

Speaker 1

All right, everybody.

00:01:04

Speaker 1

Can I get everybody to grab their seat again so we can start with the next discussion?

00:01:14

Speaker 1

Thanks very much.

00:01:17

Speaker 1

Chris.

00:01:19

Speaker 1

Chris.

00:01:21

Speaker 1

Yep.

00:01:22

Speaker 1

Yep.

00:01:23

Speaker 1

That's the voice of God.

00:01:23

Speaker 1

Sit down.

00:01:27

Speaker 1

Sit down, Chris.

00:01:31

Speaker 1

I know he's not the loud one, but I've already called AI out once.

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Speaker 1

All right, thanks very much, everybody.

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Speaker 1

Okay, this next discussion we've framed around driving implementation of the industrial strategy at both defense and the Defense Investment Agency.

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Speaker 1

We're joined on stage by my colleague, our vice president,

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Speaker 1

of Ottawa Operations Charlotte DeValle Antoine at the end of the stage.

00:02:02

Speaker 1

Next to her, Vincent Robitais, the Assistant Deputy Minister for Procurement at the Defence Investment Agency.

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Speaker 1

Next to him, Mark Rogers, the Chief of Program from National Defence.

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Speaker 1

Major General Richard Schmidt, the Chief of Force Development from the Canadian Armed Forces.

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Speaker 1

And last but not least, Dr.

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Speaker 1

Craig Stone, who's a fellow with Canadian Global Affairs Institute and a Professor Emeritus kind of, because he hasn't actually retired from the Canadian Forces College.

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Speaker 1

He just gets paid less.

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Speaker 1

Okay.

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Speaker 1

Charlotte, I'll turn it over to you.

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Speaker 2

Thank you very much, Dave.

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Speaker 2

Welcome, everyone.

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Speaker 2

Thank you so much for being here today on this beautiful June day.

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Speaker 2

It's very much a pleasure to have you.

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Speaker 2

So I'm not going to do that much introduction because I think that very much a lot of the questions have been raised so far for our conversation is we have a document

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Speaker 2

Fantastic.

00:02:56

Speaker 2

Congratulations, Government of Canada, now Obulo.

00:03:01

Speaker 2

And so we're going to kind of deconstruct all of this with the best people that we could get to have a conversation.

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Speaker 2

And Vincent, I actually start with you because you're quite at the center of all of the changes that are going on and are being put in place through the defense industrial strategy.

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Speaker 2

And

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Speaker 2

And part of what the strategy has promised was a draft legislation to come in the spring and it came in the spring.

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Speaker 2

Can you talk about the authorities that are proposed under this bill and what it will provide to the agency?

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Speaker 2

But also where does it fit within the Treasury Board policy suite or if it's going to belong to an other administrative tool within the government of Canada?

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Speaker 3

Thank you.

00:03:54

Speaker 3

It's a pleasure seeing all of you today, and I already see a lot of familiar faces, which is good since I've been three months into the job.

00:04:01

Speaker 3

So it probably means that I'm talking to the right people.

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Speaker 3

Yes, so the tabling of the legislation is a very important milestone.

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Speaker 3

I think at this point, I will describe basically what it means, but I will ask for some deference.

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Speaker 3

It's still in Parliament, so it does not receive royal sanction yet.

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Speaker 3

So this is not

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Speaker 3

But there may be amendments done.

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Speaker 3

It may not even receive royal sanctions.

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Speaker 3

We need to respect the legislative process that's ongoing.

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Speaker 3

But effectively, it is an important milestone because the Defense Investment Agency up to today was still in its infancy, where it had about 30 projects ongoing that we've been proceeding many of those very quickly with our colleagues from the Canadian Armed Forces and National Defense.

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Speaker 3

But the legislation will formally establish a minister responsible for defense investment, a full department that will have the responsibility for all of the defense investment.

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Speaker 3

It will be, and all of the associated government machinery changes that are necessary for a full department to be set up.

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Speaker 3

It will provide, or it's proposing to provide the minister with the authority for all defense and national security procurement.

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Speaker 3

so to centralize that authority.

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Speaker 3

So that's very important.

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Speaker 3

So it means that from the infancy that the DIA is in right now, the other defense procurement will come under the responsibility.

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Speaker 3

And associated with it, the current staff that are responsible for this will be moving to the defense investment agency so that we have that common approach.

