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## REAL PROPERTY MANAGEMENT IN DND/CAF REMAINS A WORK IN PROGRESS

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### JCSP 46

#### Solo Flight

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**By Major Ryan Gregg**

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## **REAL PROPERTY MANAGEMENT IN DND/CAF REMAINS A WORK IN PROGRESS**

### **INTRODUCTION**

The Department of National Defence (DND) and Canadian Armed Forces' (CAF) infrastructure and properties play a significant strategic role in maintaining the readiness and operational effectiveness of Canada's last line of defence. It is the backbone of the CAF footprint domestically and the life-support system of the CAF's most precious resource, its people. It is also the largest and most complex real property (RP) portfolio in the federal government.<sup>1</sup> Yet, despite its critical importance, the department's infrastructure has suffered from years of underinvestment and mismanagement.<sup>2</sup> Even the most recent strategic documents on the department's infrastructure portfolio describe it as "unsustainable"<sup>3</sup> and that "a significant portion is beyond its economic life and ill-suited to support today's missions and soldiers."<sup>4</sup>

The 2012 Office of the Auditor General (OAG) Report on Real Property<sup>5</sup> to parliament brought to light in the public and political sphere what the CAF already knew: a fundamental change in management strategy was need. This report established an immediate political imperative for DND and CAF to change the way it manages its RP portfolio. Following a series of orders and directives down the chain from the Minister of

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<sup>1</sup> Department of National Defence. *Defence Real Property Strategy*. Ottawa: Government of Canada, 2013., 5.

<sup>2</sup> Marc Rancourt, *Accelerating the Transformation of Real Property Management in the Department of National Defence*. (Master of Public Administration, Royal Military College of Canada, 2019), 8.

<sup>3</sup> Department of National Defence. *Defence Portfolio 2030: Towards a Sustainable Real Property Footprint*. Ottawa: Government of Canada, 2016., 5.

<sup>4</sup> Department of National Defence. DRAFT. DND Portfolio Strategy Draft V7, July 2019, 2.

<sup>5</sup> Government of Canada, "OAG: Reports to Parliament by Topic - Real Property," Accessed 20 March 2020, [https://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_201210\\_05\\_e\\_37349.html](https://www.oag-bvg.gc.ca/internet/English/parl_oag_201210_05_e_37349.html).

National Defence, Deputy Minister (DM) and Chief of the Defence Staff (CDS), Assistant Deputy Minister Infrastructure and Environment (ADM(IE)) produced a new Defence Real Property Strategy (DRPS) in 2013 that outlined a strategic vision and objectives for the centralization and transformation of RP management in the department. Seven years on from that strategy, and 4 years after ADM(IE) declared Full Operational Capability (FOC) in 2016<sup>6</sup>, this paper aims to investigate the performance of ADM(IE) centralization and transformation in meeting three of its four main strategic objectives: responsiveness, sustainability and efficiency.<sup>7</sup>

This paper will argue that centralized management of the defence real property portfolio, under ADM(IE) is falling short of its strategic objectives, because the greater institution has not provided it the priorities, resources and authorities that will enable success. To present the argument, the background under which centralization of real property management has progressed in the past eight years will first be considered. This is to provide context to the imperatives for change and the efforts to date to make those changes. Then, success or failure will be weighed against three of the four original strategic principles that defined the centralized model, responsiveness, sustainability and efficiency. Each principle has its own context to which performance will be discussed and key underlying issues brought forward in discussion.

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<sup>6</sup> Department of National Defence, ADM(IE), "IE Focus, Spring 2016," 2016, [https://cmea-agmc.ca/sites/default/files/ie-focus-spring-2016\\_e\\_0.pdf](https://cmea-agmc.ca/sites/default/files/ie-focus-spring-2016_e_0.pdf).

<sup>7</sup> *Defence Real Property Strategy*, 7.

## BACKGROUND

### The Road to Centralization

Prior to the 2012 OAG Report, RP management in DND and CAF looked very different. Nine separate Level 1 (L1) organisations were the tactical managers and custodians of their own infrastructure portfolios. ADM(IE) was the functional authority for RP but only in a role of portfolio oversight and technical advice to a decentralized management framework.<sup>8</sup> The OAG Report identified the main strategic and operational shortcomings of this decentralized model. The report described how DND had failed to “put in place a real property management framework or national strategy for managing real property.”<sup>9</sup> It described, among other issues, the “lengthy and cumbersome”<sup>10</sup> project approval process, lack of performance objectives, poor situational awareness of the condition of the portfolio, an inability to “meet expenditure targets for maintenance and repair and recapitalization”<sup>11</sup>, and many issues of compliance with national building and safety standards.<sup>12</sup> There were also many more practical issues at the tactical level, where Base Construction Engineer Detachments responded to their Base Commander for direction and prioritization of effort. Bases were known notoriously for favouring short term initiatives over the long term sustainability of the base’s infrastructure.<sup>13</sup> There were numerous examples of Base Commanders spending resources on “pet projects” like a LED sign for the base entrance while existing infrastructure went without critical repair

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<sup>8</sup> Department of National Defence, *Evaluation of Infrastructure Management – Real Property*, ADM(RS), Ottawa: Government of Canada, 2018., 3.

<sup>9</sup> Government of Canada, “OAG: Reports to Parliament...”

