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## CANADA'S DEFENCE PROCUREMENT STRATEGY: FALLING SHORT OF SUCCESS

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***Exercise Solo Flight***

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EXERCISE *SOLO FLIGHT* – EXERCICE *SOLO FLIGHT*

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## Introduction

As a consequence of the numerous stakeholders and potential economic significance, defence procurement is a widely studied and often scrutinized topic. For Canada and other nations with modern military forces, defence procurement is a subject of regular criticism that, at times, is exacerbated by politics and media's insatiable urge to report controversy. Sources of criticism include public officials such as opposition government parties and auditors, members of private industry from executives to employees, and the common tax-paying citizen. Naturally, the members of the Canadian Armed Forces (CAF) and their civilian counterparts in the Department of National Defence (DND) also have a vested interest.

Considering the groups above, it is apparent that the underlying motivations of each party vary significantly. All attempts to completely solve procurement woes have been, and arguably always will be, futile as a result of the differing opinions of stakeholders and number of follow-on issues. Any change inevitably ends with a dissatisfied party. Further, the factors that determine what requirements are needed and the procedural complexities of the process itself are not well understood.<sup>1</sup> Some analysts predict that defence acquisitions will only get more expensive in the future, possibly even requiring review of how capabilities are delivered.<sup>2</sup> In turn, these trends will lead to their own set of associated problems. For these reasons, defence procurement has at times been referred to as a *wicked* problem.<sup>3</sup>

Canada's most recent effort to address defence procurement problems came in the form of the Defence Procurement Strategy (DPS). The strategy applies to major procurement contracts

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<sup>1</sup>Charles Davies, "Understanding Defence Procurement", *Canadian Military Journal* 15, no. 2 (2015): 5.

<sup>2</sup>David Kirkpatrick, "Trends in the Costs of Weapon Systems and the Consequences", *Defence and Peace Economics* 15, no. 3 (06/01, 2004): 273.

<sup>3</sup>Jeremy Blackham, "Dealing with Wicked Problems", *The RUSI Journal* 152, no. 4 (2007): 36-38; S.C. Ash, "Defence Procurement: A Wicked Problem For Canadians" (Joint Command and Staff Programme Solo Flight Paper, Canadian Forces College, 2015), 1-2.

and introduces initiatives to improve cooperation and communication between stakeholders in order to address the chronic cost overruns and time delays, while simultaneously creating economic opportunities for Canadian industries. Though the initiatives have been described in general terms as a *step in the right direction*<sup>4</sup>, DPS has neglected to address some key parameters. Specifically, DPS omits to mandate an apolitical top-down approach to strategic guidance and also fails to establish a single procurement organization to exploit efficiencies. Without these inclusions, the chances of long term success in defence procurement are significantly compromised.

This paper examines shortfalls of Canada's DPS. In order to provide context, a brief study of the background, purpose, and objectives of DPS will first be described. An assessment of DPS' effectiveness over its first three years will expose where progress has been made to date. The focus will then turn to providing a detailed account of two deficient areas in DPS; namely the lack of consistent strategic guidance on defence matters and the reluctance to unify defence procurement under a single central agency. For each issue, an assessment of its impact on defence acquisition and recommendations to address the shortfalls will be considered. While defence procurement will always be subject to scrutiny, addressing the noted deficiencies as part of DPS will lead to tangible improvements to the process and contribute to the long term viability of the strategy.

## **Defence Procurement Strategy**

Defence procurement processes have historically undergone reviews and changes before or after major conflicts. Martin Auger, an analysis at the Library of Parliament, describes several

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<sup>4</sup>Martin Auger, "The Evolution of Defence Procurement in Canada", Library of Parliament Research Publications, 2016, 8.

iterations of amalgamation and dissolution of federal agencies responsible for defence procurement in his publication titled *The Evolution of Defence Procurement in Canada*. Of particular relevance, procurement began to take on its current form in the late 1980s, following introduction of Industrial and Regional Benefits (IRB) policy by Prime Minister Mulroney. Soon after, responsibility for defence procurement was officially shared between DND, Public Works and Government Services Canada (now Public Services and Procurement Canada (PSPC)), and Industry Canada (now Innovation, Science, and Economic Development Canada (ISED)).<sup>5</sup>

