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# The Government of Canada's New Defence Procurement Strategy

## Industry Stakeholder Information Session



Public Works and  
Government Services  
Canada

Travaux publics et  
Services gouvernementaux  
Canada

Canada 

# Presentation Outline

- Context and Key Messages for the Session
- Key Objectives of the Defence Procurement Strategy
- Details of Key Components
- Plans for Implementation



# Context

- *Canada First Defence Strategy* released in 2008
- Budgets 2011 and 2013 commitments - ensure defence equipment procurement creates economic opportunities and jobs for Canadians and improves defence procurement outcomes
- Informed by extensive engagement with the industry and the recommendations found in the government-commissioned Jenkins and Emerson reports
- DPS launched February 5, 2014 by Minister of Public Works and Government Services and Minister of National Defence



# Key Outcomes for Today

- Understanding the objectives and components of the Strategy
- Integration of economic benefit to Canada into procurement processes and decision-making
- The importance of early and continuous engagement between government and industry



# Objectives for the Defence Procurement Strategy

## Deliver

the right equipment to the Canadian Armed Forces and the Canadian Coast Guard in a timely manner;

## Leverage

our purchases of defence equipment to create jobs and economic growth in Canada; and

## Streamline

defence procurement process.

# Objective One:

**Deliver** the Right Equipment to the Canadian Armed Forces and the Canadian Coast Guard in a timely manner

- Early and continuous engagement
- Defence Acquisition Guide
- Challenge function for military requirements

# Early and Continuous Engagement

- Establishes a framework for ongoing two-way communication between industry and government:
  - Annual publication of the Defence Acquisition Guide;
  - Procurement-specific engagement to inform development of the associated Value Proposition;
  - Regular review of Key Industrial Capabilities, and the ongoing analysis of Canada's defence industrial capabilities; and
  - Review progress of the Defence Procurement Strategy and opportunities for improvement.



# Defence Acquisition Guide

## Objectives:

- To better position Canadian industry to deliver equipment and services for the Canadian Armed Forces;
- Help Canadian industry to be better positioned to compete for future Canadian and international defence procurement opportunities; and
- Enable Canadian industry and potential bidders to make informed R&D investments and strategic partnering decisions.

## Description:

- Procurement projects, expected over the next 5-20 years, valued over \$100M and those of lower value with leveraging potential for Canadian industry;
- Published annually, in consultation with Industry Canada and PWGSC.



# Challenge Function for Military Requirements

## Objective:

- To improve transparency and ensure requirements are clearly understood.

## Description:

- The Deputy Minister of National Defence chairs the Department's newly established Investment and Resource Management Committee (IRMC), which exercises authority over the Department's financial and resource allocations;
- National Defence will strengthen its existing internal project challenge function processes and boards; and
- National Defence will establish independent expert third-party reviews of high-level mandatory requirements on projects over \$100 million and selected others. An Internal Review Panel, chaired by a prominent civilian from outside the government and reporting directly to the Deputy Minister, will bring together the necessary expertise to coordinate third party reviews.



## Objective Two:

**Leverage** our purchases of defence equipment to create jobs and economic growth in Canada

- Value Propositions
- Key Industrial Capabilities
- Industrial and Technological Benefits
- Defence Analytics Institute
- Export Strategy



# Value Propositions to Improve Economic Outcomes

- The Value Proposition is the primary instrument that will be used to improve economic outcomes from defence procurements.
- Requests for Proposals may include requirements for Value Propositions, which will be weighted and rated in the bid evaluation process, along with technical and price elements.
- Value Propositions are intended to enhance the quality and focus of investments in Canada - including supporting and developing KICs - to support and increase the competitiveness of Canadian industry going forward.
- Evaluation of Value Propositions will focus on key competitiveness factors for Canada's defence sector such as:
  - enhanced productivity in Canadian firms; and
  - broader industrial/technological high-value activities, such as technology transfer
  - Increased/enhanced participation of Canadian firms in global value/supply chains.

