

# SHIPBUILDING SUMMIT

## Western Canada Shipbuilding Summit highlights opportunities for NSPS suppliers

Nearly 600 people attended the Western Canada Shipbuilding Summit in May, hosted by Western Economic Diversification Canada. Andrew Saxton, MP for North Vancouver, and the Honourable Lynne Yelich, Minister of State for WD, provided welcoming remarks, noting that this initiative was a part of the federal government's Western Canada's Shipbuilding Action Plan.

The day-long session provided an opportunity to hear from industry representatives, executives from both Seaspan Shipyards and Irving Shipbuilding, and federal and provincial government agency representatives on how to capitalize on the National Shipbuilding Procurement Strategy. "There are opportunities here for all of Canada," said Minister Yelich. "We want to ensure that you receive the information you need to compete. My goal is simple: I want to set you up for success."

Vice-Admiral (ret'd) Peter Cairns, President of the Shipbuilding Association of Canada, outlined the impact the strategy would have on the industry: "A multi-year order book for the shipyards, their suppliers and their supply-chains will mean stability. It will also mean improved productivity and improved financial health which is important for increased investment and infrastructure modernization. This increased investment will lead to new technologies and a renewal in the workforce."

Gary McGee, Director, NSPS Secretariat, highlighted the drivers behind the strategy: "Previous boom and bust cycles were the result of a lack of a shipbuilding strategy to realize fleet renewal and that impacted shipyards significantly," McGee said. "Previous shipbuilding solicitations were ad hoc and unreliable. Given these elements, as well as the current state

and age of the current Coast Guard and Naval fleets, the government of Canada is committed to undertaking fleet renewal and revitalization over the next 30 years." Describing the opportunity as "once in a lifetime", McGee expects that the fleet renewal will see the creation of 15,000 direct and indirect jobs and \$2 billion in economic benefits.

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Speaking specifically about the portions of the NSPS that excluded Irving Shipyard Inc. and Seaspan Shipyards — i.e., \$2 billion set aside for small vessel construction (under 1,000 tonnes) for 116 ships; and ship repair and refit work estimated at between \$500 to \$600 million per year for the next 30 years — McGee noted that the bid competition would be open to all other shipyards across Canada. Examples of vessels that fall into this category include SAR lifeboats, mid-shore science vessels, channel survey and sounding vessels, near-shore fishery research vessels and special nav-aid vessels. At this time, a schedule has not yet been developed

nor has a breakdown in the budgets.

Following McGee's presentation, government agency representatives outlined a variety of programs:

### **Public Works & Government Services Canada:**

Ravinder Rakhra, Regional Director of the Office of Small and Medium Enterprises, explained how to access federal government procurement opportunities and the implementation of the Canadian Innovation Commercialization Program. Ms. Rakhra indicated that all opportunities related to the \$2 billion budget for vessel construction just mentioned by Mr. McGee (i.e., those excluding the contracted packages for combat and non-combat vessels over 1,000 tonnes) would be open to a competitive bid process posted on Merx ([www.merx.com](http://www.merx.com)), an electronic tendering system. Rakhra recommended that companies visit [www.buyandsell.gc.ca](http://www.buyandsell.gc.ca) to learn more about the government procurement process. The buyandsell website allows one to register on the Supplier Registration Information System (SRIS); search contract history; and register for seminars among other resources.

Ms. Rakhra also provided details on the Canadian Innovation Commercialization Program — a procurement program aimed at addressing challenges



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experienced by Canadian businesses in commercializing their products. The program works through a competitive process where the government procures pre-commercial innovations that are then tested out by federal government departments. Four priority areas have been identified for projects: environment, health, safety and security, and enabling technologies.

**Industry Canada:** Mary Gregory, Executive Director, Industrial and Regional Benefits (IRB) Directorate, spoke first about the value proposition and then about the IRB Policy.

Ms. Gregory explained that the value proposition is an investment by Irving Shipbuilding and Seaspan Shipyards into three priority areas: human resources, technology investment and industrial development. It is designed to benefit the maritime industry in general, not just shipbuilding.