Multiple factors led to the need to change defence procurement. A decade of Canadian deployments to Afghanistan, where the demand for upgraded equipment was both undeniable and public, provided substantial impetus for change. Domestically, major equipment fleets in the Army, Navy, and Air Force were in need of urgent replacement or upgrade, amounting to potentially billions of dollars in planned purchases. Scrutiny of ongoing procurements, such as those reported by the Auditor General on management of fighter jet and helicopter acquisitions directed negative attention towards the federal government.<sup>6</sup> Likewise, last-minute cancellation of projects and the increasing numbers of non-compliant bids in the Request for Proposal stage also highlighted ongoing concerns with the current system.<sup>7</sup> Canadian industry weighed in through various independent studies, such as reports from Canadian Association of Defence and Security Industries (CADSI), which no doubt added additional pressure to take action. All of the above reasons are amplified by improved access to information and its subsequent exchange.

### *Objectives and Initiatives*

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<sup>5</sup>*Ibid.*, 6.

<sup>6</sup>David Perry, *Putting the 'Armed' Back into the Canadian Armed Forces: Improving Defence Procurement in Canada*, Ottawa, Ont.; Macdonald-Laurier Institute: Conference of Defence Associations Institute, 2015, 3.

<sup>7</sup>Elinor Sloan, "Something Has to Give: Why Delays Are the New Reality of Canada's Defence Procurement Strategy", Canadian Defence and Foreign Affairs Institute, 2014, 3-5.

DPS was released in 2014 by the Conservative Government in order to solve Canada's procurement problem. The strategy had three main objectives.<sup>8</sup> First, it was to facilitate delivery of the right equipment to the CAF and Canadian Coast Guard in a timely manner.<sup>9</sup> Second, it was to stimulate job creation and economic growth in Canada. Third, it was to streamlining defence procurement processes. A number of initiatives were launched within the stated objectives that can broadly be categorized as industry related or internally focused. The main initiatives, many of which were derived from lessons learned after the cancellation of the initial Joint Support Ship project and related National Shipbuilding Procurement Strategy, are described below.<sup>10</sup>

Industry focused initiatives are related to improving the communication between governmental departments and private sector. In DPS, there is a stated commitment to early engagement between industry and client, fostering an understanding of the needs of DND and the capabilities of Canadian industry to deliver potential solutions. Bids on future contracts are now assessed against rated *Value Proposition* criteria, meaning onus is on industry to explain how their proposal maximize economic benefits and develop Key Industrial Capabilities. In turn, government will support Canadian defence industries by promoting them through an export strategy and participation in global supply chains. Finally, government will publish annual Defence Acquisition Guide (DAG) which identifies anticipated upcoming procurements of

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<sup>8</sup>Public Services and Procurement Canada, "Defence Procurement Strategy", last accessed 1 May 2017, <https://www.tpsgc-pwgsc.gc.ca/app-acq/amd-dp/samd-dps/index-eng.html>.

<sup>9</sup>Although the Canadian Coast Guard non-combatant ship requirements were also included in the National Shipbuilding Procurement Strategy, this paper will concentrate only on the CAF requirements.

<sup>10</sup>Public Services and Procurement Canada, "Defence Procurement Strategy..."; Martin Auger, "The Evolution of Defence Procurement...", 8-9.

notable value.<sup>11</sup> This information will support informed decision making by industry and focus research and development efforts.

Internally focused initiatives are meant to improve overall oversight as well as coordination between the departments involved in defence procurement. Oversight is achieved through a dedicated Procurement Secretariat housed within PSPC. The Secretariat reports to and informs a Deputy Ministers Governance Committee (DMGC), which is the principal decision making group for defence procurement matters. While the DMGC runs day-to-day matters, they report to another working group comprising of involved department ministers and chaired by Minister PSPC. This higher level working group was established to “ensure shared accountability in defence procurement... and to resolve issues in the implementation of major procurement projects”.<sup>12</sup>

There are two other important internally focused initiatives. First, an Independent Review Panel for Defence Acquisition (IRPDA) was established. This panel has a mandate to perform a challenge function on requirements for major defence procurements, such as those that cost more than \$100M or any others deemed appropriate.<sup>13</sup> Second, DPS will progressively increase DND’s Delegation of Authority to execute contracts within their department independent of PSPC. This initiative alone is expected to streamline the process since it will greatly reduce the number of contracts that need to go outside of DND for tendering. However, it is not without additional risks in that DND will need to prove it is capable of operating within regulations. Surely, repeated violations will result in delegation authorities being reduced or retracted.

