

# Strategic IRB Policy Getting a Foot in the Door

**Industrial and Regional Benefits (IRBs) represent an important strategic policy for Canada. Equally, it is clear that the policy is widely misunderstood. It has been portrayed as an impediment, an expense, and a tool for influencing military requirements through the imposition of “made in Canada” solutions. In fact, it is none of these things. In the following paragraphs, the Atlantic Canada Opportunities Agency (ACOA) will explore aspects of the policy, including some significant challenges, which demonstrate its value to Canada.**

The federal government seeks to promote Canada’s international competitiveness through the ongoing integration of scientific, technological, industrial and regional strategies and activities in all parts of the country. The IRB policy provides the framework for using federal procurement as a lever to promote these objectives. As a fundamental test of the policy, bidders are encouraged to identify business activities that make good business sense, regardless of where they are performed in Canada.

Within the Government team, the ACOA is responsible for advocating on behalf of Atlantic Canada’s aerospace and defence (A&D) industry on A&D policy issues, including IRBs. ACOA focuses on key areas of activity:

- Overarching advocacy and representation on A&D policy issues;
- Ongoing liaison with federal project offices including Senior Project Advisory Committee Membership (development of project strategies including procurement and IRB strategies);
- Liaison with potential bidders to identify Atlantic Canadian partners;
- Bid evaluation;
- IRB contract management; and
- General A&D business development activities under various initiatives and programs, independent of IRB opportunities, including trade and investment.

ACOA’s focus on the A&D sector responds to the importance of the sector to the Atlantic Canadian economy. Between 1992 and 2005, the export

growth rate for Atlantic Canada’s aerospace and defence industry sector was 480%. Contributing to this growth was the aerospace manufacturing and service cluster, located in the aerospace business park at Summerside, Prince Edward Island’s, who collectively are the province’s fourth-largest industry and second-largest exporter, accounting for 25% of P.E.I.’s international exports. IRBs are just one of many factors that have contributed to the growth of the A&D sector in Atlantic Canada.

A key outcome of successful IRB programs has been the ability of Atlantic firms to leverage an initial IRB commitment into a continuing presence in a winning bidders global supply chain. For example, building on relationships established during production of Canada’s LAV III fleet, General Dynamics Land Systems continues to source parts in Canada for new vehicle production in both the U.S. and Canada. From Baghdad to Kandahar, LAV III and Stryker vehicles are equipped with add-on armour, bins and other hardware produced in New Brunswick; tires, wiring harnesses and other components produced in Nova Scotia; and driver panels and other components manufactured in Newfoundland and Labrador. Canada’s IRB policy opened the door! The compelling business case of quality, service and price from Canadian suppliers, keep it open.

While not dependent on IRBs for economic success, the strengths of the Atlantic region ensure our companies are

well positioned to capitalize on IRB opportunities. Outstanding direct transportation links to the U.S. and Europe, world renowned educational institutions, related Government R&D facilities, an existing customer base (over 40% of CF equipment including ships, aircraft and military vehicles are based in Atlantic Canada) and a talented and productive workforce all contribute to a recipe for IRB success. Significantly, within the Atlantic region there is a dynamic team of federal and provincial representatives, industry associations and individual companies that are positioned to assist bidders in identifying and exploiting our capabilities and capacity to deliver the CF’s critically important equipment transformation projects while ensuring they maintain their competitive edge.

ACOA sees six significant challenges to the successful execution of what could be the golden age for Canada’s IRB policy:

1. In an effort to hasten project execution, there is a desire to identify “cookie cutter” approaches to IRB strategies. While this approach is understandable, it is clear that every project requires critical analysis and the appropriate due diligence to ensure the right approach and execution of Canada’s IRB objectives;
2. Canada must acquire sufficient intellectual property to maximize high value opportunities, develop export markets and most importantly, provide timely and responsive in-service support to the Canadian Forces;
3. We must collectively address the International Traffic in Arms Regulations (ITAR) issue, an impediment to growth in the global aerospace and defence industry. Our collective ability to address this conundrum will directly impact our efforts to acquire the intellectual property that Canadian industry requires to support new equipment and develop capacity and capability;
4. Corporate direction concerning the incorporation of the advice and suggestions of the bidder’s in-house industrial participation team in the bidder’s sourcing decisions appears to be lacking in certain companies. Addressing IRB solutions in a coordinated and focused manner can achieve time and resource savings;
5. Early identification of opportunities through the bidder’s *Tier 1* and *Tier 3* suppliers. Lower tier suppliers provide enormous potential in realizing IRB

commitments, and are often a better fit for small and medium enterprises. While it is understandable that it is difficult to assess this potential in the initial stages, there is a real need for bidder's to provide direction to their supply chain in this regard; and