Different and distinguishable from the value proposition is the IRB Policy. This is a requirement for all prime contractors to undertake activities in Canada that total 100 per cent of the value of the defence or security procurement. The policy strongly encourages prime contractors to select Canadian partners and suppliers, however the policy is market-driven in that the selection must make business sense both to the contractor and the Canadian company.

**B.C. Ministry of Finance:** Joe Masi, A/Manager, Corporate Tax and Integrated Operations, spoke about the B.C. Shipbuilding and Ship Repair Tax Credit Program. While still in the development stages, Masi provided a look at the umbrella program, the B.C. Training Tax Credit. Essentially, the program provides for three levels of credits available to employers — basic, completion and enhanced (for First Nations individuals and persons with disabilities). Credits range from 20 per cent of an employee's wage (up to a maximum of \$4,000) to additional incentives for a completion tax credit and an enhanced credit, the program is expected to start in October 2012 and run through to 2019.

**Lloyd's Register Canada Ltd:** Marcel Laroche, Marine Manager Western Canada, described the role of class societies in ship construction and outlined Lloyd's involvement in all stages of vessel construction. Lloyd's is a non-profit organization recognized as a "delegated authority" by Transport Canada.

Through regulatory regimes such as the United Nations Convention on the Law of the Sea (UNCLOS) and the Canada Shipping Act 2001, Lloyd's ensures consistent application of construction to accepted international regulations, including technical requirements and verification of compliance. Laroche noted that this verification extends to equipment, materials and components of a vessel, therefore companies should be ensuring their product meets the proper standards. He offered Lloyd's assistance to guide suppliers through the approval process. More information about Lloyd's Register can be obtained at [www.lr.org](http://www.lr.org).

**B.C. Shipbuilding and Repair Workforce Table:** Kerry Jothen, Project Manager, explained that the purpose of the Table was to ensure the right number of people with the right skills were trained at the right time and in the right place. In addition to analyzing expected labour supply and demand, industry gaps and talent pools, the Table will be working with industry to develop a strategy to guide investments in training. The strategy is expected to be drafted by June 2012. Additional information on the project can be found at [www.shipbuildingand-repair.com](http://www.shipbuildingand-repair.com).

**Irving Shipyard Inc. (ISI):** Adam Spence, Director, Supply Chain, provided background information on ISI, noting that there are four locations with 1,300 employees, 1,100 of which are in Halifax. ISI submitted the winning bid for the combat vessel portion of the NSPS which includes 21 vessels, the first being the Arctic Offshore Patrol Ships (six to eight required), followed by 15 Canadian Surface Combatants to replace Canada's frigates and destroyers.

Spence noted that, of the 1,200 suppliers already registered on their online supplier registry (at [www.irvingshipbuilding.com](http://www.irvingshipbuilding.com)), only 37 are from the West Coast. He encouraged those companies in the audience from the West Coast to register and outlined a number of steps companies could take to better position themselves in the procurement process, including communicating services and products clearly and understanding ISI's supply chain.

**Seaspan Shipyards:** The most anticipated speaker of the session was Brian Carter, President. Carter gave an update on progress being made on infrastructure upgrades and vessel design. The details of this presentation are covered in *BC Shipping News'* Industry Insight on Page 10 of this issue. To briefly summarize: Carter expects that opportunities for site work and shipyard modernization will begin a tendering process by August of this year and procurement of material for the first Offshore Fisheries Science Vessel will begin in the first quarter of 2013. He strongly recommended that companies not already registered on the online supplier registry at [www.seaspan.com](http://www.seaspan.com) should do so as soon as possible.

To provide closing remarks on behalf of WD, Kimberly Zinck, Senior Policy Analyst with WD Ottawa outlined WD's role in implementing Western Canada's Shipbuilding Action Plan. In addition to having already invested over \$1 million toward the Industrial Marine Training and Applied Research Centre in B.C., WD will continue to consider opportunities for investment. They will also be advising of upcoming opportunities similar to the current workshop and, beginning this fall, will be hosting a series of information seminars to help small and medium sized businesses better understand the intricacies of doing business with the federal government and private contractors. Plans are also being developed to help businesses showcase their products and services through supplier development tours. **BCSN**