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A SINGLE PROCUREMENT AGENCY: A SINKING SHIP OR THE HOLY GRAIL?

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Solo Flight

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INTRODUCTION

A nation's ability to wage war, defend its sovereignty, and deliver humanitarian assistance depends upon the ability to procure equipment and train armed forces to effectively and efficiently counter threats, whether they are a conventional or an unconventional armed force, an invisible enemy such as the current pandemic, or a natural disaster. A cursory review of online media reveals that Governments throughout the western world struggle with defence acquisitions for a multitude of reasons. Rapidly changing technologies, non-state actors, political interests, and many other factors all play a critical part in a nation's ability to procure the right equipment, at the right time, for the right price.

This paper looks at the evolution of the current Canadian system of defence procurement and compares it with the system used in Australia to ascertain if there are critical lessons to be learned before we spend significant effort on the launch of a single procurement agency. Three fundamental questions are framed as follows: 1) is Canadian defence procurement broken, 2) how did Australia address its defence procurement issues, and 3) would a single Defence Procurement Canada (DPC) agency be beneficial? Specifically, this paper demonstrates how Canadian defence procurement has evolved since the early 2000's to address procurement issues; how Australia's defence procurement system evolved to the current Capability Acquisition and Sustainment Group (CASG) structure; and how a DPC organization announced by the 2019 minority Liberal government could be implemented.

In the first part, this essay examines 1) the history of defence procurement in Canada; and 2) asserts that while the current system is not broken there remain two areas of concern that must be addressed: bureaucratic complexity and accountability. In the second part, this essay examines: 1) Australia's defence procurement challenges and the actions taken to address these issues; and 2) the lessons learned from the various initiatives, including the creation of the CASG. With a better understanding of the problem space, this essay proposes a potential DPC construct leveraging lessons learned from Australia and applying a Canadian lens to this procurement challenge.

DEFENCE PROCUREMENT IN CANADA (1580)

Richard Shimooka, a senior fellow at the Macdonald-Laurier Institute's Centre for Advancing Canada's Interests abroad asserts that "Canada has the worst military procurement system in the western world."¹ Similarly, Murray Brewster, a senior defence writer echoes the sentiment asking "Why can't Ottawa get military procurement right?" in a recent article written for CBC news.² These are but two recent opinion pieces highlighting a perceived need for improvement of the Canadian defence procurement system; they are not alone as indicated by other reports written by previous Assistant Deputy Ministers of Material (ADM Mat), subject matter experts, and scholars.³ To better

¹ Richard Shimooka, "Canada has the worst military procurement system in the western world: Shimooka in the Hill Times," *The Hill Times*, 21 January 2019: 1, <https://www.macdonaldlaurier.ca/canada-worst-military-procurement-system-shimooka-the-hill-times/>.

² Murray Brewster, "Why can't Ottawa get military procurement right? What happens when 'deliverology' fails to deliver," *CBC News*, 29 November 2018, 1, <https://www.cbc.ca/news/politics/military-procurement-frigates-fighter-jets-1.4924800>.

³ Alan S. Williams, *Reinventing Canadian Defence Procurement: A View from the Inside* (Montreal and Kingston: Breakout Educational Network in association with School of Policy Studies, Queen's University and McGill-Queen's University Press, 2006); Elinor Sloan, *Something Has to Give: Why Delays Are the New Reality of Canada's Defence Procurement Strategy* (Calgary: The School of Public Policy, October 2014); Charles Davies, "Why Defence Procurement so Often Goes Wrong," *Policy Options*, 20 January 2019. <https://policyoptions.irpp.org/magazines/january-2016/why-defence-procurement-so-often-goes-wrong/>; Martin Auger, "The Evolution of Defence Procurement in Canada," *Library of Parliament*, 4 February 2016, https://lop.parl.ca/sites/PublicWebsite/default/en_CA/ResearchPublications/201609E.

understand the problem space, this first part of the essay presents a brief history of defence procurement in Canada prior to discussing the key challenges associated with the Canadian defence procurement system.

History of Canadian Defence Procurement

Defence procurement in Canada has evolved since the First World War, often alternating between centralization and decentralization. Prior to WWI, individual services were responsible for their respective procurements.⁴ In such a decentralized system, the lack of coordination led to inefficiencies, including duplications, in procurement.⁵ As a result, a central organization called the War Purchasing Commission was established to be responsible for military procurement. During the interwar years the government returned to a decentralized construct seen during the pre-war period.⁶ In response to allegations of corruption within government, a 1939 Royal Commission report recommended the return to a centralized construct and the Defence Purchasing Board was created under the Minister of Finance.⁷ During WWII, the Defence Purchasing Board was migrated to an interim War Supply Board reporting to the Minister of Transport. The end of the war saw a significant decrease in war production and a renewed focus on Canadian industries. Consequently, the Industrial Defence Board was created in 1949 under the Department of Trade and Commerce.⁸

During the Cold War, the 1950 Defence Supplies Act under the Minister of Trade and Commerce gave way to the Defence Procurement Act under the Department of

⁴ Aaron Plamondon, *The Politics of Procurement: Military Acquisition in Canada and the Sea King Helicopter* (Vancouver and Toronto: UBC Press, 2010), 3.

⁵ Martin Auger, "The Evolution of Defence . . .", 1.

⁶ *Ibid.*, 2.

⁷ Aaron Plamondon, *The Politics . . .*, 4.

⁸ Martin Auger, "The Evolution of Defence . . .", 3-4.