### *Evaluation of Success*

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<sup>11</sup>Government of Canada. “Defence Acquisition Guide 2016”, last accessed 1 May 2016.  
<http://www.forces.gc.ca/en/business-defence-acquisition-guide-2016/index.page>

<sup>12</sup>Martin Auger, “The Evolution of Defence Procurement...”, 8.

<sup>13</sup>*Ibid.*

Although many of the stated industrial and internal initiatives have been implemented over the last three years, most analysts have only rated the success as mixed.<sup>14</sup> Initial efforts have concentrated on improving government's relationship with industry by stabilizing the boom or bust economic cycle and raising awareness of their capabilities. In this area, tangible gains continue to be made through initiatives such as publication of the DAG, improved advertisement of Canadian defence exports, and inclusion of civilian industry leaders on the IRPDA.

Internally, while the aforementioned committees and panels have been established, they have yet to be truly tested.<sup>15</sup> The announcement of DPS was followed by a long election campaign in 2015. After the change of government, the launch of Defence Policy Review has meant that relatively few decisions of significance in the defence realm have been made. An exception to this was the announcement to purchase interim Super Hornet fighter aircraft meant to bridge the capability gap until the Next Generation Fighter project.<sup>16</sup> However, as this was determined to be a sole-source acquisition, decisions were made at the highest levels of government without involvement of DGMC. Other analysts point out that several years after the strategy's implementation, there is still a large backlog of projects and an inability to spend allocated funding.<sup>17</sup> Finally, governance and accountability are described as overly

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<sup>14</sup>David Perry, *Putting the 'Armed' Back into the Canadian Armed Forces...*, 3; Craig Stone, "Improving The Acquisition Process In Canada", University of Calgary School of Public Policy Vol 8, Issue 16, 2015, i.; Hill Notes, "Canada's Defence Procurement Strategy", last accessed 1 May 2017. <https://hillnotes.wordpress.com/2016/02/25/canadas-defence-procurement-strategy/>.

<sup>15</sup>Craig Stone, "Implementing The Defence Procurement Strategy: Is It Working?", Canadian Global Affairs Institute, 2016, 7.

<sup>16</sup>National Post, "Canada says it will buy 18 Super Hornet fighter jets — but the cost of aircraft is unknown", last accessed 1 May 2017, <http://news.nationalpost.com/news/canada/canada-says-it-will-buy-18-super-hornet-fighter-jets-but-the-cost-of-aircraft-is-unknown>.

<sup>17</sup>iPolitics, "Four steps for fixing Canada's trouble-prone procurement system", last accessed 1 May 2017. <http://ipolitics.ca/2016/02/08/dnp-four-steps-for-fixing-canadas-trouble-prone-procurement-system/>.



bureaucratic.<sup>18</sup> Thus, a lack of progress in DPS' internal initiatives has kept defence procurement vulnerable to criticism.

Defence procurement in Canada has evolved over time, but most significantly during the last 30 years. With the launch of DPS, the Conservative Government recognized the need for reform due to the changing security, political, and public climate. Yet, the progress to date, albeit in a limited period of evaluation, has been questionable. The next section will focus on two key areas that are lacking in the present strategy. These deficiencies must be addressed in order to make DPS a viable long term strategy that is resilient to political and public pressure.

### **DPS Deficiencies**

The objectives and initiatives of DPS are exclusively focused around internal departmental issues, oversight, and mechanisms to improve economic prosperity. Inexplicably, there is no mention of responsibility of senior government to provide a steady overarching vision of the country's defence strategy. Likewise, despite numerous recommendations, there has yet to be due consideration given to the establishment of a single procurement organization. These two areas are the most significant omissions in DPS, and without resolution pose serious threats to the strategy's chances of success.

