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Strategic Tanker Transport Capability (STTC) Project

Projet d'Avion stratégique de transport et de ravitaillement en vol (ASTRV)

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June 2021

Virtual Industry Engagement

Introduction to the

Strategic Tanker Transport Capability (STTC) Project

AGENDA

- Opening Remarks
  - Virtual Session Logistics
  - Objective
  - Questions
  - Fairness Monitor
- Presentations & Q&As
- Closing Remarks

OPENING REMARKS

VIRTUAL SESSION LOGISTICS

- PSPC Event Group Support
  - In the event of technical difficulties please call:

343-998-8349

- All documentation presented during this session will be posted on the Government Electronic Tendering Service (GETS).

OBJECTIVES

The purpose of the STTC Virtual Industry Engagement Session is to present on the potential opportunities available under the Acquisition and Sustainment of the STTC fleet.

DISCLAIMER

The slides are provided for information purposes and are subject to change.

All presentations contained in this session are part of a separate activity from the STTC Project competition and will not result in a procurement process by the Government of Canada.

QUESTIONS

Questions can be submitted at any time during this session via Slido.

- Web address for Slido: www.sli.do
- The login information for this Slido session is:
  - Access code: #STTC

Please note that all questions and answers will be posted on GETS.

FAIRNESS MONITOR

Jocelyn Décoste, BDO Canada LLP

INTRODUCTION OF PRESENTERS (1/2)

- Brigadier-General Chris McKenna, Director General Air and Space Force Development, Royal Canadian Air Force (RCAF)

- René Bourassa, Project Manager, Department of National Defence (DND)

- Sébastien Prévost, Procurement Director, Public Services and Procurement Canada (PSPC)

- John MacInnis, Director, Innovation, Science and Economic Development Canada (ISEDC)

INTRODUCTION OF PRESENTERS (2/2)

- Simon Jacques, President, Airbus Defence and Space Canada Inc.
- Antonio Moya, Head of Business Development & Portfolio Management, Airbus Defence and Space Spain
- Ruben Tauste, Flying Parts Service Procurement Director, Airbus Americas
- Mark Schmidt, Manager Industrial Cooperations, Airbus Defence and Space Germany

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Introduction to the STTC Project

Brigadier-General Chris McKenna
Director General Air and Space Force Development
Royal Canadian Air Force

OVERVIEW

- Strategic Background
- Operational Background
- Capability Requirements

STRATEGIC BACKGROUND

- Strong, Secure, Engaged: Canada's Defence Policy
  - Recapitalize Next Generation Strategic Air-to-Air Tanker-Transport Capability

OPERATIONAL BACKGROUND

- CC150 Acquired in 1993/1994
- Loss of CC137 Air-to-Air Capability in 1997
- Cargo Capability Enhancement
- Executive Suite Modification
- Strategic Air-to-Air Capability
- Aging Fleet

CAPABILITY REQUIREMENTS

- Domestic Air-to-Air
- Expeditionary Air-to-Air
- Airlift Support

CAPABILITY REQUIREMENTS

- Global Responsiveness
- Adaptability
- Tanker Capacity
- Airlift Capacity
- Tanker Interoperability
- Survivability
- Training
- Infrastructure

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Strategic Tanker Transport Capability (STTC) Project Overview

René Bourassa, Project Manager
Department of National Defence (DND)

PROJECT Overview

- **Strategic Fit:**
  - SSE #47 - Recapitalize next generation strategic air-to-air tanker-transport capability (CC-150 Polaris replacement).
- **Requirement:**
  - Replace the existing CC150 Polaris capability to include air-to-air refueling, strategic airlift, aeromedical evacuations and strategic Government of Canada transport.
- **Mission Set:**
    - Domestic AAR in support of NORAD and fighter Force Generation;
    - Expeditionary AAR in support of NATO and international operations; and
    - Airlift in support of strategic GC transport and other CAF personnel strategic transport.