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> *Ibid.*

<sup>13</sup> Martin Gros-Jean, *IE Transformation: A Critical View*. National Security Studies Course Paper, Canadian Forces College, 2019, 1.

and recapitalization and fuel storage tanks continued to operate without compliance to national safety codes.<sup>14</sup> As John Geen says in his CFC paper: “Infrastructure was simply a supporting element to those in a position of power and influence and not core business.”<sup>15</sup>

Beginning with the 2012 Federal Budget and them moving down the DND hierarchy, direction was provided to address the mismanagement of the RP portfolio identified in the OAG report. In early 2013 ADM(IE), given the lead over the transformation, produced a Concept of Operations (CONOP) for *DND Real Property Management* which provided a “conceptual framework that [would] underpin the consolidation of portfolio management, RP service delivery, and custodian accountabilities under the full command of ADM(IE).”<sup>16</sup> The CONOPS also provided the initial plan to centralize RP management through reassigning personnel, roles and responsibilities in order to “improve the efficiency and effectiveness”<sup>17</sup> of RP management. This CONOPS, which was at the operational level and largely administrative, was then followed in late 2013 by the ADM(IE) *Defence Real Property Strategy* (DRPS), which laid out a vision, strategic objectives and a way forward for RP management under ADM(IE) authority. The vision was and remains today that “the Defence Real Property Strategy will deliver the right assets, in the right place, at the right time, for the right cost, supported by the right workforce for the Defence Team.”<sup>18</sup> This strategy document also described its strategic objectives, organised by “four key

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<sup>14</sup> Anecdotal knowledge from author’s experience in the military engineer community.

<sup>15</sup> John Geen, *Organizational Alignment: Completing the Next Step in ADM(IE) Transformation*, Joint Command and Staff Program Solo Flight Paper, Canadian Forces College, 2018.2.

<sup>16</sup> CONOPS, 6.

<sup>17</sup> *Ibid.*, 2.

<sup>18</sup> DRPS., 7.

principles: *responsiveness, sustainability, innovation and efficiency*.”<sup>19</sup> Marc Rancourt described the overall departmental response to the 2012 OAG report that would be based on three pillars<sup>20</sup>: centralizing the management of the RP portfolio within ADM(IE), the centralization of service delivery by establishing a CAF formation within ADM(IE) solely responsible for this function, and the transformation of the IE business model.<sup>21</sup>

With strategic and operational direction and guidance in place the necessary transfers of property, personnel, equipment and command authority took place over the following three years. When FOC was finally announced in 2016, ADM(IE) had grown from a very small organisation of public servants with only a technical role to a now significant L1 with approximately 2,970 civilian (13% of DND civilians) and 290 CAF military employees and an annual budget of approximately \$1.8 billion under its full authority.<sup>22</sup>

### **From Centralization to Transformation**

With centralization declared FOC in 2016 the first and second of the three pillar response<sup>23</sup> to the 2012 OAG report was realised. ADM(IE) was given full authorities, responsibilities and accountability (ARA) over the department’s RP portfolio and the entire financial allocation of approximately \$1.8 billion that went with it.<sup>24</sup> The focus at ADM(IE) was put towards transforming how the RP portfolio would be managed. A

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<sup>19</sup> *Ibid.*

<sup>20</sup> Rancourt, 2.

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

<sup>22</sup> Department of National Defence, *Evaluation of Infrastructure Management ...*, 5.

<sup>23</sup> CONOPS

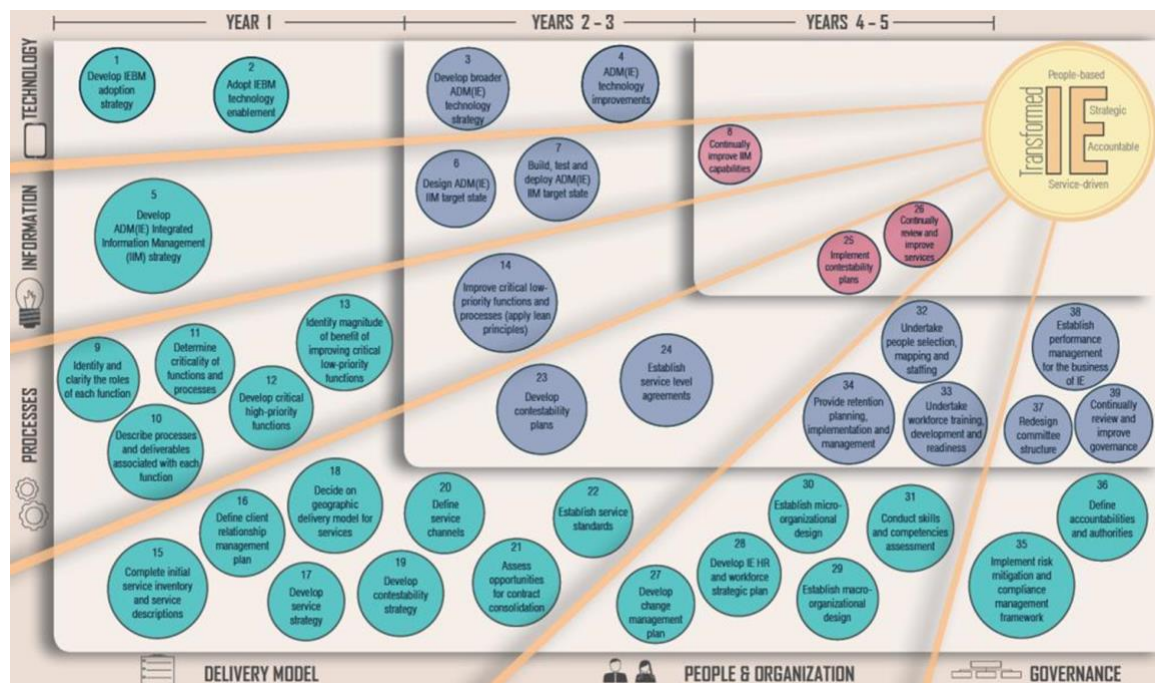
<sup>24</sup> Rancourt, 14.



