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SOLICITATION AMENDMENT
MODIFICATION DE L'INVITATION

The referenced document is hereby revised; unless otherwise indicated, all other terms and conditions of the Solicitation remain the same.

Ce document est par la présente révisé; sauf indication contraire, les modalités de l'invitation demeurent les mêmes.

Comments - Commentaires

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K1A 0S5

Title - Sujet Naval Remote Weapon Station	
Solicitation No. - N° de l'invitation W8472-125389/B	Amendment No. - N° modif. 002
Client Reference No. - N° de référence du client W8472-125389	Date 2015-01-23
GETS Reference No. - N° de référence de SEAG PW-\$\$QF-101-24870	
File No. - N° de dossier 101qf.W8472-125389	CCC No./N° CCC - FMS No./N° VME
Solicitation Closes - L'invitation prend fin at - à 02:00 PM on - le 2015-03-31	Time Zone Fuseau horaire Eastern Daylight Saving Time EDT
F.O.B. - F.A.B. Specified Herein - Précisé dans les présentes Plant-Usine: <input type="checkbox"/> Destination: <input type="checkbox"/> Other-Autre: <input checked="" type="checkbox"/>	
Address Enquiries to: - Adresser toutes questions à: Michael Rancourt	Buyer Id - Id de l'acheteur 101qf
Telephone No. - N° de téléphone (819) 956-3930 ()	FAX No. - N° de FAX (819) 956-5650
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Signature	Date

This Request for Information (RFI) amendment 2 is to :

- a. release the Industry Canada Industrial and Technological Benefits, and Value Proposition package;
- b. extend and clarify the RFI closing date, and the requested draft Request for Proposal (RFP) feedback due dates; and
- c. Provide an update on Industry Engagement.

1. Industry Canada Industrial and Technological Benefits, and Value Proposition Package

The attached Industry Canada Industrial and Technological Benefits, and Value Proposition package is to :

- a. Present analysis on industrial capabilities related to the NRWS project;
- b. Outline proposed Value Proposition evaluation framework; and
- c. Seek input from industry on the Value Proposition evaluation framework approach through written responses.

Please note this Industry Canada package includes a set of specific questions addressed to Industry. Industry is requested to provide answers to these question in their Industry Canada feedback.

These specific questions can be found under the Defence, Canadian Supplier Development, R&D, Exports, and Value Proposition sections of the package.

2. RFI Closing Date

The RFI closing date has been extended to **March 31, 2015**. Note that this date does not represent the requested due date for draft RFP feedback. The RFI closing date represents the end of the draft RFP process including any Industry engagement activities.

3. Industry Feedback Due Dates

This amendment 2 introduces new draft RFP feedback dates. The process now has two request due dates, one for Industry Canada feedback, and another for DND feedback. Requested due dates are as follows:

- a. Industry Canada - Please submit your feedback on the Industry Canada package released in this amendment 2, by **February 13th, 2015**;
- b. All other draft RFP documents - Please submit your feedback on the draft RFP package by **February 20th, 2015**.

Note that Canada intends to release the remaining draft RFP documents in future amendments so Industry should have a completed package before these due dates arrive. All feedback and questions on NRWS are to be sent to the Contracting Authority at the following contact information.

Solicitation No. - N° de l'invitation

W8472-125389/B

Amd. No. - N° de la modif.

002

Buyer ID - Id de l'acheteur

101qf

Client Ref. No. - N° de réf. du client

W8472-125389

File No. - N° du dossier

101qfW8472-125389

CCC No./N° CCC - FMS No/ N° VME

As per RFI amendment 1, the requirement for hard copy feedback is no longer required and all feedback can be submitted via email :

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4. Industry Engagement

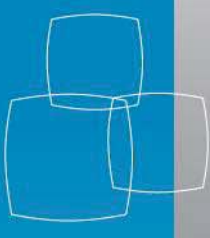
Canada anticipates Industry engagement activities to take place early March 2015 time frame. An RFI amendment is forthcoming to release details and specific dates for the engagement opportunities. It is our intent to give participants ample time to plan for these engagement activities.



