

Canadian
Forces
College

Collège
des
Forces
Canadiennes



ENHANCING AND EXPEDITING THE CANADIAN ARMY PROCUREMENT TIMELINE

MAJOR JONATHAN FORTIN-GRONDIN

JCSP 46

Service Paper

Disclaimer

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

© 2020 Her Majesty the Queen in Right of Canada,
as represented by the Minister of National Defence.

PCEMI 46

Étude militaire

Avertissement

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

© 2020 Sa Majesté la Reine du Chef du Canada,
représentée par le ministre de la Défense nationale.

CANADIAN FORCES COLLEGE – COLLÈGE DES FORCES CANADIENNES

JCSP 46 – PCEMI 46

2019 – 2020

SERVICE PAPER - ÉTUDE MILITAIRE

**ENHANCING AND EXPEDITING
THE CANADIAN ARMY PROCUREMENT TIMELINE**

MAJOR JONATHAN FORTIN-GRONDIN

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

Word Count: 2,310

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

Nombre de mots : 2.310

ENHANCING AND EXPEDITING THE CANADIAN ARMY PROCUREMENT TIMELINE

AIM

1. This service paper aims to analyse how the proposed procurement initiative in Strong Secure Engaged (SSE) can alleviate the strain that exists on the Canadian Army (CA) by the current procurement system. This service paper will evaluate if the new procurement authority of five million dollars should be delegated to the Commander Canadian Army (CCA) and if this delegation would achieve greater success in reducing the procurement timeline. This paper will focus on SSE initiative 95, which solely applies to direct with trade procurement and falls within the limits of the Minor Capital Project envelope. The CA should conduct further research into how it could further streamline its internal procurement process for other types of Canadian Armed Forces (CAF) procurement.

INTRODUCTION

2. In 2017, the CAF published its SSE defence policy which outlines “. . . reforms to streamline the procurement process . . . [which] will reduce departmental approval times by 50 percent, [and] increase contracting authority to allow 80 percent of procurement contracts to be managed internally”.¹ As the Department of National Defence (DND) authority for procurement, Assistant Deputy Minister (Materiel) (ADM(Mat)) is the overall lead on streamlining the procurement process through SSE. Although ADM(Mat) is spearheading various procurement initiatives, this service paper will focus on Initiative 95. This initiative seeks to “. . . provide the Minister of National Defence with

¹ Department of National Defence, *Strong Secure Engaged Canada's Defence Policy* (Ottawa: DND Canada, 2017), 16.

exceptional contracting limits and the necessary authorities to enter into goods and services contracts valued up to \$5M [Million].”² Initiative 95 is the cornerstone of accomplishing the SSE target of executing 80 percent of procurement within DND. As part of its strategy, ADM(Mat) has broken down this initiative into three phases:

- a. Phase One. Increase ADM(Mat)’s procurement authority to two million dollars;
- b. Phase Two. Increase ADM(Mat)’s procurement authority to five million dollars; and
- c. Phase Three. Increase DND’s procurement authority to five million dollars.

ADM(Mat) achieved Phase Two on 14 June 2019 and now has the authority to enter into contracts directly with industry for up to five million dollars.³ This authority is granted only to ADM(Mat) until it is further delegated to other levels. Phase Three will occur between six months to one year from the completion of Phase Two under ADM(Mat)’s implementation plan.⁴

3. According to the current Financial Delegation of Authority Matrix, DND, including the CA and ADM(Mat), can only procure goods directly with industry for up to 25,000.00 dollars.⁵ DND’s inability to execute the majority of its direct with trade procurement for goods creates a lengthy process as it relies on other ministries to execute

² DND Defence Policy Initiative Summary, “Initiative 95 – Increased Contracting Authority,” last accessed 09 October 2019, <https://collaboration-vcds.forces.mil.ca/sites/defenceanalytics/SSE/Lists/Initiative/DispForm.aspx?ID=95&RootFolder=%2A>.

³ ADM(Mat) Communications, *email conversation with all ADM(Mat) employees*, 2 July 2019.

⁴ DND Defence Policy Initiative Summary, “Initiative 95 – Increased Contracting Authority.”