transformation plan was developed under the direction of ADM Jamie Pitfield. The vision or mission statement for this transformation:

ADM(IE) will build and deliver a safer, more secure and sustainable real property portfolio within five years and will continue to provide the services and environmental advice needed to meet the CAF operational requirements.<sup>25</sup>

This transformation plan resulted in a 5-year transformation roadmap that identified 39 separate initiatives, “aligned along six broad themes”.<sup>26</sup> These 39 initiatives became known as the “Pitfield Initiatives”, shown in a sunrise diagram in figure 1. The plan further set out the organisational macro<sup>27</sup> and micro<sup>28</sup> structure and functions<sup>29</sup> that would define the start point for a now large L1 organisation to manage the federal government’s largest RP portfolio.



**Figure 1.** The Pitfield Transformation Initiatives, 2016.

<sup>25</sup> Jamie Pitfield, Transformation Micro Organizational Design (Ottawa: Government of Canada, [2016b]).

<sup>26</sup> *Ibid.*

<sup>27</sup> Jamie Pitfield, IE Transformation - Macro Organizational Design, 21 June 2016.

<sup>28</sup> Jamie Pitfield, Transformation Micro Organizational Design, 21 June 2016.

<sup>29</sup> Jamie Pitfield, Transformation Functions Description, 21 June 2016.

Today, 4 years and 3 ADMs after Jamie Pitfield's transformation initiatives Colonel Martin Gros-Jean argues that "IE Transformation has stalled."<sup>30</sup> The mission of ADM(IE) remains the same but the words "modernization process"<sup>31</sup> are now used to describe the ongoing change to the ADM(IE) business model; the third pillar.

## **The Defence Portfolio**

### **RESPONSIVENESS**

The 2013 DRPS defines its strategic goal related to responsiveness as: "The Defence real property portfolio must be continually able to address the needs of the Defence Team while remaining affordable to the Defence mission and responsibilities."<sup>32</sup> Practically speaking this boils down into delivering real property management that is aligned and responsive to the operational requirements of the various L1 now (DND and CAF), agile enough to respond to future needs and capable of providing timely and informed decision making. The problem space for this is very complicated as a result of the decentralized infrastructure management of the past. Every base has very unique infrastructure, with unique needs, a unique supply system and unique local forces and considerations that effect service delivery.<sup>33</sup> The latest draft of ADM(IE) DND Portfolio Strategy describes this as one of the key contemporary challenges.

Each base location predominantly supports one of the three Services. This has resulted in a legacy of asset duplication within and between locations, has hindered function relocation and has failed to realize the best value from the portfolio. The legacy of buildings and locations has led to poor utilization of land across the portfolio.<sup>34</sup>

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<sup>30</sup> Martin Gros-Jean, "IE Transformation: A Critical View", 12 September 2019.

<sup>31</sup> DRPMF, 6.

<sup>32</sup> DRPS, 8.

<sup>33</sup> Phone call with OC RP Ops Det Montreal, 27 April 2020.

<sup>34</sup> DND Portfolio Strategy, 7-8.

## **Meeting the Operational needs of CAF and DND**

Meeting the operational needs of CAF and DND L1s today means assured availability, integrity and safety of the infrastructure needed to carry out day to day operations and readiness. It speaks to part of the overall ADM(IE) vision of having the “the right assets, in the right place, at the right time.”<sup>35</sup> Prior to centralization, the Canadian Army (CA) for example had control over its own infrastructure needs, (constrained of course by budget and staffing), and could prioritize effort and take risks where it saw fit. Most was managed at the very tactical (base) level. The downside, as previously discussed, was that this was often done at the expense of the long-term health and sustainability of the portfolio. A now centralized CF RP Ops Gp, should in theory continue to be responsive at the base level but be able to apply consistency, standardization and long term consideration to the service delivery model.<sup>36</sup> Marc Rancourt, a former commander of CF RP Ops Gp observed in a directed research project “that there have been no recorded instances where prolonged negative impacts to operations have been recorded.”<sup>37</sup> He concluded: “Although not all infrastructure is ideally suited, nor purpose-built for the needs of the CAF, the overarching portfolio design strategy is addressing the pressing shortfalls.”<sup>38</sup> So from a purely operational effectiveness perspective, there have at least not been any major operational impacts from centralization. There has however been an increase in risk of failure.

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<sup>35</sup> DRPS, 7.

<sup>36</sup> Rancourt, 62.