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Speaker 3

It also provides, and I understand there was some discussion this morning about this, it provides the minister with new authorities and specifically with regards to certain types of investment that can be made, like by the DIA with regards to investment in equity debt or debt guarantees that can be done.

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Speaker 3

It provides authorities that were previously under the Defense Production Act that have been

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Speaker 3

like extended, like in particular around stockpiling of critical material.

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Speaker 3

It does provide like a different like, like a new and expanded regime for a situation where selective tendering can be used, which is either sole source or like going by like, like a smaller list of bidders to to do procurement.

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Speaker 3

And then and it provides like, for example,

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Speaker 3

the ability to do this for the economic security of the country.

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Speaker 3

It allows to do this in terms of further investment into project or contracts where Canada previously funded research engine development, for example.

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Speaker 3

So it does reflect many of the statement, studies, requests that have been made over the years.

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Speaker 3

So again, that's quite extensive.

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Speaker 3

And for the agency, it's going to mean a significant progression and growth in the coming months, if and when the legislation receives royal sanctions and when it comes into force.

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Speaker 3

To the last point of your question, I'm sure there's going to be a lot more to talk about this, but when we talk about authorities with Treasury Board,

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Speaker 3

effectively, the agency will still be under the Treasury Board directive on managing procurement.

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Speaker 3

But there are specific exemptions that exist right now for the agency as it is.

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Speaker 3

So it doesn't need to receive Treasury Board approval as often as other organizations.

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Speaker 3

And we're actively pursuing additional streamlining that can happen.

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Speaker 3

But it will effectively still remain.

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Speaker 3

It is a full department

00:08:07

Speaker 3

of the Government of Canada, and it remains subject to the policies that apply to the Government of Canada departments.

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Speaker 3

That was a fairly long answer, but I think it's like, given the interest on this topic, I want it to be comprehensive.

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Speaker 2

No, I'm sure it is greatly appreciated, and as you said.

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Speaker 2

things are still very much in motion with the bill only going through second reading at the moment.

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Speaker 2

Craig, I'll actually turn to you to reflect a little bit on the past reorder efforts of the defense procurement system.

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Speaker 2

And here, thinking more about the defense procurement strategy in 2014, what kind of lessons have we learned

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Speaker 2

that we can ensure success better in this next change of the defense procurement system.

00:09:01

Speaker 4

So first, let me say thanks for having me.

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Speaker 4

It's always good to see a whole bunch of familiar faces.

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Speaker 4

I'm going to caveat my answer by starting with institutionally, we capture all kinds of lessons.

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Speaker 4

Don't always learn them.

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Speaker 4

And I say that in the context of, if you think about the defence procurement strategy, there was lots of movement to implement parts of the defence procurement strategy.

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Speaker 4

And within a couple of years, that started to go by the wayside.

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Speaker 4

One of the challenges in government and bureaucracies is urgency of the day ends up switching the focus.

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Speaker 4

So when you think about where we are now with the Defence Industrial Strategy, it's a moment in time.

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Speaker 4

And folks that were here earlier heard me ask the question about taxpayer money and that.

00:10:01

Speaker 4

Well, how much longer are the Canadian citizens going to be comfortable with spending this kind of money on defence?

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Speaker 4

How much longer till the next crisis for the government that will change the focus of the machinery?

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Speaker 4

So there's an issue around maintaining that focus.

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Speaker 4

And I would use the term accountability, so someone has to be accountable.

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Speaker 4

But it's really hard in government because the urgency of the day always takes precedence.

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Speaker 4

And we're not good at maintaining focus over an issue like this that needs long-term focus because the issues that are identified in the industrial strategy

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Speaker 4

are not going to happen this year.

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Speaker 4

They're going to take time for you to see the economic benefits that the government has articulated in the strategy.

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Speaker 4

And that applies to all of the departments that are involved and identified in the industrial strategy.

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Speaker 2

Thanks, Craig.

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Speaker 2

Mark, I'll turn to you.

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Speaker 2

And this I'm looking more forward

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Speaker 2

you are chief of program, and so the strategy involves certain changes for the way that you are going to do work within your organization.

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Speaker 2

What are some of the direct considerations in the strategy that would directly impact that?

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Speaker 5

I think first and foremost, aside from the specifics that are in the defense industrial strategy,

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Speaker 5

It's actually the level of investment that we have to make going forward.