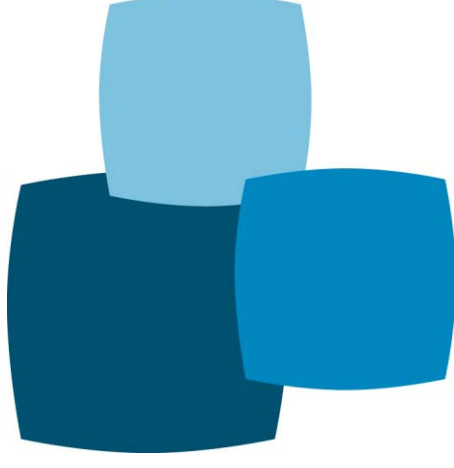
Industry
Canada

Industrie
Canada

Defence Procurement Strategy and the Naval Remote Weapon Station



**Industrial and Technological Benefits Policy
Including Value Proposition**



January 2015

Canada

Outline



- Objective
- Industry Engagement Plan and Timeline
- Overview of Industrial and Technological Benefits and Value Proposition
- Market Analysis Related to NRWS Procurement
- Initial Value Proposition Evaluation Approach



Objective



- The Government of Canada is consulting with industry to support the development of the Value Proposition evaluation framework for the Naval Remote Weapon Station (NRWS) procurement
 1. Present internal NRWS market analysis
 2. Outline proposed Value Proposition evaluation framework based on market analysis
 3. Obtain industry views on defence industrial capabilities that exist in Canada related to the procurement
 4. Seek input from industry on structuring the evaluation framework to support long-term industrial benefits in Canada
- Feedback from industry provided during the industry engagement process will be considered by Industry Canada in finalizing the Value Proposition approach



Value Proposition Industry Engagement Timeline



- **Request for Information:**
 - Present analysis on industrial capabilities related to the NRWS project
 - Outline proposed Value Proposition evaluation framework
 - Seek input from industry on the Value Proposition evaluation framework approach through written responses
 - Responses due **February 13, 2015**
- **Industry Day and One-on-One:**
 - Summarize industry feedback received through RFI
 - Present draft scoring of the NRWS procurement Value Proposition for consideration
 - Seek additional feedback from industry on draft scoring through scheduled one-on-one engagement
- **Draft Request for Proposal:**
 - Provide NRWS Value Proposition and associated weighting to bidders for final comment
- **Formal Request for Proposal**



Canada's Defence Procurement Strategy



- **Announced in February 2014, by the Ministers of:**
 - *Public Works and Government Services*
 - *National Defence*
 - *Industry*
- **Goals:**
 - *Deliver the right equipment to the Canadian Armed Forces and the Canadian Coast Guard in a timely manner.*
 - *Leverage purchases of defence equipment and services to create jobs and economic growth in Canada.*
 - *Streamline the defence procurement process.*



- Minister of Industry announced the new ITB Policy on December 19, 2014.
- Four objectives:
 - *Support the long-term sustainability and growth of Canada's defence sector.*
 - *Support the growth of prime contractors and suppliers in Canada, including small and medium-sized enterprises in all regions of the country.*
 - *Enhance innovation through R&D in Canada.*
 - *Increase the export potential of Canadian-based firms.*
- Backed by an aggressive **40 percent growth target over ten years, against which progress will be measured, starting in 2015-16.**

The ITB Policy will be broadly applied



- The ITB Policy will apply to procurements contracted after the launch of the Defence Procurement Strategy on February 4, 2014, including:
 - *all eligible defence procurements over \$100 million;*
 - *all eligible Canadian Coast Guard procurements over \$100 million and for which the National Security Exception applies; and*
 - *all eligible defence procurements with contract values between \$20 - \$100 million will be reviewed for the use of Value Propositions.*

The Value Proposition (VP)



- Winning bidders are now selected on the basis of price, technical merit *and their Value Proposition.*
- The VP includes bidder's commitments to undertake work and invest in Canada and will generally account for 10 percent of the overall score.
- Companies awarded procurement contracts must undertake business activity in Canada equal to the value of the contract.

Value Proposition

- Commitments/activities proposed at bid time.
- Rated and weighted during bid evaluation.

Outstanding Obligation

- Activities identified after contract award.
- Brings identified activities up to 100 percent of contract value.