PROJECT SCOPE

- Replace the existing CC-150 Polaris capability with:

  - STTC Aircraft;
  - Capability Sustainment;
  - Supporting Infrastructure;
  - Training Capability; and
  - Survivability Suite.

PROJECT SCOPE

Capability Sustainment that prioritizes:

Equipment Performance:

- Mission Readiness;
  - Domestic & Deployed
- Maintenance Program;
- Maintenance Support System;
- Materiel Management; and
- Engineering Support.

Flexibility of Support System:

- Robust support
  - Initial setup to end of service life
- Adaptable to change;
  - Operational Imperatives
  - Technological advances
- Continuous Improvement.

Sustainment Business Case Analysis (SBCA) will:

- Produce a tailored in-service support solution for STTC; and
- Maximize value for Canada by optimizing the four sustainment principles.

PROJECT SCOPE

Supporting Infrastructure:

- Main Operating Base - 8 Wing Trenton
  - Infrastructure requirements will be further developed
  - Advanced Procurement Notice for supporting Infrastructure
    - Hangar facility (New build or Renovation)
    - Potential upgrades to supporting infrastructure
  - Statement Of Requirements for Infrastructure /Business Case Analysis – DND in collaboration with Defence Construction Canada (DCC)

Training Capability:

- Develop a training solution able to support the STTC mission.
  - Initial and recurrent training for operator and support personnel
  - Maximize commonality between training devices and aircraft systems

SCHEDULE – KEY MILESTONES

Completed Milestones	Actual Date
Project Approval and Expenditure Authority (Definition)	December 2020
Invitation to Qualify	17 Dec 20 to 5 Mar 21
Initiated Engagement with Airbus	8 April 2021

Upcoming Milestones	Estimated Date
Directed Request for Proposal	Fall 2021
Contract Award	2022
Initial Operational Capability (IOC)	2028/29
Full Operational Capability (FOC)	2030/31
Project Close Out	2030/31

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Procurement Process on Acquisition and Long Term In Service Support

Sébastien Prévost, Procurement Director
Public Services and Procurement Canada

DEFENCE PROCUREMENT IN CANADA

CAPABILITY

Department of National Defence

Determines Canada's technical requirements and specifications for the platform or service being procured

ECONOMIC BENEFITS

Innovation, Science and Economic Development (ISED)

Determines Canada's requirements for economic benefits to create jobs and economic growth in Canada, through the ***Industrial and Technological Benefits (ITB) Policy***

COST

Public Services and Procurement Canada

Is the contracting authority and is responsible to manage the contract, determines value for money and is accountable for the procurement process

PROCUREMENT PROCESS – ACQUISITION

A competitive process with multi-phase was determined:

- Phase 1 – Invitation to Qualify (ITQ): fall 2020/winter 2021 ✓
- Phase 2 – Review and Refine Requirements (RRR): spring 2021/fall 2021
- Phase 3 – Directed Request for Proposal (RFP): fall 2021

PROCUREMENT PROCESS – ACQUISITION

- On December 17, 2020, Canada launched an open and transparent competition via a draft Invitation to Qualify

- On February 12, 2021, an Invitation to Qualify was published

- The entire evaluation of the responses was completed under the supervision of a Fairness Monitor

PROCUREMENT PROCESS – ACQUISITION

- On April 1, 2021, the result of the Invitation to Qualify was published with Airbus Defence and Space SA of Madrid, Spain as the sole qualified supplier

- Canada has entered into the Review and Refine Requirements (RRR) Phase with Airbus Defence and Space SA

Procurement Strategy – ISS

- Canada intends to compete Long term In-Service Support and work is intended to be performed in Canada.

- Upcoming industry engagement on sustainment will be scheduled later in 2021

NATIONAL SECURITY AND APPLICABLE POLICY

- A National Security Exception has been invoked.

- The Industrial and Technological Benefits (ITB) Policy including Value Proposition (VP) is applicable to the STTC project.

