

Canadian
Forces
College

Collège
des
Forces
Canadiennes



UNIFICATION AND PROCUREMENT – THE ONGOING EFFECTS OF A LACK OF UNIFICATION ON EFFICIENCIES IN PROCUREMENT

Maj M.A. Brooks

JCSP 41

Exercise Solo Flight

Disclaimer

Opinions expressed remain those of the author and do not represent Department of National Defence or Canadian Forces policy. This paper may not be used without written permission.

© Her Majesty the Queen in Right of Canada, as represented by the Minister of National Defence, 2015.

PCEMI 41

Exercice Solo Flight

Avertissement

Les opinions exprimées n'engagent que leurs auteurs et ne reflètent aucunement des politiques du Ministère de la Défense nationale ou des Forces canadiennes. Ce papier ne peut être reproduit sans autorisation écrite.

© Sa Majesté la Reine du Chef du Canada, représentée par le ministre de la Défense nationale, 2015.

EXERCISE *SOLO FLIGHT* – EXERCICE *SOLO FLIGHT*

**UNIFICATION AND PROCUREMENT – THE ONGOING EFFECTS OF
A LACK OF UNIFICATION ON EFFICIENCIES IN PROCUREMENT**

Maj M.A. Brooks

“This paper was written by a student attending the Canadian Forces College in fulfilment of one of the requirements of the Course of Studies. The paper is a scholastic document, and thus contains facts and opinions, which the author alone considered appropriate and correct for the subject. It does not necessarily reflect the policy or the opinion of any agency, including the Government of Canada and the Canadian Department of National Defence. This paper may not be released, quoted or copied, except with the express permission of the Canadian Department of National Defence.”

Word Count: 2922

“La présente étude a été rédigée par un stagiaire du Collège des Forces canadiennes pour satisfaire à l'une des exigences du cours. L'étude est un document qui se rapporte au cours et contient donc des faits et des opinions que seul l'auteur considère appropriés et convenables au sujet. Elle ne reflète pas nécessairement la politique ou l'opinion d'un organisme quelconque, y compris le gouvernement du Canada et le ministère de la Défense nationale du Canada. Il est défendu de diffuser, de citer ou de reproduire cette étude sans la permission expresse du ministère de la Défense nationale.”

Compte de mots : 2922

Procurement for the Department of National Defence (DND) in Canada is a complicated system of rules, regulations and legal niceties that exist around media attention and political spin. Contracting regulations that exist to meet Canadian industry requirements are often pointed out as the root problem behind lengthy capital procurement timelines, and changes to these regulations were supposed to provide some relief. However, these changes will only create further inefficiencies in an already broken lifecycle management process within DND.

The non-capital procurement system that exists within DND, and the in-service support programs built around the stove piped systems that exist, is a creature of DND's own design. The lifecycle management process, that area of the supply chain that focuses on maintaining in-service support of equipment, is not a fully integrated process amongst the services of the Canadian Armed Forces (CAF). The development of various directorates engaged in procurement, and the inwardly focused views of the three services, provides for the stovepiped procurement activities that take place routinely.

The Department of National Defence does not have an integrated procurement system that can efficiently meet the ongoing needs of the Canadian Armed Forces (CAF).

This lack of integrated system arises from the silos that exist between the three services and their specific requirements, and the methods used by Material Group to fulfill these requirements.

This paper will seek to uncover the beginnings behind the current procurement process to demonstrate how the integration of logistic systems and the unification of the CAF in the 1960s did not meet the end state of a truly unified force. This is particularly true now as services gradually move back to their original identities, a form of unofficial de-unification.

