



CANADIAN GLOBAL AFFAIRS INSTITUTE  
INSTITUT CANADIEN DES AFFAIRES MONDIALES

# **Measuring the Big Bang: Evaluating the Implementation of *Strong, Secure, Engaged***

by Montana Hunter, Jonathan Kandelshein, Katarina Koleva and  
Harrison Luce  
October 25, 2018

# CONFERENCE REPORT

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## Panel I: Defining Procurement Success for *Strong, Secure, Engaged*

**Michael Vandergrift, Murray Brewster, Bill Matthews and Nicolas Todd moderated by Ian Brodie**

**In 2028, what would you like to see as a success?**

*Bill Matthew (Senior Associate Deputy Minister, DND)*

- It is all about capability. The policies are about people and we have to make sure the Forces can do what they have to do; what capability they have is crucial
- Cost and schedule are also important; we do have complicated procurement system in Canada and we do social competitions more than our allies but one of the challenges would be to get faster to what our real requirements are
- Accelerated options analysis and earlier discussions

*Michael Vandergrift (Associate Deputy Minister, PSPC)*

- We need to deliver equipment, deliver services the Canadian Armed Forces need
- Leverage procurement to key industrial capabilities in open and transparent way
- There are a number of indicators to look at while measuring success: budgets, projects, number of competitive processes; timelines to turn around contracts
- Improve our procurement strategies; create processes to update and meet the requirements, to keep things moving
- More flexible contracts (both government and suppliers to share the burden)
- The ability to collect data, to understand, would be beneficial; to move from the “paper”

*Murray Brewster (Senior Defence Reporter, CBC News)*

- There are innovative ideas coming forward; the media perspective and the public perspective would be how do we measure success in procurement? We need to see in motion all these good ideas, not just to hear about them, so how is procurement communicated is very important
- Generally, it is poorly communicated as there is an institutional reluctance to talk and this is not about Liberals or Conservatives, it transcends governments. I don't know why PSPC has to announce major projects at 8L pm on a Friday night, for instance!
- The other problem is that only some journalists have defence specialty and we are asking detailed and precise questions, but we don't get answers. If you want the media and the public to understand what is happening in procurement, you have to talk about it



- There are certainly projects that are inspired but then there is vacuum, virtual silence on that. There are people within the system advocating for more communication, but it never seems to happen
- The more dialogue and disclosure, the more confidence would exist. If you explain an issue to the public, most people will understand what you're doing with their money
- In terms of journalists writing about defence, there should be constant engagement (not defence, supreme court the next day). To tell compelling stories, interesting stories, stories important to the readers would be a measurement of success in writing about *Strong, Secure, Engaged*

*Nicolas Todd (Vice President, Policy, Communications & Government Relations, CADSI)*

- Getting projects, spending money is basic to success but it is hard to do; so, be a constructive partner
- The definition of success I'd like to propose is one that is more outcome measured – \$14 billion increase in defence spending over 10 years – confirmed by the current government. The question is how to get there?
- There is an emerging defence industrial strategy coming from different documents – the key instruments are there but they need to be coordinated
- Procurement should be brought to the government innovation agenda; fostering industrial development through defence procurement
- We also need formal mechanisms – strategic ones rather than transactional we have today

## **What's the future of Canada's international partnership, with the US in particular?**

*Bill Matthews (Senior Associate Deputy Minister, DND)*

- There is still room for international cooperation (the US, the Five Eyes, NATO) but Canada should follow its priorities.

*Murray Brewster (Senior Defence Reporter, CBC News)*

- With the US protectionist policies, there will be less options for Canada to choose from – non-competitive process can't be explained and judged by the public.



## **Does communication matter if there is indifference in the Canadian public towards defence procurement?**

*Murray Brewster (Senior Defence Reporter, CBC News)*

- Communication is important, and I believe the public is not solely concerned about its inner circle. Every spring DND does focus groups and surveys – they are asking questions about procurement and, in general, there is a high response rate to that. People do pay attention.

## **How do you convince people that with incremental change you can deliver the procurement “big bang” ambitious plan?**

*Murray Brewster (Senior Defence Reporter, CBC News)*

- The government has the task to reconcile these. At the institutional level, there is always resistance to change. From policy perspective, what the governments delivers – show us the “big bang” – would be the big challenge in light of the upcoming elections.