<sup>37</sup> Rancourt, 37.

<sup>38</sup> Rancourt, 38.

One very tangible way in which operational risk from the portfolio is measured and mitigated is through the maintenance and repair (M&R) program. John Hallett in a 2017 service paper argued that ADM(IE) has thus far mismanaged the M&R program by assuming the wrong risks and prioritizing development of its centralized processes while the infrastructure that supported the CA continued to deteriorate.<sup>39</sup> He went so far as to say “the risk of infrastructure operational failure will be the single greatest challenge facing the Canadian Army in their ability to apply land power over the next 10 years”<sup>40</sup> He argued this by describing the growing maintenance debt being carried by the portfolio and posited that the continued underinvestment would lead to failure pathways that could result in the loss of operational effectiveness of the CA or injury/death as the result of a catastrophic failure. Hallett also argued that ADM(IE) centralization has actually created self-imposed barriers to enabling the expenditure of M&R funds, such as late funding allocations, lengthy approval processes and security protocols.<sup>41</sup> While the overall assessment of the situation may be a bit extreme, Hallett is certainly correct that the national portfolio has continued to deteriorate as fast if not faster than it did prior to centralization as the maintenance deficit has continued to rise to a 2019 estimate of approximately \$8 billion.<sup>42</sup> ADM(IE) has thus far not been able to increase responsiveness in terms of its M&R program. Efforts to develop centralized portfolio management processes and focus on centralization and transformation has come at the cost of increased maintenance risk in the existing infrastructure portfolio.

### **Agility to respond to the Future**

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<sup>39</sup> John Hallett, 10.

<sup>40</sup> Hallett, 10.

<sup>41</sup> Hallett, 6.

<sup>42</sup> DND Portfolio Strategy, 8.

## **Effective decision-making**

One of the most important desired outcomes of centralization and transformation is an informed decision-making framework. Decision-making at all levels of the RP management strategy touches all aspects of the overall strategy, but is particularly important to ADM(IE) vision for responsiveness.<sup>43</sup> Much of that strategy today is based on data collection, data management and data analysis. The tool of today's ADM(IE) is the IE Reporting and Integration System (IERIS), a software that manages and analyzes data within the Defence Resource Management Information System (DRMIS). This was precisely to focus of the 2018 Assistant Deputy Minister of Review Services (ADM(RS)) audit of RP management. This audit specifically “assessed the extent that ADM(IE) decision makers and committees have the necessary information to support informed decision making.”<sup>44</sup> The report came provided five key findings. It found that “ADM(IE) decision making supports Canada’s defence policy and the [Treasury Board] Policy on Results.”<sup>45</sup> So from a compliance perspective, it appears that ADM(IE) is able to align its efforts with policy and “feed the compliance beast”. The remaining four findings generally identified that data and data management (implementation and use of IERIS) has not been effective in supporting internal decision making, acknowledging that this was still a work in progress for the ongoing Transformation Project.<sup>46</sup> Specifically the audit identified at the tactical and operational levels very limited confidence in the data collected, poor user training, a lack of communicated standards or

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<sup>43</sup> DND Portfolio Strategy, 17.

<sup>44</sup> ADM(RS), executive summary iii.

<sup>45</sup> *Ibid.*, v.

<sup>46</sup> ADM(RS), v.

processes and low confidence in the use of data supporting decision making.<sup>47</sup> The accounts of tactical RP practitioners today are much the same, but very blunt. The Officer Commanding the RP Ops Detachment in Montreal offered that there hasn't really been a data strategy developed, that most of the data is corrupted and unreliable, and that only compliance and financial reporting imperatives drive any functional use of the data.<sup>48</sup> He did acknowledge the potential of it however, offering that once end user training is completed, processes standardized, and legacy corruption is removed the data analysis will be a vital decision-making tool. For now, human intuition is the more effective decision-making tool until ADM(IE) transformation is able to address the fundamental gaps in the implementation of IERIS.

## **SUSTAINIBILITY**

The 2013 DRPS defines its strategic goal related to *sustainability*: “A safe, secure, suitable and sustainable real property portfolio that is *effectively managed throughout its full lifecycle* will better support the Defence Team in defending Canada and North America.”<sup>49</sup> The associated problem space is straight forward but significant; the current portfolio is too big, too old, too dispersed and too expensive to sustain.<sup>50</sup> Defence Portfolio 2030 describes the situation: “The present size and composition of the real property portfolio is unsustainable and we do not have the budget to fully support the entirety our portfolio.”<sup>51</sup> Nearly every single reference on DND real property for the past 20 years identifies the same issue. Figure 2 below shows very starkly a projection of the