DND procurement in its present form finds its origins in the Department of National Defence integration and unification drama that occurred during Paul Hellyer's time as the Minister of National Defence (MND). Hellyer took on the task of reorganizing the Canadian Armed Forces, optimizing the three services to better fit the needs of Canada at a time of great uncertainty in the world, with the Cold War being first and foremost in many people's mind. At this point, it is prudent to explain the differences between "integration" and "unification" in terms of what eventually occurred. Unification dealt with the combining of the Royal Canadian Navy (RCN), Royal Canadian Air Force (RCAF) and the Canadian Army into one entity, as well as changes to the civilian oversight of the CAF. Upon unification, the three separate elements ceased to exist as individual services, and were combined to become components of the Canadian Armed Forces. This unification process was not a popular concept with many, and Hellyer was required to overcome many obstacles, not least of which was the opposition of senior uniformed officials, in making unification occur.

Integration on the other hand, dealt with the coordination of common elements such as logistics, recruiting and administration. Up to that point in time, each element had its own ways of doing business, and while there were many common requirements, the RCN, RCAF and Canadian Army had no coordination between them. Hellyer describes his time in the training system during World War II – originally joining the RCAF, he completed basic training and while awaiting further training, he was designated as "surplus aircrew" and sent for discharge. After being discharged from the RCAF, he joined the Canadian Army and was required to complete his basic training – including immunization shots – again.¹ This example demonstrates

¹ Paul Hellyer, *Damn the Torpedoes* (Toronto: McClelland & Stewart Inc., 1990), 3-4

the lack of coordination that existed amongst the three services. The consolidation of similar activities did not require any changes to the NDA, and was generally felt to be a requirement amongst military personnel.

The concept of integrating the common services within the CAF was not first contemplated during the era of integration. Most logisticians realized the benefit of integrating the CAF supply chain once employed in areas where services came in contact. However, it was not until the 1961 *Report 20: Department of National Defence*, better known as the Glassco Report, that efforts were truly put forth to make it a reality. Further compounding the issue at the time, was an inability (due to technological inadequacies) to track like-items through the supply chain. For example, a part in the Canadian Army had a stock code, and the same part in the Royal Canadian Air Force (RCAF) had a different stock code. Methods of working through this were developed, though it was not until the common NATO Stock Number (NSN) classification system came into existence that this was fully solved. Even with NSN, different requirements for standards, different projects, and different In-Service Support networks have not eliminated redundant parts ordering. Regardless, a truly centrally managed system of supply was finally established.

While much good initially came out of integration, misgivings of senior military personnel towards unification, and the military propensity towards traditions, led to a gradual de-unification of the Forces, while at the same time maintaining an integrated supply chain. This complicated any interaction between the services, and inhibited the introduction of new policies and procedures across the services. The introduction of the Defence Resource Management and Information System (DRMIS) in 2012, for example, was implemented in three different forms to

meet the different requirements of the RCN, RCAF, and Canadian Army. When DRMIS was delivered to the CAF, three separate teams were established, each with different views on project requirements and terminology. While the ADM(Mat) DRMIS project team did work to provide a common delivery method, the various requirements identified by each of the services during blueprinting highlight the wide-ranging differences in approach to the new system.²

A working knowledge of how integration and unification has affected the structure of the current supply system is key to understanding how the stovepipes of responsibility have come into existence. The Department of National Defence is not made up of just the Canadian Armed Forces. In addition to this branch, there exists Assistant Deputy Ministers (ADM) in five areas, all of whom are responsible directly to the Deputy Minister (DM) of Defence. These ADMs are Policy (ADM(Pol)), Information Management (ADM (IM)), Materiel (ADM(Mat)), Finance and Corporate Services (ADM (Fin CS)), and Human Resources (ADM(HR)).³ With five separate entities all reporting to the Deputy Minister, additional stovepipes based on responsibilities have been formed. As ADM (Mat) deals directly with procurement, this area will be further examined.