6. There is often a lack of detailed knowledge of Canadian industry, and its ability to participate in IRB solutions. In addition to the role that the government plays in building bidder knowledge of our capability and capacity, bidder's industrial participation representatives need to fully exploit our capability and capacity in order to achieve their IRB strategies. Analyzing capability and capacity at arm's length, coupled with brief visits to industrial centres in Canada, is not ideal and is no substitute for resident industrial participation representatives.

Industrial offsets are a global reality, in which international aerospace and defence companies are well versed. Consequently, these companies are encouraged to draw upon the resources available to assist them in developing sound IRB fulfillment strategies. Within our region, a dedicated team including the federal and provincial governments, industry associations at the national and provincial level as well as individual companies, is anxious to assist bidders in fulfilling their IRB obligations.

Properly applied and managed by professional practitioners, the IRB policy can ensure in country support to our military, strengthens the Canadian industrial base, aids socio-economic development and represents good value for the Canadian taxpayer. Finally, while recognizing that there are underlying nuances to the policy, including regional development, the overarching imperative is to forge the best deal for Canada. Within the public and private sector, there exists a specialized team with the expertise and experience to ensure that IRBs are executed to ensure the best result for Canada, and industry. Let us, collectively, do our job. **FL**



*Craig Rowsell is the Director General, Advocacy and Industrial Benefits, at the Ottawa Office of ACOA, the Atlantic Canada Opportunities Agency.*

## Rick Mercer Accepts Appointment as Honorary Colonel of 423 Maritime Helicopter Squadron

January 2007 – SHEARWATER, N.S. – Comedian and political satirist Rick Mercer has accepted the appointment as Honorary Colonel of 12 Wing Shearwater's 423 (MH) Squadron, and will begin his tenure in this honorary appointment when he conducts his first official visit to the Maritime Helicopter Squadron in the spring.

"We had been searching for an Honorary Colonel for the Squadron for some time," says LCol Jeffrey Boucher, the Commanding Officer of 423 (MH) Squadron.

"We approached Rick to be our Honorary Colonel because he's the kind of person we wanted in this role. Rick has always been an outspoken advocate for the military community, and he has demonstrated a true desire to help the men and women of the Squadron. His public stature and renown will help him cultivate esprit de corps within the Squadron, and maintain community support for the great work done by 423 Squadron."

After being formally nominated by 423 (MH) Squadron, Mr. Mercer's nomination was reviewed and approved by the Minister of National Defence, on the recommendation of the Chief of the Defence Staff. During his three-year tenure as Honorary Colonel, Mr. Mercer will be responsible for such things as assisting the Squadron in hosting parades and other unit functions, and developing and maintaining strong community support for the Squadron.

"We're extremely pleased to have Rick Mercer as the new Honorary Colonel for the Squadron," says LCol Boucher. "Rick has repeatedly demonstrated that he is a supporter of the Canadian Forces – and we look forward to his support of, and work with, the Squadron. The next few years at the Wing and at the Squadron will be exciting and challenging as we transition to the new Cyclone aircraft – and having the support of people like Rick Mercer will be extremely helpful as we forge ahead into the future." **FL**



PHOTO: CPL DAVID MCCORD

## New President takes over at The Friends of the Canadian War Museum

January 2007 – *The Friends of the Canadian War Museum* have a new president. Retired Colonel Angus Brown takes the helm from Colonel (retired) Jerry Holtzhauer, who, after a demanding tenure of 10 years, will remain on the executive committee as the Immediate Past President.

"I am privileged to become the fifth President of an organization that has been so successful in its philanthropic work," said former Vice President, Col Brown.

The *Friends* also announced a new fundraising program, entitled "Carrying the Torch," to raise funds to support ongoing activities at the Museum. It follows on from the successful "Passing the Torch" campaign that raised \$16 million towards the completion of the new museum.

*The Friends of the Canadian War Museum* is a national, non-profit charitable organization with almost 1800 'Friends' across Canada. The group supports the Canadian War Museum in a variety of ways including the provision of funding, volunteers and sponsorship of programs.

For further information, contact the *Friends* office at (819) 776-8618 or visit the web site at: [www.friends-amis.org](http://www.friends-amis.org) **FL**