*Bill Matthews (Senior Associate Deputy Minister, DND)*

- It is mostly incremental – absolutely, that’s the way to change. Majority of dollars come from a few projects – it is incremental, but the degree of change would be quite substantial.

## **Who would be the “hero” of the procurement strategy? Who would be responsible for delivering?**

*Bill Matthews (Senior Associate Deputy Minister, DND)*

- DND, PSPC, and ISED but also the industry - together as a group

## **Luncheon Keynote: Hon. Carla Qualtrough, Minister of Public Services and Procurement**

- Accepting the role as the Minister of Public Services and Procurement, the Prime Minister stated that the priority was to cost-effectively provide the necessary equipment to the Canadian Armed Forces (CAF)
- Whether the CAF is assisting with natural disaster relief, guaranteeing security at home, or participating in missions overseas, they are entitled to appropriate equipment. Furthermore, in accordance with the Prime Minister’s mandate, the procurement process will be conducted under the guise of “putting people first.” This would entail:
  - providing the tools to complete the job



- prioritizing Canadian industry
- engaging minority groups and local businesses
- establishing a fair and transparent process
- We are working on modernizing the procurement process. The process for procuring the Air Force's next fighter plane has found new momentum.
  - One year ago, the government re-launched the process for procuring 88 fighter planes, and that the government was now releasing its draft tender.
  - The contract will be finalized in late 2021 or early 2022 with delivery in 2025. In the meantime, we are procuring Australian fighter jets for 2019.
- We are procuring new surface combatants for the Royal Canadian Navy. We have allowed revised bids for the project and have now identified a preferred bidder.
  - A contract will follow in 2019, and construction will begin in early 2020.
- The construction of Arctic Offshore Patrol Ships (AEOPS) is continuing and one ship has already been launched.
  - Other naval projects included the construction of the joint support ships, and the conversion of three ice breakers.
  - The National Shipbuilding Strategy contracts contribute \$8.9 billion to Canada's economy
- We are committed to levelling the playing field for all vendors. Vendors wanted a streamlined approach, and that the current government is trying to find efficiencies.
  - There is a need for faster procurement without sacrificing due diligence
- The Treasury Board will be introducing a new risk-based contract approval process, which would evaluate all procurements based on economic impact to Canada.
- We are looking to bring in traditionally underrepresented groups such as women, minorities and Indigenous groups into the procurement space.
- It is our duty to ensure that the men and women of the CAF get the equipment they deserve.

## **Panel II: Defencing Procurement Governance: Do we have the balance right?**

**Andre Fillion, Gavin Liddy, Pat Finn, Iain Christie and Larry Murray moderated by Philippe Lagasse**

### **Is there anything the government can do?**

*Andre Fillion (Assistant Deputy Minister, PSPC)*

- PSPC is adopting a mindset of delivery with clear orders and goals, their only challenge is implementation.
- For defence procurement, governance should not be seen as a barrier but rather as an enabler, in the past 4 months there has been an observed increase in procurement governance meetings.



- There are currently many interdepartmental governance initiatives for the defence procurement process, whether it be committees or collaborative meetings. With any government office that is charged with handling large amounts of public money, oversight is hard to avoid.
- Each project is subject to the “industry engagement plan” approval by the governance committee, then a procurement strategy is drafted and submitted to the committee. The shared accountability of three ministers in the PSPC makes it a team-oriented environment, where consensus is healthy and drives balanced decisions.
  - Compromise is often needed between the three ministers.
- In regard to the future of the procurement process and specifically to governance, bringing central agencies into the discussion early pays off in the long run and can make the work easier.
  - Governance needs to be well managed to be an enabler, placing special emphasis on the importance of the people and what they bring to the job.