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June 15, 2021

INDUSTRY ENGAGEMENT

Introduction to the

Industrial and Technological Benefits (ITB) Policy

John MacInnis, Air Team Director

Innovation, Science and Economic Development (ISED) Canada

STTC ASTRV

THE INDUSTRIAL AND TECHNOLOGICAL BENEFITS (ITB) POLICY

Requires companies awarded defence procurement contracts to undertake business activity in Canada equal to the value of the contract

General aspects of the Policy include:

- Market driven; Work in target industrial areas identified through analysis and industry engagement
- Includes plans for regional distribution of work across Canada
- Investments in small and medium-sized businesses from across Canada
- Recognizes incremental business activity

WHEN DOES IT APPLY?

- The ITB Policy applies on all eligible defence and Canadian Coast Guard procurements over $100 million or to procurements to which the National Security Exception is invoked
- Eligible defence procurements valued between $20-100 million are reviewed for the possible application of the ITB Policy

VALUE PROPOSITION

The Value Proposition is a bidder's economic proposal to Canada

Rated & Weighted

The VP proposal is an evaluated, scored, and weighted element of contractor selection along with technical and cost elements

Tailored

VP framework are designed on a procurement-by-procurement basis, through market analysis, industry engagement and third party consultation.

Flexible

The VP is inherently flexible allowing for varying criteria, weights, evaluation criteria, mandatory requirements and rating grids

Binding

Commitments from the VP proposal will be included in the final contract of the winning bidder. Achievements are subject to annual reporting and monitoring

VALUE PROPOSITION OBJECTIVES

DIRECT DEFENCE SECTOR WORK	**Support the long-term sustainability** and growth of Canada's aerospace and defence sectors
CANADIAN SUPPLIER DEVELOPMENT	**Support the growth of prime contractors and suppliers in Canada**, including small and medium business (SMBs) in all regions of the country
RESEARCH AND DEVELOPMENT	**Enhance innovation** through R&D in Canada
EXPORTS	**Increase the export potential and international competitiveness** of Canadian-based firms
SKILLS DEVELOPMENT AND TRAINING	**Fill skills and training gaps** within the Canadian economy to support a more innovative Canada

KEY INDUSTRIAL CAPABILITIES (KICs)

WHAT ARE KICs?

April 2018, Government of Canada announced 16 Key Industrial Capabilities

Developed through consultation with over 300 industry and academic stakeholders

Introduction of KICs will ensure that defence procurements can better drive innovation, exports and the growth of firms through the ITB Policy

EMERGING TECHNOLOGIES

- Advanced Materials
- Artificial Intelligence
- Cyber Resilience
- Space Systems
- Remotely-piloted Systems and Autonomous Technologies
- Clean Technologies

LEADING COMPETENCIES & CRITICAL INDUSTRIAL SERVICES

- Aerospace Systems & Components
- Electro Optical / Infrared Systems
- Defence Systems Integration
- Ground Vehicle Solutions
- Armour
- In-Service Support
- Marine Ship-Borne Mission and Platform Systems
- Munitions
- Training & Simulation
- Sonar & Acoustic Systems
- Shipbuilding, Design and Engineering Services

THE ITB POLICY IS WORKING

Creating jobs and growth across Canada

The ITB Policy is estimated to contribute close to $5B to Canada's GDP annually. From 2014-2018, investments helped **create or maintain 46,000 jobs annually** across manufacturing and service industries, in all regions of Canada

Building defence capabilities

For contracts awarded in 2019, **42% of Value Proposition commitments were in the defence sector** (both direct and indirect work)

Promoting SMB partnerships

Between 2014-2018, contractors partnered with more than **400 Canadian SMBs**, involving over **$3.4B of work in Canada**

Supporting the Innovation & Skills Plan

Close to 40 academic and research organizations benefited from ITB Policy innovation and skills development investments from 2014 to 2018.