⁵ Department of National Defence, *Delegation of Authorities for Financial Administration Matrix* (Ottawa: DND Canada, 2016), 2.

the procurement on its behalf. Anything above this value limit goes to the Ministry of Public Services and Procurement Canada (PSPC) as “The Minister of PSPC has exclusive responsibility for the procurement of all goods for the federal government.”⁶

DISCUSSION

4. As part of the change in procurement authority, DND will also receive Person Year (PY) procurement experts from PSPC at a proportional rate to the workload transferred.⁷ The employment of these additional procurement specialists will become critical in reducing the procurement timeline. It is imperative that DND matches the enhanced delegation of procurement authority with its newly acquired PYs.

5. Under the current procurement model, any requirements above the DND procurement authority must go to PSPC. This stipulation creates a lengthy timeline as DND is not in complete control of its procurement and cannot adequately facilitate the process. In this current construct, DND’s procurement requests are queued with the procurement of other federal departments. With enhanced procurement authority, DND can now control and execute most of its procurement (estimated at 80 percent) without competing against other departments. At Full Operating Capacity (FOC), the enhanced procurement authority will eliminate duplication of work between ADM(Mat) and PSPC.

6. Once at FOC, ADM(Mat) estimates that reducing the duplication of work between its organisation and PSPC would effectively reduce the procurement timeline by 50 percent. Although this reduction would be CAF/DND wide, it may not translate to a

⁶ Department of National Defence, A-FN-100-002/AG-006, *Delegation of Authorities for Financial Administration for the Department of National Defence (DND) and the Canadian Armed Forces (CAF)* (Ottawa: DND Canada, 2018), 11.

⁷ *Ibid.*

50 percent reduction in the CA. Should the enhanced delegation lie only with ADM(Mat), the internal process for the CA would remain the same except that requisitions would be sent to ADM(Mat) instead of PSPC. Procedurally speaking, this would only alleviate the requirement to produce the 9200 form and not require any significant changes to the CA's process.⁸

7. Since ADM(Mat) seeks to push the five-million-dollar procurement authority to other CAF/DND organisations⁹, it is critical to question if the authorities should or should not remain centralised in order to achieve the greatest effects. In the CAF/DND, Level One Commanders are responsible for spending their budgets according to their business plans. They are held accountable for their spending to either the Chief of the Defence Staff or to the Deputy Minister. The CCA is therefore accountable, responsible, and mostly possesses the required authority to manage the Army's budget. The CCA does not possess the required authority to execute most of its procurement spending. In his 2019-2020 business plan, Mister Richard Steele, Director General Procurement Services (DG Proc Svcs), identifies that not aligning authority, responsibility, and accountability presents a significant risk for procurement--one that requires the attention of senior management.¹⁰ Increasing the CCA's procurement authority up to the five-million-dollar limit would allow them to both manage the allocated budget and its spending through the procurement process. Therefore, the CA would not only help reduce corporate risk but also be more accountable for its spending; thus, better controlling its procurement.

⁸ Canadian Army Orders 33-05, *Contracting*, <http://acims.mil.ca/org/3372/SitePages/CAO.aspx>. Last Accessed 09 October 2019, Annex A.

⁹ DND Defence Policy Initiative Summary, "Initiative 95 – Increased Contracting Authority."

¹⁰ Richard Steele, *Director General Procurement Services Business Plan FY 19/20* (Assistant Deputy Minister Materiel, October 2018) 16.

8. A critical reason that DND sought an increase in its procurement authority was to eliminate the need to compete at PSPC with other federal government departments. The same case can be made internally to DND. Having the enhanced authority solely located in ADM(Mat) or other select ADMs would replicate the cumbersome PSPC model within CAF/DND. The decentralisation of the procurement authorities to Level One Commanders and respective ADMs would allow each element to oversee its own procurement. More importantly, it would also grant Commanders the ability to prioritise their procurement. If the CA does not receive an increase in its procurement authority, it will be forced to compete with the rest of the CAF to meet its priorities.