### *Gavin Liddy (Fellow, CGAI)*

- The government needs to actually start to work for contractors, however, the changes to governance that are currently being implemented are improving the transparency and efficiency of the procurement process.
- There are inefficiencies in governance between the DND/PSPC and the Treasury Board.
  - There are no longer ad hoc Procurement ministers (Aug 28), it is now delegated to the Treasury Board.
- The Treasury Board needs to set up a similar committee.
  - Essentially, the deferment to the Treasury Board will not lead to the government assuming more risk in the defence procurement process, and to date, the Treasury Board has incurred big slip-ups, failed to reach procurement milestones, and has not allowed for the right people to be in the right positions for procurement decisions.
- Much of the bureaucratic inefficiencies and the re-completion of the same tasks could be avoided by individuals developing more of an appetite for working outside the authorities they are given, by going to the right person to get what they need, exceeding headroom rather than going through another long process
  - Intelligent risk-taking

### *Pat Finn (Assistant Deputy Minister (Materiel), DND)*

- People make the process
- DND is approaching reform of the governance in the defence procurement process



- The discussion of governance in the procurement process always seems to follow a similar track with little progress observed, which is why DND is focused on reforms centered around individuals and their work habits.
- SSE has cut the size of individuals directly involved in the defence procurement process, trained DND employees to ask hard questions of one another and the system and have tried to change the culture of the governance to make it less collegial.
  - This is done in the DND by understanding your role, encouraging proactive not reactive decision-making, holding conversations that are frank and less collegial, while simultaneously holding people accountable.
- DND is inundated with data, multiple reports and oversight
  - currently researching tools such as data analytics, and internal employee reforms as a means to alleviate some of the current issues.
- The current system is not functioning too poorly.
  - Currently there are 20 projects in or about to be in delivery and there are 12,000 contracts in development for lower dollar values.

*Larry Murray (Chair, Independent Review Panel for Defence Acquisitions)*

- It is the panel's role to independently ensure that procurements are based on sound operational requirements when the government begins to spend money.
- The review process is both simple and transparent
- The strength in the panel lies in its diversity, as it is composed of experts in industry, science and technology, government and informed by academia.

*Iain Christie (Executive Vice President, AIAC)*

- To industry good governance is a process that allows businesses to plan for the future, especially their revenue stream, and provides sufficient information on the bidding process.
- Businesses need clarity for when they can book revenue. The government is always wrong on the timeframe, which makes it very difficult for industry, as they cannot know how much capacity to maintain.
- Industry wants to make money, and they do so either by influencing the bid-requirement or creating the technology. Industry does not want to roll the dice; meaning that if they create the technology, they do not want the process to restart until there are three qualified bidders. Moreover, transparency was key.
- Government should care because businesses that plan well are efficient, and efficient businesses provide the best value.
- The procurement process has gotten better, but lots of issues remain. Continuing effort by industry to question the government was not a reflection that the process has gotten



worse, but a reflection of more transparency, so that more issues are now able to be discussed.

**Is the dichotomy between speed and accountability real? How do we not make ourselves source of the delay?**

*Iain Christie (Executive Vice President, AIAC)*

- Industry wants government to spend more time making decisions, and less time trying to justify them.

*Gavin Liddy (Fellow, CGAI)*

- The defense procurement secretariat needs to be given a bigger role in tracking the progress of the Defence Procurement Plan, as they have the ability to provide a more well-rounded point of view (due to their oversight of all armed forces organizations) and should be able to help eliminate bureaucratic barriers

**Do you look to other countries for inspiration? How and in what ways?**

*Andre Fillion (Assistant Deputy Minister, PSPC)*

- We engage with our allies often.

**Panel III: Assessing ITBs & VPs: Are we hitting the mark?**

**Troy Crosby, Leigha Cotton, Jeff Waring and Ray Castelli moderated by Dick Fadden**

**Are ITBs & VPs hitting the mark?**

*Troy Crosby (Chief of Staff (Materiel, DND))*

- In the future the government of Canada will need to be more comfortable taking more risk in the procurement process, to make the process more efficient.
- Value propositions can help focus conversations in procurement and eliminate some of the complexity of the process.
- VPs become a problem if/when a secure supply program is put at risk. KICs are a key way of framing the issue.
  - This is all a careful balancing act
- DND should try not to use a cookie cutter solution from procurement to procurement
  - DND is starting to be more creative and dynamic, however, this progress must continue.