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

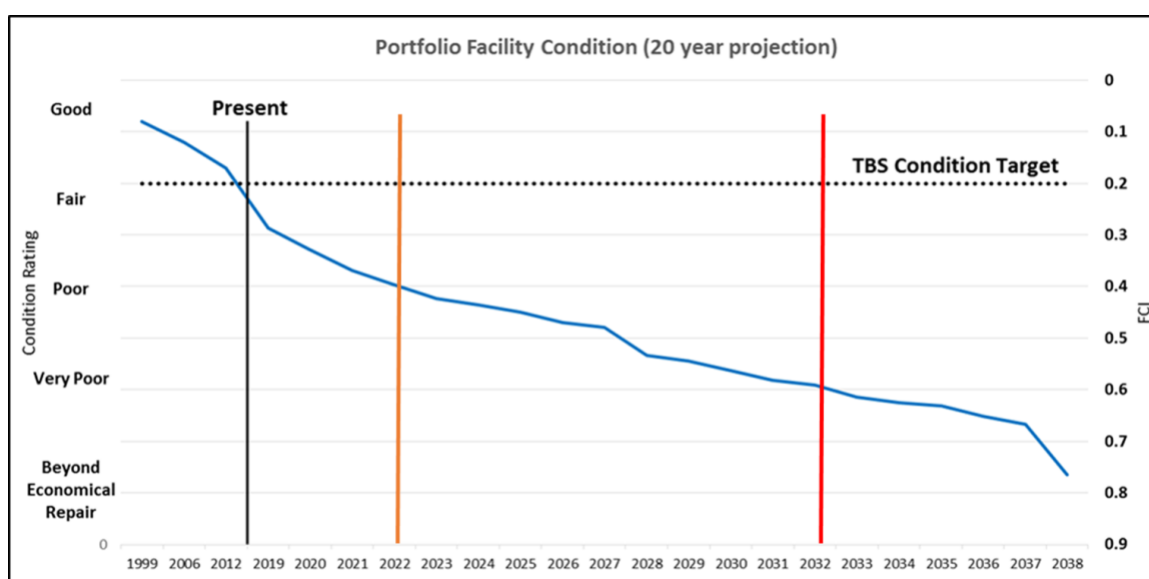
<sup>48</sup> Phone call with OC RP Ops Det Montreal, 27 April 2020.

<sup>49</sup> DRPS, 8. Emphasis added

<sup>50</sup> DND Portfolio Strategy, 2.

<sup>51</sup> Defence Portfolio 2030, 5.

average facility condition rating over the next 20 years if the status quo approach is held, arriving at an unacceptable descriptor of “poor” by 2022. Canada’s defence policy *Strong, Secure, Engaged* (SSE) provides only four initiatives that are directly related to infrastructure (initiatives 101, 102, 103, and 104). SSE is very brief on infrastructure management, but has a significant emphasis on the environmental sustainability (101 and 102) and financial sustainability of the portfolio.<sup>52</sup> Further analysis will focus on the progress made in the financial and environmental sustainability of DND/CAF infrastructure.



**Figure 2.** Projected Average Portfolio facility condition as briefed to the MND, 13 July 2018.<sup>53</sup>

<sup>52</sup> SSE, 77.

<sup>53</sup> Defence Staff Executive (DSX) briefing to MND, “SSE 104-C Status Update”, 13 July 2018.

## Financial sustainability

The goal of financial sustainability for ADM(IE) is fairly simple; make the portfolio affordable. The ADM(IE) *Defence Portfolio 2030* (DP 2030) document published in 2016 provides the most detailed concept of how ADM(IE) intends to achieve a rationalized real property portfolio.<sup>54</sup> The primary concept within this document is land use planning and within that the rationalization is achieved through divestment of property, demolition of excess buildings and infrastructure and maximizing the use of assets. The land planning is to be done with a top approach starting with the national level guidance in DP 2030, down to regional development plans and then to Base/Wing level plans called a Master Real Property Development Plan (MRPDP).

A recently approved MRPDP is the plan for CFB Cold lake.<sup>55</sup> At first look the document appears to be quite robust as it is signed by both the ADM(IE) and the Commander Royal Canadian Air Force. This plan identifies a number of operational enhancement objectives and also lists “leverage rationalization opportunities” according to DP 2030. The plan goes on to describe two major opposing themes, the extensive future construction and recapitalization of infrastructure required to support the Future Fighter Capability Project (FFCP), and a number of property divestment and building demolition opportunities. The FFCP requirements are described as substantial but not yet fully defined, although “the maximum potential work associated with FFCP has been fully scoped.”<sup>56</sup> The enormous and very expensive infrastructure bill associated with

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<sup>54</sup> ADM(IE) *Defence Portfolio*, 2030, 4.

<sup>55</sup> MRPDP CL.

<sup>56</sup> MRPDP CL, 15.



FFCP is ultimately not defined in the land use plan. A number of areas of land and buildings that are “either vacant or underutilized” are described that could be used for further development or divestment. One of these areas is a golf course that DND owns and operates at public expense. The plan says that ownership and maintenance of the golf course is not “in the best interest of the site” and that “there *may* be opportunity for [it’s] divestment.”<sup>57</sup> Similarly light language is used to describe other divestment, consolidation and demolition opportunities that should be *studied* or *considered*. Each of these divestment and consolidation opportunities are finally identified as the lowest priorities and on the “Horizon 3” (11-20 years) timeline (around the same timeframe as FFCP requirements). The lack of firm language in this plan is evident despite to obvious requirement for hard decisions that need to be made in advance of the looming FFCP requirements. This soft approach to the portfolio’s financial sustainability plan is symptomatic of the lack of authority that ADM(IE) has over the environmental L1s, where such hard and emotional decisions need to be made.