Defence Production, a single centralized federal department responsible under the Minister of Defence Production for military acquisitions until 1969.⁹ The 1962 Glassco Commission concluded that each federal department had its own processes and procedures to acquire goods and services; this decentralized approach resulted in many inefficiencies. Consequently, the report recommended that the Department of Defence Production assume the responsibility for purchasing civil supply and was subsequently renamed the Department of Supply and Services.¹⁰ In 1972, the National Defence Headquarters (NDHQ) was formed, resulting in a dual chain of command, the military side lead by the Chief of the Defence Staff (CDS) and the civilian side lead by the Deputy Minister (DM) of National Defence.¹¹ The Assistant Deputy Minister of Materiel (ADM (Mat)), a newly created position was responsible to the DM as the technical authority for defence procurement whereas the Department of Supply and Services became the contracting authority. As such, two departments instead of a single agency would henceforth collaborate on military procurements, each being responsible for certain aspects of the acquisition.¹² In 1986, Industry Canada (now Innovation, Science and Economic Development (ISED)), a third department, was included in defence procurement with the introduction of Industrial Regional Benefits (now Industrial Technical Benefits (ITB)).¹³

⁹ Aaron Plamondon, *The Politics . . .*, 5.

¹⁰ Government of Canada, “The Royal Commission on Government Organization – Volume 1: Management of the Public Service (Ottawa: Queen’s Printer, 18 July 1962), <https://epe.lac-bac.gc.ca/100/200/301/pco-bcp/commissions-ef/glassco1962-eng/glassco1962-vol1-eng/glassco1962-vol1-part1-eng.pdf>.

¹¹ Daniel Gosselin, “Unelected, Unarmed Servants of the State: The Changing Role of Senior Civil Servants Inside Canada’s National Defence,” *Canadian Military Journal* 14, no. 3 (Summer 2014): 43, <https://www.files.ethz.ch/isn/183045/CMJ143E.pdf>.

¹² *Ibid.*, 43.

¹³ Martin Auger, “The Evolution of Defence . . .”, 7.

In 1993, the Department of Supply and Services, which was governed by the Defence Production Act, was merged into Public Works and Government Services Canada (now Public Services and Procurement Canada (PSPC)). Since 1996, four federal departments (DND, ISED, PSPC and TBS) have been responsible for various parts of the defence procurement system in Canada.¹⁴

Significant changes to the Canadian procurement system occurred during the 2000's. First, the introduction of the National Shipbuilding and Procurement Strategy in 2010 (now the National Shipbuilding Strategy (NSS)) aimed to break the 'boom or bust' cycle and establish a sustained shipbuilding industry in Canada to renew the Royal Canadian Navy and Canadian Coast Guard fleets.¹⁵ Second, the creation of the Defence Procurement Secretariat (DPS) in 2014 sought to increase: 1) efficiency and effectiveness by streamlining the process, 2) accountability, and 3) industrial and economic benefits.¹⁶

Interestingly, procurement has evolved over the last century with a general preference for a centralized procurement agency during wartime efforts versus a more decentralized approach during inter-war periods. Is it possible that a centralized agency, while capable of increasing efficiency during periods of conflict, does not lend itself well to public scrutiny when the threat is perceived to be less real and urgent? Defence procurement has changed over time; however, it is perhaps the last decade that has seen the most significant strides to improve the timeliness of complex defence acquisitions.

¹⁴ *Ibid.*, 8.

¹⁵ Martin Auger, "The National Shipbuilding Procurement Strategy: A Five-Year Assessment," *Library of Parliament*, 15 June 2015: 1, <https://lop.parl.ca/staticfiles/PublicWebsite/Home/ResearchPublications/BackgroundPapers/PDF/2015-35-e.pdf>.

¹⁶ PSPC, "Defence Procurement Strategy", last accessed 21 April 2020, <https://www.tpsgc-pwpsc.gc.ca/app-acq/amd-dp/samd-dps/index-eng.html>.

Next, this paper examines the problems associated with defence procurement that have presented well-documented challenges for each successive government since 1914.

Canadian Defence Procurement Challenges Defined

Companies around the world spend billions of dollars on projects.¹⁷ Stephen Jenner, a Fellow of the Association of Project Management in the United Kingdom, states “[it’s] almost an article of faith that somewhere between 50% and 70% of projects and programs fail.”¹⁸ According to various empirical studies, projects fail as a result of an overly optimistic assessment of the benefits to be realized and the underestimation or misrepresentation of costs.¹⁹ However, is this truly the issue in a Canadian context?

While there have been little to no formal studies to assess if defence procurement is truly broken in Canada, there is a plethora of books, articles, and opinion pieces highlighting perceived chronic issues with the acquisition of military equipment and services.²⁰ A critical concern oft cited is project delay that result in DND’s inability to spend money. However, the root cause of these delays is frequently debated amongst defence critics, subject matter experts, and scholars. A review of existing defence procurement literature exposes five common themes and illustrates the complexities surrounding defence procurement: 1) the pursuit of ambitious requirements that are

¹⁷ Terry Williams, “The Nature of Risk in Complex Projects,” *Project Management Journal* 48, no. 4 (August 2017): 55. doi: 10.1177/875697281704800405.

¹⁸ Stephen Jenner. “Why do projects ‘fail’ and more to the point what can we do about?” *PM World Journal*, IV(III), March 2015: 1, last accessed on 8 April 2018, <https://pmworldlibrary.net/wp-content/uploads/2015/03/pmwj32-mar2015-Jenner-why-do-projects-fail-Featured-Paper.pdf>.

¹⁹ Mott MacDonald, *Review of Large Public Procurement* (London: HM Treasury, 2002), https://www.parliament.vic.gov.au/images/stories/committees/paec/2010-11_Budget_Estimates/Extra_bits/Mott_McDonald_Flyvbjerg_Blake_Dawson_Waldron_studies.pdf; Bent Flyvbjerg, Mette Skamris Holm, and Søren Buhl, “Cost Underestimation in Public Works Projects: Error or Lie?” *Journal of the American Planning Association*, 2002, <https://arxiv.org/pdf/1303.6604.pdf>.