#### *An Apolitical Top-Down Approach*

Presently, there is no obligation that government provides strategic guidance at any fixed interval. This guidance, often published in the form of a defence white paper, serves as a clear indication of what the government, and by extension the citizens, expect of their military. Such a road map is critical for several reasons. It identifies the overarching vision of Canada's defence

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<sup>18</sup>Martin Auger, "The Evolution of Defence Procurement...", 8-9; Hill Notes, "Canada's Defence Procurement Strategy", last accessed 1 May 2017.

strategy, in turn establishing published strategic level priorities. These priorities should then be the cornerstone from which subsequent policies are developed and decisions made. White paper is also an important indication to allied forces on the nation's ambitions and sets expectations on potential level of participation and capability our military can bring to the table.

In the last 70 years, Canada has only completed seven such reviews, including the yet to be released review Defence Review initiated in 2016 by the Liberal Government.<sup>19</sup> Aside from the infrequent number of review, the more disturbing trend is the political nature and underlying motivations. As noted by defence analyst Dr. Kim Nossal, "defence papers in Canada are designed not as geostrategic exercises but as domestic political exercises. They have only one primary purpose and that is to show just how different the new prime minister's government is from the previous government".<sup>20</sup> The tendency to continuously adopt a new approach has diminished the value of white papers and has unnecessarily risked sound judgement towards significant procurement decisions.

In addition to having appropriate motivations, a related issue is the ownership of the content in the strategic policy. As subject matter experts on defence, the CAF typically takes the lead on drafting defence policy on behalf of government. Natural biases come into play, and the vision described by CAF based on their personal desires of military capabilities. Indeed, an assessment of requirements identified by military leadership has at times been described as having a narrow perspective and biased to reflect departmental vice governmental interests.<sup>21</sup> Perhaps to the dismay of military leadership, the capabilities and long term priorities are defined by political masters. Thus, what the CAF envisions for its requirements in the future security

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<sup>19</sup>Kim Richard Nossal, *Charlie Foxtrot: Fixing Defence Procurement in Canada* (Toronto: A.J. Patrick Boyer Book, 2016), 149.

<sup>20</sup>*Ibid.*, 151-152.

<sup>21</sup>*Ibid.*

environment may not match what is determined by government. This fact must be accepted by military leadership. On the other hand, government needs to take greater ownership of defence policy and recognize that endorsement means commitment. There have been instances where defence policy was signed off, despite disconnects between political and military strategic standpoints.

This was precisely the case for the 2008 Canada First Defence Strategy (CFDS). Although it was signed off by both the Prime Minister and Minister of National Defence, there was a failure on the part of senior government to fully consider implications. In the end, adequate resources and funding were never provided, and only a few years after being published, the strategy was deemed unaffordable.<sup>22</sup> Moreover, the policy amounted to wasted time and effort working on capabilities that were truly never endorsed by the government of the day. CFDS was not the only case where optics outweighed content; previous defence white papers have faced similar outcomes.<sup>23</sup>

Such mistakes highlight pitfalls in how defence white papers are developed. The process typically includes input from DND as the primary stakeholder, as well as other government departments. It may include consultation from industry and directly from the public, which was a significant effort undertaken for the ongoing 2016 review.<sup>24</sup> Where it fails is the lack of comprehension by government to recognize implications and make the difficult strategic decisions that are necessary to guide follow-on actions. The focus is all too often on the glossy publications which highly the modern, state-of-the-art, capabilities and lists of equipment and

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<sup>22</sup>*Ibid.*, 154; Ottawa Citizen, “No New Defence Strategy, Four Years After Original Declared Unaffordable”, last accessed 1 May 2017. <http://ottawacitizen.com/news/politics/new-defence-strategy-still-in-the-works-four-years-after-original-declared-unaffordable>.

<sup>23</sup>Kim Richard Nossal, *Charlie Foxtrot: Fixing Defence Procurement in Canada...*, 154.

<sup>24</sup>Government of Canada, “Defence Policy Review”, last accessed 1 May 2017. <http://dgpaapp.forces.gc.ca/en/defence-policy-review/index.asp>.

funding promises. Inevitably, it is a *feel good* document meant to keep stakeholders happy vice making hard content decisions.

Instead, where the policy should seek to gain agreement is defining the overall need. Most of the Canadian public and politicians, regardless of political affiliation, would concede that protecting Canada is paramount. As we expand out from Canada and consider the military's role in the defence of North America and globally, the number of differing opinions will emerge. Ultimately, the long term ambition for the military needs to be agreed upon to maximize the utility of white papers. From this needs analysis, the requirements and resource demands for the military can logically be derived. In other words, the defence policy should better bound the types of operations the military is expected to conduct and commit to providing funding and other resources commensurate with those requirements.

