The Government of Canada’s New Defence Procurement Strategy

Industry Stakeholder Information Session
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, 3rd 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