²⁰ Elinor Sloan, *Something Has to Give . . .*, 3.

developmental in nature;²¹ 2) the lack of project prioritization;²² 3) costing estimates that are underestimated and/or that remain the same over time;²³ 4) bureaucratic complexity, flawed legal framework and political influence;²⁴ and 5) a lack of accountability.²⁵

The need to create overmatch against the enemy has led DND to pursue ambitious developmental projects. Classic examples, include the Maritime Helicopter Project, the Joint Support Ship and the Fighter replacement. Consequently, the creation of the Independent Review Panel for Defence Acquisitions (IRPDA) as part of the DPS introduced in 2014 has ensured that requirements remain grounded and meet Canada's needs without resorting to significant Canadianizing of off the shelf solutions or new developmental programs.²⁶

The ability to counter rapidly evolving technologies while maintaining the ability to fight, move and communicate on the battlefield are integral components of the problem space. It is not possible to field capability that dominates in every aspect of modern warfare in a fiscally constrained environment. Prioritizing capability delivery is challenging and led directly to the creation of the Chief of Force Development (CFD) in

²¹ Elinor Sloan, *Something Has to Give* . . . , 3; Charles Davies, "Why Defence Procurement . . . , para 2.

²² Alan S. Williams, *Reinventing Canadian Defence* . . . , 32; David Perry, "Streamlining defence procurement," report to the DM contract # W6369-19-X019, 15 September 2018: 12.

²³ Richard Shimooka, "Canada has the worst military procurement . . . , para 7; Elinor Sloan, *Something Has to Give* . . . , 4.

²⁴ Alan S. Williams, *Reinventing Canadian Defence* . . . , xvi; Charles Davies, "Why Defence Procurement . . . , para 6; Martin Auger, "The Evolution of Defence . . . , 11; Richard Shimooka, "Canada has the worst military procurement . . . , para 7.

²⁵ Elinor Sloan, *Something Has to Give* . . . , 5; Alan S. Williams, *Reinventing Canadian Defence* . . . , xix; Charles Davies, "Why Defence Procurement . . . , para 7; Richard Shimooka, "Canada has the worst military procurement . . . , para 8.

²⁶ Government of Canada, "Terms of Reference for the Independent Review Panel on Defence Acquisition Panel," last modified 11 September 2018, <https://www.canada.ca/en/independent-review-panel-defence-acquisition/corporate/mandate/terms-reference.html>.

2006. The subsequent development of Capability Based Planning has enabled DND to more effectively prioritize projects.²⁷

In the Canadian context, cost estimates remain a challenge as current policies and regulations require projects to provide cost estimates early on in a project and afford little opportunity to deviate from the budget approved by the Finance Department.²⁸ Significant strides have been made in improving the validity of costing. The creation of a Centre of Costing Excellence within DND and the full life-cycle costing methodology that includes acquisition, operating and maintaining, as well as disposal costs have provided greater costing fidelity, including directly acknowledging the need to accept the risks described above.²⁹ Allan Weldon, the Director of Costing Services stresses that uncertainty is one of the leading causes of costing challenges with large military procurements because unlike buying a new vehicle from the car dealership, costing estimates for military procurement start early, even before the CAF has identified all the capability requirements. Without a full picture, accuracy is only as good as the assumptions that were made in the first place.³⁰ However, as projects continue to experience delays, purchasing power decreases.³¹

²⁷ Alan S. Williams, *Reinventing Canadian Defence* . . . , 32.

²⁸ David Perry, "Putting the 'Armed' Back into the Canadian Armed Forces: Improving Defence Procurement in Canada," (Ottawa: Conference of Defence Associations Canada, January 2015): 10, <https://www.macdonaldlaurier.ca/files/pdf/MLIdefenceprocurement.pdf>.

²⁹ Government of Canada, "Guide to Cost Estimating," last modified 4 July 2019, <https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=32600>

³⁰ Marcello Sukhedo "Interview with Allan Weldon, DND on the cost estimate for CSC," *Vanguard Magazine*, 27 October 2017, <https://vanguardcanada.com/2017/10/27/interview-with-allan-weldon-dnd-on-the-cost-estimate-for-csc/>

³¹ Alan Williams, "A dedicated organization, better performance measures and a long-term capital plan would improve Canada's defence procurement," *Policy Options*, 1 February 2016, <https://policyoptions.irpp.org/magazines/february-2016/three-ways-toimprove-defence-procurement/>.

Thus, DND is often confronted with reducing the capability requirement in order to remain within the allocated budget.³² Of note, no DND expenditure has ever gone above budget, as it oft alluded to in the media. In fact, DND often accepts risk and opts for less capability to remain within the approved expenditure envelope.³³

While all five types of challenges are important to consider in addressing the issues within a Canadian defence procurement construct, it is perhaps bureaucratic complexity and the lack of clear accountability that are the root causes of many procurement woes and where the most change must be effected. Elinor Sloan's comprehensive review of 16 projects over the last two decades demonstrate bureaucratic complexity in all of its variations. Defence budget reductions as a result of economic downturns, election periods, and the creation of new layers of process all contributed to significant delays.³⁴ Military procurements are inherently complex, and the added layer of political interests adds to that complexity with the need to demonstrate value for money to taxpayers.³⁵ Aaron Plamondon a professor at the University of Calgary, asserts that "[p]olitics has steered military procurement in Canada throughout the country's history", most notably citing challenges in acquiring the Sea King helicopter replacement.³⁶

David Perry argues that "at the political level, trust in the acquisition system has been significantly degraded as a result of multiple failed procurements and negative Auditor General Reports".³⁷ The lack of accountability, as seen when the Medium-

³² David Perry, "Putting the . . .", 10.