For another example of a recent sustainability initiative, the ADM(IE) project to consolidate its armouries can be examined. The department manages approximately 100 armoury buildings across the country.<sup>58</sup> Many of these armouries are in cities or towns, are often designated heritage buildings, and are isolated from the main bases. In Montreal there are 10 separate armoury locations all within a distance of approximately 10 km. These buildings are no longer fit for purpose, they are in a condition beyond economical repair and they see a utilization rate of only 10%.<sup>59</sup> The ADM(IE) project to

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<sup>57</sup> MRPDP CL, 27.

<sup>58</sup> Defence Portfolio 2030, 4.

<sup>59</sup> Phone call with OC RP Ops Det Montreal, 27 April 2020.

consolidate the reserve units onto a smaller footprint and divest or demolish the unused and crumbling armouries seems like a no-brainer. The project failed however, primarily over local politics and the heritage status, but also because ADM(IE) was not able to apply evidence-based decision making and real authority to do what was required.<sup>60</sup> The governance framework of ADM(IE) was tested against a relatively easy problem, and failed.

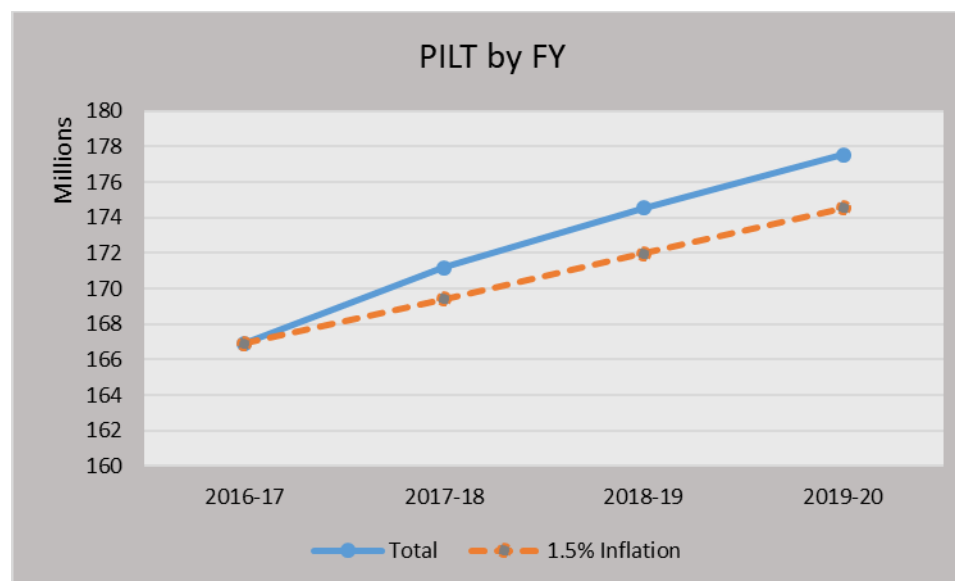
Looking at the portfolio nationally, one can simply ask; is the portfolio getting any more affordable under ADM(IE) management? A simple way to measure performance, in this respect, is by looking at the year over year national payment in lieu of taxes (PILT). PILT is compensation paid to the municipalities in which the bases reside, calculated based on the assessed value of DND/CAF owned lands in the municipality. The total PILT paid by ADM(IE) to municipalities over the past four fiscal years (since FOC) is shown in figure 3. It shows an average year over year increase of 2% over that time period. Compared to a nominal yearly inflation of 1.5%, the cost of the portfolio has increased or at least stayed the same. This shows that ADM(IE) has not yet succeeded in reducing the nominal cost or size of the portfolio but the data also shows that the yearly increase is dropping. The current Commander of CF RP Ops Gp believes that because of centralization, ADM(IE) has been able to find standardization and anomalies in PILT payments by bases, improve the interface with Public Services and Procurement Canada (PSPC), thus “cleansing incorrect data and incorrect billing.”<sup>61</sup> He concludes that “centralization has played a part in lowering the

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<sup>60</sup> *Ibid.*

<sup>61</sup> Email from Colonel Rancourt, 5 May 2020.

increase [in PILT].”<sup>62</sup> Still the portfolio is getting more expensive rather than less, with no sign of any significant drop in costs or an increase in budget in sight. Also, important to consider is that PILT comes out of the CF RP Ops Gp O&M (vote 1) budget, so the more PILT a base pays, the less resources are available to maintain the aging infrastructure, compounding the effect on sustainability.



**Figure 3.** Payment in lieu of taxes paid by DND by fiscal year.

### Environmental Sustainability

Much of the focus of SSE with respect to infrastructure is on becoming environmentally sustainable. New initiatives in SSE target the government’s goal to “reduce greenhouse gas emissions by 40 percent from the 2005 levels by 2030.”<sup>63</sup> This is to be accomplished by “expanding the use of Energy Performance Contracts”<sup>64</sup> and by “requiring new construction to meet industry recognized standards for high performing buildings such as the Silver Leadership in Energy and Environmental Design (LEED)

<sup>62</sup> *Ibid.*

<sup>63</sup> SSE, 76.

