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Defence Procurement Canada: Opportunities and Constraints

by Jeffrey Collins
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POLICY PERSPECTIVE

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Substantive defence issues rarely make national political campaign platforms. However, in the 2019 federal election, reforming the defence procurement bureaucracy to overcome delays became a highlight for not one but two of the country’s main political parties. To “ensure that priority projects are progressing on time and on budget”, the Conservatives called for the creation of a defence procurement secretariat within the Privy Council Office, akin to a model used by the Robert Borden government in the First World War.¹

The winning Liberal party went further and promised to create a separate defence procurement agency, called Defence Procurement Canada (DPC). As of this writing, details remain sparse, but as with the Conservatives, the ostensible purpose of such a reform is to ensure that “Canada’s biggest and most complex defence procurement projects are delivered on time and with greater transparency ...”²

Considering that the government’s own defence white paper, 2017’s *Strong, Secure, Engaged* (SSE) found that 70 per cent of all defence procurement projects were not delivered on time, the existing bureaucratic process warrants a serious look.³ In fact, a substantial shake-up of the Canadian defence procurement bureaucracy has not taken place since the last separate procurement organization, the Department of Defence Production (DDP), was abolished in 1969.

Arguments for altering the bureaucratic architecture of Canadian defence procurement have ebbed and flowed since the mid-2000s, when the first of successive governments began acquisition plans for replacing decades-old fleets of equipment, including CF-18 jets, Protecteur-class auxiliary oiler replenishment ships, Halifax-class frigates and Iroquois-class destroyers. With much publicized delays in these and other major Crown projects (MCPs), reform advocates have drawn attention to Canada’s multi-departmental procurement process as a source of frustration. Unique among allies, Canada relies principally upon three departments – National Defence (DND), Public Services and Procurement Canada (PSPC) and Innovation, Science and Economic Development (ISED) – for acquiring MCPs.⁴ Other countries typically rely on one of three approaches to acquiring material for their armed forces: procurement by individual armed services (United States); centralized government organizations (United Kingdom) or independent civilian corporations (Sweden).⁵

Although it is not clear whether the Liberal proposal is a new department (akin to the DDP), a Crown corporation or an agency under the DND’s auspices, any restructuring of the defence procurement system will not be easy. No matter what shape it takes, any new organization must

¹ Conservative Party of Canada, *Andrew Scheer’s Plan for You to Get Ahead* (Ottawa: 2019), 87.

² Liberal Party of Canada, *Forward: A Real Plan for the Middle Class* (Ottawa: 2019), 71. The DPC term was coined by former ADM (Mat) Alan Williams in his 2006 book, *Reinventing Canadian Defence Procurement*, and was endorsed by the Liberal Party in a 2008 House of Commons study. See House of Commons Standing Committee on National Defence, *Procurement and Associated Processes*, Parliament of Canada, 39th Parliament, 2nd Session (Ottawa: 2008).

³ Canada, National Defence and the Canadian Armed Forces, *Strong, Secure, Engaged: Canada’s Defence Policy* (Ottawa: 2017), 74.

⁴ Treasury Board deems a project as a major Crown project when its estimated cost will exceed \$100 million and an assessment labels it as high risk. See Public Services and Procurement Canada, *Supply Manual*, “Chapter 9.5: Major Crown Projects,” (Ottawa: 2015). Available at <https://buyandsell.gc.ca/policy-and-guidelines/supply-manual/section/9/5>

⁵ Martin Auger, Library of Parliament, *Defence Procurement Organizations: A Global Comparison* (Ottawa: 2014), 3.



deal with rearranging a complex set of institutional realities based on decades' worth of statutes, policy frameworks and human resources allocations. Political realities still apply, too. Any new organization must contend with Canadian procurement politics, including the impact of new governments, differing priorities, regionalism and purchasing patterns.

Why Change?

