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## PROCUREMENT IN CANADA

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### JCSP 46

#### Service Paper

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### PCEMI 46

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CANADIAN FORCES COLLEGE – COLLÈGE DES FORCES CANADIENNES

JCSP 46 – PCEMI 46  
2019 – 2020

SERVICE PAPER - ÉTUDE MILITAIRE

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## **PROCUREMENT IN CANADA**

### **AIM**

1. The aim of this service paper is to highlight the requirement for the Canadian Armed Forces (CAF) to be able to rapidly, effectively, and cost efficiently acquire new equipment. This equipment runs the gambit from socks and boots, to small arms and crew served weapons, and to fifth generation fighters and state of the art frigates. Specifically, this paper will outline the current system and how its prolonged timelines are failing to keep with the pace of technological change. Several specific areas of defence procurement will be used to highlight the need for streamlining these current processes. Although this paper is meant to provide information, it will also suggest one or two areas of further consideration, and offer suggestions on how to modernize CAF procurement to become more efficient.

### **INTRODUCTION**

2. The process of procuring military equipment in Canada has long been a source of discontent within the military. Most acknowledge that the funding for the CAF, and the Department of National Defence (DND) as a whole, is gargantuan and that there is a vested interest to spend taxpayers' dollars responsibly, transparently, and ensure some economic spinoffs for Canadian industry. That being said, the methodology for this process is focused on "buy-in" from at least four government departments and is overly concerned with the process and over-sight, vice actually procuring equipment in a timely manner. In a non-urgent (non-war or major conflict) acquisition scenario, the process can take so many years that equipment is often obsolete, or nearly so, at the time of delivery. As a second order effect of this delay, equipment frequently remains in service for long

beyond its intended life cycle, and simple, relatively cheap procurements can take several years. This further drives up costs with “mid-cycle” upgrades, each also requiring its own project, that may not have been required had the replacement item been delivered on time.

3. Despite the long timelines associated with the current system, it is doubtful that large scale changes, such as moving to a DND owned procurement system, without the input of other government departments, is unlikely. The simple fact remains that the size and scale (from a monetary perspective) of DND procurement is so great that oversight from Treasury Board and the use of Public Service and Procurement Canada is a must. However, as long and drawn out as the process currently is, there is a potential for improvement through multiple, small scale, incremental changes. A study into how the process can be expedited, without a wholesale change to the process, will be examined through the following areas: information management, prioritization, and staffing. By design, this paper will avoid topics or projects that have been delayed for political reasons as those are beyond DND/CAF/Government of Canada Departments’ control.

## **DISCUSSION**

4. The need for the procurement cycle to become faster is becoming more and more obvious as the pace of technological change and innovation increase. Items such as unmanned aerial systems (UAS) have long been used by allies, yet Canada is hopeful to have its own, permanent, fleet of UAS operational sometime in the next six years.<sup>1</sup>

Although the cost of these drones will undoubtedly be in the many millions of dollars, it

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<sup>1</sup> Berthiaume, L. *Canadian Air Force to Have Armed Drones in Coming Years, Commander Says*. February 6, 2019. <https://globalnews.ca/news/4929686/canadian-air-force-armed-drones/> (accessed October 9, 2019).

does not excuse the fact that other countries, such as the US, UK, and Italy have been using drones for nearly 20 years, while Canada is just starting the acquisition process. Similarly, the CAF (less RCN, Military Police, and CANSOFCOM) uses a pistol dating back to the mid-20<sup>th</sup> century, and despite the availability of newer, better pistols, is not able to replace the venerable Browning 9mm even though this project would be significantly cheaper than a new fleet of armed UAS. The challenge that is facing procurement is how to reconcile the need for oversight, and the associated long timelines for acquisition, with the Strong, Secure, Engaged (SSE) approach of “anticipation” of needs and to prepare for future threats.<sup>2</sup>

5. Military procurement in Canada is broken down into five stages<sup>3</sup>, each of which has been summarized below;

- a. Identification (the Deficiency). This stage is initiated by the end user (Canadian Army (CA), Royal Canadian Navy (RCN), Royal Canadian Air Force (RCAF), Canadian Special Operations Command (CANSOFCOM)) to demonstrate that there is a capability or equipment deficiency. This gap must not be reasonably filled with an in-service item and there is no discussion of potential solutions that may be acquired. Requirements are reviewed by the Defence Capabilities Board and the Independent Review Panel for Defence Acquisition.