ADM(Mat) is overall responsible for Material Group, the organization responsible for material support to the CAF. Materiel Group's mission is: "to deliver the materiel and services required by the Canadian Armed Forces (CAF)."⁴ This mission statement indicates an immense

² Department of National Defence, "MATKNET, DRMIS, Blueprinting," accessed on DWAN, 10 May 2015. Author's Note: While the blueprinting identifies various, and often unique, requirements for each of the services, it was the method of implementation that highlighted the stovepiped approaches to this project. Due to changes in the archiving of documents on the DWAN, original implementation instructions could not be found for referencing and were therefore not used in the presentation of this paper.

³ National Defence and the Canadian Armed Forces, "Organizational Structure," last modified 17 July 2014, <http://www.forces.gc.ca/en/about-org-structure/index.page>

⁴ National Defence and the Canadian Armed Forces, "Assistant Deputy Minister (Materiel)," last modified 24 July 2013, <http://www.forces.gc.ca/en/about-org-structure/assistant-deputy-minister-materiel.page>

overstatement regarding the activities required to meet that mission. This one organization is responsible for the maintenance of procurement policy, as well as the actions required to purchase, maintain and dispose of all materiel in use by the CAF. This is all done under the auspices of a unified force with integrated logistical support.

Beginning with the Glassco Report, recommendations were made to integrate logistic services to save on manpower and finances, and to avoid duplication and triplication of work. The 1966 Canadian Forces Reorganization Act White Paper drew on these recommendations to implement the position of The Chief of Technical Services whose responsibilities included being “in charge of all engineering and development activity related to capital equipment programmes, plans and policies for the procurement, storage, distribution, inspection, maintenance and disposal of materiel...”⁵ This position set the conditions for the further development of logistical support personnel as one entity, versus each service having responsibility for its own. Further developments included the creation of Material Command, with the task of “providing the necessary supply and maintenance support to the other functional commands.”⁶ Annex O to the *Organizational Concept for the Canadian Forces*, the written order that outlines the basic organizational concept for the new unified forces, has a one page description of the function of Material Command:

1. The role of Material Command is to provide, on a world-wide basis, the third line technical services support (see Annex E) required to meet Canada’s defence commitments. Basic functions evolving from this role are:

- a) to operate a material procurement system;

⁵ “Address on the Canadian Forces Reorganization Act, 7 December 1966,” in *Canada’s National Defence*, Vol 2, Ed. Douglas L Bland, 117 (Kingston: School of Policy Studies, Queen’s University, 1998).

⁶ *Ibid.*, 126

- b) to operate a warehousing system;
- c) to administer a material distribution system;
- d) to operate a system for major repair and overhaul;
- e) to operate a material disposal program; [and]
- f) to operate immediate support services for the above functions.⁷

Also germane to this paper, Annex E of the same document indicates: “Supply is the logistics service which provides the material support requirements of the Canadian Forces and includes cataloguing, calculation of requirements, procurement, storage, distribution, accounting and disposal.”⁸

The integration of support services over the course of the many changes that occurred in the department certainly led to manpower savings and efficiencies. The *Task Force on Review of Unification of the Canadian Forces*, (March 1980) recommended “the common central support systems be retained.”⁹ A review of that report conducted in August of 1980 (*Review Group on the Report of the Task Force on Unification of the Canadian Forces*), supported this recommendation.¹⁰ The savings in manpower remain, though the efficiencies have slowly been eroded due to the gradual move away from a unified force.

To summarize, the results of integration on the logistics system within Canada were the creation of Material Command, which was tasked with conducting strategic supply activities on behalf of the entire Canadian Armed Forces. Prior to this occurring, each of the three services conducted their own supply sustainment, which created duplication of effort and increased stocks

⁷ Department of National Defence Memorandum, “Organization Concept for the Canadian Forces,” Annex O, Signed by Vice Admiral R.L. Hennessey for the Chief of Defence Staff, 27 September 1967.

⁸ *Ibid.*, Annex E, 3.

⁹ Canada. Department of National Defence, *Task Force on Review of Unification of the Canadian Armed Forces*, G.M. Fyffe, Chairman, Final Report 15 March 1980, 62.