³³ Department of National Defence, "Project Approval Directive", 2019, retrieved from the Directed Area Wide Network internal DND website.

³⁴ Elinor Sloan, *Something Has to Give* . . . , 11-44.

³⁵ Craig Stone. "Canadian-Australian opportunities for defence procurement and industry cooperation. CIGI Papers No.22 (Waterloo, January 2014): 6.

³⁶ Aaron Plamondon, *The Politics* . . . , 189.

³⁷ David Perry, "Putting the . . .", 12.

Support Vehicle and the Close Combat Vehicle passed through 12 steps of the procurement process prior to being cancelled, further contributes to this erosion of trust as multiple departments were involved in these procurements, yet none could be held accountable.³⁸

It is important to remember that significant strides in improving procurement have been made over the last decade. However, this paper has highlighted two areas of concern that continue to significantly impact defence procurement in Canada. Thus, any changes to the current construct must not undo the progress to date while taking into account how to address layers of bureaucratic complexity and a lack of accountability. But how does Canada compare to other countries? Is Canada truly as unique as procurement experts claim? Next, this paper examines defence procurement in Australia to draw out parallels with Canada.

DEFENCE PROCUREMENT IN AUSTRALIA

Australia and Canada are two similar western nations. In addition to sharing the same colonial roots and having comparable democratic political systems, Australia and Canada often deploy on the same missions and benefit from a well-established military exchange program.³⁹ National challenges pertaining to “health, trade agreements, regional development, indigenous issues, the global economic crisis and budget deficits” are also shared by both countries.⁴⁰ Accordingly, examining the history and challenges of Australia’s defence procurement system as well as key lessons learned in implementing

³⁸ Elinor Sloan, *Something Has to Give . . .*, 5.

³⁹ Craig Stone. “Canadian-Australian . . .”, 5.

⁴⁰ *Ibid.*, 5.

the CASG structure provides excellent insights to facilitate the effective implementation of a single procurement agency.

History and Challenges of the Australian Defence Procurement System

Similar to Canada, Australia's defence procurement system has undergone significant changes. Prior to 1976, the military force in Australia was structured as separate services with their own procurement systems. In 1973, Sir Arthur Tange, the Secretary to the Department of Defence released a report on the reorganisation of the Defence Group of Departments, thus creating the Australian Defence Force (ADF) under a single headquarters. This reorganization sought to centralize defence policy coordination, increase effectiveness, and decrease duplication of efforts across the various services.⁴¹ As a result, the Department of Defence would be managed by the Secretary of the Department whereas the Chief of the Defence Force would oversee the military command, with both reporting to the Minister of Defence.⁴² The Canadian construct as it exists today is identical, with the DM and the CDS reporting to the Minister of National Defence (MND) for their respective areas of responsibility.

While the creation of the ADF was beneficial, a series of reports in the 1980's and 1990's, including the 1997 Defence Efficiency Review (DEP), culminated with the establishment of the Defence Reform Program (DRP) that sought "to enable Defence's resources to be focused more efficiently and effectively on its core functions."⁴³

⁴¹ Sir Arthur Tange, "Report on the Reorganisation of the Defence Group of Departments" (Canberra: Australian Government Publishing Service, 1974): 2-3, https://www.defence.gov.au/SPI/publications/1973reorg/AustralianDefenceForceReorganisation1973_opt_Part1.pdf.

⁴² Auditor General, "Defence Reform Program Management and Outcomes" (Canberra: Australian National Audit Office, 5 October 2001): 11, https://www.anao.gov.au/sites/default/files/anao_report_2001-2002_16.pdf?acsf_files_redirect.

⁴³ *Ibid.*, 1.

Unfortunately, the implementation of the DRP did not fully realize its ambition because the program was heavily focussed on financial savings vice the initiatives aimed at addressing the inefficiencies within the Department of Defence.⁴⁴ Additionally, many of the program's initiatives cut across the services and blurred the lines of accountability for their implementation. In 2000, further DEP recommendations were implemented when the Defence Acquisition Organisation was merged with Support Command Australia to create the Defence Materiel Organisation (DMO).⁴⁵ The creation of the DMO sought "to address the interface issues between acquisition and sustainment" and assume responsibility for the delivery of major projects.⁴⁶

The 2003 Kinnaird report noted that the current structure of the DMO was problematic. Although the DMO provided a solution that advanced Defence procurement, the organization was unable to fully resolve accountability and bureaucratic intransigence. However, the Kinnaird review team was unable to identify a singular cause of Australia's procurement challenges, the report highlighted that "the Defence Materiel Organisation (DMO) needs to become more business-like and outcome driven."⁴⁷ Additionally, the report highlighted the need for changes "at each stage of the cycle of acquisition and whole-of-life management of the equipment that comprises the core of defence capability".⁴⁸ Responsible for the acquisition, life-cycle support, and disposal of military assets, in 2005 the DMO was designated a prescribed agency under the Financial

⁴⁴ *Ibid.*, 11.

⁴⁵ Paul Rizzo. *Plan to Reform Support Ship Repair and Management Practices* (Canberra: Ministerial and Executive Coordination and Communication Division, 2011): 21.

⁴⁶ *Ibid.*, 21.

⁴⁷ Malcolm Kinnaird, "Defence Procurement Review 2003," 15 August 2003, iii, <https://www.defence.gov.au/publications/dpr180903.pdf>.

⁴⁸ *Ibid.*, iii.

