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AIM

1. The aim of this paper is to outline the shortcomings of the supply chain in the Canadian Armed Forces (CAF), focusing specifically on the High Priority Requisition (HPR) process. Customers are dissatisfied with the supply chain and are implementing their own solutions with the hope of improving service levels, which in turn, creates further strain on the supply system. The HPR process is broken at the tactical, operational, and strategic levels and, as a result, support to operations is impaired; however, the HPR process can be optimized if adequate priority is given by all Level 1 (L1) organizations.

INTRODUCTION

2. Support across the CAF is suffering and environments are experiencing critical delays in receiving items through the supply system to keep their fleets operational. “The purpose of support is to sustain the operational readiness of the CAF and to support the deployment and employment of military forces in achieving a desired outcome.”¹ Currently, the CAF supply framework lacks foresight, flexibility, visibility and responsiveness, which severely impinges on the logistics branch’s ability to adequately support domestic and deployed operations. “The management of spare parts has been an issue for many years and has been reported previously by

¹ Department of National Defence, B-GL-005-400/FP-001, *Canadian Forces Joint Publication, CFJP 4-0 Support* (Ottawa: DND Canada, October 2016), 15.

CRS Audits, the Auditor General, and the Public Accounts Committee.”² Although the Supply Administration Manual (SAM) clearly outlines the HPR process, processes have shifted from the directive and commands have not engaged to realign these processes to ensure operational demands are met in an efficient manner.

3. The CAF supply chain operates over several L1 organizations which complicates the standardization of processes and application of policies. Each command has a slightly different way to approach HPRs based on environmental pressures and priorities which impacts overall CAF support, particularly when operating in a joint environment. “Increasingly varied operations require a more flexible and resilient supply chain.”³ Yet, the CAF supply system is neither flexible nor resilient. From an HPR perspective, the process is quite rigid and does not allow much opportunity for flexibility. Furthermore, many CAF units are manned to a level that commands reactionary approaches which precludes the opportunity to be truly resilient and mitigate impacts of a delayed HPR process.

DISCUSSION

4. Sustaining the CAF is a fundamental requirement of the logistics branch. “Sustainment is the ability of a nation or a force to maintain effective military power to achieve desired effects.”⁴

² Chief of Review Services, *Evaluation of Aerospace Equipment Maintenance* (Ottawa: CRS Canada, February 2013), 16.

³ Nancy Y. Moore and Elvira N. Loreda, *Identifying and Managing Air Force Sustainment Supply Chain Risks*. (Arlington: RAND Corporation, 2013), 3.

⁴ *Canadian Forces Joint Publication, CFJP 4-0 Support...*, 16.

According to the SAM, an HPR is a requisition with a materiel priority code (MPC) of 1.⁵ Assigning MPC 1 to an item indicates that the item is operationally critical and it typically must be in support of a weapons system platform.⁶ As a result, the aim is for the customer to receive their item within 24-48 hours. In order to do so, the use of commercial carriers to transport the item is authorized. The chart below, from the SAM, outlines the three MPCs that are used in the CAF to prioritize materiel.⁷ To provide context, the results of a Report of the Auditor General of Canada in 2008 indicated that approximately half of the orders placed for Operation Athena in Kandahar were deemed operationally critical or essential.⁸

MPC	Description	RDD	Use of Premium Transport Authorized
1	Operational Critical	24 - 48 hrs	Yes, if the RDD is, or will be violated
2	Essential	3 - 14 days	No
3	Routine System Replenishment	15 - 30 days 30 days	No

5. MPCs are used to delineate the risk associated of going without the materiel; thus, there must be an appropriate level of oversight to ensure the process remains validated. Additionally, proper planning is required for routine items to ensure the HPR system is not misused for non-essential requisitions. The challenge is that the supply system is not well understood by most

⁵ Department of National Defence, A-LM-007-100/AG-001, *Supply Administration Manual* (Ottawa: DND Canada, June 2017), 96.

⁶ *Ibid.*, 93. **Materiel Priority Code (MPC)**: a system of codes that indicates the importance of a demand in terms of operational necessity and dictates the method of processing and the mode of transportation. **Required Delivery Date (RDD)**: a date, determined by the customer, by which materiel being demanded is required to be delivered. The RDD indicated by the customer shall be based on operational need and it is taken into account by Base Supply when selecting the MPC.

⁷ *Supply Administration Manual...*, 94.