Arguments for moving to a separate procurement entity are threefold. First, the current multi-department setup fosters inefficient procurement processes. Infighting and poor co-ordination due to bureaucratic silos are known to delay MCPs.⁶ DND's own internal auditor, the Chief Review Services, has blamed delays on the duplication of functions between DND and PSPC.⁷ Former Conservative Public Works minister Rona Ambrose has characterized the existing system as having too many silos and vetoes, a point echoed by Dan Ross, a retired top defence procurement bureaucrat.⁸

Both PSPC and DND (in conjunction with the CAF) must work together to advance a proposed MCP to Treasury Board for contract award approval. Different policy and legislative mandates, organizational cultures, and at times, personality differences between senior officials can make this a challenging and time-consuming feat, something that is apparent when policy direction is ambiguous. Both the fixed-wing search-and-rescue and the medium support vehicle system – standard military pattern projects – got bogged down in inter- and intra-bureaucratic fights over each project's respective statement of requirements. Air force officials allegedly even rigged the requirements of the search-and-rescue project in favour of a particular plane. In the end, the breakdown of trust and different mandates contributed to restarts, adding years to their eventual acquisition.⁹

Owing to its mandate to run a procurement process to completion, PWGSC allowed the original iteration of the Joint Support Ship Project to end in a failed bid in 2009, despite knowing months in advance from DND and industry sources that none of the bids could meet the requirements within the planned budget.¹⁰ The delivery of the JSS is estimated now for 2022-2024.¹¹

This multi-departmental setup has contributed to delays at the ministerial level as well. It is possible that including more ministers in procurement amplifies the support for a MCP internally but it can just as easily lead to vetoing. The \$800-million Sea Sparrow missiles required a letter from then-prime minister Stephen Harper in 2014 to bypass the personal objections of the

⁶ Jeffrey Collins, "Executive (In) Decision? Explaining Delays in Canada's Defence Procurement System, 2006-2015," (PhD diss., Carleton University, 2018), 224-225.

⁷ Canada, Department of National Defence, *Perspectives on the Capital Equipment Acquisition Process* (Ottawa: 2006), 13-14.

⁸ Chris Maclean, "Lessons Learned: Rona Ambrose on Procurement," *Frontline Defence*, vol. 14(1): 2017. Available at <https://defence.frontline.online/article/2017/1/6676-Rona-Ambrose-on-Procurement-;> and Dan Ross, "Is Defence Procurement Broken or Is This Normal?" *On Track*, vol. 10(6) (2013), 9.

⁹ Collins, 136, 173.

¹⁰ *Ibid.*, 104.

¹¹ Canada, National Defence and the Canadian Armed Forces, "Joint Support Ship," Dec. 3, 2018. Available at <https://www.canada.ca/en/department-national-defence/services/procurement/joint-support-ship.html>



Treasury Board president, who held up approval of the project despite the endorsement of the ministers of Defence, Public Works and Industry.¹² Ironically, the 2014 Defence Procurement Strategy reforms encountered delays in developing due to disagreement between the Public Works and Defence ministers.¹³ Both examples illustrate the challenge that exists in simply co-ordinating between ministerial offices to even get consensus on a MCP.

It is for these reasons that former assistant deputy minister for procurement (assistant deputy minister (ADM)-materiel) Alan Williams views a single entity as a streamlining mechanism that could potentially save money and avoid duplication.¹⁴ It is argued that when disagreements occur, they will at least exist within the walls of the one agency and can be resolved internally at the highest bureaucratic levels.¹⁵ In the current setup, considerable time is spent co-ordinating between ministerial offices to ensure consensus on a MCP before it is submitted to cabinet.