<sup>64</sup> *Ibid.*

standard.”<sup>65</sup> In this regard, ADM(IE) has been successful in delivering many projects with the silver LEED standard, but really can’t take all of the credit for the environmental sustainability of newer buildings since these standards were being implemented before centralization as well. Achieving the LEED standards has also been a “catch-22” for the RP portfolio. These new buildings are more expensive to build, cost the department more in PILT, and incorporate newer technologies that are more complicated and expensive to operate and maintain. Thus, there are many examples whereby achieving greater environmental sustainability is coming at the cost of worsening financial sustainability. This is compounded by chronic staffing and civilian human resources challenges that make modernization of the maintenance workforce in CF RP Ops Gp nearly impossible. For example, a recent new construction at CFB Trenton met or exceeded the Silver LEED standard but the building was so technically different from the rest of the buildings that the RP Ops detachment had to put in place an outsourced facility maintenance (FM) contract in place to maintain it. That contract, for that one building costs approximately \$2M from the O&M budget, where if RP Ops were to hire staff with the right skillsets it would only cost an estimated \$300K from SWE.<sup>66</sup> Again, the catch-22 of pursuing environmental excellence is alarming and raises the question of whether SSE and ADM(IE) have the priorities correct.

### **Preventative Maintenance**

Preventative maintenance is simply not done on the RP portfolio. A 2014 World Economic Forum report on operation and maintenance of strategic infrastructure identifies investment in preventative and predictive maintenance as the critical success

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<sup>65</sup> SSE, 76.

<sup>66</sup> Anecdotal evidence from an RP Ops Det Comd, 27 April 2020.

factor associated with extending asset life and increasing lifetime value of infrastructure.<sup>67</sup> ADM(IE) and CF RP Ops Gp have not been able to even get preventative or predictive maintenance on the business plan<sup>68</sup> as all M&R resources must be dedicated to reactive maintenance or as Colonel Marc Rancourt calls it; “a break-fix methodology.”<sup>69</sup> Reinforcing this is the fact that the latest version of the RP Ops Procedure Handbook has a section on Preventative Maintenance that is left empty only saying “ This handbook will be amended to include Preventative Maintenance at a later date.”<sup>70</sup> If preventative maintenance is indeed a performance indicator of a sustainable portfolio, ADM(IE) has yet to even address it.

## **EFFICIENCY**

The 2013 DRPS defines its strategic goal related to *efficiency* through a number of subordinate goals that it says, “will ensure Defence real property is managed more efficiently.”<sup>71</sup> There is some overlap between the other key principles so this section will focus on the efficiency gained through the strategic initiatives of “centralization of real property management under a single authority” and “improvement of the real property project delivery.”<sup>72</sup>

### **Centralization Under a Single Authority**

An absolutely key aspect of centralized command and control of anything in a military or even corporate environment is legitimate authority to make decisions and

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<sup>67</sup> World Economic Forum, *Strategic Infrastructure – Steps to Operate and Maintain Infrastructure Efficiently and Effectively*, 2014, 9.

<sup>68</sup> ADM(IE) IRP 201920, 14.

<sup>69</sup> Rancourt, 40.

<sup>70</sup> RP Ops Procedures Handbook, 2018, 57.

<sup>71</sup> DRPS, 9.

<sup>72</sup> DRPS, 9.

control resources. Centralized, legitimate authority over the real property portfolio is thus a central issue to what is required to lead a custodial organization and manage \$26 billions of federal assets. The 2012 *VCDS Initiating Directive on DND Real Property* assigned ADM(IE) full authority and accountability over “DND portfolio management, RP management and RP service deliver.”<sup>73</sup> Since 2012, ADM(IE) has certainly been held accountable and authority over a centralized ADM(IE) organization has been realised but full authority over the portfolio and decisions related to RP management are questionable.

Through centralization and transformation, ADM(IE) has made many efforts to establish clear and effective authorities, responsibilities and accountabilities (ARA) but still today, are only in development<sup>74</sup> and not fully supported by the Service L1s. The cause for this goes right back to the beginning when these ARA were first being negotiated between ADM(IE) and the L1s in what Rancourt calls “the elegant compromise.”<sup>75</sup> As Colonel Gros-Jean described “centralization was generally viewed in a negative light from the services and base commanders.”<sup>76</sup> Base Commanders lost control and authority over the infrastructure of their bases, a significant part of their previous authority, and yet were still accountable for occupational health and safety and labour code aspects of construction and maintenance.<sup>77</sup> The services gave up control over a significant part of their infrastructure, financial resources and military engineer personnel who were transferred over to ADM(IE). Agreements were established between

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<sup>73</sup> VCDS ID, 2.

<sup>74</sup> DRPMF, 10.

<sup>75</sup> Rancourt, 20.

<sup>76</sup> Gros-Jean, 9.

<sup>77</sup> Rancourt, 22.

ADM(IE) and the services as part of the Inter-Capability Component Transfer (ICCT) agreements. Looking at the ICCT with the CA the lack of legitimate authority is fairly clear when looked at critically. The ARA matrix within does not even identify the authorities; only responsibilities and contributions.<sup>78</sup> It contains a conflict resolution model that at first looks like a good model for solving issues at the lowest level but when you look critically at the rank disparities between the parties in conflict (for example a RP Ops Unit CO (LCol) engages a CA Division Comd (BGen)), you see how the model greatly favours the CA and really leaves the VCDS as the legitimate authority. This rank disparity is a key point made in both the papers by Geen<sup>79</sup> and Rancourt<sup>80</sup>.