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Speaker 5

People are looking at 2035 as an end state, but it's actually just a mile marker for us.

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Speaker 5

We have to look long term, how do we manage our investments?

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Speaker 5

How do we do governance differently?

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Speaker 5

How do we do our acquisition strategies differently in alignment with both the defense industrial strategy, but also in adherence to the buy Canadian policy?

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Speaker 5

But internal to D&D, what we've undertaken, because of the level of investment that was expected,

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Speaker 5

We are actually doing a sludge audit of every governance system that touches the acquisition across Defence.

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Speaker 5

We're doing that with the Privy Council Office Impact and Innovation Unit.

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Speaker 5

First, they bring a degree of credibility and expertise that we may or may not have within Defence, but secondly, they also have an ability to touch other government departments, including Treasury Board Secretariat, the Department of Finance, and our colleagues at the Defence Investment Agency.

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Speaker 5

to see where frictions might come up between D&D's internal governance and external governance facilitated by OGDs.

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Speaker 5

It also provides an opportunity and understanding that we're at the very initial phases of our relationship with the Defense Investment Agency.

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Speaker 5

As they start to develop, my understanding is a replacement for the Defense Procurement Strategy governance, align D&D internal governance and

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Speaker 5

follow on to defense procurement strategy governance to make sure that DIA has the appropriate touch points inside.

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Speaker 5

You know, maybe **** can talk about this a little bit more, but insider options analysis phases that we can get industry touch points, not necessarily through industry, but through the defense investment agencies to shape our acquisition and sustainment strategies very early in the process so that we can develop implementation strategies very early.

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Speaker 5

and just get on with executing.

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Speaker 5

We've seen a lot working with the DIA since they've been stood up.

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Speaker 5

We've taken a look at, we've triaged basically our project structures and seen what we can push without being constrained inside the project governance system.

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Speaker 5

You'll see things like the Canadian modular assault rifle rather than go through a lengthy options analysis phase and definition phase.

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Speaker 5

We did do exactly what we were challenged to this morning and just buy the next ones off the shelf.

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Speaker 5

That's the strategy and build in development under that acquisition.

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Speaker 5

Advancing things like Challenger, advancing things like, as announced a couple weeks ago, Global Eye.

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Speaker 5

Those are all strategies to get after things faster and perhaps preserve the really hard work for those things that we need to develop and spend more time

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Speaker 5

thinking about before we acquire.

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Speaker 5

So we're actually trying to change the entire system all at once within defense to support that acquisition.

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Speaker 5

That includes the professionalization of our people.

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Speaker 5

It talks about all the acquisition pathways that we need to develop and refine to be able to not move everything through the hardest system we have, which is our project governance.

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Speaker 5

Talking about different ways to access funding, streamline our submissions and approval authorities,

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Speaker 5

basically 6 streams designed to get at everything all at once.

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Speaker 5

So not a small challenge, all the while executing with our partners.

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Speaker 5

So not any one thing related directly to defense industrial strategy.

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Speaker 5

It's working inside to make sure that our acquisition strategies basically resonate with government.

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Speaker 5

Because if you can make a strategy that resonates with government, it sort of smooths the process towards implementation.

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Speaker 5

And you'll see a number of announcements over the next couple of months likely where we've done exactly that.

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Speaker 5

We've recognized that part of the reason why defense has gotten such an inject in funding is to address economic drivers.

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Speaker 5

And we intend to demonstrate exactly how we're going to do that today and in the future to head off what Dr.

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Speaker 5

Stone was talking about and making sure that defense investment just doesn't be a thing of the moment, but is a thing in perpetuity.

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Speaker 2

**** to pick up on something that Mark said, so obviously the implementation of the strategy will involve a lot of moving pieces, but I want to focus here on one of actually the big pieces that your office is going to have to deal with, and that is the sovereign capabilities that are outlined in the strategy.

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Speaker 2

how will they factor in the development process and how will these capabilities be factored into the capital investment plan program review prioritization efforts when determining the next investment plan?

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Speaker 2

So just light stuff.

00:16:37

Speaker 6

Light stuff.

00:16:38

Speaker 2

Light stuff.

00:16:39

Speaker 6

So first off, thanks for having me here today.

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Speaker 6

I have spent my career

00:16:46

Speaker 6

literally avoiding rooms full of people.

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Speaker 6

It was part of the job description.

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Speaker 6

And I'm less than 30 days in the chair as chief of force development.