¹⁰ Canada. Department of National Defence, *Review Group on the Report of the Task Force on Unification of the Canadian Forces*, J.E. Vance Chairman, Report 31 August 1980, 25-26.

of common parts. Material Command was under the direction of a military member, the Chief of Technical Services and was later enveloped into the ADM(Mat) organization, which was led by a civilian member of DND.

From a strategic viewpoint, the integration of supply services was a logical move. As Hellyer notes in his book, prior to integration each of the environmental services chiefs had the ear of the minister, and since each service had a different view on how a future war would be fought, their requirements were markedly different. Despite agreement at the Defence Committee level, the service that was able to make the first, or perhaps the best, pitch for capital procurement often won. This, in turn, created confusion over Canada's ability to respond to world affairs. As Hellyer stated, this resulted in "policy by happenstance."¹¹

Hellyer also describes the state of the national supply system with three services conducting their own supply activities:

Triplification of supply lines, storage, and parts numbers led to some absurd situations. One service would sell surplus material as scrap at the same time that a sister service would be ordering the same item new... There was no cross-referencing and this was especially ridiculous in cases like that of the Mark NC-44 torpedo, which was used by both the RCN and RCAF. The two services used different parts numbers, so if one service was short of parts for the torpedo, there was no practical way to see if the other could meet the requirement from inventory...¹²

With the establishment of Material Command, the above situation was expected to be resolved, with one organization responsible for procurement for the entire CAF. While Material Command, and the subsequent ADM(Mat) organization did take on the overall procurement

¹¹ Hellyer, *Damn the Torpedoes*, 34.

¹² *Ibid.*, 36-37.

process, and thereby the associated policies, other organizations were also created that complicated the procurement process due to their stove piped nature.

To this point strategic departmental changes have been discussed. These changes had important impacts on the way in which each of the services conducted their routine procurement. With unification and the development of Material Command, the fulfillment of requirements of each service was no longer a service commander's responsibility. Instead, Material Command was responsible for the central procurement of materiel in support of the Canadian Armed Forces as a whole. This remained somewhat complicated, as like-items were difficult to track between manufacturers. The development of a NATO-standard for coding, or NATO Stock Number (NSN) further enabled a central authority to purchase items that could then be tracked across all elements.

Within the CAF supply system, there are two methods through which organizations can obtain, either new or replacement items. An organization can order an item through the Canadian Forces Supply System (CFSS), or purchase the item locally. Items ordered through the CFSS are defined as either centrally-managed, or locally-managed. Centrally managed items can further be broken down into centrally managed/centrally procured or centrally managed/locally procured. Centrally procured items can only be obtained through procurement action on the part of a Supply Manager, whereas locally managed items can be obtained through local resources, but use central funding (ie funding does not come out of the organization's budget). Locally managed items are all purchased through local means, and the costs come out of the organization's budget.

The above description of CFSS procurement is an important aspect to understand within the CAF procurement process, as it is only within the last 20 years that local procurement of items has been permitted. Following integration/unification, the majority of items in the CFSS inventory was centrally managed and procured. Notebooks, pads of papers and pens, for example, could all be ordered through CFSS and delivered from the depot, which held stock levels congruent to the needs of the CAF.

Ironically, it was budgetary restraint efforts that began the reversion back to a de-integrated supply system. Prior to the mid-1990s, the majority of items in the CAF supply system were centrally managed, meaning a single item served the same purpose among multiple organizations. A pen, for example, could be ordered through the supply system using a common NSN. The pen would be shipped from a centrally managed depot to the ordering unit. As a means to lower the overhead costs associated with this centralization of items, and lower overall items in stock, thereby freeing up warehouse space, changes were made within the supply system that devolved Overhead and Maintenance (O&M) costs to the three services. These funds were further devolved to bases and units, allowing individual items to be procured depending on funding ability. Individual units could now purchase a specific pen, regardless of price, provided there was funding in the budget. Beyond a pen, larger items such as personnel protective equipment and checklist items, could now be procured locally, increasing the overall inventory in the supply system, though individual units were responsible for the maintenance.