Management and Accountability Act. While the DMO remained under the Department of Defence, the organization was now directly accountable to the Minister of Defence.⁴⁹

Notwithstanding the DMO's efforts to "professionalise its workforce, reprioritise work, standardise corporate systems and work practices, improve industry relations, and lead reform in defence",⁵⁰ the 2008 Mortimer review, aimed at assessing the progress on implementing the Kinnaird recommendations, highlighted five areas of concern. Namely

inadequate project management resources (...), inefficiencies in the processes leading to government approvals for new projects, personnel and skill shortage in the DMO, delays due to industry capacity and capability, and difficulties in the introduction of equipment into full service.⁵¹

When cyclone Yazi left the Royal Australian Navy (RAN) scrambling to provide the amphibious capability and humanitarian relief requested by the Government of Australia in 2011, the DMO became the focal point of criticisms as neither the RAN nor the DMO were capable of estimating when any of the three amphibious ships would be back in service.⁵² Led by Paul Rizzo, the chairman of the Defence Audit and Risk Committee, the Rizzo Report stated that an overly complex organizational structure resulted in a lack of accountability. Similarly, an audit by the Australian National Audit

⁴⁹ Martin Auger, "Defence Procurement Organizations: A Global Comparison," *Library of Parliament*, 14 October 2014: 5, <https://lop.parl.ca/staticfiles/PublicWebsite/Home/ResearchPublications/BackgroundPapers/PDF/2014-82-e.pdf>.

⁵⁰ Australian Government, "Volume Two Department of Defence Annual Report: 2005-2006," last accessed 27 April 2020, https://www.defence.gov.au/AnnualReports/05-06/downloads/2005-2006_Defence_DAR_20_v2full.pdf.

⁵¹ David Mortimer, "Going to the next level: the report of the defence procurement and sustainment review" (Canberra: Defence Material Organization, 18 September 2008), <https://defence.gov.au/publications/mortimerreview.pdf>.

⁵² Xinhua News Agency, "Report calls for overhaul on Australia Navy's maintenance and management practices", last accessed 5 October 2019, <https://search.proquest.com/docview/877885255?accountid=9867>.

Office (ANAO) in 2013 revealed significant schedule slippage and increases in budgets resulting from a lack of transparency and accountability.⁵³

Over the past five decades, defence procurement has evolved from a highly decentralized system, where each service was responsible for their own acquisitions, to a centralized government procurement system under the Minister of Defence. While never established as an executive agency with the full authorities as recommended by both the Kinnaird and Mortimer reports, the 2005 DMO construct was a step in the right direction. However, the unavailability of HMAS Manoora demonstrated there were still bureaucratic and accountability issues that permeated defence acquisitions; issues that led to more significant changes within the Australian defence procurement organization.

Australian Lessons Learned

The lessons learned from the implementation of Australia's various defence procurement initiatives provide an opportunity to improve Canada's defence procurement system. Specifically, this section focusses on recent transformations such as the DRP, the DMO, and the subsequent CASG.

In implementing the DRP in the late 1990's, Australia learned that any significant initiative must "include the need for incentives and reward processes; a formal implementation team; a central clearing process for savings and reinvestment; an effective management information system; and accountability of individuals rather than groups."⁵⁴ Fundamentally, this transformation failed to adhere to common change management principles.

⁵³ Martin Auger, "Defence Procurement . . .", 8.

⁵⁴ Auditor General, "Defence Reform . . .", 14.

The creation of the DMO greatly improved the procurement process in Australia by increasing transparency and promoting collaboration amongst the services, industry and the DMO.⁵⁵ Notwithstanding the DMO's initial marked success in achieving greater collaboration, disagreements with the service chiefs arose over acceptable requirements and debates over sources of finances became more prevalent as the organization grew in size and gained greater independence.⁵⁶ Accordingly, the DMO, which was neither wholly integrated into nor fully distinct from the Department of Defence, struggled to establish its role and authority in defence procurement.

In 2015, Australia went back to the drawing board with the First Principles Review. The ensuing report articulated the DMO procurement problem space as follows:

The current organisational model and processes are complicated, slow and inefficient in an environment which requires simplicity, greater agility and timely delivery. Waste, inefficiency and rework are palpable. Defence is suffering from a *proliferation of structures, processes and systems with unclear accountabilities (emphasis added)*. These in turn cause institutionalised waste, delayed decisions, flawed execution, duplication, a change-resistant bureaucracy, over-escalation of issues for decision and low engagement levels amongst employees. Previous reviews and interviews with stakeholders indicate Defence operates as a loose federation where the individual parts from the highest levels, then down and across the organisation, are strongly protective of their turf and see themselves meriting more favour than other parts of the department. The centre is weak and not sufficiently strategic.⁵⁷

To address bureaucratic complexity and accountability concerns, Australia implemented the CASG construct in 2015. According to the Australia Government website, “[t]he vision for Capability Acquisition and Sustainment Group (CASG) is to be

⁵⁵ David Mortimer, “Going to the next level: the report of the defence procurement and sustainment review” (Canberra: Defence Materiel Organization, 18 September 2008), <https://defence.gov.au/publications/mortimerreview.pdf>.

⁵⁶ Mark Thomson, “The Demise of the Defence Materiel Group,” *Australian Strategic Policy Institute*, 17 April 2015, <https://www.aspistrategist.org.au/the-demise-of-the-defence-materiel-organisation/>.

