

**Presentation to the  
Standing Committee on National Defence  
by  
LGen (Ret'd) George Macdonald  
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Mr. Chairman, members of the Committee. I am pleased to have the opportunity to participate in your review of government procurement, and especially to be able to do so with General Manson.

As you know, before retiring from the military, I was the Vice Chief of the Defence Staff from 2001 to 2004. As such, my responsibilities included strategic planning and resource allocation, including procurement prioritization, for the Department and the Canadian Forces.

Let me state from the outset that, while today we are addressing specific procurement issues, the persistent problems almost always relate to imprecise policy objectives and inadequate funding. These together exacerbate the complexities of defence procurement, which is already a unique process. For example, there are often limited choices of equipment available to meet the requirement – it's not like shopping for the family car where you have a number of options, all of which will get the job done.

My time as VCDS was one of very constrained resources. I spent a great deal of effort just trying to make ends meet – working to maintain the essential capabilities to support the operational missions of the Canadian Forces. At the internal budget allocation sessions each year, the demands for resources were always significantly higher than the funding available. This amounted to a never-ending exercise of juggling allocations and deciding which priorities were the most compelling. In all areas, the demand had to be essential to receive funding – we couldn't seriously consider anything that wasn't. As a result, resource

demands for things like infrastructure upgrade or replacement were repeatedly deferred. By all accounts, these challenges continue.

This constrained environment demanded a strong strategic planning and requirements development process. One of the key aspects of this is to have a consistent, identifiable 'top-down' system where requirements are established based on corporately recognized priorities. To institutionalize this, VAdm Garnett, who was my predecessor as VCDS, oversaw the adoption of capability-based planning and the regular review and prioritization of requirements by the CF and DND leadership.

Ultimately procurement is about what we buy (that is capability) and how we buy it (which relates to the process). Capability-based planning involves the definition of what the CF needs, and ultimately in what priority, to meet the CF mandate, missions and roles in support of Government defence policy. This policy is derived, in turn, from a formal assessment of our national interests. Throughout, the statement of the requirement needs to emanate from a coherent, top-down direction from Government.

As VCDS, I continued to champion and evolve this process. The objective was to ensure that we could fully support the applicability of all CF capabilities to a current or future mission, all consistent with the Government's defence policy. Within DND, the establishment and prioritization of capabilities was a collective responsibility, and we were part of a process that could demonstrate a link between government policy and our spending on capabilities. If a capability wasn't essential to an identified role, it wasn't supported.

I should add an aside at this point to be clear about what I mean by a capability. Too often the assumption is made that the purchase and delivery of capital equipment constitutes a new capability, where in fact it is usually only the first step, and often not even the most expensive portion. To provide a complete,

balanced capability, personnel must be available and they need to be properly trained and supervised. Operating concepts need to be put in place and access to robust command and control must be assured. Infrastructure – both buildings and information technology – must be accounted for. Also, it is critical to ensure that the necessary support services for spares, maintenance, repair and overhaul are provided for the long term. In short, capabilities must be complete to be useful.

We must also keep in mind that military capabilities typically take years to acquire and mature. Even then the policy or doctrine under which they are employed may change, requiring adjustments which may ripple through all functionalities of a capability.

Overall, it is important for DND to maintain strategic integrity in identifying requirements. When approval to spend resources to meet a requirement is sought, DND must be able to demonstrate how such action will contribute to overall military capability, and to defend the proposed scope and priority of the proposal. This is vetted through a rigorous interdepartmental process to ensure thorough consideration. This confirms that a capability fits into the overall strategic plan appropriately and that value is being realized from the investment proposed.

The capability planning process I have described supports the procurement process. It is fundamentally logical, well-documented and mature. It helps to identify the real priorities and why they are important, and it promotes confidence and awareness of our defence needs.

So what are some of the areas which could be examined for possible improvement? I will briefly address five from personal reflection.

1. Funding. If government funding is inadequate to acquire and maintain the needed capabilities, they will be incomplete, or will atrophy over time. To compound matters, the cost to support some essential capabilities will increase if the equipment is pushed beyond its normal useful life. An example of this is our Hercules fleet with its high maintenance costs. In another funding area, when the Government makes decisions that incur additional direct costs for the military, such as the deployment to Afghanistan, incremental funding should be provided, and as the expenses are incurred. Finally, consideration could be given to permit management of the DND budget on a multi-year basis to enable more flexibility and efficient spending.
2. Operational Priorities. Critical operational requirements sometimes have to jump to the top of the priority list. For example, the need for new artillery pieces in Afghanistan necessitated an accelerated purchase, well ahead of that planned. This action should not be allowed to redirect funding away from existing, legitimate needs. Funding flexibility, by providing an increment to the DND budget as needed, can relieve the financial pressures that these initiatives create.
3. Risk Management. Military capability planning is done in a complex, unpredictable environment. And yet, it is important to ensure that the capabilities proposed are the right ones – the ones that will serve Canadians for the long term. The consequences of misjudgements in terms of money and, potentially, lives can be significant. It is necessary, therefore, to forecast effectively and to continually re-evaluate the requirement. It is also important to recognize that earlier solutions may need to be reconsidered from an operational and a resource perspective from time to time.
4. Requirements Determination. Your committee deliberations thus far have touched on the need to simplify the specifications for what is needed and to solicit input from industry on solutions they might have to offer. I support this. However, once a requirement has been confirmed, those

personnel charged with procurement should be given the wherewithal and the authority to do so without outside interference or distraction.

5. Policy. Finally, the identification of priorities, and the concomitant decisions needed to enable capabilities, will falter if there is any confusion about the Government's objectives and resulting policy. The traditional dilemma for Canada is to determine the balance of effort to assign to domestic vs international requirements. Clear enunciation of the policy regarding these choices is fundamental to the formulation of capabilities – a good start to any procurement process.

I will conclude by summarizing three main messages.

1. It is important to ensure there is a solid policy foundation for CF capabilities, and then to establish their relative importance and commit the budget to deliver them adequately.
2. Capabilities constitute more than just equipment
3. The employment of capability-based planning principles serves the Government well in decision-making. They help to ensure best value for the Canadian taxpayer through the funded requirements which emanate from the extensive, multi-departmental process which supports defence procurement.

Thank you Mr. Chairman. I look forward to any questions you may have.