

Feds should create a defence procurement agency reporting through a single minister

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I applaud the Prime Minister for two significant actions he took following the Conservative party's majority victory on May 2. First, he appointed Julian Fantino as Associate Minister of National Defence, responsible for defence procurement. Given the fiasco associated with the F-35, providing a new set of eyes on this and other procurement files is clearly warranted. Hopefully, Mr. Fantino can explain to Mr. Harper how the government committed to buying an aircraft not yet operational for a price not yet known. Or, perhaps he can explain how come the amount of sole sourcing has gone up five-fold over the past five years.

The second positive action taken by the Prime Minister was launching an initiative to recoup \$4 billion dollars in permanent annual savings from within the public service by 2014-15. I have always felt that organizations should be continually striving to do things better and faster, with more effectiveness and efficiency. Having a goal to focus on will energize the bureaucracy even more. Of particular benefit was Tony Clement's articulation of the challenge using terms such as "transformative change". I fully agree with his statement, "This is an opportunity to rethink our workplaces, our tools and competencies". Approached with the right mindset this can and I hope will be a positive experience.

Julian Fantino and Tony Clement will soon know whether the Departments of National Defence (DND) and Public Works and Government Services Canada (PWGSC) have accepted this challenge or will merely "tread water" through the exercise. If it is the former, one or both departments will bring forward a

recommendation to create one organization accountable for defence procurement.

In 2006 I authored a book entitled “Reinventing Canadian Defence Procurement: A View from The Inside.” One of the key recommendations in the book was that “The government should combine the defence specific PWGSC contracting resources with the DND procurement resources into a single organization, Defence Procurement Canada (DPC).” Interestingly, three years later, in Dec. 2009, the Canadian Association of Defence and Security Industries (CADSI) produced a report entitled “Industry Engagement on the Opportunities and Challenges Facing the Defence Industry and Military Procurement.” They too recommended that the government “Create a separate defence procurement agency reporting through a single minister.” To-date the CADSI report has received no formal response from the government and this recommendation has not been actioned. Let me provide some background and detail as to why this recommendation is so vital to addressing the limitations of the current defence procurement process and then provide some thoughts as to why governments have refused to implement it.

Background

At the present time the overlap and duplication between DND and PWGSC with regard to defence procurement guarantees that neither minister is solely accountable for its process. Even the government does not dispute this obfuscation of accountability. On Feb. 6, 2007, at the Standing Committee on National Defence, Gordon O’Connor, Minister of National Defence said “There is no final responsibility on defence procurement. Each of us has our own area of responsibility. The cabinet is the final say on defence procurement. Everything ultimately gets approved at the cabinet level.” Furthermore at this same committee on Mar. 18, 2010, Peter MacKay, Minister of National Defence noted his “personal

frustration that the process has been sidelined at times” and that “We've also faced the reality that this involves more than just one department, as you can appreciate. DND does not go out and negotiate the contract for equipment. That is left to the Department of Public Works.” That reality however can be changed if there is the will to do so. Unless and until this muddied accountability regime is fixed, defence procurement will never be as efficient and effective as it could and should be. Of course, the public servants in these departments will try to work around these limitations but a process this crucial should not be dependent upon personal relationships. For a government that came into power on a mantra of strengthening accountability, there is no excuse for allowing billions of dollars to be expended each year without being able to hold one person accountable.

The benefits in creating a single procurement organization go beyond strengthening accountability.

First, the process would also be streamlined. At the present time, the process only moves as fast as the slower of the two organizations permits. As ministers, deputy ministers or even assistant deputy ministers change, the process stops for new briefings. With two departments involved, twice as many potential interruptions occur. Also, decisions need to go up two organizational structures that can have different cultures and different approval processes. Bottom line--many months can be lost due to briefings and approvals through multiple organizations.

Second, considerable cost savings would result from the elimination of the overlap and duplication. The analysis I conducted in 2006, conservatively estimated annual savings of between 48 and 125 person-years or annual savings of approximately \$4.8 to \$125 million. Equally important, both organizations suffer from staff shortages and often hire from each other. These staff shortages hinder the speed with which

procurements can be pursued. With the amalgamation, not only are staff savings found but also, the staff shortages are eliminated.

Impediments To Implementation

If creating such an organization will strengthen accountability, streamline the process and result in cost savings why hasn't it been implemented? A number of excuses are put forward, none of which have any validity.

Excuse #1

It works well enough now. Let's not tamper.

Response #1

The objective is to optimize the process, not merely to be satisfied with mediocrity. Defence procurement will work much better with one point of accountability and with a streamlined process. Staff shortages will be eliminated allowing for more procurements to proceed and to proceed more quickly.

Excuse #2

We need a separate organization to ensure the integrity of the process.

Response #2

This excuse may have been valid decades ago before the introduction of the redress mechanisms as part of our trade

agreements. Now with the presence of the Canadian International Trade Tribunal (CITT), access to the federal courts, oversight by the Auditor General and media scrutiny, we hardly need one organization to watch over another.

Excuse #3

It's too difficult to do.

Response #3

Not true. In my book I lay out a detailed action plan, including the necessary legislative changes to effect the change. It can easily be accomplished within one year.

While these are the publicly voiced objections, there is one unspoken impediment to effecting the change. It is the notion that a restructuring will lead to one minister “winning” and one “minister” losing. While I do lay out five possible different governance models, the likely scenario would have DPC reporting to the Minister of National Defence with the Minister of PWGSC relinquishing responsibilities in this area. I have no doubt that any Minister of PWGSC would like to retain this role. After all, there are great political benefits that arise through the visibility and publicity involved in announcing billion dollar contracts.

Hope For The Future

Nevertheless, this Prime Minister has clearly shown that he is committed to doing the right thing even when the right thing isn't popular. At the recent Conservative party convention he declared, “We know where our interests lie and who our friends are and we take strong, principled positions in our dealings with other nations,

whether popular or not.” I hope he will do the right thing here and direct the creation of one organization accountable for defence procurement. By so ordering, he will be putting the military men and women first and foremost in his considerations. Isn’t that how it should be?