While this process may seem blatantly obvious, it is more challenging than it first appears. To avoid making hard decisions and firm commitments, the needs are often defined too broadly. For example, the CFDS states one of the core standing missions of the military is to "lead and/or conduct a major international operation for an extended period".<sup>25</sup> This statement can be interpreted in many ways. On its own, it could read that Canada should be prepared to conduct a joint unilateral mission across the full spectrum of military operations in the most austere parts of the world. If it was to be interpreted in this manner, there would be significant resource implications for types of military actions, logistic and support requirements and force generation requirements to sustain the mission. On the other hand, if there was a determination that our military would always deploy as part of a coalition, it may allow for a concentration of

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<sup>25</sup>Canada, Department of National Defence and Canada, *Canada First Defence Strategy*, Ottawa, Ont.: National Defence, 2008, 3.

efforts on specific needs. Essentially, ambiguous nature of statements in white papers do not lend themselves to informed decisions in defence procurement.

Beyond an improved definition of the need, a consensus from all parties is necessary in defence white papers. An agreement of the fundamental strategy is critical so that the high level foundation of defence does not shift with the political landscape. Each successive government should not adjust defence strategy and the capabilities sought. A classic case study in this regard is Canada's Maritime Helicopter replacement project. Both the CAF and government at the time saw the need for upgrading this essential capability, but despite this, the procurement process was plagued with partisan politics. As explained by historian Dr. Aaron Plamondon, even after contract award, the Liberal Party used the procurement as an election issue to distinguish themselves from the Conservative Government in power. Plamondon states:

Chrétien knew that it was far easier to sell education and social programs in Canada and that he could gain valuable political advantage if he portrayed the Conservatives as wasting the hard-earned money of taxpayers on the tools of war in a time of recession and peace. In short, he knew Canadian sensibilities well and how to spin expenditures on defence.<sup>26</sup>

Chrétien inaccurately described the selected EH-101 platform as unnecessary capability, often referring to it as a *Cadillac solution* and an *attack helicopter*.<sup>27</sup> After being elected in 1993, one of his first acts was to personally terminate the acquisition, costing the taxpayer nearly \$480 million in contract cancellations, as well as decades of wasted time and effort.<sup>28</sup> Undoubtedly, had an apolitical system been the norm, such a situation would have never transpired.

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<sup>26</sup>Aaron Plamondon, *The Politics of Procurement: Military Acquisition in Canada and the Sea King Helicopter* (Vancouver: UBC Press, 2010), 116.

<sup>27</sup>*Ibid.*, 122.

<sup>28</sup>Some consider this figure an underestimation. See Aaron Plamondon, *The Politics of Procurement...*, 150.

Developing strategic defence policy that is agreed upon by all political parties will no doubt be a difficult venture. It requires a high level of maturity and setting aside political affiliation. It would mean that parties cease using defence matters to differentiate themselves, but instead formulate policy based on cooperation. Aside from the difficulty and level of maturity required, another likely criticism of a multi-party approach to defence policy is the issue of accountability. If our military is required to perform in unforeseen circumstances, or if the military is ill prepared to meet the strategic objectives, who would be to blame? The role of the opposition is to challenge the government and hold them accountable for decisions. The moment all parties are part of forming defence policy, the government in power could be absolved of accountability.

To address this significant obstacle, there needs to be a fundamental shift in defence thinking at the political level. Consider the stark contrast between government defence policy in Canada and Australia. Like Canada, Australia has acknowledged that defence is of paramount national interest. However, the former commonly uses defence matters as part of election platforms, while the latter maintains major defence policies regardless of which party is in power. Unlike Canada, Australia's "decisions regarding strategic policy, defence budgets, and procurement policies, [are reflective of] a common vision on security [that] supercedes everything".<sup>29</sup> Moreover, they have a "strong public expectation [that] political parties and their leaders will set aside their differences and work together" and their public has "little patience for politicians trying to gain advantage from important decisions about the country's security".<sup>30</sup> Essentially, Canada should seek such a philosophy and take the issue of defence out of the political arena. This does not mean that opposition would not be able to hold government

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<sup>29</sup>National Post, "Matthew Fisher: Lessons on national defence from Down Under", last accessed 1 May 2017, <http://news.nationalpost.com/full-comment/matthew-fisher-lessons-on-national-defence-from-down-under>.

