank you.