⁸ Office of the Auditor General. *Chapter 2 Support to Overseas Deployments*. (Ottawa: OAG Canada, May 2008), 6.

customers at all levels of the organization and often items are misidentified as an HPR when, in fact, they would be more appropriately identified as essential. If a maintenance technician is not waiting to install a part as soon as it arrives then it is more likely an essential demand and not truly an HPR. If an HPR is submitted for a weapons system that is undergoing phase maintenance, then it is more likely an essential demand and not truly an HPR. Although there are no clear statistics to demonstrate the frequency of either of these eventualities, this occurs habitually which prevents the supply system from appropriately responding to true HPR demands within the specified timelines.

6. However, there are statistics from a 2013 Chief of Review Services (CRS) report that analyzed the aircraft spares support levels. “Based on a sample of three fleets, the HPR target delivery date of seven days or less was not met in 58.3 percent of cases.”⁹ Notwithstanding the caveats above, this is not an acceptable performance level and does not create an opportunity for customers to trust the supply chain. Yet, over the past five years, little emphasis has been placed on managing and improving this deficiency.

7. During Operation Athena it was determined that, “less than 10 percent of operationally critical or essential items requests from the main depot in Canada were received in Kandahar by the required delivery date.”¹⁰ This further highlights the supply chain system is broken if it cannot respond quick enough to support a theatre of operations. However, this same Office of the

⁹ CRS, *Evaluation of Aerospace Equipment Maintenance*..., 38.

¹⁰ OAG, *Chapter 2 Support to Overseas Deployments*..., 10.

Auditor General (OAG) report indicated that there were, “no reports of late supplies seriously affecting operations.”¹¹ Perhaps this indicates that the priorities designated to demands are not realistic.

8. At the tactical level, most bases have an HPR cell which is responsible for vetting and inputting the requisitions as well as following up with any agency required to deliver the item as quickly as possible.¹² This section also maintains an HPR control register to provide oversight of the HPR status at any given time. The HPR cell plays a key function in the CAF supply chain. Not only does this provide the first level of scrutiny to maintain proper supply procedures, this section also has the ability to monitor trends and address larger systemic concerns.

9. However, there are cases where the HPR cell function has been devolved to individual units due to human resource pressures. The deficient oversight this approach creates at the base-level is detrimental to the overall success of the supply chain. There is a lack of unity of effort, even at the lowest levels, to support the base commander’s intent. The base commander requires one subordinate commander that is able to have a full understanding of the base’s HPR status; without this oversight, operations suffer.

10. At the operational level, there is no standardization across the L1s as to how they oversee and manage HPRs. For instance, at 1 Canadian Air Division (1 CAD), the operational

¹¹ *Ibid.*

¹² *Supply Administration Manual...*, 92.

headquarters for the Royal Canadian Air Force (RCAF), there is no routine HPR reporting nor is there any guidance provided to individual Wings on the desired HPR process. The RCAF does not provide an HPR report that captures outstanding HPRs for all platforms. Consequently when Commander 1 CAD has any issues with fleet availability it can be quite cumbersome to better understand the situation, further diminishing the ability for the operational headquarters to provide a response in a timely manner. Yet, when the same subordinate units deploy, it is quickly understood that this type of reporting is necessary when being force employed by Canadian Joint Operations Command (CJOC). It can be argued that to have a more coordinated effort in a deployed setting, standardization across the L1s is necessary to allow for a smoother transition to a theatre of operations.

11. Assistant Deputy Minister (Materiel) (ADM(Mat)) is responsible for the life cycle management and procurement of all materiel for the CAF and is considered the strategic level for HPRs. Across the environmental engineering program management (EPMs) units there lacks consistency on how HPRs are processed. For instance, in Director General Aerospace Engineering Management (DGAEPM) HPRs are not formally tracked to determine how quickly demands are being filled nor are they formally examined to determine if holding levels need to be adjusted to better meet operational demands. Each weapons system manager (WSM) has the ability to manage HPRs as they see fit. Thus, this approach creates an environment where it is difficult for any one commander to see trends or common challenges within his organization.

12. DGAEPM employs a transactional process with little insight given to the larger picture to determine where inefficiencies exist. “The complete life cycle management of spare parts needs a thorough review to address issues of timeliness and obsolete stock...the management of spare parts has been an issue for many years and has been reported as an issue more than once.”¹³ It is the strategic level that can influence sparing levels and minimize the quantity of HPRs being submitted. However, like the tactical and operational levels, this is not being maximized and reactionary responses, rather than proactive measures, are the norm. For instance, many WSMs do not create a business process on how to prioritize HPRs during a given fiscal year and instead allow funding to drive their HPR response. This means that oftentimes an HPR will not be satisfied near the end of the fiscal year because funding is no longer available. Although it has been well-known that life cycle management is broken, the priority required for a pan-CAF change is lacking which has resulted in minimal changes.