A second interrelated reason for reform is human resources, both in concentrating expertise in one entity and improving retention. The push for human resource changes in procurement is longstanding. A 2008 House of Commons report recommended that at a minimum, government should consider employing “well trained, knowledgeable, and experienced cross departmental integrated project teams”.¹⁶ A 2017 Senate report similarly argued for the creation of a “core group of skilled public servants” in procurement, akin to Australia’s Capability Acquisition & Sustainment Group.¹⁷

In allocating personnel to one entity, it is argued that the federal government could maximize the number of people who deal with defence procurement.¹⁸ Within a single entity, the focus will be on recruiting procurement personnel, building institutional knowledge and avoiding the current situation in DND, PSPC and ISED, where hiring procurement positions has to compete with other non-procurement human resource demands. However, it is unclear if the personnel gap is capable of closing without additional hiring. As early as 2004, the auditor general found the shortage of project management staff was putting MCPs at risk.¹⁹ By 2006, DND’s project management capacity was down to 600 personnel, from a high of 2,500 in the mid-1980s.²⁰ The subsequent boom in MCPs since 2005 placed additional strain on staffing, a strain worsened by cuts in DND’s materiel group of 400 personnel during the Harper government’s deficit reduction action plan activities in 2012.²¹

¹² Michael Den Tandt, “Stephen Harper Intervenes in Purchase of New Missiles,” *Canada.com*, Oct. 11, 2014. Available at <https://o.canada.com/news/national/stephen-harper-intervenes-in-purchase-of-new-missiles-source>

¹³ James Cudmore, “Military Defeated in War over Procurement Reform,” CBC News, Feb. 6, 2014. Available at <https://www.cbc.ca/news/politics/military-defeated-in-war-over-procurement-reform-1.2524296>

¹⁴ Alan Williams, “Three Ways to Improve Defence Procurement,” *Policy Options*, Feb. 1, 2016. Available at <https://policyoptions.irpp.org/magazines/february-2016/three-ways-toimprove-defence-procurement/>

¹⁵ J.C. Stone, “A Separate Defence Procurement Agency: Will it Actually Make a Difference?” (Calgary: Canadian Defence & Foreign Affairs Institute: 2012), 12.

¹⁶ House of Commons Standing Committee on National Defence, *Procurement and Associated Processes*, 6.

¹⁷ Senate Standing Committee on National Security and Defence, *Military Underfunded: The Walk Must Match The Talk*, Parliament of Canada, 42nd Parliament, 1st Session (Ottawa: 2017), 35-36.

¹⁸ Stone, 12.

¹⁹ Office of the Auditor General of Canada, “Chapter 3: National Defence – Upgrading the CF-18 Fighter Aircraft,” (Ottawa: 2004), 13-14

²⁰ Ross, 8.

²¹ Dave Perry, “Putting the ‘Armed’ Back into the Canadian Armed Forces: Improving Defence Procurement in Canada,” (Ottawa: Conference of Defence Associations Institute/Macdonald Laurier Institute: 2015), 9.



By 2009, human resource shortages across DND and PWGSC were identified as a key risk for procurement management.²² At one point in the early 2010s, the National Shipbuilding Procurement Secretariat had a dozen people to co-ordinate a then-estimated \$35 billion in projects.²³ Under the 2017 *Strong, Secure, Engaged* defence policy, the Trudeau government has promised to work on hiring, but efforts at designing career paths and increasing the training and skills capacity of the procurement workforce are necessary in any restructured procurement entity.²⁴

It is also argued that a single entity is necessary for dealing with what DND itself has described officially as a “cumbersome” system with “diffuse and at times unclear” accountability.²⁵ Since at least 2000 when a House of Commons report noted the lack of a single, clear line of authority in MCP acquisition, numerous informed observers have called for a single defence procurement minister.²⁶ Defence scholar Elinor Sloan has described the existing multi-departmental arrangement as leaving ministerial accountability “everywhere and nowhere”.²⁷ Former ADM (Mat) Ross has referred to the absence of an accountable procurement minister or deputy minister as contributing to a “weak and ineffective” system.²⁸

With one procurement entity, Canada would have at a minimum a single minister and deputy minister to act as sources of accountability and responsibility to Parliament, the public, the senior ranks of the federal bureaucracy and at the cabinet table. Williams regards a single procurement minister as necessary for overcoming the overlap between PSPC and DND, as currently “neither minister is solely accountable for its process”;²⁹ a point echoed by Canada’s own defence industry in a 2009 study.³⁰

Back to the Future?