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Speaker 6

And so hold me accountable for what I say, but where I don't get it right, come and re-attack with me when I see you around these forums in the future, which I hope to do.

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Speaker 6

So the first thing I'd say on those two super light questions is that

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Speaker 6

Sovereign capabilities don't factor at this point in time into the force development process that I manage.

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Speaker 6

That's not to say that they don't come further down the line, but force development in the CAF is not really about acquisition.

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Speaker 6

It's about identifying capability gaps and creating options to solve those capability gaps that are agnostic of vendors and agnostic of

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Speaker 6

investment in the broader defense ecosystem inside of Canada.

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Speaker 6

Now I think that needs to change to some degree, but at a certain point I have to take a bit of a purist perspective as the task force developer to make sure that we are delivering what the military needs to address the specific military problems that were being given by the government of Canada.

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Speaker 6

And that requires me to just look at

00:18:12

Speaker 6

look at these problems from a pure perspective.

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Speaker 6

Now, Mark alluded to the idea that in options analysis, we may want to start to consider procurement strategies whereby Canada fits in.

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Speaker 6

We may want to look at how sovereign capabilities would rack and stack in the prioritization.

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Speaker 6

But this is early days in forced development of looking at this.

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Speaker 6

And this is not new.

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Speaker 6

It's new perhaps for sovereign capabilities in the 10 that are articulated in a defense industrial strategy, but it's not new in terms of looking at what Canada can deliver for the Canadian Armed Forces.

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Speaker 6

In 2018, 2019, procurement strategies, acquisition strategies were a part of the way that we looked at prioritizing projects.

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Speaker 6

The challenge for us in the force development community became that

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Speaker 6

Instead of looking at the broad range of options that could solve our problem, we got singularly focused.

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Speaker 6

Now, to some points that were made this morning, maybe that's a good thing.

00:19:18

Speaker 6

But in the era of fair, transparent, open, needing to be whiter than the driven snow, that was a problem in terms of the way that we were doing business.

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Speaker 6

And so

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Speaker 6

The moment today has changed.

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Speaker 6

I think the force development community needs to meet that moment a little bit differently than we have in the past and certainly we're starting to explore that.

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Speaker 6

To your question on the Capital Investment Program Prioritization Review, CIPR for those who've never had the pleasure, which is really an investment prioritization tool that exists out there and the person who named it's in the room and if you see him you can

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Speaker 6

Derek, you're in here somewhere.

00:20:04

Speaker 6

So at the end of the day, this is a prioritization tool.

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Speaker 6

And again, it does have some level of input into it that tells us whether or not industry can deliver the specific capability.

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Speaker 6

But that is one of almost 100 factors that are considered in the algorithm.

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Speaker 6

that spit out for the force development community something we call the approved priority list and the unfunded capability to develop list.

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Speaker 6

I'll maybe come back to that later if we get around to it, but at the end of the day, that gives us the prioritization of capabilities that we want to deliver for the Canadian Armed Forces based on the biggest deltas that we have to deliver on our government mandates.

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Speaker 6

And so at this point, sovereign capabilities don't play a role in it.

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Speaker 6

Neither does Buy Canada or build partner buy.

00:21:02

Speaker 6

But I think if we were sitting on this stage next year having the same conversation, I would be telling you a different story.

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Speaker 2

I'll get back to you on the build partner buy considerations.

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Speaker 2

But Craig, to continue on Canada sovereign capabilities conversation,

00:21:24

Speaker 2

how obviously important consideration, but the next question then becomes how can we ensure that the defense industrial strategy provide the best capabilities for the Canadian Armed Forces?

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Speaker 4

So I have to be honest, say one of my first notes here is that we need to start in the force development process, which has just been challenged a bit.

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Speaker 4

But actually I would say that

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Speaker 4

It's right in the context of you don't want it right at the very beginning of the force development process when you're identifying capability gaps.

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Speaker 4

But you need at some point in time in that force development process to have the knowledge of industry capabilities, you start doing options analysis.

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Speaker 4

And one of the challenges when you think about how the CAF does that,

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Speaker 4

My first posting in my 30 years in the Army to Ottawa was into the force development world as a major having done staff college, commanded an artillery battery, and I knew nothing about industry.