Value Proposition Framework: Proposed Evaluation Criteria



Defence Sector

- Work in Canada specific to the procurement
- May include work in Canada's defence sector

Canadian Supplier Development

- Work undertaken by suppliers in Canada
- Work undertaken by SME suppliers in Canada

R&D

- R&D undertaken in Canada
- R&D in Canadian post-secondary institutions

Exports

- Strategy to export the procured product from Canada
- May include incremental exports in any sector

The VP Guide is a flexible framework



On a procurement-by-procurement basis, there is flexibility to:

- increase/decrease the weight of the VP
- weigh criteria differently
- apply all or some of the criteria
- add additional criteria
- apply mandatory requirements
- develop different rating grids

Informed by:

industry

engagement

*research and
analysis*

3rd party experts



- **Key Sources of Information*:**
 - Avascent, Jane's and Visiongain market reports and forecast databases;
 - Statistics Canada, Canadian Commercial Aerospace, Defence, Commercial and Civil Marine and Industrial Security Sector Survey (2011);
 - Regional Development Agencies and Other Government Departments' industry capability analysis.
- **Market and bidders analysis will provide information on leveraging opportunities related to the NRWS project and inform the Value Proposition.**

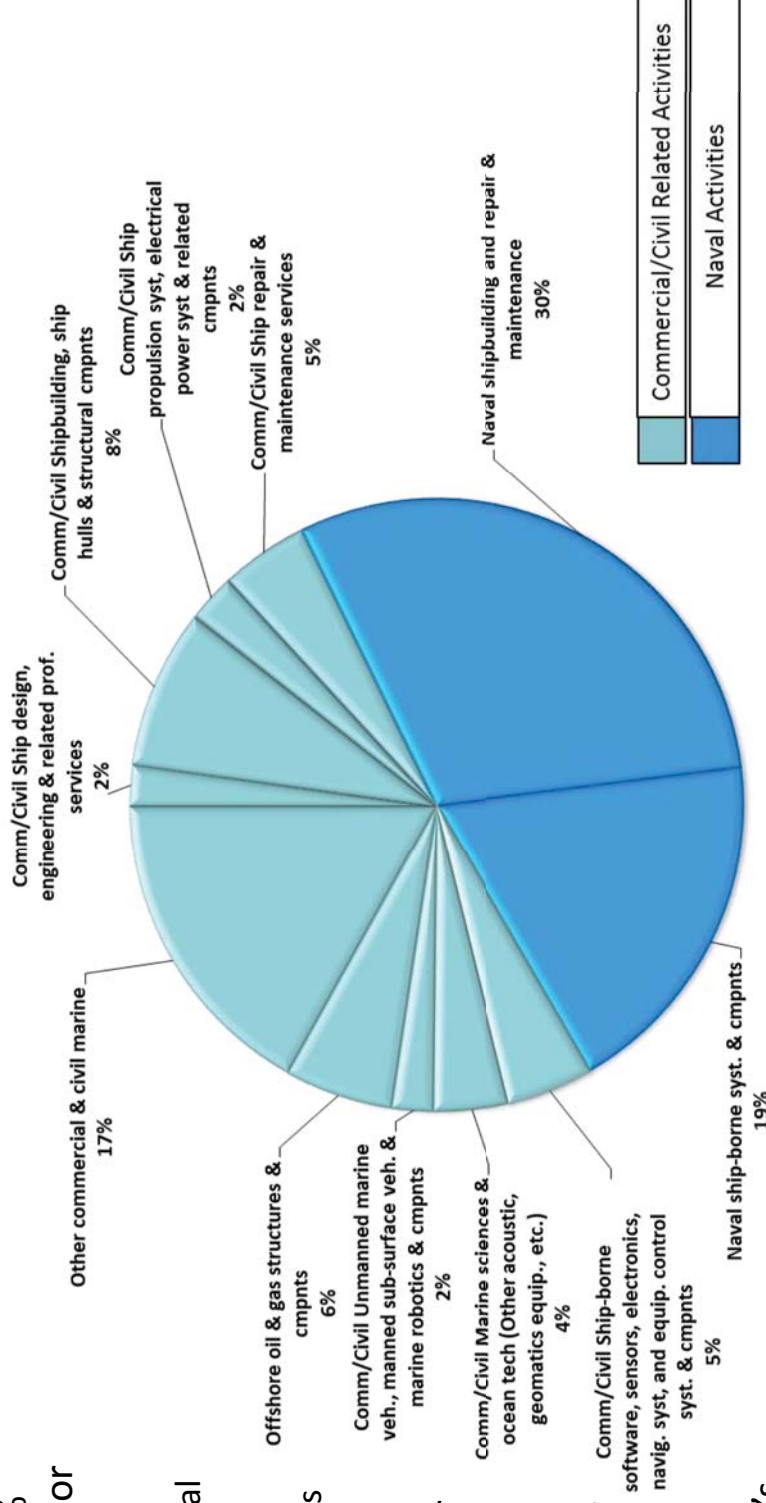


* Approaches to defining and breaking-up relevant market activities into detailed market sub-segments vary across sources. For example, dividing activities relating to naval ship-borne products according to the technologies they primarily relate to/are based on, vs. according to the functions they perform.

Naval Shipbuilding and Repair, and Naval Ship-Borne Systems (NSBS) are Key Segments of Canada's Marine Sector

- Canada has strong naval capabilities which make up 49% of total marine sector sales in 2011
 - Naval segments consist of: 'Naval Shipbuilding, repair and maintenance', as well as 'NSBS'
- NSBS accounted for about 19% of Canadian marine sector sales in 2011
- NRWS is classified under the NSBS segment of Canada's marine sector

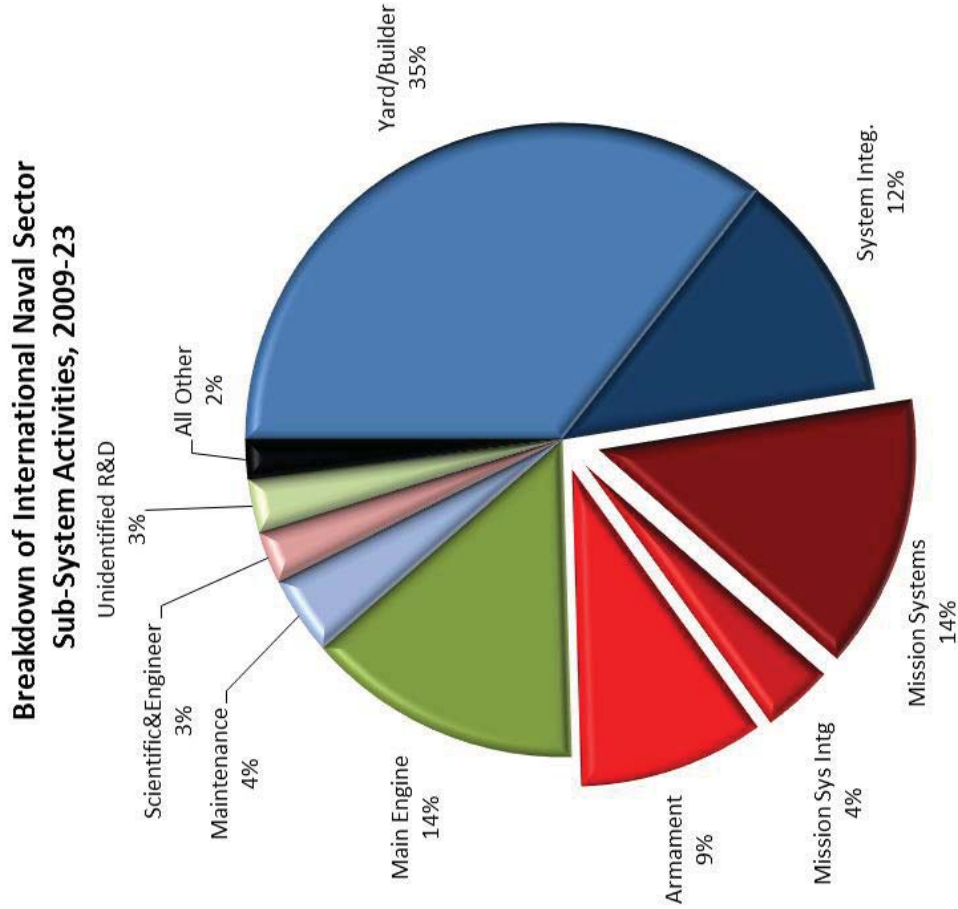
Canadian Marine Sector Sales, 2011



NSBS accounts for a sizable share of international market activity relating to Naval Vessels