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<sup>2</sup> Canada, Her Majesty the Queen in Right of. *Strong, Secure, Engaged*. Canadian Defence Policy, 2017, 63.

<sup>3</sup> *Defence Purchases and Upgrades Process*. September 10, 2018. <https://www.canada.ca/en/department-national-defence/services/procurement/defence-purchases-upgrades-process.html> (accessed October 9, 2019).

- b. Options Analysis (the What). This stage sees the Statement of Operational Requirement (SOR) and the business case developed. Solutions to the problem and value for money must be demonstrated here and is again reviewed by the Defence Capabilities Board, the Programme Management Board, and the Independent Review Panel for Defence Acquisitions.
- c. Definition (the How). This stage takes the preferred solution (the What) and completes planning for the acquisition and delivery. Affordability and achievability are the key factors; confirmation of SOR, total costs, and project management plan are submitted to the Minister of National Defence (MND) or the Treasury Board (TB) depending on total cost.
- d. Implementation (the Product and Delivery). This stage is focused on the selection of the product, usually through an open and fair competition among interested suppliers. Generally, it is carried out with Public Services and Procurement Canada and a contractor and/or supplier is selected. Product is produced/supplied to the appropriate end user. Occasionally, sole sourcing for equipment is permitted under certain circumstances such as the urgent operational requirement clause, usually reserved for a deficiency identified during combat operations; this clause has the goal of quickly obtaining the equipment and employing it on operations within a very short timeline. Great examples would be CH47D Chinooks and Leopard II tanks, both acquired for combat operations in Afghanistan.

- e. Closeout (the Product is fully operational). This stage ends when the capability gap is filled and the product is considered fully operational. This stage will “close the books” on the acquisition and move onto the next project.
6. Despite the neatness of the above process, there are potential time lags to occur (without counting the political ones).
- a. Information management. This is perhaps one of the most complex issues in the procurement system. As there is no single database that synchronizes across departments, and some of these require manual data entry, there is no “one-stop shop” for information. In the same vein, it is nearly impossible for an accurate and commonly held picture of procurement related information to be had. Although the Defence Resource Information Management System (DRIMS) will eventually become the common system of record, it is several years away from being able to provide this service. For now, separate databases are maintained by the Chief of Program (CProg), the Vice-Chief of Defence Staff (VCDS), PSPC, and Assistant Deputy Minister Material Group (ADM(Mat)).<sup>4</sup> This is in addition to the databases held by the Treasury Board and the various review boards that review DND/CAF procurement projects. This plethora of databases, most of which rarely align in accuracy, is clearly not an effective method of collating, updating, and dispersing information and must be modernized. Further aggravating the process is that there are many ways for information to enter the process and there is no official filter of what

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<sup>4</sup> Perry, D. *Streamlining Defence Procurement*. Contract W6369-19-X019, 2018, 7.

is accurate enough to be entered into a database. Thus, merely keeping all relevant parties up to date is a full-time job, not to mention entering these changes into all the separate databases.

- b. Prioritization. The priority of projects among departments and sub-departments also appears to be un-coordinated and un-synchronized. In his 2018 report, David Perry writes, “Sponsors appear to identify their own priorities as they assign staff effort and resources to move their own projects”.<sup>5</sup> It goes without saying that this un-prioritized list of projects would create significant inefficiencies in meeting timelines as each Level 1 Command attempts to push through its own “priority” projects with no coordination across the CAF at large. David Perry further reflects that different methodologies are used at ADM(Mat), CProg, and at PSPC to assign priorities. It appears that project priorities are actually driven by external factors such as deadlines for industry submissions and the like.<sup>6</sup> It would not be a long deduction to assume that a first come, first served system is de-facto in effect as earlier projects would have deadlines that are closer, regardless of the project value or perceived importance. Further, projects that are important but not listed within the SSE policy framework are not funded (at least in the CA),<sup>7</sup> meaning they will not progress regardless of how important they may be. If this is the case, why are these projects moved forward, vice placed in a holding area in the event additional funding becomes available?