13. Director Supply Chain Operations (DSCO), a section within ADM(Mat) is responsible to monitor the use of MPCs at the strategic level.¹⁴ However, based on the author’s experience, the focus is on minimizing costs under the Defence Renewal project rather than ensuring that the supply chain is operating efficiently as per supply policies. DSCO is not receiving HPR reports from any L1 in order to evaluate the CAF’s supply system’s performance. Without performance metrics it is exceptionally difficult for an organization to measure how well they are meeting mission intent, let alone, be in a position to make effective changes to increase organizational effectiveness.

¹³ CRS, *Evaluation of Aerospace Equipment Maintenance...*, 17.

¹⁴ *Supply Administration Manual...*, 92.

14. The CAF supply system has limited capability to provide performance measures. The information system used for supply chain management, Defence Resource management Information System (DRMIS) is designed to, “integrate and automate processes end-to-end across the department.”¹⁵ However, even after more than five years in service there exist significant shortcomings with the system to provide a true end-to-end process. The Business Intelligence (BI) that DRMIS was expected to provide to management at all levels has yet to be realized. “In an effort to address life cycle management of spare parts in a systematic way, ADM(Mat) has an initiative called Distribution Resource Planning (DRP), the purpose of which is to provide visibility and performance measurements of stock.”¹⁶ Although this tool mitigates some capability gaps it still has weaknesses in how it draws data and does not offer a full picture of the supply chain. Additionally, there is only a small number of personnel within ADM(Mat) with access to DRP thus it is not a CAF-wide solution to increase the efficiency of the entire supply chain.

CONCLUSION

15. The CAF supply chain management is broken and has been broken for more than 10 years. A 2008 OAG audit rightly states that, “[w]hile there is little information available to quantifiably assess the supply chain’s performance, [the OAG’s] observation is that results are often achieved more by military personnel’s concerted efforts than by the system’s design.”¹⁷ This is still the case today, although there is technology that exists to offer a more capable

¹⁵ Jes Ellacott, “DRMIS: Resource Management at DND,” *FrontLine Defence* 9, no. 4 (2012), <http://defence.frontline.online/article/2012/4/1235-DRMIS%3A-Resource-Management-at-DND>

¹⁶ CRS, *Evaluation of Aerospace Equipment Maintenance...*, 17.

¹⁷ OAG, *Chapter 2 Support to Overseas Deployments...*, 8.

system to allow personnel's efforts to be focused on other pressures, the CAF has not fully committed the resources or funding to implement a full end-to-end supply chain solution. A 2013 Chief of Review Services (CRS) Report indicates that, “[c]oncerns exist with parts availability, storage and disposal, and the effectiveness of the inventory control system.”¹⁸ These activities create the foundation for the HPR process and clearly identifies why the HPR process is often unresponsive. There have been many reports that demonstrate the lack of effectiveness and responsiveness of the CAF supply system, yet little effort has been focused on addressing this systemic issue.

RECOMMENDATIONS

16. The current delivery timelines for the three MPCs should be amended to reflect current worldwide movement capabilities and command expectations. To allow MPC 2 to be more relevant and more reflective of the current operational pace, customers need to trust that they can have their demand satisfied within seven days. If customers could rely on this shortened timeframe the temptation to misidentify a demand as an HPR would be lessened. It is critical that customers can trust the timelines offered to increase their confidence in response times.

17. A higher priority to increase the capability of DRMIS to provide BI reports is critical. This would provide all levels of command the opportunity to implement effective performance metrics. With this, adjustments can be implemented to smartly increase customer support based

¹⁸ CRS, *Evaluation of Aerospace Equipment Maintenance...*, 16.

on objective data. The CAF would also be in a position to create a more proactive supply chain that can better anticipate future needs and make corrections as required.

18. Creating a logistics L1 command that oversees all log functions would provide the CAF with a more streamlined approach to supply and HPRs. This would create the opportunity to have commonalities and deficiencies across environments that would better situate the CAF in a deployed setting. Moreover, a central L1 would be able to influence the priority given to HPRs, including reporting requirements, to enhance the level of service offered CAF-wide. Without a single command, supply organizations will continue to operate in silos, minimizing the opportunity for economy of effort; something that is critical in a resourced constrained environment.

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