⁵⁷ Department of Defence, “First Principles Review: Creating one Defence,” 1 April 2015: 13, <https://www.defence.gov.au/Publications/Reviews/Firstprinciples/Docs/FirstPrinciplesReviewB.pdf>.

the premier program management, logistics, procurement and engineering services group in Defence.”⁵⁸ To achieve this vision, the CASG aims to improve relations with defence industries by encouraging open and transparent conversations with companies.⁵⁹

Fundamentally similar to the DMO, the CASG construct is meant to be a holistic approach that takes a procurement from conception to disposal, ensuring that desired outcomes are delivered in an effective and efficient manner. While not an executive agency, CASG’s single financial structure, the integration of capability managers that represent users and clients, and the reduced competition for leadership talent make the CASG construct stronger than its DMO predecessor.⁶⁰

Ongoing challenges with Australia’s largest defence acquisition, the eighty billion dollar future submarine program, beg the question: is the CASG construct working?⁶¹ An argument can be made that the procurement of complex assets such as submarines, ships and fighter aircraft are wicked problems that will always face cost, schedule, or scope (capability) issues. While the CASG is relatively new, in the 2020 Future Submarine Program audit, the ANAO noted that “[c]omplex contracts will generally require active management to achieve contracted outcomes” and recognized that Defence, through the CASG, had demonstrated sound procurement practices by employing “[a] clear and

⁵⁸ Department of Defence, “Why CASG?,” last accessed on 19 April 2020: para 1, https://www.defence.gov.au/CASG/DoingBusiness/New_to_CASG.asp.

⁵⁹ *Ibid.*

⁶⁰ Department of Defence, “First Principles . . .

⁶¹ Stephen Kuper, “\$80bn future submarine program runs aground, again,” Defence Connect, 15 January 2020, <https://www.defenceconnect.com.au/maritime-antisub/5422-80-billion-future-submarine-program-runs-aground-again>.

consistent approach to contract management, particularly in the early stages of a long-term relationship, [that] will help establish mutual understanding between the parties.”⁶²

Similarly, a review of annual defence reports indicate that procurement is trending in the right direction. For example, there were only 2 projects on the list of projects of concern in 2018-2019,⁶³ as compared to six in 2013-2014.⁶⁴ It may be premature to fully attribute the success to the creation of the CASG; however, the decreasing trend could be indicative that the reduction of bureaucracy and the consolidation of finances has improved under the CASG structure. Regardless, Australia has seen a significant transformation in defence procurement and the lessons learned can be leveraged in a Canadian context.

DEFENCE PROCUREMENT CANADA – YES OR NO?

Martin Auger asserts that Canada’s decentralized and multi-departmental approach to defence procurement is unique from other industrialized countries that conduct procurement by either: 1) individual armed services, 2) centralized government organizations; or 3) by independent civilian corporations.⁶⁵ The first two parts of this paper have demonstrated that Canada and Australia have been plagued by similar procurement challenges. Australia is attempting to address procurement challenges with the implementation of the CASG, a centralized government organization under the Department of Defence. Should Canada follow in Australia’s footsteps? This final section

⁶² Australian National Audit Office, “Future Submarine Program: Transition to Design,” 14 January 2020: 11, <https://www.anao.gov.au/work/performance-audit/future-submarine-program-transition-to-design>.

⁶³ Department of Defence, “Defence Annual Report 2018-2019,” 34, https://defence.gov.au/annualreports/18-19/DAR_2018-19_Complete.pdf.

⁶⁴ Department of Defence, “Defence Annual Report 2013-2014 Volume 1,” 109, https://www.defence.gov.au/annualreports/13-14/DAR_1314_V1.pdf.

⁶⁵ Martin Auger, “Defence Procurement . . . , 3.

of the paper confirms the problem to be addressed, proposes what such an organization could look like and assesses if a new defence procurement organization is better or merely different.

Is the Problem Internal or External to DND?

Fritjof Capra, a systems theorist, asserts “the more we study the major problems of our time, the more we come to realise that they cannot be understood in isolation. They are systemic problems, which means that they are interconnected and interdependent.”⁶⁶ Opinions differ greatly on whether Canadian defence procurement is broken. How does the Government of Canada fix a problem if it is not properly understood? Part one of this paper argued that while defence procurement is not broken, delivering the right equipment at the right time is a complex endeavour for a variety of reasons, some of which are within the Department’s control and others are the result of a complex decentralized, multi-department bureaucracy.

During the 2019 electoral campaign, the Conservatives asserted that defence procurement needed another oversight committee to remove external political influence from the procurement process. Consequently, any solution space must take into account how to reduce or eliminate political influence. On the other hand, the Liberals advocated for the creation of a new organization called Defence Procurement Canada (DPC) to increase transparency and timeliness of project delivery.⁶⁷ While the CASG construct is

⁶⁶ Fritjof Capra, “The web of life: a new scientific understanding of living systems,” (London: Flamingo, 1996): 5, retrieved from the University of Phoenix online library.

⁶⁷ Marcia Mills and Paul Burbank, “Defence Procurement Canada: Is it ‘Back to the Future’ for Defence Procurement?,” *Fasken Newsletter*, 18 December 2019, <https://www.fasken.com/en/knowledge/2019/12/capital-perspectives---defence-procurement-canada/>; Jeffrey Collins, “Defence Procurement Canada: Opportunities and Constraints” (Calgary: Canadian Global Affairs Institute, December 2019): 1, https://www.cgai.ca/defence_procurement_canada_opportunities_and_constraints.

still relatively new, Canada can leverage Australia's lessons learned in consideration of the 2019 Liberal government direction to the Procurement Minister, in collaboration with the MND, and the Minister of Fisheries, Oceans and the Canadian Coast Guard, to develop a new defence procurement organization.⁶⁸

The 2018 David Perry report on streamlining defence procurement noted five areas of concern that were predominantly internal to DND: information management; capacity, knowledge and understanding; tailoring governance and procurement work; scheduling; and prioritization.⁶⁹ Subsequent to the report's release, DND expended considerable effort to address the critical findings.

