



CANADIAN GLOBAL AFFAIRS INSTITUTE
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Warship Governance

by Ajit Kalsi
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CONFERENCE REPORT

WARSHIP GOVERNANCE

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*The panel on Warship Governance was moderated by **Tom Ring**, and featured Dr. **Michael McMahon** (Rand Corporation), **Joe DePietro** (Lockheed Martin), and **Tony Johns** (Deloitte).*

Johns opened with remarks about broad scale strategy:

- A single point of accountability is key for project management and long-term success.
- Since there are aspirations of industrial strategy and timescale costs, the most effective way to manage the project is to have a single point of accountability.
- Whoever this person is needs to have a range of acceptable outcomes, as well as a clear and simple governance structure.

DePietro spoke on the effects of structure on the long-term success of the project:

- Having a stable set of requirements and a stable governance model is important as the design matures and the project is underway.
- Since consensus is not always practical or achievable, one person must hold 51% of authority in the project.
- There is a tendency to want to rush production, but it is better to have the production line fed over time than all at once.
- A complex governance structure is necessary, but it is important to also make sure the right figures and people are in the right positions. That is to say, do not get so caught up in the structure that you forget about the team.

McMahon spoke on risk management:

- The Canadian Surface Combatant (CSC) is a once every 2 generations program, which means that you cannot treat it like just another program.
- Risk can be best managed early on:
 - o Governance and collaboration can best identify and mitigate risk.
 - o Most risk and cost are baked in well before the project concludes.
 - o In the long term, industry has to stand up and lead governance sessions as they are the ones doing the actual work on the ground.
- The project currently has great collaboration across industry and government.
- The governance process needs to adapt as the project evolves over time.



QUESTION: *Any comments on single point of accountability in the CSC program?*

- We want to get to a point where industry is leading governance sessions as quickly as possible.
- If Irving remains the prime contractor, then they become the leader.
- Industry must be able to point out when there is a barrier and how this barrier can be circumvented.

QUESTION: *Are there any lessons learned from other countries with a shipyard as the prime contractor?*

- The approach itself is fine, but there must be a heavy focus on getting the yard itself into the right place.
- There is by necessity a ramp-up to full production.
- There is not really anyone else that can hold the prime contractor position.

QUESTION: *Given that it is a complex procurement process, what does the government need to put into place to ensure effective, efficient, and quick decision making?*

- Clarity is very important here. Industry must have clarity on how decisions flow and who is responsible for what decisions.
- This clarity in structure now will save time later.

QUESTION: *Does the relationship with the Five Eyes have any influence on the governance and requirements of the project?*

- The connectivity is going to be there, but it is up to Canada to determine how connected the vessels are.
- The design is important to create a platform that can modernize over time, which will be necessary as threat and technology changes.

QUESTION: *If there is one point of accountability, how do you handle risk and burden sharing? In an ideal world, what does collaboration look like?*

- If risk can be quantified, then it can be contracted to industry. If it cannot, then the project needs to be better developed.
- The earlier a collaboration structure, such as a joint board, is established, the more risk sharing can be set up and mitigated.



QUESTION: *How can government and industry respond to bad press stories, especially budgetary ones? What can the government do about the “canadianizing a design” criticism?*

- Any major program gets negative press early on.
- Since the program is at its early stage, it is hard to accurately cost it.
- The best one can do is to respond with facts and point to the jobs and economic stability impacts of the program.

QUESTION: *Given that the ships are being operated over 50-70 years, how to you make it so that they are in line with future requirements and how do you make them relevant by 2070 or 2080?*

- These ships are being designed in a way that they can be upgraded over time.
- Especially by the 2nd or 3rd bloc of ships, the configuration may be different to the initial bloc.
- There is a trade off between front-end costs and lifecycle costs, so creating a ship that can be improved over time is necessarily more expensive up front.
- With the modular combat system, it is easier to upgrade internal hardware and software than in years previous.
- The above is especially important since you cannot predict the maritime environment in 70 years, so having a scalable platform is important.

Concluding remarks

- It has been a long time since the patrol frigate and the Halifax class was at this point, so the staff and the expertise just are not there.
- As staff grow, governance must evolve.
- The seeds of good communication and collaboration are there, we just need to fine tune it.
- Shipbuilding is not a practice for the faint of heart. Decisions only get harder over time, so good and clear communication is key.
- A program of this complexity can only be compared to another program of comparable complexity for reference, so clarity is important.
- There are a lot of examples from around the world that show that the governance arrangement must be established correctly, or the program will fail.
- Communication with stakeholders is the best way to ensure that governance models are workable and may work to keep some negative press at bay.

► About the Author

Ajit Kalsi is an academic and government employee based in Ottawa.

► Canadian Global Affairs Institute

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