THE ITB POLICY / VP SUMMARY

1

ITB Policy is Market Driven

Value Proposition is designed through rigorous analysis and engagement. Business activities should make business sense to both the prime contractor and the Canadian company

2

Sustainable Business Outcomes

Aims to build sustainable, competitive business partnerships in global supply chains that last well beyond completion of the contract

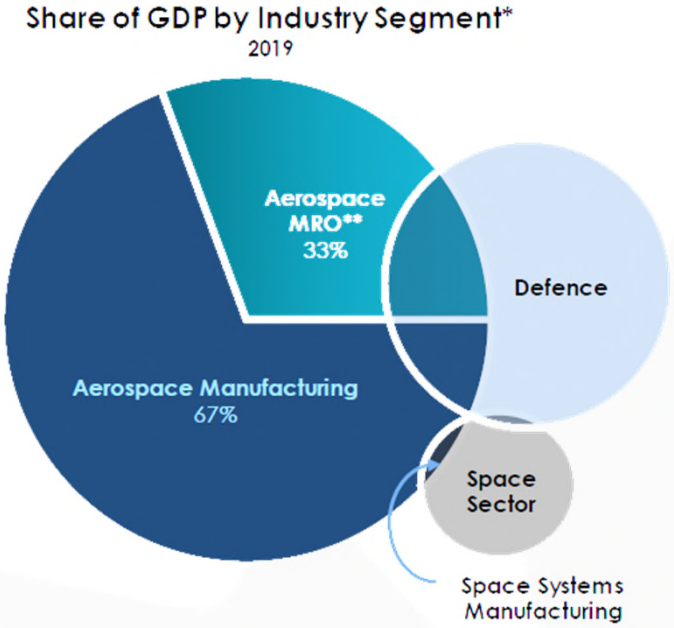
3

Flexibility within the Policy

Potential bidders (prime contractors) have numerous different business activities that can be used to meet ITB requirements

CANADA'S AEROSPACE INDUSTRY

- In 2019, Canada's aerospace sector contributed over $28B in GDP and 234,500 jobs to the Canadian economy
- The Canadian aerospace sector is national in scope and includes Aerospace Manufacturing, Aerospace MRO, Defence and Space Systems Manufacturing
- SME* aerospace manufacturers used emerging technologies** 80% more compared to the SME manufacturing average

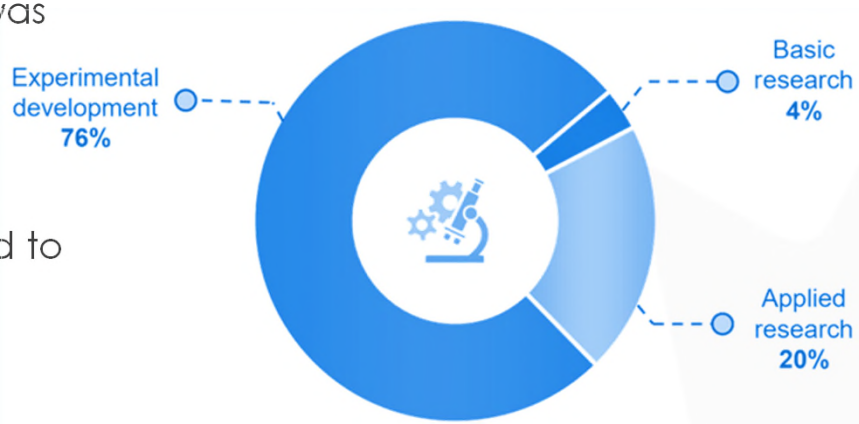


*SMEs are defined as firms with less than 250 employees
**Emerging technologies include Internet of Things (IoT) systems, artificial intelligence, geomatics or geospatial technologies, nanotechnology, and biotechnology. *See Annex A3 for advanced and emerging technology subcategory definitions
Sources: "Statistical Overview of Canada's Aerospace Industry in 2019", Innovation, Science and Economic Development
"Statistics Canada Survey of Innovation and Business Strategy (SIBS)" Table 27-10-0367-01 (2017), 2019