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Speaker 4

And so that's the individual that starts that process of what's the capability gaps, and they're going to look at

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Speaker 4

What's out there from a technology perspective, and one of the criticisms from industry is you end up with a Frankenspec because they want a whole bunch of this stuff that they see is available across industries, but they don't have a conversation with industry to know what's technically feasible in the integration of all those technologies.

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Speaker 4

And part of that is a function of the system we had, which was referred to in that you got to be whiter than snow.

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Speaker 4

Because back then it was perceived to be an unfair competitive advantage for you as a force developer to have a conversation with an industry representative as you would then favor that industry.

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Speaker 4

And so all of that dynamic is changing with the defense industrial strategy.

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Speaker 4

But there's a knowledge requirement, and it's not just a knowledge requirement for the force developer folks.

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Speaker 4

It's actually a knowledge requirement and finding a vehicle for all of the people in government that are involved in this process to understand what industry is capable of.

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Speaker 4

And it's also a requirement for people in industry to understand what the CAF needs in terms of military requirements.

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Speaker 4

And you're only going to get that knowledge if you have a mechanism for people to get together and learn from each other.

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Speaker 4

in a way that doesn't all of a sudden cause you a problem when you actually go to the actual formal competition process.

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Speaker 4

If you're going to have a competition, how do you get that knowledge on both sides of the issue so that you're having the same conversation and you're not talking past one another?

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Speaker 4

The other issue when you think about this from a holistic development context is the need

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Speaker 4

or Canada to, on a more regular basis, do national security strategies, defense industrial strategies, defense policies.

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Speaker 4

Most of our allies do that on a regular basis.

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Speaker 4

In some cases, it's mandated by their own machinery.

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Speaker 4

In other cases, they just do it because it's the right thing to do.

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Speaker 4

Canada, historically, does not like to publish policies or strategies, and we mix those two terms.

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Speaker 4

But if we want to do this and engage and have the knowledge we need, we actually need to do that on a more regular basis.

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Speaker 4

And you need to update it on a regular basis because circumstances change.

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Speaker 4

And our allies do it.

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Speaker 4

Canada's not really good at that.

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Speaker 2

So we talked quite a bit about things from a program force development perspective, but I kind of want to jump back ahead in the pipeline to turn back to you, Vincent.

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Speaker 2

What is the envisioned scope of work for the DIA?

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Speaker 2

Because we're looking at projects that have quite a few baskets.

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Speaker 2

We're looking at stuff under strong, security and engaged are still like in the pipeline.

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Speaker 2

We have modernization of 2022 and then our North Strong and Free.

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Speaker 2

So where will the DIA, what kind of projects will the DIA take on?

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Speaker 2

Are you devising it by kind of like policy coverage or are you going to be looking

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Speaker 2

where the projects are in the pipeline and then grab them as they go through.

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Speaker 3

Yeah, actually the answer is a little bit simpler than the question.

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Speaker 3

Effectively, like I mentioned the act, it's establishing the Minister of Defense Investment and its department become responsible for defense procurement.

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Speaker 3

So that means that new and existing procurement

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Speaker 3

defense procurement will be under the responsibility of the minister and the department.

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Speaker 3

So whether it's the national shipbuilding strategy, the munition supply program, what's coming up, I think.

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Speaker 3

So that's, and then there's going to be, and I will not go through all the machinery details, but the people that are working on this will join us in the defense investment.

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Speaker 3

So that's

00:27:01

Speaker 3

I would say that's kind of at an high level, like the responsibilities themselves.

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Speaker 3

The legislation does provide the authority for the new minister to delegate some of its authority.

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Speaker 3

So he may choose, and without presuming, but to delegate some more to national defense or others where it makes sense.

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Speaker 3

But the intent of

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Speaker 3

the change is to simplify the ecosystem for everyone.

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Speaker 3

It also includes, I think it was part of the defense industrial strategy, not the legislation itself.

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Speaker 3

But one of these steps as well is that the industrial and technological benefits responsibility that's currently with the Department of ISED will be moving with the associated team, again, with the DIA to have that one-stop shop.

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Speaker 3

So it will provide that opportunity.

00:27:59

Speaker 3

Now it's like, I will not lie, it is a massive change management exercise.

00:28:03

Speaker 3

There's a lot of great people that will be working together, and we want to take the opportunity to do certain things differently.

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Speaker 3

Not because people were not competent or were not there, but because with the impetus of the defense industrial strategy, some of the changes, we need to live up to the moment, which means doing some things differently.