As a concept, reorganizing Canada’s defence procurement bureaucracy into a separate entity is not new. In fact, as noted with the DDP example above, there is historical precedent. During the First World War, the Borden government created the War Purchasing Commission. Reporting to the Privy Council Office (PCO), the commission handled all domestic materiel purchasing and contracts, including those placed by allies. In the Second World War, the Mackenzie King government set up the Department of Munitions and Supply (DMS) to do many of the same

²² Canada, National Defence and the Canadian Armed Forces, Chief Review Services, “Audit of Fixed Wing Search and Rescue (FWSAR) Project,” (Ottawa: 2009), 12.

²³ Perry, 20-21.

²⁴ Canada, *Strong, Secure, Engaged*, 75; On the need to improve human resource capacity in procurement, see also Perry, 21-22.

²⁵ SSE, 74.

²⁶ House of Commons Standing Committee on National Defence and Veterans Affairs, “Procurement Study,” Parliament of Canada, 36th Parliament, 2nd Session (Ottawa: 2000).

²⁷ Elinor Sloan, “Organizing for Defence Procurement,” *Frontline Defence*, vol. 14(4), 2017. Available at <https://defence.frontline.online/article/2017/4/8109-Organizing-for-Defence-Procurement>

²⁸ Cited in Senate, *Military Underfunded*, 33.

²⁹ Williams.

³⁰ Canadian Association of Defence and Security Industries, “Canada’s Defence Industry: A Vital Partner Supporting Canada’s Economic and National Interests,” (Ottawa: 2009), 18. Available at: https://www.defenceandsecurity.ca/UserFiles/File/IE/Military_Procurement_Main_Report_March_09_2010.pdf



functions as its Great War predecessor. It also oversaw 28 Crown corporations involved in weapons production. The Korean War and subsequent Cold War tensions saw the birth of the DPP in 1951. Like the DMS, the DDP bought military goods and services, and oversaw defence exports, seven Crown corporations, defence production and research-sharing agreements with the U.S.³¹

The current procurement system traces its origins to the end of the DDP in 1969. A 1962 Royal Commission on Government Organization, the Glassco Commission, recommended sweeping changes to the structure of the federal government, including to the purchasing of both military and civilian goods and services. The commission found that the existence of both a defence department and a defence procurement department led to too many “opportunities for irritation”. Poor co-ordination and the presence of two ministers weakened accountabilities and with it, control over the procurement process.³² Struck by the DDP’s role as a centralized procurement agency for the military, the commission recommended the department take over federal-wide civilian purchasing as well, culminating in the abolishment of the DDP in 1969 in favour of a new civilian-run department, Supply Services. That department merged in 1993 to form the Department of Public Works and Government Services Canada, or PWGSC (renamed PSPC in 2015).³³

The year 1968 saw the unification of the three armed services (the Royal Canadian Navy, Canadian army and Royal Canadian Air Force) into a single legal entity, the CAF. In 1972, the Pierre Trudeau government consolidated civilian control over the armed forces by integrating civilian administration and military commands into a new organization, National Defence Headquarters. Under this structure, procurement responsibilities went to the newly created materiel group, led by a civilian assistant deputy minister, ADM-Mat.³⁴ Although these reforms established the basis for how DND and PSPC interact with each other today, ISED’s involvement did not occur formally until 1986. That year, the Brian Mulroney government officially established an industrial offsets policy known as Industrial Regional Benefits (IRBs), renamed Industrial and Technological Benefits (ITBs) in 2014 following the DPS’s introduction.

Albeit incremental in its reforms, the 2014 DPS remains the most noteworthy restructuring effort to date. Following a number of high-profile delays and restarts, including the Joint Support Ships Project and the F-35 fighter, the Harper government implemented a series of interdepartmental governance secretariats to oversee the co-ordination of MCPs like the fixed-wing search-and-rescue plane and the National Shipbuilding Procurement Strategy. The use of such secretariats represented a return to a procurement approach originally used in the acquisition of CF-18 fighter aircraft in 1977-1980.³⁵

³¹ Auger, 2-5.

