



Defence Procurement Reform

A Review of the National Defence Standing Committee's 2024 Report

Howie Smith

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OVERVIEW

This commentary is a review of the Standing Committee on National Defence's June 2024 report on defence procurement. While the report drew needed attention to an important issue, the Committee's lack of focus on key, actionable items represents both a shortcoming and a lost opportunity.

Background

In June 2024, the Standing Committee on National Defence completed its examination of defence procurement and issued findings and recommendations in a report, entitled *A Time for Change: Reforming Defence Procurement in Canada*. This brief review examines the approach of the Parliamentary Committee and considers its findings and recommendations.

This Report was issued just weeks prior to the summer recess of the First Session of the 44th Parliament. Given the timing, the complexity of the subject matter, and the voluminous report rendered (over 100 pages), it is unsurprising that there has been little media attention or editorial comment. As with all Committee reports, this is a political document characterized by mild criticism of the current government, self-promotion inserted between the lines, and the requisite supplementary opinions from selected opposition parties. Nevertheless, the Standing Committee is to be applauded for devoting considerable time to such a complex issue and contributing to the ongoing discussion through extensive interviews with subject experts.

The need for change in Canada's defence procurement was recognized in the current government's defence policy, issued in 2017. Indeed, the issues with procurement have been well documented for years. Foremost amongst them is the ability of multiple departments and agencies to influence the process, a factor that has been criticized by Canada's defence industry as creating a bureaucratic environment lacking in consistent decision-making and accountability. The government's defence policy offered change by noting that "[m]ore fundamentally, the core capabilities of the RCN [Royal Canadian Navy], CA [Canadian Army] and RCAF [Royal Canadian Air Force] will be placed on a fully modern, robust footing, with a procurement renewal plan buttressed by stable, consistent and transparent funding."¹ In the ensuing seven years, little has been done to achieve this objective.

In 2023, the need to address shortfalls in the defence procurement system was recognized, and a multi-department group led by an assistant deputy minister was formed. This effort was to conduct an end-to-end evaluation of all steps in the procurement process and engage directly with each department and agency with a stake in improving the system. To date, no appreciable changes to the processes and procedures have been implemented. Additionally, no planned completion date has yet been officially announced.

On April 8, 2024, after significant delay and a change in the minister leading the work within the Department of National Defence (DND), the much-anticipated defence policy update was issued. The lead-up to this update was far from smooth sailing. The policy was much delayed and saw an abrupt change in ministers of National Defence in midstream. Some media reporting attributed that shuffle to the draft defence update proposals having come out too expensive. Naturally and unsurprisingly, the final policy update again included the requisite commitment to fix procurement, noting that “[w]e will make institutional investments in the Canadian Armed Forces and Department of National Defence, building civilian capacity, advancing defence procurement reform, fostering innovation, and digitalization.”² Throughout the policy update document, improving defence procurement is noted repeatedly as a key objective.

Assessment of Findings and Recommendations

Despite the defence update’s lofty ambitions, there is reason to believe that it too may offer hollow promises. As revealed in the testimony in the Standing Committee’s Report, and in the numerous completed complementary studies, internal and external reviews, and repeated government pledges to reform defence procurement, progress has been slow. These pledges date back to early in the 21st century and span the tenures of both the major governing political parties. Unquestionably, reforming defence procurement in Canada is a complex task and involves balancing many fundamental national priorities. These include, inter alia, security considerations, resource allocation, restrictions of access to sensitive military facilities, interoperability issues, assurances of through-life supportability and sustainment, training, and readiness parameters.

Nonetheless, despite its importance, defence procurement reform has proven to be a can kicked down the road for decades. It is a recurring feature of peacetime Canadian defence policy since the end of the Second World War. It is characterized by painfully slow decision-making, extreme risk aversion, consistent schedule slippage and cost overruns, and an implicit acceptance that all defence spending is ultimately discretionary.