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Speaker 3

And I'll just give an example of that because it was just mentioned by my colleague on the panel.

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Speaker 3

It's about exchanges and conversation with the industry.

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Speaker 3

So this is something that we absolutely need to change.

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Speaker 3

There needs to be much more interaction with the industry.

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Speaker 3

There are ways to do this.

00:28:50

Speaker 3

Like for those of you that don't know me yet, I come from the infrastructure world and in public-private partnerships.

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Speaker 3

And for example, one of my project was the Samuel de Champlain Bridge in Montreal.

00:29:02

Speaker 3

And we probably had 60 or 70 meetings with the industry throughout the procurement, shaped it well.

00:29:09

Speaker 3

And that was crucial to getting this bridge built in four years.

00:29:14

Speaker 3

So one of the guiding principle that we will have as an agency

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Speaker 3

is that profound humility around needing to understand what the industry can deliver and having appropriate, fair methodology for the industry to understand better what the need of the CAFs are.

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Speaker 3

So that is a priority.

00:29:39

Speaker 3

We're already doing it in some procurement.

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Speaker 3

We've already started.

00:29:42

Speaker 3

It has been part of how

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Speaker 3

the submarine procurement has been run, and you'll see a lot more of that over time.

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Speaker 3

And again, this is just one example of what, again, the way

00:29:55

Speaker 3

that we intend to change how we're doing business.

00:29:59

Speaker 2

**** I said I would get back to you on the build partner by framework.

00:30:06

Speaker 2

Is it at this stage a procurement decision alone or also a consideration for the requirement setting process?

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Speaker 2

And if yes, how do you envision that framework to factor in the decisions that you make?

00:30:21

Speaker 6

So at this juncture, it's really just a part of the acquisition decision.

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Speaker 6

So it's really beyond the chief of force development scope.

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Speaker 6

But I've started engaging with several folks in this room.

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Speaker 6

I think they're still in this room in side conversations about how we can better start to engage industry from your points of view on the setting of requirements.

00:30:47

Speaker 6

What do things like

00:30:50

Speaker 6

minimum viable requirements look like.

00:30:52

Speaker 6

What can we be thinking about in the forced development world that drives us towards iterative acquisitions?

00:31:01

Speaker 6

And so not being handcuffed to, in cases where it makes sense, not being handcuffed to a platform which will have a 30 year lifespan with the same technological suite in it.

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Speaker 6

I think Elliot Pence this morning talked a little bit about

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Speaker 6

this idea that many of our capabilities are basically server racks with wings, tracks, or that float or deliberately sync.

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Speaker 6

And so how do we start thinking that way earlier in the force development process?

00:31:36

Speaker 6

So I don't have a good answer to that, but what's clear is that all three of those pillars are going to be very important

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Speaker 6

in the way that we think about force development in the future.

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Speaker 6

And I think earlier industry engagement, as Dr.

00:31:53

Speaker 6

Stone alluded to, probably in what we call the options analysis phase, which is not the initial thinking around a force development problem, but is when we're down the pathway of actually getting to here's a few ways we could solve this capability gap that exists for the Canadian Armed Forces.

00:32:14

Speaker 2

So Mark, to come back to you, you've been very patient.

00:32:19

Speaker 2

What are the next steps for your office in terms of implementing the defense industrial strategy?

00:32:28

Speaker 5

Well, I think as I kind of laid out, we've got 6 streams of effort to basically change everything everywhere all at once within

00:32:37

Speaker 5

how we execute defense.

00:32:38

Speaker 5

It's very ambitious.

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Speaker 5

It's actually a commitment that our deputy minister made to the clerk of the Privy Council.

00:32:44

Speaker 5

So it's not like we can just say a whole bunch of things and then run off and undo them.

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Speaker 5

We're committed now with colleagues.

00:32:52

Speaker 5

I think there's, you know, you asked **** what we're doing about prioritizing files.

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Speaker 5

We have pulled files forward that align with the defense industrial strategy.

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Speaker 5

And ones that, you know, the DIA had picked up to demonstrate that we could make this work.

00:33:10

Speaker 5

So some of these files, for instance, you know, and I don't want to harp on a couple, but the modular assault rifle was pulled forward three years.

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Speaker 5

We will get the rifles three years ahead of time from when we had initially planned the investment.

00:33:22

Speaker 5

Challenger, I think, is about eight years that we pulled it forward.