³² Canada, Royal Commission on Government Organization, *Supporting Services for Government*, vol. 2: “Report 4 – Procurement and Materials Management for Defence,” (Ottawa: 1962), 122, 125, 134, 138. The report noted examples of procurement excess including the RCN buying 85 years’ worth of boots and 1,000 years’ worth of wool and cotton uniforms.

³³ Auger, 7.

³⁴ *Ibid.*

³⁵ The history of that approach is thoroughly examined in Michael M. Atkinson and Kim Richard Nossal, “Bureaucratic Politics and the New Fighter Aircraft Decisions,” *Canadian Public Administration*, vol. 24(4), 1981: 531-62.



To create a single point of accountability, PWGSC/PSPC became the lead department under the DPS and the home for the bureaucratic co-ordinating body, the Defence Procurement Secretariat. The secretariat supports an interdepartmental ministerial working group and a deputy ministers' governance committee comprised of ministers and deputies from DND, PSPC, ISED, the Department of Fisheries and Oceans (representing the Canadian Coast Guard), and the Treasury Board. The DPS reforms successfully resolved challenges on the maritime helicopter project and the National Shipbuilding Strategy, but it could not overcome the institutional separation between departments in the procurement system. Moreover, the presence of multiple ministers is seen as hampering accountability and responsiveness.³⁶

Institutional Constraints

Any move toward a new defence procurement structure will have to reckon with the multitude of statutes and policies that evolved over the past 50 years since the Glassco reforms. Each department involved in defence procurement has a separate statutory mandate that establishes in law its responsibilities in the defence procurement process. The *Defence Production Act* gives the PSPC minister the authority to purchase defence material, while the *National Defence Act* gives the minister of National Defence power to determine defence equipment requirements in addition to managing defence policy.³⁷ The minister for ISED, through the *Department of Industry Act*, is responsible for industrial policy, specifically ITBs.

A series of policy frameworks and directives that co-ordinate the relationships between the different departments have developed over time. DND and PSPC have a memorandum of understanding that divides responsibilities between them, codified in the PSPC supply manual, the federal government's go-to guide for contracting rules. The lead DND division for procurement is the Materiel Group; with 4,500 military and civilian personnel and an annual budget of \$6 billion, it is larger than many federal departments or Crown corporations. Under this arrangement, DND is responsible for setting the statement of requirements, the initial cost estimate and working with PSPC to get cabinet approval. Similarly, PSPC's Defence and Marine Procurement Branch works with DND in preparing and running the bidding process (e.g., issuing requests for proposals) and ensuring adherence to trade obligations. If a sole-source acquisition is required, PSPC ensures that the contract award process is compliant with supply manual rules.³⁸

ISED plays a secondary but nevertheless influential role in procurement by overseeing the ITB policy. Under this policy, successful bidders on a MCP must make investments equating to 100 per cent of the contract in five areas: 1) strengthening the domestic defence industrial base; 2)

³⁶ Charles Davies, "Understanding Defence Procurement," *Canadian Military Journal*, vol. 15(2), 2015: 13-14; Senate, *Military Underfunded*, 34; Sven Tommi Rebien, "Canada's New Defence Procurement Strategy: Has the Pendulum Swung Too Far?" (Calgary: 2014), 4.

³⁷ Davies, 10.

³⁸ There are four exceptions to bypass a competition: 1) responding to an emergency; 2) the nature of the work; 3) below proscribed thresholds; and; 4) only one bidder can provide the product or service. See Collins, 42.



domestic supplier development; 3) research and development; 4) exports; and 5) skills development and training.³⁹

Outside of the tri-departmental dynamic are two central agencies whose influence in any reform effort cannot be discounted – Treasury Board and PCO. The Treasury Board, a statutory-based cabinet committee, mandates the contracting policy, which barring few exceptions, requires procurement projects (military and civilian) to be subject to a competitive bidding process. The Board approves initial monies to establish project management offices (effectively green-lighting a MCP), awards contracts, requires DND to provide full life-cycle costing on every MCP (an onerous and time-consuming task), and stipulates additional reporting requirements on DND.⁴⁰