*Leigha Cotton (Managing Partner, NyRAD Inc.)*

- NyRAD helps guide clients through the Canadian defense procurement and through ISED.
- Value propositions are absolutely working, are placed in the center of the overall bid strategy, and that real consideration is given between cost-savings and capabilities.
- Although industry reactions have varied, because of the unpredictable nature of bids.
- Among the difficulties our clients have encountered are:
  - inconsistencies, which makes long term investment difficult to plan.
  - tendencies to over promise, which is why sticks must be as real for value propositions as carrots
  - lag time for companies to realize economic benefits.
- Value propositions force industry to think about how they are going to invest in Canada.
  - value proposition absolutely costs money, but that the costs is different on a case by case basis.
- Because of the benefits associated with the value propositions, industry is making lots of commitments, which it cannot always meet.
- Overall, the Innovation Technical Benefits policy has been successful in Canada

*Jeff Waring (Director General, ISED)*

- In ITB group since day one, still in implementation mode.
- Portfolio is currently 140ish procurements and most of them are still related to IRBs.
- First step for ITBs was rolling them out in the first place, second was around KICs.
  - Found that industry needed more clarity regarding ITBs. Industry is looking for how to make partnerships etc.
  - Value Proposition Guide was the first time a clear-cut program was put into place.
  - 40% growth became the target. Ambitious, but it guides the goals of the VP group.
- Many of the ITB/VP team had worked on the IRB program.
  - Jenkins report indicated that they needed more info, so they worked to survey the defence sector.
  - These analytics allowed them to play a role in government decision making.
- Learning how to talk to industry was a key capability.
  - Was probably frustrating for industry, thanks for your patience.
- ITB policy determined to be the main mechanism to drive value into the KIC
- Many other priorities evolving at the same time, SSE etc.
- Skills added as a key priority
  - Made 5th VP pillar
- Gender diversity also now being added to VP. Companies need to create gender diversity plans



- Last year 7 new projects were added as ITBS, half were related to defence.

*Ray Castelli (CEO, Weatherhaven)*

- When industry started to reorganize, which led to the Jenkins' Panel in terms of process, strategy, funding, tools, what it came down to was that we need to focus on innovation. ITBs and the VPs were the leverage to drive industrial propositions – how to maximise the opportunities for Canada (what we buy and what we produce)
- The value of changing to ITBs was deemed to be the most beneficial thing that could happen as it induces companies to competitive behaviour and strategic investments (how to grow the Canadian industry; what we produce and what we bring from outside)
- 30-40% procurement was seen as a success, now we are at 70% incorporating Canadian companies, which is a significant improvement compared to 10 years ago
- The governance is a frustration, but it is a political system, it is difficult to correlate political with business people. That's not to say, it can't be improved
- In sum, a lot has been improved but as an industry, we should continue to be critical

**Has the cost of procurement gone up by a significant amount due to VPs? And to what extent has VP complicated or slowed down defence procurement?**

*Jeff Waring (Director General, ISED)*

- In initial years it definitely slowed procurements down.
  - Had to lean on DND and PSPC to help out with their expertise.
- Trying their best to give predictability and line of sight to companies.

*Leigha Cotton (Managing Partner, NyRAD Inc.)*

- People are avoiding this but it 100% costs industry money. Is it 25% like some people are saying? No, 10%? Maybe but even that is probably high.
- The relative scoring is what keeps VPs in check.
- Doesn't want to put a cap on VPs. Industry will just drive towards that target across the board

*Ray Castelli (CEO, Weatherhaven)*

- There is a cost to the VP but we have to look at it in terms of investment; even the title of the Jenkins' Report was *Leveraging Defence Procurement Through Key Industrial Capabilities* – in other words, how do we get the most of that investment?
- We don't want to make the VP perfect but at least workable.



- Even at the Jenkins' Panel we had five different opinions, one of them – no one could predict what the perfect VP would be
- We are going to improve as we go
- The procurement would vary based on who is involved
- The VPs would evolve and it may take 5-10 years

*Troy Crosby (Chief of Staff (Materiel, DND))*

- Cost comparisons are hard, relies on competitive processes to determine the best solution. Don't really have any numbers.

**How are you going to include 'social' elements into VPs? And how do you intend to manage risk?**

*Jeff Waring (Director General, ISED)*

- VP 2.0 was how we plan to link into social benefits. Companies are making skills investments and they are targeting niche areas.
- Need good controls to prevent major risk

**Tell us more about costing?**

*Jeff Waring (Director General, ISED)*

- It's hard to give an accurate assessment. More about benefit than cost.
- We have a large number of existing industries (particularly aerospace) so we're looking for them to leverage to invest over and above the relationships that they already have.

*Ray Castelli (CEO, Weatherhaven)*

- Most people in industry would say 7-10%. But really everyone will say something different.
- Really just depends on the fit, and some projects fit better than others.

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