



**Statement by Paul Manson, General (Ret'd),
President, The Conference of Defence Associations Institute,
to The House of Commons Standing Committee
on National Defence.**

February 13, 2006.

Thank you, Mr. Chairman. I appreciate the opportunity to appear before your Committee this morning.

Last year the Conference of Defence Associations Institute, of which I am President, published a monograph entitled "CREATING AN ACQUISITION MODEL THAT DELIVERS". What I would like to do today is present some personal thoughts based on that work and my other experiences over the years with the procurement of major systems for the Canadian Forces.

By way of establishing my credentials, I might mention at the outset that for the past 30 years I have been involved with defence procurement in one way or another. From 1977 to 1980 I was the Program Manager for the New Fighter Aircraft Program leading to the acquisition of the CF-18 Hornet for the Air Force. As Chief of the Defence Staff from 1986 to 1989 I was of course intensely involved with numerous capital equipment projects.

Following retirement, as the CEO of a major Canadian aerospace company I saw the system in operation from the other side, so to speak, and during this period I served for a time as the Chairman of the Aerospace Industries Association of Canada. And now, as the president of a think-tank on defence and national security, scarcely a day goes by without the important matter of defence procurement being raised in one way or another.

Let me begin this quick review by stating the obvious. Regardless of how

great may be the military's requirement for new equipment and services, or how ready the industry may be to fulfill these needs, without there being in this country an efficient and effective procurement process the system cannot do what is necessary for the military, the industry, or the government.

A major conclusion of our studies is that such a system simply does not exist in Canada today. This is the consequence of a gradual and barely perceptible degradation over the past several decades, to the point where it is largely dysfunctional at the present time.

Take, for example, the fact that fifteen years or more are typically required to bring a major new military system into operational service by the Canadian Forces. That is much too long, for reasons that are self-evident.

Our analysis of the causes of this inordinately long procurement cycle time has led us to conclude that multiple factors are at work here, and that they can be grouped into three main areas, namely within the Department of National Defence, in the interdepartmental bureaucracy, and at the political level. Let me say a few words about each.

First, within the Department of National Defence, over the years, and with the best of intentions, military and civilian staffs in their pursuit of perfection in defining military requirements became bogged down in an evolving internal process that churned out huge amounts of paper - in some cases literally thousands



The Conference of Defence Associations

CDA Statement to Parliamentary Committee 1-2007

of pages of what amounted to detailed technical specifications.

Your Committee is already aware of a dramatic change of philosophy in this regard, with the introduction of the concept of “performance-based requirements”. The Minister of National Defence spoke about this in his appearance before this Committee last week. It is a welcome change, not just from the industry’s perspective, but also in that it greatly simplifies the staff work within DND, and it facilitates the important business of evaluating competing systems.

Another serious problem emerged within National Defence during the 1990s, the direct result of the huge manpower cuts to which that department was subjected. The number of qualified program management personnel available to staff major crown projects was severely reduced, with predictable results. Not only did the shortage of suitably skilled personnel contribute to an increase in procurement times, it also presented risks to the quality of program management, with possible adverse impacts on decision-making and program costs.

The Department is still recovering from this. I understand that other government departments also suffer from a shortage of program management personnel having experience in major defence procurements.

This leads me to the second area of concern in regard to lengthy procurement times, which is the interdepartmental routine to which all major equipment programs are necessarily subjected. Gradually over the years we have seen the emergence of a complex and frustrating process within the federal bureaucracy. Many departments are involved. Typically, apart from DND, a major crown project will involve Public Works, Industry, the Treasury Board Secretariat, Finance,

Foreign Affairs and International Trade, Justice and perhaps other departments.

It goes without saying that a consensus must be achieved before DND would dare to bring a given project before Ministers, who traditionally need little incentive to reject a big-ticket item when it is apparent that the bureaucrats “haven’t got their act together”. Reaching consensus can be excruciatingly difficult. Even getting senior officials from all of the participating departments together for a Senior Review Board meeting can take months to organize. All of this, of course, adds to the total program time.

Increasingly over the years Industrial Regional Benefits have become a critical element of major defence equipment programs, especially in cases where the Government must go outside of Canada for procurement. The mechanics of putting together a good IRB package at the bureaucratic level is difficult enough, but the real test comes when a given project moves into my third area of concern, which is the political arena.

It is here that, regrettably, some of the most serious delays occur. In fact, just the prospect of running into difficulty over IRBs at the Cabinet level can force delays of months and even years.

Competing companies, eager to reap the huge influx of new business that can come from a defence contract, are not reluctant to play the IRB game. Furthermore, they know how sensitive the “Regional” element of Regional Industrial Benefits can be in this country, and they will play up this angle in the hope of inspiring support from regional ministers. Inevitably, the Prime Minister and his colleagues around the Cabinet table have a solemn obligation to ensure that competing demands are reconciled in such a way that the men and women of the Armed Forces are provided with the right equipment, and in a timely fashion.



The Conference of Defence Associations

CDA Statement to Parliamentary Committee 1-2007

In this regard it is my personal opinion that the greatest challenge facing the defence procurement system today is the alarming growth in IRB demands associated with the coming re-equipment of the Forces.

A good example is the creation of rigid formulas such as the 100% Canadian Content Value requirement for the industrial benefit component of a given contract. Competing companies face the almost impossible task of producing sufficient industrial work to comply with the 100% Canadian Content rule, while Canadian industry, for its part, simply doesn't have the capacity to absorb the huge surge of tens of billions of dollars of high tech business that this rule calls for in the coming decades.

To add to the burden, DND typically pays a premium of several percent to accommodate IRBs; this usually shows up as an increase in the purchase price of the equipment or service.

All of which is to say that the management of Industrial Regional Benefits has the potential to become a major barrier in the Government's attempt to streamline the procurement process.

There is one other factor which always comes into play at the political level, and that, quite correctly, is affordability. In my experience, cabinet ministers don't often challenge the professional judgment of the military as to which technical solution is best for the Canadian Forces. When it comes to deciding whether a proposed solution is affordable, however, the Cabinet must believe that the proposed expenditure is of a high enough priority to displace the countless other spending proposals before them, not just for the military, but also in such areas of health care, the environment and other social programs.

When a decision is made to put off a given defence acquisition (and many

budgetary reasons can be found for doing so), the Forces are compelled to extend the life of existing equipment, which can be very costly both in dollar and especially operational terms. Look, for example, at the sad case of the Maritime Helicopter. Twenty-seven years after the replacement program was initiated, the Sea King helicopter is still flying.

Mr. Chairman, allow me to summarize this admittedly cursory presentation by stating the obvious: that in these critical times, following decades of neglect, the re-equipment of the Canadian Forces must progress quickly and rationally, following a streamlined process that takes into account the needs of the military first and foremost, but also of a dynamic Canadian industry, while always working in the best interests of the Canadian taxpayer.

I can say, optimistically, that there are encouraging signs that the process is getting back on track, but there is still much room for improvement.

I sincerely hope that your own deliberations will contribute greatly to that important goal.

CDA Statements to Parliamentary Committees may be freely reproduced in their entirety for academic research or instructional or journalistic purposes provided that the author's and the Conference's copyright is acknowledged.

The Conference of Defence Associations
359 Kent St., Suite 502
Ottawa, Ontario, Canada
K2P 0R7
Telephone : (613) 236-1252
Facsimile : (613) 236-8191