Finally, the PCO affects the procurement system in its role as the co-ordinating and analytical centre for the prime minister and cabinet. PCO strives not to break cabinet solidarity by ensuring that government direction has been followed, processes are adhered to and agreement exists between the key officials across the relevant departments. This can be a time-consuming endeavour, largely because any procurement project must compete for attention against an innumerable number of cabinet submissions from across government.⁴¹

Political Constraints

Any bureaucratic changes will have to contend with Canada's political realities. Constitutional conventions of collective ministerial responsibility and cabinet solidarity, for example, complicate any notion of an independent defence procurement minister. Under these conventions ministers are accountable to Parliament but must govern collectively and “support and defend the policies and positions of their fellow ministers”, no matter their personal views. Importantly, ministers remain accountable to the prime minister and are to follow their directions.⁴²

Tellingly, past tinkering with both an associate minister for procurement in 2011-2013 during the Harper government, and a separate cabinet committee on defence procurement in 2015-2017 under the Trudeau government, did not necessarily reduce delays, although the cabinet committee is said to have allowed ministers to focus more on procurement and make better informed decisions.⁴³ Nor, historically, did a separate procurement minister for the DDP absolve cabinet-level accountability challenges.

Second, government priorities are subject to change even if a white paper with funding promises exists. The Harper government published the *Canada First Defence Strategy* in 2008 with a 20-year budgetary commitment for new fleets of equipment across the armed services. It represented

³⁹ Ibid., 42-43; Canada, Innovation, Science and Economic Development, *Industrial and Technological Benefits Policy: Value Proposition Guide* (Ottawa: 2018). See: <https://www.ic.gc.ca/eic/site/086.nsf/eng/00006.html>

⁴⁰ Collins, 45-47.

⁴¹ Ibid., 43.

⁴² Philippe Lagassé, “Accountability for National Defence: Ministerial Responsibility, Military Command and Parliamentary Oversight,” *IRPP Paper No. 4*, 2010: 9-10, 40-41.

⁴³ House of Commons Standing Senate Committee on National Finance, *First Interim Report on Defence Procurement – Summary of Evidence*, Parliament of Canada, 42nd Parliament, 1st Session (Ottawa: 2019), 18.



the largest rearmament plan since the Korean War.⁴⁴ But between 2008 and 2012 came the global financial crisis, stimulus funding, the draw-down of the combat mission in Afghanistan and a desire to return to a balanced budget. To meet this latter new goal, the Canadian Army, having already faced a 22-per-cent budget cut, axed the \$2.1-billion close-combat vehicle in 2013 despite it being a priority project in 2008.⁴⁵

Likewise, the Trudeau government's 2017 defence policy, SSE, did not commit to any new Arctic and offshore patrol ships (AOPS) beyond the five on order with Halifax-based Irving Shipbuilding Inc. In order to avoid shipyard layoffs and an impending 18- to 24-month production gap, the government opted in 2018 to pay \$800 million (double the cost) to purchase a sixth AOPS before doubling down again in 2019 (an election year) for an additional two AOPS for the coast guard.⁴⁶ Such cyclical changes largely reflect Canada's secure geostrategic position atop North America; former Pierre Trudeau-era Defence minister Donald Macdonald best captured the policy impact of this strategic reality when he stated that as "[t]here is no obvious level for defence expenditures in Canada, a judgment must be made on proposed defence activities in relation to other Government programs".⁴⁷

The nature of elections, cabinet and deputy ministerial shuffles can likewise slow down the procurement process. After the Harper government took power from the Martin government in 2006, it halted ongoing procurement projects for several months, pending a review.⁴⁸ The Trudeau government undertook a similar exercise with the controversial \$700-million interim supply ship contract inked with Quebec-based Davie Shipyard by the outgoing Harper government in 2015. The Liberals waited till 2017 before publishing a defence policy with new MCP commitments, notably creating firm numbers on the Canadian Surface Combatant and Future Fighter Capability projects.⁴⁹ The current minority government situation likely complicates the political stability surrounding defence procurement whereby an ambitious but not politically popular activity like bureaucratic procurement reform is a less enticing exercise to pursue amid an uncertain legislative calendar.