First, information management is rapidly improving within Defence Resource Management Information System (DRMIS) and the Capability Investment Database (CID) migration to a new system of record and collaboration.⁷⁰ Second, a re-write of the Project Approval Directive (PAD) has introduced the concept of process buckets, eliminating the one size fits all approach to defence procurement.⁷¹ Third, ongoing initiatives through ADM (Mat) include the Project Manager Competency Development Program, developed in collaboration with the Public Service Commission, to professionalize project manager involved in project management duties and grant them a Project Management Institution (PMI) accreditation. Similar developmental work is being

⁶⁸ David Pugliese, "Three Ministers to Work on Options for Creation of the New Defence Procurement Canada", *Ottawa Citizen*, 13 December 2019, <https://ottawacitizen.com/news/national/defence-watch/three-ministers-to-work-on-options-for-creation-of-the-new-defence-procurement-canada/>.

⁶⁹ David Perry, "Streamlining defence procurement," report to the DM contract # W6369-19-X019, 15 September 2018.

⁷⁰ The author of this paper was the Project Director for the CID Migration in 2018-2019, which achieved full operational capability in 2020.

⁷¹ The PAD is a comprehensive document that provides detailed guidance to project teams on how projects proceed through all five phases of the tailored DND project approval process. Department of National Defence, "Project Approval Directive", 2019, retrieved from the Directed Wide Area Network internal DND website.

done for project directors, such that they would also have a professional accreditation as opposed to a ‘subject matter expert by posting message’ approach.⁷² Fourth, DND is increasingly accepting that to minimize project delays, schedule, cost, and scope must be considered in the decision-making process. As a result, the recent Capital Investment Refresh reviewed the cash phasing for major projects identified in Strong, Secure, Engaged (SSE) and amended the profiles to ensure projects had achievable timelines.⁷³ Last, prioritization remains an issue, particularly external to the department when additional governmental pressures arise. The recent rapid acquisition of a biocontainment aeromedical evacuation system in response to the current pandemic crisis is a key example of re-prioritization that will have an impact on subsequent program delivery in a fiscally constrained environment.⁷⁴

While DND has been making progress on moving procurement files outlined in SSE, the recent pandemic has seen Canadians across Government and industry working from home, significantly reducing the pace of work. Add the substantial amount of Government assistance announced in the past few weeks, that while necessary, will have impacts on subsequent defence budgets as the Government shifts priorities.⁷⁵ As one element of policy realization, defence procurement truly is at the mercy of the most pressing policy decisions facing any government.

Returning to the challenges presented in this paper, those of bureaucratic complexity, including political influence and the lack of accountability across multiple

⁷² Information provided by the Director Project Management Support Organization.

⁷³ Information provided by the Chief of Programme.

⁷⁴ Murray Brewster, “The pandemic could end up changing everything – including the military,” CBC News, 26 April 2020, <https://www.cbc.ca/news/politics/pandemic-covid-coronavirus-military-canada-1.5544854>.

⁷⁵ Elliot Hughes, “How Covid-19 could remake Canada’s military,” *iPolitics*, 6 April 2020, <https://ipolitics.ca/covid-19/>.

government agencies, there is value in examining the benefits and drawbacks of a single agency construct.⁷⁶ Two points are of particular interest from a Canadian context. First, this would not be the first time that Canada has had a single agency; the previous iteration being the Department of Defence Procurement in the 1960's.⁷⁷ Second, the DMO, as Australia's separate and sole procurement entity, also experienced issues with layers of process and accountability. Ultimately, there appears to be no 'silver bullet'; however, this section nonetheless explores the concept of a single procurement agency.

Is a Single Procurement Agency Better or Simply Different?

Socrates said *the secret of change is to focus all of your energy, not on fighting the old, but on building the new*. The single agency concept has been around for decades, yet resistance to change is widespread. In his book titled *Reinventing Canadian Defence Procurement*, former ADM (Mat) Alan Williams dispels common myths with regards to defence acquisitions. Namely, Williams asserts that the bureaucratic process can be responsive under the right conditions and that while political interference does occasionally occur it is not as pervasive as it is made out to be.⁷⁸ Consequently, Williams' position is that defence procurement can be fixed with the creation of a new organization by providing a single point of accountability and reducing multi-agency duplication of efforts and conflicts.⁷⁹

A review of existing terms of reference reveals that accountabilities, responsibilities and authorities (ARA) amongst the agencies are clear. Is it possible that

⁷⁶ Jeffrey Collins, "Defence Procurement Canada: Opportunities and Constraints" (Calgary: Canadian Global Affairs Institute, December 2019): 1,

https://www.cgai.ca/defence_procurement_canada_opportunities_and_constraints

⁷⁷ Jeffrey Collins, "Defence Procurement . . .", 1.
https://www.cgai.ca/defence_procurement_canada_opportunities_and_constraints.

⁷⁸ Alan S. Williams, *Reinventing Canadian Defence* . . ., 1-2.

⁷⁹ *Ibid.*, 71-73.

the issue is not a lack of accountability, but the government's lack of desire to hold individuals accountable when they deviate from their ARAs and attempt to influence processes that are not within their 'swim lane' resulting in conflicts and delays that could otherwise had been avoided. Further research is required to assess to root cause of the perceived lack of accountability.

