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A Single Canadian Defence Procurement Agent

by Ian Mack
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POLICY PERSPECTIVE

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In the recent federal election, one aspect of the Liberal party platform stated: “And to ensure that Canada’s biggest and most complex defence procurement projects are delivered on time and with greater transparency to Parliament, we will move forward with the creation of Defence Procurement Canada.”¹

Since the Liberals were re-elected, this proposal might gain traction. However, any assessment of the probability of such a significant change to the related machinery of government must take into account the fact that the Liberals have a minority government.

No details were provided, but one can safely assume that for projects above one or more attribute threshold values, their intent is that a new agency would be created to integrate the responsibilities of two or more of the three government departments most involved: the Department of National Defence (DND), Public Services and Procurement Canada (PSPC, still legislatively identified as Public Works and Government Services Canada or PWGSC) and (perhaps) Innovation, Science and Economic Development Canada (ISED). Alternatively, one of the existing departments, or a new department, might be assigned total responsibility for defence procurement.

This idea has been floated a number of times in the past decade. It has habitually been raised by those outside government (and some who have retired from government service) to respond to Canada’s challenges in delivering major weapon systems platform procurements. Nor is it surprising when one notes that no other Western nation has such a degree of shared responsibilities for the development and execution of complex acquisition initiatives typically costing \$1 billion or more. The lament is a familiar refrain of achieving singular accountability at reduced levels of bureaucracy for military procurement.

Having spent a dozen years (2005-2017) with various responsibilities within DND for delivering such projects, I am clearly one whom Scott Gilmore refers to – in a *Macleans* magazine article entitled “Military Procurement is a National Disgrace” – as one of the “procurement bureaucrats in Ottawa [who] deserve nothing but our contempt for the way they have managed Canada’s military purchasing”.² Having been involved in what has been referred to as “bungled Canadian Forces procurement”,³ I have thought often about the challenges and the single-agent option.

¹ Liberal Party of Canada, *Forward: A Real Plan for the Middle Class*, (Ottawa: 2019). Available at <https://2019.liberal.ca/wp-content/uploads/sites/292/2019/09/Forward-A-real-plan-for-the-middle-class.pdf>

² Scott Gilmore, “Military Procurement is a National Disgrace,” *Macleans*, June 19, 2015. Available at <https://www.macleans.ca/news/canada/military-procurement-is-a-national-disgrace/>

³ David Pugliese, “Tens of Millions Paid Out Due to Bungled Canadian Forces Procurement,” *Ottawa Citizen/ National Post*, Jan 20, 2019. Available at <https://nationalpost.com/news/canada/tens-of-millions-paid-out-due-to-bungled-canadian-forces-procurement-but-government-says-details-are-secret>



The Literature

An internet review of this matter is illuminating. While what follows is not exhaustive, it provides a flavour for the proposal in question.

Perhaps most important, most of the articles, academic papers and reports are dated by five years or more. Therefore, if this proposal were ever to be taken seriously, it would have to start with an updated analysis of the three options available,⁴ noting that the third option has received little analysis and reporting:

- a. procurement by individual armed services
- b. procurement by centralized government organizations
- c. procurement by independent civilian corporations

Though dated, a 2009 report by the Canadian Association of Defence and Security Industries (CADSI) supported creating “a separate defence procurement agency reporting through a single Minister” that would “consolidate procurement, industrial, contracting and trade mandates into one new department, like a Defence Production Department, reporting to a Minister”.⁵

Alan Williams, a former assistant deputy minister with experience in PWGSC and DND, has repeatedly recommended something similar: “to establish one point of accountability” to address “excessive overlap and duplication between the roles of the minister of national defence and the minister of public works and government services”, to gain efficiencies. However, Williams also admits that “addressing this governance issue will not solve all the procurement problems, but it is a necessary first step”.⁶