Regionalism, and with it, economic benefits, has been a prominent issue in the jockeying over \$7 billion in Halifax-class maintenance contracts between shipyards in Nova Scotia, Quebec and British Columbia.⁵⁰ In short, if the potential for a Canadian company exists to compete for a project, members of Parliament will feel pressure. In 2005, a sole-source plan by then-Defence minister Bill Graham and chief of Defence Staff Rick Hillier to buy helicopters, trucks, tactical air

⁴⁴ Perry, 6.

⁴⁵ Murray Brewster, "Military to Announce Demise of \$2-Billion Order for Close-Combat Vehicles," CTV News, Dec. 19, 2013. Available at <https://www.ctvnews.ca/canada/military-to-announce-demise-of-2-billion-order-for-close-combat-vehicles-1.1600985>

⁴⁶ *Strong, Secure, Engaged* describes the navy receiving "five to six" AOPS but does not give a hard commitment for a sixth ship. The premise before 2018 was that a sixth AOPS could be acquired if the project's budget had money remaining for it. See David Pugliese, "Twice the Price and Just as Nice: Irving's Arctic Patrol Ship Double the Cost of Previous Five," *National Post*, Nov. 8, 2018. Available at <https://nationalpost.com/news/canada/construction-of-sixth-arctic-patrol-ship-at-irving-shipbuilding-to-cost-800m-double-the-cost-of-the-other-five>; and "Feds Expected to Announce Plans to Buy 2 More Arctic Ships from Irving Shipbuilding: Source," *Global News*, May 21, 2019. Available at <https://globalnews.ca/news/5300635/irving-shipbuilding-federal-government/>

⁴⁷ Craig Stone and Binyam Solomon, "Canadian Defence Policy and Spending," *Defence and Peace Economics*, vol. 16 (3), 2005: 150.

⁴⁸ Collins, 82.

⁴⁹ Jeffrey F. Collins, "Overcoming 'Boom and Bust'? Analyzing National Shipbuilding Plans in Canada and Australia," (Calgary: Canadian Global Affairs Institute, 2019), 8-9.

⁵⁰ *Ibid.*, 7-9.



transport and search-and-rescue aircraft was partly defeated in cabinet over objections from ministers on possible economic offset losses.⁵¹ In fact, as the last three decades of official IRB/ITB policies have shown, governments over time have taken even more interest in economic benefits.

Combining the mandates, authorities and directives associated with three departments into one organization does not eliminate them. Each represents a political priority of government and any new separate procurement agency has to contend with balancing ITBs with the relevant powers outlined in the *Defence Production Act* and the *National Defence Act*. Eliminating the MOU between DND and PSPC in any restructuring shake-up still leaves in place central agency, government-wide, process-heavy directives like the contracting policy, which requires competitions for MCPs that are not sole-sourced. The global defence marketplace is highly consolidated, with just a handful of major firms. The result is that PSPC spends considerable time designing and running a procurement process for which there are often just one to two bidders.⁵² Onerous Board reporting requirements cannot be dismissed, either. A 2015 study found that between 2010 and 2015, Treasury Board reporting requirements on project management increased 50 per cent at a time when staff numbers were cut.⁵³

Last, there are Canada's procurement purchasing patterns. Unlike the U.S., with its massive budgets and demands for multiple variants and fleets of equipment, Canadian defence procurement buys tend to come in generational waves. It is notable that the previous iterations of establishing separate procurement entities came with the demands of rapid armaments build-ups during wartime, only to be met by downsizing and disbandment postwar. This variability reflects the geopolitical and alliance pressures of Canadian defence procurement. Canada began its current round of fleet replacement in the mid-2000s to meet the dual demands of the Afghanistan mission and, especially for the navy and air force, to avoid impending fleet obsolescence of key capabilities (e.g., the CF-18s and Protecteur-class ships). Consideration is therefore required on whether a major bureaucratic overhaul risks prolonging the acquisition of MCPs already in progress, generating possible capability gaps.