ARAs have been a fleeting effort through the past seven years of centralization and transformation. With the priority being on sifting through the mess of combining the portfolios from nine different custodians, and moving resources around from 2013 to FOC in 2016 the requires ARAs “remained largely extant.”<sup>81</sup> The Pitfield initiatives brought new life to the effort and set a strict guideline on completion, however possibly due to Pitfield leaving the appointment the effort died once again and codified ARAs remain absent.<sup>82</sup> Rancourt describes that without a catastrophic failure as a result “it is unlikely that there will be any further refinement of the ARAs in the foreseeable future. Meanwhile without the topcover of clear ARAs and solid governance “Detachment and Unit Commanders [are left] to find local solutions to institutional issues.”<sup>83</sup> The result of this is that authorities and “levers” have not been centralized to allow for efficiency and

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<sup>78</sup> ICCT.

<sup>79</sup> Geen, 9.

<sup>80</sup> Rancourt, 22.

<sup>81</sup> Rancourt 21.

<sup>82</sup> DRPMF, 10.

<sup>83</sup> Rancourt 21.

decision making that is in the interest of the portfolio. ADM(IE), for example, cannot currently decide that for efficiency's sake, two units will share one facility, or as described earlier, a golf course be divested, the services still hold such levers. Says former CF RP Ops Gp Comd; "We can't in all honesty talk about efficiency if we can't control the levers that could lead us to being efficient."<sup>84</sup>

### **Real Property Project Delivery**

The 2012 OAG report described the project delivery process before centralization as "cumbersome and lengthy." It went on to criticize project delivery as chronically late and often over budget:

We found that all the projects costing more than \$1 million were delivered at least 10 months later than planned, with 1 more than 5 years later. We also found that the average time to complete the 8 projects costing more than \$5 million was about 6 years.<sup>85</sup>

The OAG report offered as a recommendation that "National Defence should simplify its approval processes for real property projects over \$1 million according to level of risk."<sup>86</sup>

Centralization and transformation of ADM(IE) has taken this on with some gusto<sup>87</sup> and according to departmental reports on results<sup>88,89</sup>, there have been gains made in this area.

ADM(IE) will certainly need some greater efficiency in project delivery in the near future as SSE has \$164 billion in new capability investment coming over the next 20 years with

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<sup>84</sup> Email from Col Gros-Jean 26 Marc 2020.

<sup>85</sup> OAG report

<sup>86</sup> OAG Report

<sup>87</sup> Rancourt, 61.

<sup>88</sup> Department of National Defence, Department of National Defence and the Canadian Armed Forces 2017-18 Departmental Results Report (Ottawa: Government of Canada, [2018]).

<sup>89</sup> Department of National Defence, Department of National Defence and the Canadian Armed Forces 2018-19 Departmental Results Report (Ottawa: Government of Canada, [2019]).



a \$12 billion infrastructure bill as a part of it.<sup>90</sup> Now is not the time to have the cumbersome and lengthy process described by the OAG report.

Though there are some promising results evident at the Treasury Board mandated departmental results level, there remain many criticisms of how efficient the project nomination and delivery processes are at the tactical and operational levels. John Geen describes the current model as a “cumbersome project approval system [that] requires thousands of potential projects from across Canada to fit into a limited scoring model.”<sup>91</sup> He also describes the current model as one that lacks critical analysis and relies on “checklists and computer programs to make decisions.”<sup>92</sup> The current Officer Commanding RP Ops Detachment Montreal describes the project delivery for major capital projects as still being too slow (up to 7 years) and lacking an evidence based approach to project development and prioritization.<sup>93</sup> The process is so long that operational requirements often change before a shovel even hits the ground. He describes that the process and authorities are skewed to privilege the service stakeholders priorities of the day over an evidence based prioritization by portfolio managers.<sup>94</sup> Operational requirements of the services are and should be given significant weight but in an environment of limited resources, portfolio managers need to be given a project approval process that reflects industry best practices and the authorities to make decisions that consider efficiency and the sustainability of the portfolio.

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<sup>90</sup> SSE, 102.

<sup>91</sup> Geen, 21.

<sup>92</sup> *Ibid.*, 22.

<sup>93</sup> Phone call with OC RP Ops Det Montreal, 27 April 2020.

<sup>94</sup> *Ibid.*

## CONCLUSION

Real property management in DND/CAF remains a work in progress. Seven years on from a centralized delivery model being established under ADM(IE), this paper has shown that the strategic management principles of responsiveness, sustainability, and efficiency that were the basis of the Defence Real Property Strategy have not yet been realized. Though there are certainly some flaws in how ADM(IE) has progressed its mandate, organizational change and initiatives, the fundamental impediments to success are based in the support, resources and authorities that have been afforded to it by the greater institution. Priority of effort needs to be refocused on fixing the legacy issues of combining the equally under-resourced portfolios of the nine previous custodians and making the hard decisions that are required to reverse the course of portfolio unsustainability. The backbone and life support system of the CAF is truly at risk of collapse under its own weight. What better time to fix it than when a global pandemic has brought to light our inefficiencies and economic recession offers a chance for the government to use infrastructure development as a means of keeping Canadians at work. Fixing the defence infrastructure portfolio should be an imperative at the front of the mind of our Generals and Ministers; the CAF's readiness and operational effectiveness depends on it.

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