Interestingly, Pierre Lagueux, also a former assistant deputy minister at DND, was reported in 2010 as having a different perspective, that “while he was not against a single point of accountability, he was concerned about proceeding with a radical reorganization of the current system [arguing] there is no evidence to support claims that a reworking of the current system would provide any improvement”.⁷

⁴ Martin Auger, Library of Parliament, *Defence Procurement Organizations: A Global Comparison*, (Ottawa: 2014). Available at https://lop.parl.ca/sites/PublicWebsite/default/en_CA/ResearchPublications/201482E

⁵ Canadian Association of Defence and Security Industries, “Canada’s Defence Industry: A Vital Partner Supporting Canada’s Economic and National Interests,” Report, December 2009. Available at https://www.defenceandsecurity.ca/UserFiles/File/IE/Military_Procurement_Main_Report_March_09_2010.pdf

⁶ 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/>

⁷ David Pugliese, “Wading through a Bureaucratic Quagmire: Solutions for an Inefficient Procurement System,” *Esprit de Corps*, Feb. 1, 2013. Available at <https://www.thefreelibrary.com/Wading+through+a+bureaucratic+quagmire%3A+solutions+for+an+inefficient...-a0321180819>



Craig Stone has studied this option by reviewing the procurement systems of the U.S., the U.K. and Australia. He also concluded that “a single agency will not solve the most common problems that appear timeless and that most of our allies also face”.⁸

Martin Auger reached a similar conclusion after reviewing all three of the procurement options, that “all seem to have been challenged despite significant efforts at reform, in view of the current challenges including growing complexity, rising costs and global supply chains”.⁹

One other reference brought a very fresh point of view to this discussion. An academic research paper by Markowski and Wylie was based on studies of defence procurement in Australia and concluded that “efforts by the Australian DMO to emulate private sector practice through calls for greater commercial orientation and business acumen are fundamentally misplaced”, their analysis indicating “the vacuity of calls for greater commercial orientation and business acumen in the public sector”.¹⁰ Given the importance of sector-specific knowledge for public servants charged with billion-dollar complex system acquisitions and the paucity of such commercial understanding witnessed by (and in evidence, in terms of the actions of) me during the past decade, both broadly and specifically relating to the National Shipbuilding Strategy, this is an important issue. It should be investigated before selecting a defence procurement agency approach, as it might tilt the scales toward selection of an independent civilian corporation to deliver defence procurement for Canada.

Puts and Takes

Although dated, this collection of references indicates there is no clear agreement that the adoption of a new agency would improve major defence acquisition project outcomes.

Based on my own experience, the ability to hold a single project manager entirely accountable for the performance of the procurement project would be a significant advantage and one compelling reason to look hard at this option. I also witnessed considerable bureaucracy engendered by the current multi-department procurement system which might be reduced with a single organization responsible for all aspects of military procurement of complex weapon systems. As well, there is value to getting this irritant off the table once and for all. And such a paper cannot ignore the degree of success achieved in other nations:

- a. I have had the privilege of getting unique insight in the Australian Department of Defence’s centralized approach, as reported in another paper. I was generally quite impressed with many of the mechanisms in their approach to selecting a new frigate.

⁸ J.C. Stone, “A Separate Defence Procurement Agency: Will it Actually Make a Difference?” (Calgary: Canadian Defence & Foreign Affairs Institute: 2012), 12.

⁹ Auger.

¹⁰ Stefan Markowski and Robert Wylie, “In Search of Efficient and Effective Defence Procurement: An Australian Case Study,” Report for the International Public Procurement Conference. Available at <http://www.ippa.org/IPPC4/Proceedings/03DefenseProcurement/Paper3-6.pdf>



- b. The U.K. likewise has an arrangement that speaks to the value of a Defence Procurement Canada-type approach. Based on the Corporate Plan for Defence Equipment and Support (DE&S) for 2018-2021, DE&S is charged with equipping and supporting the U.K.'s armed forces, operating as a “bespoke trading entity at arm’s length body of the Ministry of Defence”.¹¹ This novel approach has matured since Bernard Gray delivered his report at the turn of the century with recommendations to reform defence acquisition.¹² It is interesting to note that the recommendation to restructure DE&S along the lines of a government-owned, contractor-operated model was rejected, but the merits of many other recommendations of this report that are now implemented are worthy of study. Essentially, DE&S appears to be thriving while operating at arm’s length to MoD and in a somewhat different relationship to the primary clients than in Australia.