ADM(Mat) is gradually attempting to reorganize and resynchronize procurement efforts. The realization that individual units were procuring PPE for its personnel prompted the issuance of the Canadian Forces General (CANFORGEN) Message 075/10. In this message,

ADM(Mat) made it abundantly clear that operational equipment could not be purchased locally without express approval from Material Group.¹³ The Canadian Army expanded on this, highlighting that units were not authorized to purchase soldier personal equipment, clothing and camp stores.¹⁴ While the reasoning behind these messages was to ensure proper standards were maintained for PPE, the results have assisted in ensuring centrally managed items are of a set standard, and can be used across services without variance, including spare parts.

Changes to contracting and procurement policy has also limited where and what types of items end-users can purchase. Creation of National Standing Offers for example, provide specific companies from which pens, paper and stationary (PP&S) may be purchased. Similarly, there are specific Standing Offers for the purchase of various types of Petroleum, Oils and Lubricants (POL).¹⁵ The restrictions to use of Standing Offers are specific to items identified by Public Works and Government Services Canada (PWGSC) as “Mandatory Commodities.”¹⁶ However, it is DND’s policy to use Standing Offers wherever they exist, and to require substantiation if an existing Standing Offer will not be used.¹⁷

The largest hindrance to an effective integrated procurement system is the method of operating of the three Equipment Program Management (EPM) directorates for each of the environments. Each of the environments (Land, Maritime and Aerospace) have a director general

¹³ Canada, Department of National Defence, “Unauthorized Procurement of Operational Equipment,” Canadian Forces Message, Issued by ADM(Mat), 29 March 2010.

¹⁴ Canada, Department of National Defence, “Soldier Personal Equipment, Clothing and Camp Stores,” Canadian Land General Message (CANLANDGEN), Issued by the Chief of Land Staff, 7 June 2010.

¹⁵ Public Works and Government Services Canada, “Buyandsell.gc.ca,” last accessed 10 May 2015, <https://buyandsell.gc.ca>.

¹⁶ Department of National Defence, A-PP-005-000/AG-002, *Procurement Administration Manual*, (Online document on DWAN), 229.

¹⁷ *Ibid.*, 231-233.

and are known by their acronyms, respectively: DGLEPM, DGMEPM and DGAEPM.

Notwithstanding the fact each of the environments have their own unique requirements, there are instances where a combined effort would serve the purposes of all environments. The Clothe the Soldier (CTS) project is an example of this.¹⁸

The Directorate of Soldier Systems Program Management (DSSPM), is a sub-section of DGLEPM but is “responsible for designing, procuring and maintaining clothing and personal equipment for the members of the Canadian Armed Forces (CAF).”¹⁹ At the outset, this would appear as though a cross-service system is in place for procurement. However, Director Land Requirements (DLR), a Canadian Army organization provides specifics for procurement. In the case of the CTS project, DLR was the lead on the project. Where this becomes problematic is the fact that the uniforms and equipment procured for the Canadian Army were soon in use by the other environments, increasing overall costs and diminishing stock availability for Canadian Army personnel. In some cases, changes were made to pieces of uniform that created entirely new production runs. The RCAF, for example, required a replacement raincoat. The RCAF then procured, through DSSPM and its own requirements cell, a raincoat that looks exactly like those worn by Canadian Army personnel, with the exception of high-visibility strips in the breast pockets. This not only increased costs for DND, it had the secondary impact in warehousing of having two similar jackets and the space to store both separately.

¹⁸ The Clothe the Soldier project included new operational uniforms for the Canadian Army, including the introduction of the Canadian Disruptive Pattern (CADPAT) appearance. The CTS project included Improved Environmental Clothing System (IECS) that provided layers of clothing for various climates from temperate to arctic. Also included were various articles of Personal Protective Equipment (PPE) including new helmets, eye protection, backpacks, tactical vests and fragmentation vests. While considered complete as a project, replacement articles and new protective gear continue to be introduced to the Canadian Army and CAF.