Jeffrey Collins, an experienced policy advisor and research fellow asserts that a single agency could remove duplication of effort, particularly the need to produce separate corporate submissions for the same projects, and thereby improve accountability and ultimately accelerate the process.⁸⁰ As a counterargument, the 2019 Treasury Board approval of a pilot program that would better align PSPC with DND ministerial and cabinet approvals based on risk as opposed to dollar amounts aims to eliminate the need for separate corporate submissions.⁸¹ This initiative already appears to be delivering dividends within DND and may very well be worth further research.⁸²

Another argument in favour of a single agency is the pooling of resources that could occur under this structure.⁸³ Combining PSPC and DND personnel could produce knowledgeable defence procurement experts and decrease shortages of skilled individuals. While a valid argument, the pooling of resources under a single agency would do little to address the challenges presented in this paper. However, removing the

⁸⁰ In the Canadian Project Approval Process a Corporate submission may be required for both Expenditure Authority and for Contacting Authority. Jeffrey Collins, "Defence Procurement Canada: Opportunities and Constraints" (Calgary: Canadian Global Affairs Institute, December 2019): 1, https://www.cgai.ca/defence_procurement_canada_opportunities_and_constraints.

⁸¹ PSPC, "Backgrounder: Piloting a streamlined approval process for defence procurements," last modified 13 November 2019, <https://www.tpsgc-pwgsc.gc.ca/app-acq/amd-dp/samd-dps/spamdd-sapfdp-eng.html>.

⁸² Information provided by the Director of Programme, Governance and Innovation.

⁸³ Craig Stone, "A separate defence procurement agency: Will it actually make a difference?" *Canadian International Council*, February 2012: 12, https://d3n8a8pro7vhmx.cloudfront.net/cdfai/pages/95/attachments/original/1413683580/A_Separate_Defence.pdf?1413683580.

bureaucracy of multiple chains of command across agencies and dealing with a single procurement agency could potentially reduce the time required to approve projects and increase accountability as only one organization would be involved in procurement.⁸⁴

Notwithstanding the potential issues identified above, the largest challenge of implementing a defence procurement agency lies in the multitude of statutory amendments required. Depending if the new agency would be subordinate to PSCP, DND, or a completely new and distinct entity, the requirement to restructure the public service is significant.⁸⁵ While implementing a new entity under PSCP is easier, it negates the military expertise that resides within DND. Consequently, in the absence of creating an entirely new Department, it would be more logical to incorporate a new DM under the MND. This approach would be more in line with the current approach implemented by Australia.

Numerous defence procurement reforms have been implemented in the last decade. The DPS ensures that ministers from DND, PSCP, and IC are aligned in their procurement strategy. The introduction of layers of authority and approvals within the DPS construct have generally streamlined procurement strategy decision-making and agreement amongst the ministers with occasionally diverging mandates. The publication of SSE provided much clarity in the capabilities required by DND and the timelines under which they should be acquired. While SSE is not perfect, a non-partisan, consistent and enduring defence policy could resolve some of DND's more political files, without resorting to the creation of a new organization. DND also approved a series of new processes and completed a re-write of the PAD to give individuals at all levels of the

⁸⁴ Craig Stone, "A separate defence. . .", 12.

⁸⁵ Marcia Mills and Paul Burbank, "Defence Procurement . . .", Going Forward.

procurement process a better understanding of their duties and responsibilities in delivering Canada's military capability. Most notably ensuring that the alignment of the process with Capability Based Planning clearly informs resource allocation and amendment decisions, a clear parallel with what the Australians are currently reporting as a successful element of their Defence procurement changes.⁸⁶

While the introduction of a single defence procurement agency presents some benefits, the challenges of successfully implementing such a construct are indeed complex and inherently risky. In the context of a Canadian solution space, perhaps more important are the Australian lessons learned from the implementation of the DRP. Namely, any significant initiative must “include the need for incentives and reward processes; a formal implementation team; a central clearing process for savings and reinvestment; an effective management information system; and accountability of individuals rather than groups.”⁸⁷ In lieu of implementing a new agency, perhaps there is more value in making minor adjustments to the existing system or accepting that an organization as big as DND with the largest Vote 5 capital budget of Government will inherently be challenged in delivering according to timelines mandated early in the development of a policy.

CONCLUSION

Defence procurement is complex. It involves countless stakeholders and divergent views. Defending Canada at home and abroad is dangerous work, and CAF leadership have the responsibility to ensure that the soldiers, sailors, airwomen and airmen of the CAF have the best equipment and training to enable them to accomplish their assigned

⁸⁶ Department of Defence, “Defence Annual Report 2018-2019.”

⁸⁷ Auditor General, “Defence Reform . . .”, 14.

missions. Similarly, each Minister is concerned with ensuring they can deliver on their mandate in the manner that best serves Canadians and Canadian interests. Defence procurement is a closed system in which difficult decisions must be made to deliver on the capability that will best address future threats. Reconciling that imperative with competing policy requirements in a dynamic and complex environment requires informed and enabled leadership. If a Defence Procurement Agency serves to focus information and authority where it can best enable timely decisions the investment will be of value; it is also possible for it to add another layer of unfocused process.

This paper argued that defence procurement is not broken. The re-organization of the VCDS group with the creation of CFD in 2006, the introduction of DPS and IRPDA in 2014 as well as the release of SSE in 2017, the increase in professional training, the re-write of the PAD in 2019, and the ongoing improvements in data analytics, DND has made considerable strides in improving project delivery. Yet, there remains room for improvement, particularly in reducing political influence and increasing accountability and clarifying lines of authority; however, Government must be cautious to ensure that the focus remains on delivering capability vice fixating on process.

Australia's considerable transformation from a de-centralized to centralized approach provides insights into the challenges of implementing a single procurement agency. Consequently, any change to the current Canadian construct, particularly one of the magnitude of creating a new procurement agency must be well-thought out, implemented without detriment to existing capability delivery, well-funded, and most importantly must include the buy-in of all political parties. As illustrated in this paper, the problem space remains highly subjective. The creation of a single procurement agency in Canada is not the Holy Grail, but it is also not a sinking ship.

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