Some witnesses to the Standing Committee’s hearings highlighted the Prime Minister of Canada’s influence over Canada’s defence procurement system. Dr. David Perry stressed that, if the prime minister “doesn’t care” about defence procurement, then “the rest of the government will respond accordingly.” He added in his testimony that there is not “much evidence that [defence procurement] matters” to the current prime minister.³

In providing a different view, LtGen. (Retired) Andrew Leslie underscored the high level of interest among Prime Ministers Jean Chrétien, Paul Martin, and Stephen Harper in facilitating and accelerating defence procurement in times of “real emergencies,” as was the case after the September 2001 terrorist attacks and during the war in Afghanistan between 2001 and 2014. According to Leslie, those examples

demonstrate that, “when the Prime Minister is focused” and is “asking specific questions” about defence procurement processes and projects, the defence procurement system can work.⁴

But what of the latest Committee Report? Is there this focus and reform? Firstly, the Report fails to recognize and appreciate the current shortfalls in human resources, in both the Canadian government and across Canadian industries working in defence procurement. This extends to the capacity, expertise, and experience of the people employed in defence procurement, of the staff and executive levels in the public service, and of those in management positions in defence industries. Minister Anita Anand (currently President of the Treasury Board and formerly Minister of National Defence, Receiver General for Canada, and Minister of Public Services and Procurement) has noted this problem in the public service several times. She is certainly well placed through her impressive list of portfolios to address the challenges. In June 2024, she was quoted as observing that “if you can understand that procurements take time and require expertise, you would see the need to have more public servants who are able to work on those procurements, to get them out the door, to spend that money.”⁵

As an example, in considering the Report’s Recommendation #1, which calls for the Government of Canada to internally review and map the entire defence procurement process from start to finish, across all relevant departments and agencies, with the purpose of simplifying the Treasury Board (TB) Secretariat’s guidelines and removing any points of duplication, there is a lack of understanding as to the fragility of the staff’s capacity. This is an enormous undertaking, and the mapping itself would take several years to complete. In turn, it would undermine advancing other recommendations and instill a lack of urgency to the reforms. Why this recommendation is made, in response to a single witness’s testimony, is neither analyzed nor revealed in the Report.

We are left with 36-plus recommendations entailing some monumental staffing efforts. This work presumably is to be advanced by the same beleaguered procurement staffs that are already treading water. The main shortcoming of the Report is that none of the work resulting from these recommendations is prioritized, costed, assigned proposed completion dates, or examined from a practicality perspective. Nor does any recommendation consider how difficult changes in legislation are likely to be. Dropping an early Canada Day tome on the table, just prior to the summer recess, is naïve and erroneously simplifies an extremely complex problem.

The second main shortcoming of this Report involves two components. First is the superficial way in which findings have been reached and recommendations developed. Several are based primarily, if not exclusively, on the witnesses’ testimonies. Most are without any timelines for completion. Second is the absence of any recognition of the ongoing and past work undertaken within the Government of Canada to reform defence procurement and why this reform is proving so elusive.

Clearly, some of the witnesses arrived before the Committee with ‘axes to grind’. Several provided perspectives and opinions that were self-serving, narrow in focus, and unhelpful. When a witness focused exclusively on a single solicitation, such as the Canadian Multi-Mission Aircraft (CMMA) project, and how unfair the competitive process was, the patience of the Committee was likely tested. Having obtained a clear explanation from the senior assistant deputy minister responsible as to why only one aircraft [meets] all of Canada’s high-level operational requirements,⁶ this should have ended discussion.

However, in a couple of instances, there was deviation from the aim of the hearings, and the Committee showed exceptional flexibility in accommodating specific interventions. Unfortunately, this diminishes

some of the credibility of other recommendations. The inclusion of Recommendations #25 (Develop a National Aerospace Strategy), #26 (Prioritising Canadian Companies), #27 (Championing Canadian Industries in NATO [the North Atlantic Treaty Organization]), #28 (Encourage a NATO Equipment Database), and #29 (Support to Canadian Defence Industries) may have reflected precisely what witnesses asked for in their testimonies. That does not mean that these are meaningful or germane to defence procurement reform. Again, one must ask where the staff capacity and funding is to take on each of these new tasks. Some of these recommendations promote objectives residing outside the scope of the review. Without clear timelines, responsibilities, or an appreciation of how protective Canada's allies are of their own defence industrial bases, it is unclear what the Committee is hoping to achieve.

While recommendations such as #4 (Increase defence funding), #5 (Honour the 2% of GDP defence spending target), and #6 (Maintain a 20% of spending in capital projects) may comfort some readers of this Report, and accurately reflect the testimonies of witnesses, the relevance of these recommendations to reforming defence procurement is unclear and unstated.