9. Keeping the new PYs at the ADM(Mat) level may result in the Level Zero setting the priority of procurement files. In fact, Level Zero priorities have only been established for Major Capital projects which are outside the scope of employment of these PYs. In a CAF that is governed by the principles of mission command, nobody is in a better position than the CA to determine what procurement would better assist in achieving its mandate. By transferring the PYs to Level One Commanders, ADM(Mat) would effectively enable Mission Command. This would allow Level One Commanders to set and execute their procurement priorities which would increase the efficacy of the procurement process.

10. The CAF/DND has established that granting Level Ones control of their procurement constitutes best practice. The two cases below show that both the CAF and DND have already implemented strategies under the current restrictive procurement authorities that allow Level One Commanders to dictate their procurement priorities. These cases support the need for the alignment of authority, responsibility, and

accountability at the Level One Commander. As recognised best practices, these cases also illustrate the benefits associated with Level One Commanders utilising the enhanced procurement authority.

a. Canadian Special Operations Command (CANSOFCOM). There is not an existing clause in the Procurement Administration Manual (PAM) that gives CANSOFCOM any special exemptions on the conduct of its procurement.¹¹ CANSOFCOM conducts procurement under the same rules and regulations as the rest of the CAF/DND. Due to the nature of its work, it relies heavily on the use of technology to gain tactical advantages. Recognising that it is a vital instrument in accomplishing its mission, CANSOFCOM has invested a significant amount of time into streamlining its procurement process. The Director of Force Sustainment, Colonel H. Morrison, states that CANSOFCOM has been able to take full advantage of its procurement within the Minor Capital envelope while following the PAM.¹² The most significant procedural change that CANSOFCOM has initiated lies in its ability to control its procurement priorities. Through the establishment of a Memorandum Of Understanding (MOU) with PSPC Kingston, CANSOFCOM has secured dedicated procurement services by paying the associated wages of PSPC public servants.¹³ CANSOFCOM has prioritised spending its Salary Wage Envelope (SWE) on securing its ability to control procurement priorities instead of utilising more internal procurement experts. The

¹¹ Department of National Defence, A-PP-005-000/AG-002, *Procurement Administration Manual* (Ottawa: DND Canada, 2019).

¹² Colonel H. Morrison, *email conversation with author*, 30 September 2019.

¹³ Public Services and Procurement Canada and Canadian Forces Special Operations Command. Memorandum of Understanding, *The Provision of Dedicated Procurement Services*, 2019, 3.

best approach to expediting the procurement process resides in the ability to control where the procurement occurs. This is directly applicable to the delegation of the enhanced procurement authority. Therefore, the enhanced procurement authority should be delegated to Level One Commanders so that their offices can apply the same best practices to streamline their procurement process.

b. Canadian Joint Operations Command (CJOC). With the need to provide procurement services to its deployed forces, CJOC also utilises the same best practices through dedicated resources from PSPC via the ADM(Mat) MOU.¹⁴ What makes CJOC different from CANSOFCOM, is the installation of two procurement teams from DG Proc Svcs--Director Major Procurement (DMaj Proc) 6 and DMaj Proc 7 under Commander CJOC. In the 2019-2020 business plan, DG Proc Svcs establishes the role of these teams as providing “. . . *procurement support* and advice to Canadian Joint Operations Command (CJOC) for domestic and international operations and exercises.”¹⁵ The integration of the DMaj Proc teams into CJOC gives CJOC direct access to dedicated procurement expertise. It also gives the CJOC Commander the ability to utilise either the PSPC Germany office or ADM(Mat) for its procurement needs. Having the DMaj Proc teams integrated into CJOC allows for faster procurement. DMaj Proc teams take part in planning for operations and exercises and are knowledgeable of CJOC requirements. The integration of these teams into CJOC eliminates the need for lengthy back-and-forth communication between the procurement authority and

¹⁴ Public Works and Government Services Canada and Department of National Defence, Master Memorandum of Understanding, *The Provision of Revenue Dependent Projects/Programs Procurement Services*. 2011, 47-48.