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<sup>5</sup> *Ibid.*, 8.

<sup>6</sup> *Ibid.*, 8.

<sup>7</sup> Kelsey, S. "Primer on the COS A Strat LoG and Capability Development." September 5, 2019, 40.



c. Personnel within the CAF controlled agencies relating to procurement are staffed with NCOs and officers taken from the field force and generally have completed some type of training related to procurement. In the CA, the Army Technical Staff Officer or Warrant Officer course is generally the pre-requisite. Unfortunately, most officers and NCOs will spend one to two years in procurement before rotating back to the field force or onto other positions required for promotion. This, combined with generally being understaffed (the norm for most aspects of the CAF), has resulted in a quantitative and qualitative deficiency. The quantitative shortfall is nothing new and, in the CA at least, positions within procurement are generally filled to the 75% mark.<sup>8</sup> The qualitative shortfall is a result of the promotion system and the requirement for competitive officers and NCOs to serve in a variety of positions throughout each rank level. This means that an officer or NCO will spend their first year just getting good at his/her position, then work effectively for only one year and then be rotated out; the replacement officer or NCO will then start the process all over again. This is not the case in other departments such as ADM(Mat) where much of the workforce is civilian and therefore not in need of the breadth of experience that their military counterparts require.

## CONCLUSION

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<sup>8</sup> Perry, D. *Streamlining Defence Procurement*. Contract W6369-19-X019, 2018, 8.

7. It is clear from the process and the need for oversight that wholesale changes to the procurement cycle are not going to be supported or workable. Ideas such as allowing DND to conduct its own procurement, without the input of other government departments, may be more effective, but are unlikely to gain political traction. A similar argument would be made with efforts to remove the requirements for Canadian industries to benefit. As stated in the introduction, the need to maintain oversight on the procurement process and the responsibility to spend tax dollars in a responsible manner necessitate the involvement of multiple departments and organizations. That being said, multiple, small changes at the appropriate stages or areas of the procurement cycle could result in a collective improvement to the procurement system as a whole.

## **RECOMMENDATION**

8. This service paper was intended to provide information on the procurement cycle, its stages and processes from project identification to closeout, and its need to become faster as technological changes occur. This paper examined the areas of information management, prioritization, and staffing specifically to make recommendations on decreasing the time from project identification to close out, with the goal of ensuring that equipment is delivered to the end user while still technologically relevant.

9. The following recommendations are made;

- a. Information management. The need for a common database across all government departments involved in procurement must be prioritized. The timeline for DRIMS to become operational as that common database should be

accelerated through additional resources or staff. Once this occurs, the personnel currently updating these data bases should be re-rolled into procurement projects or positions.

b. Prioritization. Clearly the priority of projects should be decided in a pan-CAF/DND manner without reliance on arbitrary dates such as deadlines for industry submission. Within the CAF, this could easily be solved by placing the responsibility on the VCDS and the Assistant Deputy Minister to the Minister of National Defence to act as the neutral voice of reason to assist in prioritizing equipment needs. This in turn would drive allocation of personnel to fully staff higher priority projects. However, this becomes more complicated when PSPC gets involved as they handle procurement for the federal government as a whole, not just DND. A solution to this sub-set of the problem could be a stovepipe within PSPC that purely handles DND projects.

c. Staffing. This is potentially the most complicated of the three areas looked at by this paper to solve. The “civilianization” of CAF procurement is unlikely the solution to increase productivity. However, small changes to staffing with military members could be effective. Perhaps longer-term postings to procurement departments could be considered as well as having personnel return to the cycle at each rank level. This would prevent the “starting over” scenario that is often now the case. This would also be beneficial to have lieutenant-colonels in procurement that have previously served there as captains and majors.

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