CANADA'S AEROSPACE INDUSTRY

- Aerospace was the number one R&D player* among all Canadian manufacturing industries in 2019
- In 2019, the Canadian aerospace manufacturing industry contributed $973 million in R&D and achieved an R&D intensity that was over 3x higher than the manufacturing average.
- Globally engaged with 70% of Canadian aerospace manufacturing products exported to over 195 countries across 6 continents
- Major Canadian export activities from the aerospace sector include:
  - Aeroengines
  - Avionics
  - Landing gear
  - Satellite systems
  - Radars
  - Primary air vehicles, and more.

R&D Investment Areas in Canada's Aerospace Sector



Source: "State of Canada's Defence Industry, 2018", Innovation, Science and Economic Development

Sources: "Statistical Overview of Canada's Aerospace Industry in 2019", Innovation, Science and Economic Development
"State of Canada's Defence Industry, 2018", Innovation, Science and Economic Development

CANADIAN AEROSPACE MAINTENANCE, REPAIR AND OVERHAUL (MRO)

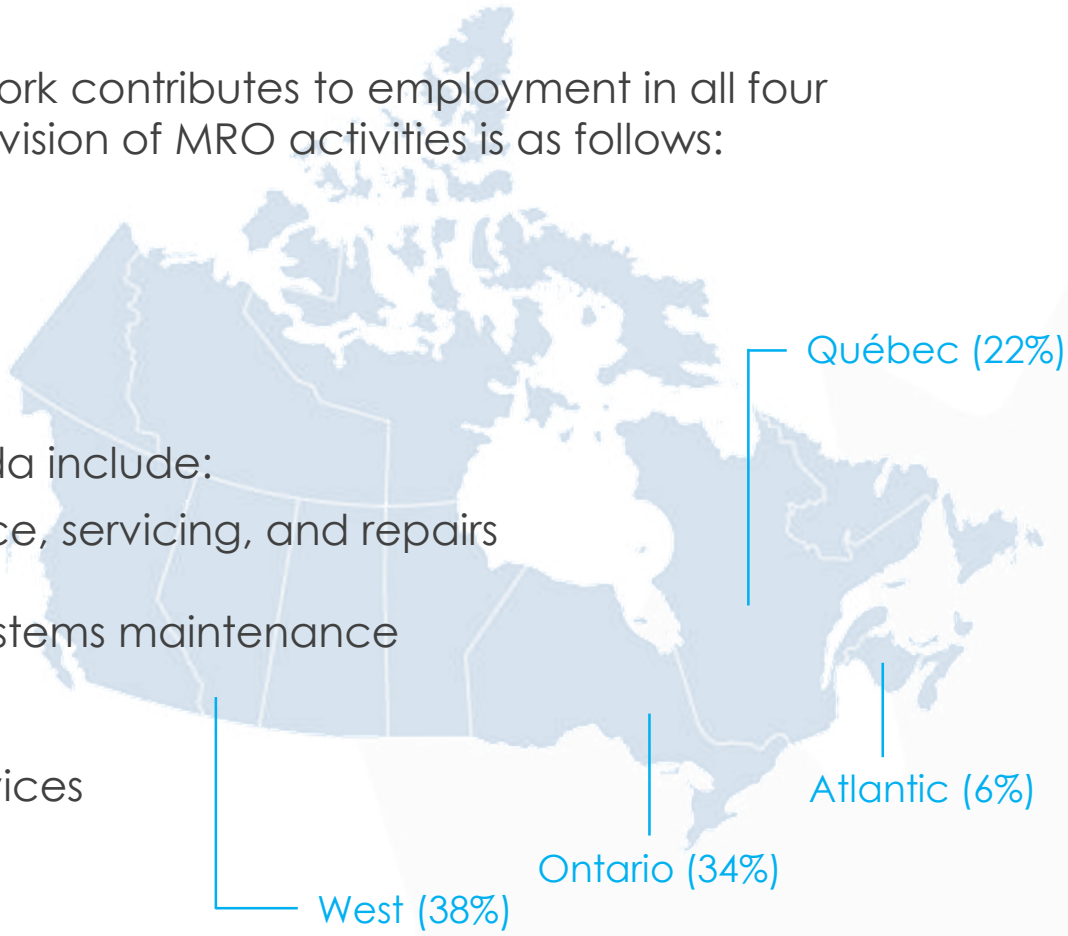
MRO makes up more than at 33% of aerospace sectors' contribution to GDP