Recommendation #3, calling for the depoliticization of procurement decisions, sounds like an admirable goal. This would certainly streamline decision-making and reduce the time for project approvals. But how would the principle of ministerial responsibility for all activities within their assigned departments be exercised, without involving the key heads of departments? How would appropriate due diligence and oversight by ministers be applied if the process becomes completely depoliticized? With the huge sums of funding involved, and the necessary trade-offs across all public funding allocation, how can responsible decisions be taken as to what is approved without the direct engagement of ministers?

The title of this Report asserts that now is “A Time for Change.” With minimal background on the deteriorating security situation in Europe, the Middle East, and the Indo-Pacific region, combined with greater perceived risks in the Arctic and the rise of malevolent non-state actors, it is unclear what priority the Committee assigns to defence procurement reform. In addition to no timelines being proposed, there is little recognition as to the activities currently underway to reform defence procurement. Equally, there is no mention as to why these past efforts have proven unsuccessful in resolving most of the issues that hinder defence procurement in Canada. This is a lost opportunity in the Committee's work.

In his testimony, Assistant Deputy Minister of Defence and Marine Procurement (Public Services and Procurement Canada [PSPC]) Simon Page spoke to “a whole-of-government effort” involving all relevant federal departments and agencies involved in the defence procurement underway, with the goal of looking “at the entire spectrum of defence procurement” in order to streamline processes.⁷ When developing the recommendations in this Report, there does not appear to be any integration or acknowledgement of this whole-of-government effort in developing the recommendations or commenting on the progress being made.

While many of the recommendations offered are well considered and could lead to favourable outcomes in reforming defence procurement, some are so generic as to be of questionable value. The Committee has requested *a response from the Government of Canada which has yet to be offered*. The sheer number of recommendations are likely to overwhelm the staff effort and, without established priorities, be difficult to implement.

Any government report with 36-plus distinct recommendations is, by definition, unfocused, indigestible, and likely reflective of woolly thinking. Proposing recommendations that are generic in nature without timelines, costs, and interrelationships diminishes the value of the Standing Committee's work. For example, in Recommendation #22, the Standing Committee supports adopting all six recommendations of the Office of the Procurement Ombud's (formerly the Ombudsman) Report of May 22, 2024.⁸ This was done without any apparent discernable study or analysis by the Standing Committee and is based solely on the Ombud's own testimony. Interestingly, the Ombud's six recommendations refer to DND's procurement processes and to actions to be undertaken by DND. However, more than half of the six recommendations reflect actions that can only be undertaken by PSPC, either alone or in collaboration with DND.

Conclusion and Defence Procurement's Way Forward

As noted recently by RAdm. (retired) Ian Mack, "The list of defence procurement shortcomings remains significant: unrealistic expectations; accountability, governance and leadership failures; discord within the government; the absence of transparency, credibility and trust; layers of excessive processes; a culture of risk aversion that cripples innovation; both unskilled and insufficient personnel which underpin weak project management and cost and schedule estimates; and inappropriate contracts."⁹ This is obviously a healthy list of shortcomings to address and will not be accomplished overnight.

What is unnecessary is more processes, procedures, and ad hoc groups to tackle the problems individually. Why do we need a new Secretariat in the Privy Council Office (Recommendation #2), when there is already a multi-department Defence Procurement Strategy Secretariat? Or why is there a need for a new electronic contractual tracking system (Recommendation #12), and a separate procurement tracking software system (Recommendation #13), when such tracking systems are already in place? These are just some examples of the shotgun approach employed in developing the 36-plus recommendations.

Rather than tackling all at once, the following courses of action are recommended as an immediate to-do list for the Government of Canada, as a starting point for addressing some of what ails defence procurement. These courses of action need to entail the following:

- The Government of Canada should continue to accelerate the work of the inter-departmental group examining an end-to-end process ranging from the requirements definition to the procurement processes and procedures leading to Treasury Board approval and a contract's award and implementation. This group is encouraged to define publicly a completion timeline for this Defence Procurement Review and keep all stakeholders, including those in defence industries, apprised of progress and intended changes;
- As a leading priority, the current capacity and capability shortfalls within public servants engaged in defence procurement activities need to be addressed. Not only are departments facing insufficient numbers of practitioners, but experience levels at all levels have also eroded in recent years. This needs to be re-established. This will not be a quick fix but will require sustained effort;
- As a complement to addressing the challenges affecting personnel, the way in which the government treats risk management must change. Given the nature of defence projects, with their complexity, scope, duration, and uncertainties, risk is unavoidable and somewhat unpredictable. This covers

programmatic, technical, scheduling, financial and business-related, technological, contractual, and human resource risks. Risk must not be feared and is to be expected. Oftentimes, necessary decisions are needed when only incomplete information is available. To help those engaged in defence procurement across all departments, increased training and practical experience with the TB Project Complexity and Risk Assessment (PCRA) Tool needs greater emphasis;

- Silos between similar projects need to be broken down. Too often, critical issues arise that project management staff assume are unique to their circumstances. In fact, they are often common. Lessons need to cross-pollinate across projects, and project management repositories must be maintained and shared. Greater emphasis on knowledge transfer will help but not solve the erosion of experience;
- In support of the Committee's Recommendation #9 calling for a move away from a transactional model of procurement for major platforms, this review endorses such a course. The Government of Canada has a penchant for creating competition in all procurements, based on the premise that competition in all circumstances leads to better price offerings. This is not always the case and needs to be challenged under certain conditions. As noted, the current competitive solicitation procurements, with their plethora of qualification submissions, information sessions with industry, and voluminous proposals, increase costs and consume much time and staff effort. While the government believes there is no direct cost to such activities, this is a fallacy. Sometimes, moving to a sole-source contract makes sense and is the best method of procuring capabilities, particularly where it involves government-to-government procurements. Recently, and most notably through in-service support contracts, the government has moved towards relationship-management contracts with prime contractors. More can be done in this area, and continuing this path should be considered; and
- Transparent and regular communications are critical to all stakeholders and in informing Canadians of the significant investments being made to enhance their defence and security. Several of the Committee's recommendations spell out the need for improved communications. Their criticism of current government efforts is mild, and considerable improvement is needed in each of these areas.

Despite the criticism of the Report in this brief review, the Standing Committee on National Defence is to be commended for undertaking this study and compiling such an extensive report. This work over the past months has achieved the following:

It has brought focus to an important issue that hinders defence readiness and operational capability, and that undermines confidence among Canadians in how their resources are being managed;

- It has assembled an excellent summary of subject expert testimony that covers a diverse group of stakeholders within the defence procurement community;
- It has unearthed, through the testimony of the 36 witnesses and in the written briefs submitted by those who were unable to attend, several important secondary and tertiary issues that impact defence procurement in Canada;
- It helps to keep this issue before parliamentarians for the next 12 to 15 months, at a time when Canada is proposing increased defence spending and is under international pressure to contribute more to alliance commitments; and
- It reveals that there is no single silver bullet solution to all that hinders defence procurement and that lasting remedies will require all departments of government, including central agencies, and the Canadian defence industry to cooperate in implementing solutions.

Howie Smith is a member of the Naval Association of Canada, having served as Vice-President and President of the Ottawa Branch. He was a surface ship officer in the Royal Canadian Navy, serving in seagoing positions on both coasts and in staff assignments. He also served as a director-general and director on the Naval Staff, and as a project director in several major Crown Projects.

Notes

¹ Canada, Department of National Defence, *Strong Secure Engaged* (2017), 15-16.

² Canada, Department of National Defence, *Our North, Strong and Free (ONSF): A Renewed Vision for Canada's Defence* (April 2024), ix.

³ Canada, Standing Committee on National Defence Report, *A Time for Change: Reforming Defence Procurement in Canada* (the Report) (June 2024), 12.

⁴ *Ibid.*

⁵ Murray Brewster, "Anand defends hesitation to further invest in defence as NATO secretary general arrives in Canada," CBC News (June 19, 2024).

⁶ Standing Committee on National Defence Report, 17.

⁷ *Ibid.*, 36.

⁸ Procurement practice review of the Department of National Defence (May 2022), <https://opo-boa.gc.ca/paapp-prorev/2022/epa-ppr-05-2022-eng.html>.

⁹ Ian Mack, "Robust Military Procurement Reform Now," Canadian Global Affairs Institute (CGAI) Policy Perspective Paper (July 2024), 2.