¹⁵ Richard Steele, *Director General Procurement Services Business Plan FY 19/20*, 7.

the client. This ultimately reduces the procurement timeline as the requests go to industry much faster. This example demonstrates how having dedicated procurement experts, who have access to enhanced authority within the CA headquarters, will reduce the procurement timeline. To reiterate, the new PYs should reside with the organisation that holds the enhanced procurement authority. If for some reason (administrative or otherwise) these PYs cannot reside outside of ADM(Mat), the CA should seek to duplicate the DMaj Proc model that CJOC employs.

CONCLUSION

11. This paper aims to evaluate how Initiative 95 of SSE could streamline the procurement process in the CA. The CA's maximum authority for procurement of goods is 25,000.00 dollars. As part of SSE, ADM(Mat) received an increase in its procurement authority, along with the addition of PYs, and can now execute procurement direct with industry up to a maximum of five million dollars. Initiative 95 aims to bring most of CAF/DND's contracts in-house, which should reduce procurement timelines by an estimated 50 percent. From the CA's perspective, this shift of procurement authority would equate to replacing PSPC with ADM(Mat), which may not generate much change to the CA's procurement timeline.

12. In the current procurement structure, the CCA manages and is accountable for the CA procurement budget but does not have the appropriate procurement authority. DG Proc Svcs has identified this issue as a significant risk, one that can only be alleviated by aligning the functional authority with responsibility and accountability. The answer to negating this risk is to delegate the enhanced procurement authority to the CCA.

13. A fundamental tenet of command is to allow Commanders to set their priorities. The CAF/DND have employed this tenet in both CANSOFCOM's and CJOC's procurement systems. The ability to exercise control over the procurement authority can be achieved by installing an ADM(Mat) team within the CA. This solution will reduce the procurement timeline of the CA but not optimise it as it would still rely on the authority of ADM(Mat). Another approach would be to delegate the five-million-dollar authority to CCA and to transfer the PYs respectively, thus reducing the procurement timeline by keeping procurement mostly in-house.

RECOMMENDATION

14. It is recommended that the five-million-dollar procurement authorities be delegated to CCA along with a proportional number of the associated PYs. Having this authority reside within the CA Headquarters will yield a tangible impact in streamlining the CA procurement process. It will also put the CCA in a position to exercise command and control over most of the CA's procurement. This solution will also reduce corporate risk by ensuring a better alignment of the authority, responsibility, and accountability associated with procurement.

BIBLIOGRAPHY

- Canada. Department of National Defence. A-FN-005-001/AG-003, *Materiel Management Instruction 1355*. Ottawa: DND Canada, 2018.
- Canada. Department of National Defence. A-FN-100-002/AG-001, *Financial Administration Manual*. Ottawa: DND Canada, 2017.
- Canada. Department of National Defence. A-FN-100-002/AG-006, *Delegation of Authorities for Financial Administration for the Department of National Defence (DND) and the Canadian Armed Forces (CAF)*. Ottawa: DND Canada, 2018.
- Canada. Department of National Defence. A-PP-005-000/AG-002, *Procurement Administration Manual*. Ottawa: DND Canada, 2019.
- Canada. Department of National Defence. *Delegation of Authorities for Financial Administration Matrix*. Ottawa: DND Canada, 2016.
- Canada. Department of National Defence. *Strong Secure Engaged Canada's Defence Policy*. Ottawa: DND Canada, 2017.
- Canadian Army. Canadian Army Orders 33-05. *Contracting*.
<http://acims.mil.ca/org/3372/SitePages/CAO.aspx>. Last Accessed 09 October 2019.
- DND Defence Policy Initiative Summary. "Initiative 95 – Increased Contracting Authority." Last accessed 09 October 2019, <https://collaboration-vcds.forces.mil.ca/sites/defenceanalytics/SSE/Lists/Initiative/DispForm.aspx?ID=95&RootFolder=%2A>.
- Public Services and Procurement Canada, Canadian Forces Special Operations Command. Memorandum of Understanding. *The Provision of Dedicated Procurement Services*. 2019.
- Public Works and Government Services Canada, Department of National Defence. Master Memorandum of Understanding. *The Provision of Revenue Dependent Projects/Programs Procurement Services*. 2011.
- Steele, Richard. *Director General Procurement Services Business Plan FY 19/20*. Assistant Deputy Minister Materiel. October 2018.