<sup>30</sup>*Ibid.*

accountable for decisions, but it does mean that the foundation of defence policy is an apolitical matter.

In the current form of DPS, the government has shrugged off their inherent responsibility to provide top down direction on the vision guiding its military. While this generic approach reduces political risk, it invariably provides vague guidance to capability development in DND. Consequently, effort and resources are squandered on projects that will never gain the appropriate traction. Moreover, changes in government should no longer reset or stall major crown projects. Clearly, taking the politics out of procurement is a fundamental change for this nation, but doing so will make tremendous procedural improvements to and increase the resiliency of defence procurement.

#### *Single Procurement Organization*

Generally speaking, there are three generic models for defence procurement.<sup>31</sup> The first approach is to have each individual armed service responsible for their own acquisition process. Such a model is used by the United States, but also some countries with smaller armed forces like Chile, Mexico, and Nigeria. This decentralized approach “allows the individual armed services to have almost complete control over their respective defence procurement actions”.<sup>32</sup> Second, a centralized approach sees the acquisition process under a single government organization. This model is used by a large number of countries, including the United Kingdom, Australia, France, China, and Germany.<sup>33</sup> A third and less common approach is to outsource

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<sup>31</sup>Martin Auger, “Defence Procurement Organizations: A Global Comparison”, Publication 2014-82-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 2014, 2.

<sup>32</sup>*Ibid.*, 4.

<sup>33</sup>*Ibid.*, 5-6.

procurement to an independent civilian corporation, as done by Sweden, South Africa, and Switzerland.

Interestingly, the multi-departmental methodology used by Canada is unlike any of the models described above.<sup>34</sup> In fact, it is unique to Canada and involves three principle departments each responsible for different parts of the acquisition process.<sup>35</sup> DND is responsible to define the technical requirements, raise the procurement requisition, evaluate technical aspects of bids, and identify any issues after delivery. PSPC has the lead on the procurement plan, solicitation with potential suppliers, evaluating of price and contractual terms and conditions, and ultimately the establishment and administration of the subsequent contract. This separation of responsibility keeps DND at arm's length to suppliers until a contract is awarded, thereby avoiding real or perceived issues regarding fairness. Consideration and administration of Industrial and Technological Benefits (ITB) is done by ISED. Notably, this includes an evaluation of the Value Propositions provided by industry as a mandatory requirement of defence procurement contracts.<sup>36</sup> Not surprisingly, this divided approach has been routinely criticized.

The recommendation to have a single unified organization responsible for defence procurement has been made by several committees in recent memory. In 2000, the Standing Committee on National Defence and Veterans Affairs noted the possible efficiencies that “might result from integration of PWGSC contracting functions directly into DND”.<sup>37</sup> In 2003, an advisory committee reported cost savings could be achieved by the “establishment of a

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<sup>34</sup>*Ibid.*, 2.

<sup>35</sup>*Ibid.*; Craig Stone, “A Separate Defence Procurement Agency: Will It Actually Make A Difference?”, Canadian Defence & Foreign Affairs Institute and Canadian International Council, 2012, 9.

<sup>36</sup>Martin Auger, “Defence Procurement Organizations: A Global Comparison...”, 2.

<sup>37</sup>Alan Williams, *Reinventing Canadian Defence Procurement: A View from the Inside*, Montreal: Published for Breakout Educational Network in association with School of Policy Studies, Queen's University and McGill-Queen's University Press, 2006, 75.



specialized procurement group in DND”.<sup>38</sup> Neither recommendation was seriously considered; rather, they were dismissed by senior officials resistant to change and based on, what seems to be, unsubstantiated reasoning.<sup>39</sup>

A number of Assistant Deputy Ministers (ADM) have also recommended establishing a single defence procurement organization.<sup>40</sup> Arguably, the most reputable proponent of this viewpoint was Alan Williams. Williams worked as ADM Supply Operations under PWGSC and subsequently served as ADM Material in DND for six years. Given his firsthand knowledge fulfilling senior positions in both procurement and program management domains, his observations should carry significant weight. In his 2006 publication, Williams provided a critical assessment of defence procurement and concluded as a primary recommendation that “government should combine defence specific PWGSC contracting resources with the DND procurement resources into a single organization, Defence Procurement Canada (DPC)”.<sup>41</sup>