Nationally, Canada's MRO work contributes to employment in all four major regions. The regional division of MRO activities is as follows:

- Western Canada (38%)
- Ontario (34%)
- Quebec (22%)
- Atlantic Canada (6%)

Main MRO activities in Canada include:

- Aircraft heavy maintenance, servicing, and repairs
- Engines maintenance
- Components and other systems maintenance
- Line maintenance
- Ferrying service
- Inspection and testing services
- Upholstery repair



Sources: "Statistical Overview of Canada's Aerospace Industry in 2019", Innovation, Science and Economic Development

STTC:
DRAFT ITB APPROACH

- Ensure a **Canadian in-country solution** for sustainment and investigate potential opportunities for Canadian industry on aircraft acquisition (ex: training, etc.)
- **Stimulate innovation and research and development** in areas such as Advanced Materials, Artificial Intelligence and other KICs
- **Encourage supplier development** by seeking commitments with Canadian suppliers and a mandatory level of work with small and medium sized business (SMB), while **generating export opportunities**
- **Continue the development of Canada's skilled aerospace workforce** in order to meet our evolving industrial needs while ensuring the participation of underrepresented groups such as **women** and **indigenous peoples**
- **Commercial Aerospace** will also be an area of focus along with potential **Clean Technology** opportunities

STTC:
VALUE PROPOSITION APPROACH

The VP Approach and corresponding KIC areas that could be leveraged through the STTC procurement may include the following:

- **DIRECT DEFENCE SECTOR WORK (Acquisition & ISS)**
- **CANADIAN SUPPLIER DEVELOPMENT**
- **RESEARCH AND DEVELOPMENT**
- **EXPORTS**
- **SKILLS DEVELOPMENT AND TRAINING**

Potential KICs:

- Aerospace Systems and Components
- Advanced Materials
- Artificial Intelligence
- Cyber Resilience
- Defence Systems Integration
- In-Service Support
- Training and Simulation
- Space Systems

*Additional KICs to be explored through engagement

KEY RESOURCES & ADVICE

Know the VP and where you fit

This is the road-map for potential opportunities for Canadian industry and stakeholders. **Go to the ITB Website to understand the policy and process**

www.Canada.ca/itb

Talk to your Regional Development Agency (RDA) representative and engage with **Global Affairs Canada's Trade Commissioner Service**

Connect with Potential Suppliers & Research Organizations

Gather additional intelligence and make contacts through trade associations, industry days, conferences and trade shows, including through CADSI and AIAC

https://www.defenceandsecurity.ca/

http://aiac.ca/

KEY RESOURCES & ADVICE

Connect with and schedule a call with the ISED Team

Alex Bramm
Project Manager – Aerospace Team
alex.bramm@ISED-ISDE.gc.ca
Tel: 613-218-7293

Rick Santos
Deputy Director– Aerospace Team
henrique.santos@ised-isde.gc.ca
Tel: 613-889-1937

NEXT STEPS

- Canada will **develop the Value Proposition approach** through further analysis and **industry engagement**
- We encourage you to complete our **Industry Engagement Feedback Form** to assist in developing the VP approach
- We will engage with **Airbus Defence and Space SA**, **Canadian industry**, and other stakeholders to solicit feedback on our initial VP approach throughout the summer.

AIRBUS DEFENCE AND SPACE SA PRESENTATION

BREAK

Questions & Answers

CLOSING REMARKS