

## DEFENCE DEVELOPMENT SHARING AGREEMENT

This Memorandum of Understanding complements the U.S.-Canadian Defence Production Sharing Program by establishing a cooperative agreement in defense research and development between the United States Department of Defense (DoD) and the Canadian Department of Defence Production (CDDP), called the Defense Development Sharing Program.

### 1. **Objectives:**

The principal objectives of the Defense Development Sharing Program are:

- a) To assist in maintaining the Defense Production Sharing Program at a high level by making it possible for Canadian firms to perform research and development work undertaken to meet the requirements of U.S. armed forces.
- b) To utilize better the industrial, scientific and technical resources of the United States and Canada in the interest of mutual defense.
- c) To make possible the standardization and interchangeability of a larger amount of the equipments necessary for the defense of United States and Canada.

### 2. **Description of the Program:**

- a) The Defense Development Sharing Program will consist of research and development projects (such program being here and after referred to as “projects”):
  - (1) which are performed by Canadian prime contractors;
  - (2) which are designed to meet specific DoD research and development requirements;
  - (3) in which the Military Department of DoD which is the United States party to the project agreement acts as the design authority; and
  - (4) which are jointly funded by DoD and CDDP, (where DoD undertakes the research and development of a weapons system composed of several components, work funded by CDDP on one or more of such components will be considered to be jointly funded).

- b) The Defense Development Sharing Program will not include efforts referred to in paragraph 13.

### 3. **Funding**

The financial contribution of DoD in each project will not be less than 25 percent of the costs incurred subsequent to the date of the project agreement provided that in the case of work referred to in the

parenthetical sentence of paragraph 2.a(4), the financial arrangements shall be as agreed to by DoD and CDDP in the project agreement.

#### **4. Selection of Projects:**

A proposal to initiate a project may be made by CDDP to any of the Military Departments of DoD or by any of the Military Departments of DoD to CDDP. Each proposal will contain a complete and detailed description of the scope of the project and work to be performed and of the suggested cost sharing arrangement. Projects will be selected by mutual agreement of CDDP in the Military Department of DoD concerned.

#### **5. Project Agreements:**

The specific terms and conditions of each project will be governed by a project agreement between the Military Department of DoD and CDDP. The project agreement will **inter alia** set forth the scope of the projects, the work to be performed, types of reports to be submitted, the time and funding schedules, and the cost of sharing arrangements.

#### **6. Selection of Prime Contractors:**

The selection of prime contractors for work to be performed under a project shall be subject to mutual agreement.

#### **7. Contract Clauses for Projects:**

The Canadian Government agencies responsible for placing and administering research and development contracts with Canadian firms, will insert suitable provisions in such contracts obtaining for DoD the same production rights, data, and information that DoD would obtain for itself if DoD were solely funding and placing the contract under its Armed Services Procurement Regulation.

#### **8. Competitive Research and Development:**

DoD will not engage in research and development which duplicate the work being carried out under any project unless DoD considers such research and development to be in the United States national interest. The appropriate DoD agency will notify CDDP before undertaking such duplicative research and development and will, if requested by CDDP, promptly enter into consultations with CDDP.

#### **9. DoD Procurement of Researched Developed Items:**

Procurement by DoD from Canadian firms of items developed in a project will be made under the Defense Production Sharing Program and in accordance with the DoD Armed Services

Procurement Regulation. Pursuant to that Regulation, procurement of items developed by Canadian firms under the Defense Development Sharing Program will not be "set aside" for small business or for labor surplus areas.

10. **Security:**

- a) Information and materials developed within projects will be considered to be jointly developed, and classification and declassification thereof will be determined jointly.
- b) Classified information and materials exchanged in connection with or developed within projects will be safeguarded in accordance with the United States-Canadian Security Agreement of January 30, 1962, in the United States-Canadian Industrial Security Agreement effected by an exchange of letters dated February 6 and March 31, 1952, as amended.

11. **Disclosure of Classified Information:**

- a) Classified information and materials received by either Government under the Defense Development Sharing Program but not developed within a project will not be disclosed or transferred to third countries, or nationals of third countries, without the consent of the originating Government.
- b) Jointly developed classified information materials will not be transferred or disclosed to any third party by either Government or nationals thereof without the consent of the other Government.

12. **Sales:**

- a) Sales or transfer to any third party of items developed in a project containing classified information or materials will be subject to the provisions of paragraph 11.
- b) Sales or transfers to NATO, Commonwealth, and SEATO countries, or nationals thereof, of jointly developed unclassified items may be made in accordance with any applicable arrangements between Canada and the United States regarding munitions control. Sales or transfers to any other third party of jointly developed unclassified items will not be made without the consent of both parties to this agreement.
- c) Sales or transfers to any third party of jointly developed unclassified rights, information, or data necessary for the production of an item developed in a project will not be made without the consent of both parties to this agreement.

13. **Other Research and Development Efforts not in the Defense Development Sharing Program:**

- a) Consistent with normal DoD source selection procedures, Canadian firms may bid for DoD research and development contracts which are to be funded solely by the United States. DoD will evaluate proposals from qualified Canadian firms on a parity with proposals received from United States firms. CDDP undertakes to ensure that Canadian firms comply with DoD

procurement procedures.

b) CDDP may award and solely fund research and development contracts to Canadian firms for the purpose of satisfying existing or anticipated DoD requirements. DoD and its Military Departments will not act as Design Authority for such contracts. In the event that the results of any such contract become of sufficient interest to DoD to warrant joint funding, the contract work may, upon mutual agreement, be made the subject of the Defense Development Sharing Program project.

**14. Canadian Access to United States Information:**

Subject to United States legislation and national policy, the Government of Canada will have access to information on the future requirements of DoD research and development programs and Canadian firms will have the same access to DoD research and development program information as United States firms.

**15. Supersession of Prior Arrangements:**

This Memorandum of Understanding supersedes the memoranda between CDDP and the United States Departments of the Army, and Air Force, respectively, dated July 26, 1960 and December 22, 1961, except with respect to projects already entered into thereunder.

**16. Effect and Duration:**

This Memorandum of Understanding will remain in force indefinitely, subject to modification or termination at any time by mutual agreement or to termination six months after receipt by either party of written notice of the intention of the other party to terminate it.

Charles M. Drury  
Minister of Defence Production  
Date: 21 November 1963

Robert S. McNamara  
Secretary of Defense  
Date: 16 November 1963