Conclusion

No structural reform, however overarching, will represent a silver-bullet fix to what one former Defence minister characterized as a "sclerotic" process.⁵⁴ The presence of central agencies in the procurement process, their policies and the realities of defence politics in Canada generally highlight the limitations on any restructuring. Minimizing interdepartmental duplication and leveraging procurement expertise still must contend with Treasury Board's contracting policy. Decision-makers must therefore consider whether the DPC proposal will go beyond alterations of the DND-PSPC-ISED structure and consider changes to the roles and responsibilities of central

⁵¹ Both Graham and Hillier recount the incident in their respective memoirs. See Bill Graham, *The Call of the World: A Political Memoir* (Vancouver: University of British Columbia Press, 2016), 360-61; and Rick Hillier, *A Soldier First: Bullets, Bureaucrats and the Politics of War* (Toronto: HarperCollins, 2009), 346-50.

⁵² Collins, "Executive (In) Decision," 233-34. A possible alternative to the competition policy is the advance contract award notice or ACAN.

⁵³ Perry, 7.

⁵⁴ Graham, 361.



agency involvement, including contracting reform (e.g., more use of advance contract award notices, or ACANs).⁵⁵

None of this is to say that a DPC should not be pursued. On the contrary, those very same arguments made on human resource consolidation and reducing the silo co-ordination challenges between departments and ministers' offices remain strong incentives for considering structural reforms. As detailed above, the last 15 years have seen numerous examples of projects being sidelined by personalities and trifurcated process. The challenge for decision-makers, particularly in a minority government, is how to ensure that any proposed changes avoid disrupting ongoing or planned acquisitions lest it become an exercise in self-defeat. Canada's own history of experimenting with the DDP should serve as a caution to the notion that establishing a DPC will be a panacea for avoiding all procurement ills.

⁵⁵ ACANs are a public notice indicating to businesses that a department intends to award a contract to a pre-identified supplier believed to be “the only [firm] capable of performing the work”. ACANs are typically posted for a minimum of 15 calendar days and thought to be a speedier means of procuring equipment given how few major defence suppliers exist among Canada and its allies. On ACANs, see Canada, Public Services and Procurement Canada, *Supply Manual*, “Chapter 3.15: Non-Competitive Contracting Process,” (Ottawa: 2015). Available at <https://buyandsell.gc.ca/policy-and-guidelines/supply-manual/section/3/15#section-3.15.5>

► About the Author

Jeffrey F. Collins earned a PhD in political science from Carleton University in 2018. He also holds a MA in strategic studies (Birmingham), a law degree (Aberdeen), and a BA and certificate in public administration (Memorial). He is an experienced policy advisor at both the federal and provincial level and is currently a research fellow with both the University of Manitoba's Centre for Defence and Security Studies and Dalhousie University's Centre for the Study of Security and Development, respectively.

Jeff's research interests are in defence procurement, missile defence, Canadian and Australian defence policy and the Arctic. He has spoken and published widely in these areas and is the co-editor of the book, "Reassessing the Revolution in Military Affairs" (Palgrave Macmillan 2015). A new book, "Canada's Defence Procurement Woes" (Palgrave Macmillan), is due out in 2020.

A proud east coaster, Jeff hails from Newfoundland but now resides in Prince Edward Island.

► **Canadian Global Affairs Institute**

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The Institute was created to bridge the gap between what Canadians need to know about Canadian international activities and what they do know. Historically Canadians have tended to look abroad out of a search for markets because Canada depends heavily on foreign trade. In the modern post-Cold War world, however, global security and stability have become the bedrocks of global commerce and the free movement of people, goods and ideas across international boundaries. Canada has striven to open the world since the 1930s and was a driving factor behind the adoption of the main structures which underpin globalization such as the International Monetary Fund, the World Bank, the World Trade Organization and emerging free trade networks connecting dozens of international economies. The Canadian Global Affairs Institute recognizes Canada's contribution to a globalized world and aims to inform Canadians about Canada's role in that process and the connection between globalization and security.

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