- In 2014, international naval vessel market activity exceeded \$50B
- NSBS accounts for ~27% of total international naval vessel market activity, and comprises the following broad technology categories:
 - 40% Radar
 - 20% Communications
 - 14% Sonar
 - 13% Command & control
 - 6% EO/IR
 - 5% Precision guided weapons
 - 2% Missile launchers, & other
- NSBS is also a component for other combat and non-combat vessels under Canada's National Shipbuilding Procurement Strategy



Source: Industry Canada preliminary estimates based on IHS-Janes defence database, 2014

Open opportunities exist for NSBS, although market growth differs widely between NSBS sub-segments



- Four NSBS sub-segments have been identified as directly relating to the NRWS procurement:
 - EO/IR
 - Weapons Systems
 - Fire Control / Ship Combat Systems
 - Various other C4I Systems
- Most NRWS related sub-segments are forecasted to have an important share of open opportunities in coming years
 - Weapons Systems and Fire Control / Ship Combat Systems are forecasted to show the most growth

NSBS Sub-segment	% of Forecasted Contracts Not Yet Awarded (2014-2018)	% of Forecasted Growth (2014 -2018)	Approx. Value of Forecasted Contracts Not Yet Awarded (2014-2018) (USD\$ billions)
• Other Sensors & S&T	47%	-25%	0.8
• Mine Detection & Countermine Systems, Decoys & Countermeasures Dispensers	42%	23%	1.6
• Electronic Attack & Jamming, Electronic Countermeasure Systems, Other EW/IW, and EW S&T	34%	35%	0.5
• <i>EO/IR/Laser Surveillance, Targeting, Jamming & EW Systems; Night Vision Systems; and Optical S&T</i>	33%	-15%	0.7
• Sonar/Acoustic Systems & S&T (not associated with other market sub-segments)	32%	29%	1.6
• <i>Weapons Systems and S&T (Excl. Associated Munitions, Missiles etc. fired from vessels)</i>	29%	37%	2.9
• <i>Fire Control & Ship Combat Systems</i>	27%	26%	3.1
• Communication Systems (not associated with other market sub-segments)	26%	-7%	1.8
• ESM Systems to Detect & Classify Electronic Emissions; and Missile & Radar Warning Receivers	23%	0%	0.9
• Radar Systems and S&T (not associated with other market sub-segments)	23%	-7%	2.2
• Navigation & Positioning Systems etc.	22%	6%	1.2
• <i>Various Other C4I Systems, Electronics and S&T</i>	12%	3%	1.5



Opportunities for remotely operated gun systems also exist beyond ship-borne systems...