From an industry perspective, CADSI, in 2009, bluntly pointed out that Canada “[penalizes] itself as few other nations do, delaying essential military materials, adding non-value-added costs to itself and to industry, and inhibiting its industrial champions from winning business at home and abroad”.<sup>42</sup> As a result, they conclude that the business of defence acquisition is hampered by the multi-departmental approach.<sup>43</sup>

There are several advantages of establishing a single defence procurement agency. First, in terms of external factors, most obvious is that a single minister would have all the agents

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<sup>38</sup>*Ibid.*, 75.

<sup>39</sup>*Ibid.*

<sup>40</sup>*Ibid.*; Dan Ross, “Is Defence Procurement Broken, or is this Normal?”, *FrontLine Defence* 6 (2013): 8. <http://defence.frontline.online/article/2013/6/871-Is-Defence-Procurement-Broken-or-is-this-Normal%3F>

<sup>41</sup>Alan Williams, *Reinventing Canadian Defence Procurement...*, 74.

<sup>42</sup>Canadian Association of Defence and Security Industries, *Canada’s Defence Industry: A Vital Partner Supporting Canada’s Economic and National Interests*, (Ottawa:CADSI, 2009). [https://www.defenceandsecurity.ca/UserFiles/File/IE/Military\\_Procurement\\_Main\\_Report\\_March\\_09\\_2010.pdf](https://www.defenceandsecurity.ca/UserFiles/File/IE/Military_Procurement_Main_Report_March_09_2010.pdf)

<sup>43</sup>Craig Stone, “A Separate Defence Procurement Agency:...” 11.

necessary to conduct procurement under their own authority, and thus a single point of accountability can be recognized. A single agency greatly reduces the need for cross departmental communication and formalities, as well as addresses the duplication of effort in our current system.<sup>44</sup> Consequently, the passage of information is accelerated, coordination simplified, and chances of miscommunication minimized. Submissions to Treasury Board would also be better synchronized compared to the current system where program and contract information is submitted in a relatively piecemeal manner, avoiding delays due to inconsistent information and subsequent rescheduling of hearings.<sup>45</sup> With regards to ministerial turnover as seen when government changes or mid-term cabinet shuffles, the fewer ministers involved in defence procurement the less the impact. Constant handovers at senior levels no doubt slow down the process while senior bureaucrats become familiar with their portfolios. In short, a single minister would provide a single message, better navigate the formal processes, and minimize delays when multiple departments are involved.

There are even more internal benefits of establishing a single procurement organization. Most notably, the frequently occurring disagreements between technical and procurement specialists would likely be resolved at lower levels of management, minimizing escalation of problems and the potential of external scrutiny. Second, as suggested in a 2003 audit, there is ambiguity when it comes to division of responsibility after contracts are awarded.<sup>46</sup> Management of in-service contracts would also be improved under a single organization. Next, a single organization would better manage the staff shortfalls from both the deliberate cuts to the public service targeted in the Defence Reduction Action Plan and the naturally aging demographics of both PSPC and DND. Manning shortfalls have been described as a “never ending battle to fill

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<sup>44</sup>Elinor Sloan, “Something Has to Give...”, 6.

<sup>45</sup>Alan Williams, *Reinventing Canadian Defence Procurement...*, 77-78.

<sup>46</sup>*Ibid.*, 77.

such vacancies in both departments and often they are filled by transfers from [PSPC] to DND and back”.<sup>47</sup> An organization such as DPC would then alleviate some issues by providing greater flexibility and opportunity in a single organization, while eliminating the red tape and wasted time of inter-departmental transfers.<sup>48</sup> Perhaps the most important advantage of a DPC-like organization would be the pooled knowledge and experience to deal with procurement projects. While efforts have long been underway in both departments to hire new staff, Williams noted that “new people who lack experience have naturally adopted a very cautious, risk-averse and, therefore, slow approach to decision making”.<sup>49</sup> Consequently, defence acquisitions are seriously hampered by the current lack of experience and expertise among procurement personnel.

