Industry peaked along with the world economy in early 2008.
Economic stimulus has recently correlated to national Defense cuts

**Recent Economic Stimulus**
- **US**
  - $789bn economic stimulus bill passed and signed
  - TARP support of financial entities
  - Major stakes in Citi, AIG, etc.

- **UK**
  - Comprehensive intervention to increase lending and liquidity
  - Direct takes in RBS, Northern Rock, etc.

- **Canada**
  - Budget Implementation Act to provide C$30bn
  - Economic Action Plan for sectors

**Recent Military Cuts**
- **US**
  - F-22 Raptor
  - Communications satellites
  - Missile defense
  - Naval ship-building
  - Presidential helicopter

- **UK**
  - Expected cuts of 10-15%, might incl:
    - Aircraft carriers
    - A400M
    - Typhoon

- **Canada**
  - Only limited budget cuts on a program by program basis

*Overall, Canada appears the least affected by the current economic climate as it continues with its aggressive military modernization program.*
Suppliers will now focus on exports until national procurement rebounds

1. Reduction in national Defense procurement
   - National priorities favor alternative spending priorities, such as economic stimulus, healthcare, social welfare and infrastructure
   - Major cuts to procurement will occur but military force levels will generally remain unchanged

2. Prominence of International Marketplace
   - International customers offer revenue and profit opportunities
   - Recent attempts in the US to reform export policy indicate the need for suppliers to aggressively pursue the export market

3. Rebound in national Defense procurement
   - National forces eventually enter a new procurement upswing to modernize aging equipment
   - International sales allow suppliers to keep costs down and innovate during the downturn, resulting in a quick refocus to the domestic market
Economic considerations are a major force in the export market

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<th>US</th>
<th>UK</th>
<th>Canada</th>
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<tr>
<td>Economic trends</td>
<td>Industrial Participation &amp; Offset</td>
<td>Industrial &amp; Regional Benefits program through Industry Canada</td>
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<tr>
<td>Industrial Participation &amp; Offset</td>
<td>• Buy America (minimum 50% local content)</td>
<td>• Industrial &amp; Regional Benefits program through Industry Canada</td>
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<td>• US job requirement even if platform is foreign (e.g. Presidential Helicopter, KC-X)</td>
<td>• Promotes defence subcontracting and investment</td>
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**Future?**

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<tr>
<th>US</th>
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<th>Canada</th>
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<tr>
<td>Defense Procurement Financing</td>
<td>• PPP / PFI</td>
<td>• Pilot training PFI</td>
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<td>• Military Flight Training System</td>
<td>• Lease of commercial helicopters</td>
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<td>• Future Strategic Tanker</td>
<td>• Heron and other small UAV leases</td>
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<td>• C-17 lease</td>
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**Governments will need to look to stimulate local industry through innovative financing to overcome budget constraints on major procurement items – Offsets – an economic tool which may be leveraged in such support**
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