¹⁹ National Defence and the Canadian Armed Forces, “Soldier Systems,” last modified 6 May 2014, <http://www.forces.gc.ca/en/caf-community-support-services-for-members-soldier-systems/index.page> .

Despite integration and unification plans that would have seen a seamless and an all-encompassing supply chain, the CAF's gradual change back to a de-unified organization has led to dramatic impacts in the ability to efficiently manage the procurement system. The stove-piped approach to procurement of like items remains a limiting factor meeting departmental needs, including funding cuts. In the case of the CTS project, a central organization could have mandated the RCAF accept the Canadian Army raincoat as is, included a removable high visibility strip for all raincoats, or ensured the procurement of an attachment specifically for RCAF personnel. Coordination and closer collaboration between services could have also procured sufficient uniforms for all three services, instead of diminishing the stock of the primary user.

Unification occurred in 1966, and remains a uniquely Canadian approach to military organization. Customs and traditions, combined with the specific needs of each environment continue to pull the three services apart to their original identities. At the central management and procurement level of ADM(Mat), this is a challenge that must be better dealt with in order to ensure an efficient supply system that meets the needs of the Department of National Defence as a whole.

BIBLIOGRAPHY

- Bland, Douglas L. *Canada's National Defence, Volume 2 Defence Organization*. (Kingston, Ont.: School of Policy Studies, Queen's University), 1998.
- Canada. Department of National Defence. A-LM-007-100/AG-001, *Supply Administration Manual*, DWAN online manual, 2015
- Canada. Department of National Defence. A-PP-005-000/AG-002, *Procurement Administration Manual*, DWAN online manual, revision 66, March 2015.
- Canada. Department of National Defence, John R. Anderson, Robert R. *Government Restructuring and Implications for DND*. (Ottawa: Dept. of National Defence), 1993.
- Canada. Department of National Defence. *Organization Concept for the Canadian Forces*. 3rd ed. (Ottawa: Canadian Forces Headquarters), 1967.
- Canada. Department of National Defence, "Soldier Personnel Equipment, Clothing and Camp Stores," Canadian Land General Message, issued by the Chief of Land Staff, 7 June 2010.
- Canada. Department of National Defence, "Unauthorized Procurement of Operational Equipment," Canadian Forces Message, issued by ADM(Mat), 29 March 2010.
- Canada. Review Group on the Report of the Task Force on Unification of the Canadian Forces, and J. E. Vance. *Review Group on the Report of the Task Force on Unification of the Canadian Forces: Report, 31 August 1980*. (Ottawa: Department of National Defence), 1980.
- Hellyer, Paul. *Damn the Torpedoes: My Fight to Unify Canada's Armed Forces*. (Toronto: McClelland & Stewart), 1990.
- National Defence and the Canadian Armed Forces, "Assistant Deputy Minister (Materiel)," last modified 24 July 2013. <http://www.forces.gc.ca/en/about-org-structure/assistant-deputy-minister-materiel.page>
- National Defence and the Canadian Armed Forces, "Organizational Structure," last modified 17 July 2014. <http://www.forces.gc.ca/en/about-org-structure/index.page>
- Public Works and Government Services Canada, "Buyandsell.gc.ca," last accessed 10 May 2015, <https://buyandsell.gc.ca>
- Stone, J. C. "Doubling the Size of the Defence Budget: The Economic Realities of Strategy 2020," Doctorate Thesis, Royal Military College, 2004.

Task Force on Review of Unification of the Canadian Armed Forces and G. M. Fyffe. *Task Force on Review of Unification of the Canadian Forces: Final Report, 15 March 1980*. (Ottawa: Department of National Defence), 1980.