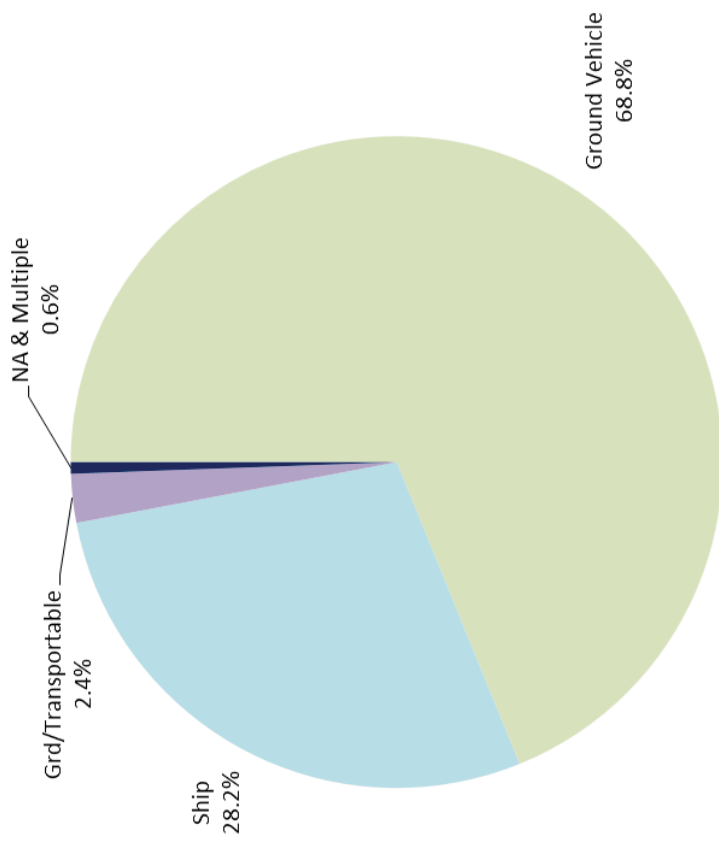


- Between 2014-2018, the Remote Weapon Station (RWS) market is forecasted to be valued at approximately \$7.1B
 - Close to 70% of RWS market activity relates to ground vehicles
 - Naval accounts for less than 30%

- Approximately 30% of total RWS activity remains open which present opportunities.

- Overall RWS market activity is led by high value work involving integration, detection and targeting sub-systems such as EO/IR, etc.

**Breakdown of Global Remote Weapon Station Market
2014-2018**



Supply Chain Analysis

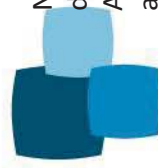


NSBS

- Close to 100 Canadian Companies identified as active in NSBS
 - Lower levels of supply chain participation exists as the majority of work is performed by a few large companies
 - Approximately 33 identified Canadian firms working within the NRWS relevant sub-segments of NSBS
 - Although Canada represents a limited share of total global NSBS activity, there exists notable capabilities in naval EO/IR, sonar and C2
 - Canada's Regional Development Agencies can assist in identifying potential partnerships

Potential Contractors

- While there are no Canadian-based NRWS OEMs, a scan of potential contractors shows that most maintain a presence in Canada and have experience working with Canadian supply chains
 - Naval and other defence capabilities



Note: The graphic represents a sample of companies in Canada as determined by Industry Canada and Regional Development Agencies, and may not represent a complete representation of active firms.
(NRWS relevant NSBS sub-segments are ***bold/italicised***)

NSBS Sub-segment	# Firms in Canada
<ul style="list-style-type: none"> Communications 	21
<ul style="list-style-type: none"> <i>Various Other C4I Systems, Electronics and S&T</i> 	18
<ul style="list-style-type: none"> Sonar/Acoustic Systems & S&T 	17
<ul style="list-style-type: none"> Navigation & Positioning Systems etc. 	12
<ul style="list-style-type: none"> <i>EO/IR/Laser Surveillance, Targeting, Jamming & EW Systems; Night Vision Systems; and Optical S&T</i> 	10
<ul style="list-style-type: none"> Radar Systems and S&T 	7
<ul style="list-style-type: none"> Other Sensors & S&T 	5
<ul style="list-style-type: none"> <i>Fire Control & Ship Combat Systems</i> 	4
<ul style="list-style-type: none"> Electronic Attack & Jamming, Electronic Countermeasure Systems, Other EW/IW, and EW S&T 	3
<ul style="list-style-type: none"> Mine Detection & Countermine Systems, Decoys & Countermeasures Dispensers 	3
<ul style="list-style-type: none"> <i>Weapons Systems and S&T (Excl. Associated Munitions, Missiles etc. fired from vessels)</i> 	3
<ul style="list-style-type: none"> ESM Systems to Detect & Classify Electronic Emissions; and Missile & Radar Warning Receivers 	2

R&D and Export Potential Analysis



- Innovation and R&D expenditure related to NSBS are reported to be low in Canada:
 - Low level R&D intensity investment in Canadian operations (less than 5% of revenues)
 - Low incidence of firms conducting large scale R&D investments (i.e. those greater than 2M\$/firm)
- Despite the current reported low level of export intensity, a significant export potential exists for RWS (i.e. naval and ground) capabilities.