Considered together, the benefits above have a substantial impact on reducing procurement timelines. A shorter timeframe directly correlates to cost savings. One estimate projected an annual cost savings to government in the order of 4.8 to 12.5 million.<sup>50</sup> Beyond cost alone, a single department idea has the support of industry and will best cope with the increased workload from the expected increased delegations. In time, a single procurement organization would also have the best chances of eradicating the seemingly persistent distrust and inculcating the necessary cultural shift required for meaningful reform to defence procurement.

Nonetheless, there are other viewpoints that the creation of a single procurement agency will not address many of the underlying defence acquisition problems. Defence procurement expert and academic, Dr. Craig Stone correctly points out that regardless of the number of agencies involved, the original independent functions still need to get carried out. This alludes to the problem that conflicting tensions between procurement, requirements, and industry will

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<sup>47</sup>*Ibid.*, 81.

<sup>48</sup>Craig Stone, “A Separate Defence Procurement Agency:..., 12.

<sup>49</sup>*Ibid.*, 78.

<sup>50</sup>*Ibid.*, 81.

remain unchanged. Likewise, many of the current problems plaguing procurement are related to “inaccurate cost estimate, changing costs of inputs and changing user requirements”.<sup>51</sup> These issues are the responsibility of DND and would remain unaffected by a consolidated organization. Future technology trends in defence such as networked systems and the tendency to adopt multi-role platforms are in fact making the requirement definition and costing more challenging. This will remain unchanged regardless of how acquisitions are managed. Thus, it is debatable how many efficiencies can be gained with a single procurement organization and if the saved time will make any difference.

While such observations are valid, a single procurement organization would be a significant improvement over the current system. Though the assignment of fault is easier in a unified procurement organization, it is by no means the principle reason to make the change. Much more important is that it is a critical step in addressing cultural differences that plague procurement. A unified organization would initially force cooperation between requirements, project managers, and procurement specialists. Over time, these functions would be culturally fused resulting in the desired acquisition environment.

The most serious faults in Canada’s defence procurement can be resolved by government provided they have the will to do so. There must be willingness to take on the critical responsibility of providing a consistent long term vision. Defence matters must cut through politics; rather than using them to differentiate political parties, it should unify them. In terms of creating a single procurement organization, as recommended by numerous committees and credible figures from public and private industry, while some areas of procurement may not see immediate benefit, there are certainly no serious repercussions of doing so. The main hurdle so far has been individuals who wish to maintain distinct empires with questionable justification.

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<sup>51</sup>Craig Stone, “A Separate Defence Procurement Agency:....”, 13.

When one considers the potential gains, such an organization should have been created years ago. In the long run, implementing these two initiatives as part of DPS will address key gaps and ultimately make it resilient and enduring.

## **Conclusion**

Like other nations, defence procurement in Canada is a topic of great interest to politicians, defence industry, media, and members of the CAF and DND. More often than not, the country's procurement system is the subject of negative criticism. Indeed, there have been highly publicized cases of last-minute cancelled acquisitions, debates in capability requirements, inconsistent estimates of equipment life cycle costs, frequent cost overages and delivery delays. Ultimately, such reports result in actual or perceived inefficiencies related to time, effort, and use of public funds.

Given the billions of dollars in funding and livelihood of industry, long term reform of the defence procurement system is warranted. Unfortunately, while the previous government recognized this need for change, it fell short of the mark in its 2014 implementation of DPS. While some gains have been made from DPS initiatives, namely progress associated with industry, streamlining of the system has yet to be proven. Moreover, there are obvious gaps in the strategy related to providing consistent and well-resourced direction from government on the long term objectives and priorities. Equally, the multidepartment methodology currently used has created unnecessary silos in defence procurement making coordination, information sharing, and cooperation fundamentally more difficult. To correct this deficiency, a unified defence procurement agency should have been implemented as part of the updated strategy.

It is naive to think that procurement system can be completely freed of criticism; as with any wicked problem, there will always be dissatisfied stakeholders. However, there is clearly room for improvement. By implementing the two recommendations in this paper, a fundamental shift will ensue in the in the culture of procurement. Over time, these inclusions will lead to changes in the defence procurement system where the needs of the nation are truly paramount.

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