# Threshold for Application of Value Propositions

- Value Propositions will be applied as follows:
  - All eligible defence procurements with contract values of \$100M and above will require a comprehensive Industrial and Technological Benefits Plan, including a Value Proposition; and
  - All eligible defence procurements with contract values of \$20-100M will be assessed for the possible application of a Value Proposition.
- In addition, all defence procurements with contract values of \$25K-20M will be subject to the revised Canadian Content Policy (CCP).
- Default weighting of Value Propositions is 10%, but will be determined on a procurement-specific basis, together with the technical and price elements.

# Key Industrial Capabilities

- Key Industrial Capabilities, or KICs, will be a significant factor in the design, rating, and weighting of Value Propositions.
- KIC criteria proposed in the Jenkins Report serve as a framework for analyzing Canadian defence industrial capabilities and their potential for growth:
  - Canadian Armed Forces' need;
  - Innovation potential; and
  - Export potential.
- Interim KICs in Jenkins' Report are being refined into more precise market segments
- Continue to engage with defence experts and stakeholders to further refine KICs and identify how best to apply them to improve economic outcomes from defence procurement

# Industrial and Technological Benefits

- Industrial and Technological Benefits (ITB) plans will be required to provide flexibility to improve economic outcomes from defence procurement projects
- Activities identified in bidders' Value Proposition proposals will be included in the resulting ITB obligations
- ITB plans will continue to require bidders to propose transactions that:
  - Are equal to the contract value;
  - Ensure Canadian Content;
  - Ensure Causality and Incrementality; and
  - Regional Plan.



# Independent Defence Analytics Institute

- The government will establish an independent, 3<sup>rd</sup> party Defence Analytics Institute (DAI) to support its objectives for the DPS and its evaluation.
- The DAI is envisioned to provide:
  - Expert analysis to help inform aspects of the defence procurement process and the development/assessment of KICs;
  - Research/perspective on the state of the Canadian defence industrial base, including its capabilities, and its strengths, weaknesses, and opportunities for growth;
  - Information on global export market opportunities, including trends and issues related to foreign defence markets; and
  - Insights on technological trends in global defence markets and Canadian industry's capacity to meet or develop new technologies in those areas.
- Interim Institute Board of Directors was recently announced.



# Export Strategy

- Some key elements:
  - Marshalling Canada's international diplomatic network, including defence attachés, on behalf of Canada's defence industry;
  - Enhancing coordinated support for Canada's presence at key international events;
  - Streamlining the administration of export controls while continuing to fully respect Canada's established foreign, trade, and defence policies; and
  - Contribute to the development of Value Propositions by assessing trade considerations, including capacity development, Canadian direct investment abroad, foreign direct investment, impact on exports, and penetrating international supply chains.

# Objective Three:

## **Streamline** defence procurement processes

- Streamlined and Coordinated Decision-making
- A new Procurement Defence Secretariat
- Review National Defence delegated authority



# Streamlined and Coordinated Decision-making

- A permanent Working Group of Ministers:
  - Focused on ensuring shared accountabilities for defence procurements are exercised in a more efficient, joined-up manner; and
  - Acting as a forum for discussion, advice and to resolve issues in the implementation of major procurement projects.
- A mirror Deputy Minister Governance Committee (Chaired by the DM, PWGSC):
  - Key decision-making body for implementation of the DPS; and
  - Provides guidance for defence and major Canadian Coast Guard procurements and ensure timely and balanced decision-making.

# A Defence Procurement Secretariat

- Permanent Defence Procurement Secretariat operating within PWGSC, that is expected to undertake or support the following activities:
  - Ensuring early engagement in the procurement process;
  - Using independent advice to strengthen the integrity of the procurement process;
  - Ensuring a coordinated approach to implementation of the DPS across multiple departments; and
  - Using an issue resolution approach to address problems quickly and effectively.
  - Developing an evaluation framework to measure the performance of the DPS.



# Implementation Plan for the Strategy

- Begins immediately...
  - Industry engagement sessions
  - Departmental readiness (training, orientation)
  - Interim Defence Analytics Institute structure
  - Initial use of Value Propositions
  - First release of National Defence's Defence Acquisition Guide (June 2014)
  - Establish new governance regime