Others have suggested that a compelling argument for a single agency is the creation of a larger pool of public servants to tackle the many challenges.¹³ At the present time, the degree of movement of executives between DND and PSPC is quite significant and disruptive so there is an element of truth to this hypothesis. But I subscribe to the opinion of Steve Saideman, who in 2018 stated that “Canada does not have enough procurement specialists to do all of the work, as prior defence cuts have meant expertise is lagging”.¹⁴

I also agree with those who have indicated that centralization of all related aspects of complex procurement would not be without challenges in gaining traction and achieving implementation – many of them old chestnuts we all know only too well:

- a. Significant political capital would need to be expended on such a change – capital that typically is spent on programs that are more highly valued than defence in Canada. David Pugliese recently lamented that: “The lack of interest by Canadians on defence matters has not been lost on politicians in power.”¹⁵ Therefore, beyond the announcement, sober second thought will likely sideline such an initiative.
- b. A single agency could be seen as a departure from our parliamentary practice of horizontality and built-in checks and balances, in a domain that is exceptionally

¹¹ Government of the U.K., “[Defence Equipment and Support: Corporate Plan Financial Years 2018 to 2021](https://www.gov.uk/government/publications/defence-equipment-and-support-corporate-plan-financial-years-2018-to-2021),” Report, May 17, 2018. Available at <https://www.gov.uk/government/publications/defence-equipment-and-support-corporate-plan-financial-years-2018-to-2021>

¹² Bernard Gray, “Review of Acquisition for the Secretary of State for Defence,” Report, October 2009. Available at <https://www.bipsolutions.com/docstore/ReviewAcquisitionGrayreport.pdf>

¹³ Stone.

¹⁴ Steve Saideman, “Forget More Defence Dollars – Canada Needs to Fix its Procurement Process,” CGAI op ed, *Open Canada*, Feb. 23, 2018. Available at <https://www.opencanada.org/features/forget-more-defence-dollars-canada-needs-fix-its-procurement-process/>

¹⁵ David Pugliese, “With Canadians Tuned Out on Defence, Political Parties Can Safely Ignore the Topic at Election Time,” Analysis, *Ottawa Citizen*, Oct. 7, 2019. Available at <https://ottawacitizen.com/news/national/defence-watch/with-canadians-tuned-out-on-defence-political-parties-can-safely-ignore-the-topic-at-election-time>



expensive and risky. It would be going against the grain, and many powerful internal officials will work to stall any progress.

- c. Major changes in government machinery have more often than not been reversed in the past. Departments have been reconfigured with great expectations only to come up short and subsequently be returned to their earlier mandates. Therefore, many at the senior levels of the public service use such evidence to argue against changes to the machinery of government such as are being contemplated in this case.
- d. It is important to avoid creating new seams – which would maintain or enhance bureaucracy – between those delivering procurement, generating military requirements, commissioning equipment and supporting military systems in-service (post-acquisition). This would only be achieved by assigning such an agency or set of responsibilities to the minister of National Defence, as most of our allies do. Assignment to PSPC would merely perpetuate the silos (and as an aside, nor does that department have the demonstrated complex project management acumen to be successful). But the proposal for such a mandate assignment to the minister of National Defence would likely run afoul of at least three issues, in my view:
 - i. Regrettably, this approach would not adroitly address the National Shipbuilding Strategy, which of course includes shipbuilding for the Canadian Coast Guard – nor am I suggesting that DND take on the task of building the coast guard’s ships in a transfer from the Department of Fisheries (though such arrangements exist elsewhere). Only an arm’s-length agency structure that loosely reports to the minister of Defence for funding and annual objectives might address the coast guard’s requirements, but that would dramatically increase the scope and complexity of a Defence Procurement Canada project.
 - ii. DND has been seen to be untrustworthy on more than one occasion in the past decade (whether valid or not) so it would probably not receive much support within the government’s central agencies. In fact, one would expect a DND housed DPC to suffer from even greater scrutiny from the Treasury Board and Finance Department which would only further complicate and slow complex projects.
 - iii. Furthermore, DND has failed the “KISS” principle in the past and exhibited a propensity for excessive growth in process and bureaucracy. In part, this is in response to the dearth of knowledge and experience within the uniformed staff in the department who hold significant influence in the project conception, development, plans and approval system. There were, during my last decade of service (to early 2017),