Source: Canadian Commercial Aerospace, Defence, Commercial and Civil Marine and Industrial Security Sector Survey 2011, Statistics Canada and Industry Canada, 2013



Key Findings



- Canadian industrial capabilities related to the NRWS project exist in Canada.
- Global opportunities available for RWS on other platforms (i.e. ground).
- Potential to leverage additional capabilities related to broader NSBS activities present on other National Shipbuilding Procurement Strategy platforms.
- Close to 100 Canadian firms identified as active in the NSBS market segment.
- Innovation and R&D expenditure for NSBS are reported as low in Canada.
- Lower level of export intensity for NSBS in Canada thus far, however significant export potential exists for both naval and ground RWS.



Proposed Value Proposition Criteria for consideration under the NRWS procurement - Defence Sector Competitiveness



Defence Sector

- Motivate direct work activities in Canada specific to the NRWS procurement and activity related to other RWS platforms - both land and naval based; additionally
- Undertaking of indirect work activities related to NSBS

Questions for Consideration

1. What proportion of direct industrial activities related to this procurement would you expect to undertake in Canada, and in what areas?
2. To what extent could you identify transactions related to the evaluation criteria at the time of bid?
3. Related to the Value Proposition evaluation, should commitments to undertake activities carry the equal weighting to the identification of activities?
4. Do you have any views on the distribution of points across the two areas of eligible activities for this evaluation criteria as outlined above?
5. Are there other indirect activities related to naval or defence where you see additional opportunities? Please explain your answer.



Proposed Value Proposition Criteria for consideration under the NRWS procurement - Supplier Development and Research and Development



Canadian Supplier Development

• Motivate global supply chain opportunities for:

- Canadian-based suppliers; and
- SME suppliers in Canada

R&D

- Promote R&D undertaken in Canada; as well as
- Propose R&D activity with Canadian post-secondary institutions

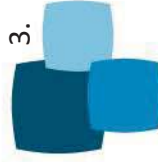
Questions for Consideration

Supply Chain Development

1. How strong is your ability to integrate Canadian suppliers and specifically Canadian SME suppliers into your supply chains?
2. Would awarding additional points for SME activities result in meaningful, long-term growth potential? If so, how would you score this evaluation criteria to achieve this objective?

Research and Development

1. How much R&D has your firm undertaken in Canada in the past, and how much is your company willing to invest into R&D related activities in Canada, and in what areas?
2. How would you suggest we measure R&D activities for scoring purposes (for ex. R&D dollars spent in absolute value or proportionately to contract value)?
3. In your view, should R&D activities undertaken by your Canadian subsidiary or supplier(s) carry equal weight as R&D activities undertaken in Canadian post-secondary institutions?



Proposed Value Proposition Criteria for consideration under the NRWS procurement - Leveraging Export Opportunities



Exports

- Strategy to export the procured product from Canada
- May include incremental exports in any sector

Questions for Consideration

1. What potential exists for Canadian industry to take advantage of global market opportunities related to the procurement?
2. Within the scope of the procurement, what export potential could you bring to Canada?
3. Outside of the scope of the procurement, what new export potential do you foresee from Canada?



Proposed Value Proposition Criteria for consideration under the NRWS procurement - Other



Questions for Consideration

1. Are there other high-value industrial activities not captured by the evaluation criteria which you might consider making that could strengthen the Canadian economy? How would you suggest we measure this for scoring purposes?
2. Relative to price and technical merit, typically 10 percent is the Value Proposition weighting within the overall bid score. Do you believe this weighting is appropriate for this procurement, or what do you think it should be? Please explain your answer.
3. Based on the Value Proposition objective to leverage defence spending to achieve economic benefit for Canada, what proportional weighting would you assign to each of the evaluation criteria?
 - Defence Sector
 - Canadian Supplier Development
 - Research and Technology Development
 - Exports
4. What scoring methodology would you propose for each of the Value Proposition evaluation criteria?





For more information on Industrial and Technological Benefits as well as the Value Proposition guide, please visit: <http://www.ic.gc.ca/itb>

Please provide your written feedback to the NRWS Value Proposition Questions for Consideration by **February 13, 2015**.

Questions requiring clarification, as well as the scheduling of one-on-one meetings following the Industry Day must be exclusively sent to the Contracting Authority:
Michael.Rancourt@tpsgc-pwgsc.gc.ca

Thank you!



Canada