repeated efforts to streamline aspects of the system within DND but these routinely failed. Notwithstanding the more recent work since my retirement, to become more nimble, those in charge today too will move on to new appointments. On the balance of probabilities, I worry that, if in charge of major defence acquisition projects end-to-end, DND's culture could make military procurement even more bureaucratic than it is, not less.

- e. To state the obvious, transformational change is exceptionally expensive in terms of churn, resources and people fatigue, which along with buy-in and learning, accounts for the inevitable loss of service delivery productivity during transition. This would most definitely slow the procurement of the enablers to the Liberal party's defence policy, *Strong Secure Engaged*, now just two years old. And given the large numbers of officials involved and what I sense will be wide disdain for the idea, I predict that the transition would indeed be onerous and lengthy before buy-in and performance were restored – perhaps as long as 10 years.
- f. Without a level of transparency that is routinely absent in military procurement, the likelihood of managing expectations around such a transformation over a decade are nigh on zero without a major departure in the government's practices and culture. If the traditional intended and/or unintended obfuscation continues, the reaction to perceived and/or real agency failures could fuel a reversal in a future election. And such transparency would need to make clear that the arrival of a single accountability structure would not solve the many other challenges to timely and on-budget delivery of the outcomes the services require – some of which can be tackled and others that are merely the nature of the business of complex project management worldwide in general and in the defence business in particular.

My general conclusion is that, while it may be the right thing to do for most nations, it is on the balance of probabilities not likely that we would persevere to get it right in Canada.

But

Notwithstanding the above, the new Liberal government may choose to pursue Defence Procurement Canada. Should such a surprising and bold decision be reached, I would offer a few thoughts.

As I have opined above, it is essential that those assigned to develop and execute such a tectonic shift do a new round of analyses, noting the speed of change and what seems to me to be a shortage of current arguments for and against, or how to proceed and how not to proceed. And such



analysis must include all options in detail, in particular all aspects of agency independence (e.g., hiring, salaries, classifications, financial flexibilities).

It would be attractive to try to tackle the many other challenges currently faced during the creation of a new procurement agency – the need for more defence procurement officials with better capabilities, more effective and tailored governance and risk treatment systems, much greater transparency with all stakeholders, including the public, and a renewed Canadian defence industry policy and relationship. However, to use a cliché, one can only change so many critical parts of an airplane while it is in the air before a crash is inevitable. Therefore, the appetite for revolution will need to be suppressed. In my view, only two elements of an enhanced enterprise should be concurrently tackled – governance and sector-specific business acumen.

In terms of implementation, expectations must be addressed with significant transparency. As well, such a transformation must spare no resources in terms of contracted-in support from those who have facilitated such change successfully and a meaningful change-agent network.

Furthermore, a big-bang approach is not recommended. Rather, there should be a phased commissioning approach. Speaking notionally for clarity, it should be trialled once the agency superstructure and foundational support are in place, with a handful of projects – one or two at conception, one or two in the project definition phase and one or two in project definition and under contract for capability delivery. As well, such projects should span the services' sectors. The next phase – likely some two to five years later – could include all aspects of the National Shipbuilding Strategy to test the new approach for a really complex procurement program. With these on board and the lessons learned, the agency could then stand up for projects across all complex defence procurement activities.

The Other Relevant Liberal Platform Proposal

Buried in the platform is another related recommendation that in my view is of even greater importance, that being “improving project management capabilities, so that all major projects in government are led by a certified professional with at least five years of experience”. Without doubt, such a program would be more likely to get broad support than will Defence Procurement Canada in the minority government scenario now upon us and from officials across the government.

Interestingly, this is not new, but regrettably, the resources to properly address this government-wide shortfall have not been forthcoming. I would argue that, of the two Liberal platform statements, this one should have the priority because it has the highest probability of producing tangible results.

Again, no details are provided. Who would do the certification – or do we really mean “qualification to internal standards as informed by external practices/associations”? If externally certified, will Canada pay the continuing professional society costs for membership and



continuing education? Would such a government-wide project be run out of the Privy Council Office (to signal its importance), Treasury Board, or left to deputy ministers to do (a death knell for sure, in my view)? Once again, there is homework to be done, decisions to be made and substantial human resources and dollars involved in launching and maintaining such programs – a pittance really compared to the cost of failed major projects, but still the resources must be found.

Of significance, DND has spent years creating an incremental project manager competency development system that is worth building upon. And noting that the focus of this platform's intent is on major projects, there is much to be gained by properly investing in the dispatch of top performing public servants to gain an executive master's degree in complex project leadership, as offered by the Telfer School at the University of Ottawa (or equivalent elsewhere in Canada if Telfer falters due to lack of investment with students).

In addition, there is much to be gleaned by partnering with the International Centre for Complex Project Management out of Australia, the International Association for Contract and Commercial Management out of Europe, and with the U.K., whose work in the same domain has been remarkable. If properly led by experienced executives in complex project management and procurement, with support from international associations that are leading-edge in terms of emerging practices, major government projects will undoubtedly be in much better shape within a decade as a minimum – yes, we must manage our expectations.

What should also be considered is the opportunity to place under contract capable and experienced project and contract managers from the private sector. The mechanisms are all in place and some departments do this well. DND and PSPC have not/rarely done this over the years. It could be a useful stopgap measure or supplementary support tool to address the current demand and cross-pollinate more effectively with public servants.

Concluding Thoughts

Military procurement of complex weapon systems is tough in the best of times. Some say that Canada has not fared too well. Yet, few major procurement projects have gone over budget or failed miserably in service since the relatively recent injection of funding, starting with the *Canada First Defence Strategy*. True, delivery does take a very long time, routinely longer than our allies.

This paper suggests that a centralized defence procurement agency would be a very challenging change to get support for or to implement, and likely for little gain aside from possibly speedier delivery (and thus with potentially more capability). Given the risks involved, it could in the interim make military procurement worse. That said, some general thoughts are provided on how to go about creating a Defence Procurement Canada of some sort if the government were to proceed.



Of greater importance, the Liberal government could get real value for its effort by focusing on the other theme it has selected for pursuit – the development of project management skills of the calibre needed to deliver complex acquisition projects.

► About the Author

*After a 38 year career with the Royal Canadian Navy, **Ian Mack** (Rear-Admiral Retired) served for a decade (2007-2017) as the Director-General in the Department of National Defence responsible for the conception, shaping and support of the launch and subsequent implementation of the National Shipbuilding Strategy, and for guiding the DND project managers for the Arctic Offshore Patrol Ships, the Joint Support Ships and the Canadian Surface Combatants. He also had responsibility for four vehicle projects for the Canadian Army until 2015. Since leaving the government, he has offered his shipbuilding and project management perspectives internationally. Ian is a longstanding Fellow of the International Centre for Complex Project Management. He also is allied with Strategic Relationships Solutions Inc. He is married to Alex, and has three grown children. With few accommodations for impaired mobility, he remains active. Upon retirement, he founded a small business, Xi Complexity Consulting Inc. in Ottawa Canada.*

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