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Speaker 5

And then GlobalEye, that's not even something we had on the horizon.

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Speaker 5

Those aren't easy things to do.

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Speaker 5

It's one thing to say we're going to do something.

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Speaker 5

We actually have to change our entire funding profile to drag projects forward because we weren't expected to expand in those time frames.

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Speaker 5

So if you can imagine, if you bring a \$6 billion project forward by eight years, you've actually just changed the supply line that the Department of Finance now has to come up with and fund.

00:33:56

Speaker 5

And that's not an easy thing to do for

00:33:59

Speaker 5

basically look at our tax base and figure out if we can drag an extra \$400 or \$500 million a year forward eight years.

00:34:07

Speaker 5

All I have to say is it's a very complex dynamic.

00:34:11

Speaker 5

We want to make strategic announcements and demonstrate that we're paying attention, and then perhaps where required, you do some other strategies related to the build partner by

00:34:24

Speaker 5

strategy, and maybe there are foreign military sales cases that we are going to defend to our end, but we'll have demonstrated good behavior on several other files where it just makes sense to pull them forward.

00:34:37

Speaker 5

So we are doing a lot of that internal to defense and trying to massage the sort of the, I don't want to say implementation strategies, but our entire strategies around investments, make sure that we're making the right decisions, and they're defensible.

00:34:52

Speaker 5

and not just defensible to us, but defensible to Canadians broadly.

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Speaker 5

When you inject \$9 billion last year, \$10.4 billion this year, and going up to potentially a budget of \$100 billion a year going forward, taxpayers want to know that money is being spent responsibly.

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Speaker 5

And so it behooves us to make sure that we are driving economic objectives.

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Speaker 5

Part and parcel with that, we have to relook at our benefits realization matrices and make sure that our results reporting is aligned to job creation, economic multipliers.

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Speaker 5

Are we achieving supply chain resiliency, not just talking about it?

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Speaker 5

So all of that is, I would say, language that defense has not spoken really well before.

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Speaker 5

We certainly don't have a ton of capability in this area, so we'll be working obviously with DIA, ISED, that's Canada.

00:35:46

Speaker 5

But anytime you talk about defense investment, defense is usually there, taking accountability for whatever happens.

00:35:53

Speaker 5

We have to get smarter, much smarter than that.

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Speaker 5

again, our investments resonate broadly.

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Speaker 2

And I'm sure that the audience here today will be watching out for those announcements.

00:36:05

Speaker 2

Speaking of whom, we're actually going to do the question period right now.

00:36:09

Speaker 2

So if you have any questions, please raise your hand and Mitchell or Arman will get a mic to you.

00:36:16

Speaker 2

If you're on the further ends of the room, please stand up so that we can see you.

00:36:24

Speaker 4

So what?

00:36:25

Speaker 4

Never mind.

00:36:25

Speaker 4

Got someone.

00:36:26

Speaker 4

I was going to say, can I say something while?

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Speaker 2

We're getting a mic?

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Speaker 2

Yeah, While we're getting a mic, yeah.

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Speaker 4

Just contextually, it came up in an earlier panel discussion where Sylvain said all of our allies are doing similar things.

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Speaker 4

So UK, EU, Australia have all said they're going to prioritize their own industries.

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Speaker 4

And you think about that in the context of the government's initiatives to broaden, get into Europe.

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Speaker 4

What that basically means is if you want Canadian companies to be able to sell to those nations,

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Speaker 4

You got to expect those nations' companies to be able to do stuff in Canada, which is a friction point.

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Speaker 4

And they're all doing it to get economies of scale in their own nations and kind of supply chain resilience.

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Speaker 4

That is going to be problematic in this whole discussion around defense investment agency versus defense procurement.

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Speaker 2

Ma'am.

00:37:27

Speaker 7

Thank you.

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Speaker 7

And in the context of accelerating industrial capacity, the other side is land, space, talent.

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Speaker 7

All of those are sort of key elements of that sovereign equation.

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Speaker 7

And when you take that down to the earlier conversation at the provincial and the municipal level, those are really the folks that control some of those on ground conditions.

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Speaker 7

And so with Barry recently announced that there was a \$50 million announcement, some zoning, investments in talent, my question really is, how do you see municipalities like Barry Province become partners in sort of the delivery equation and with the DIA's objectives?

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Speaker 7

And do you see the DIA looking to municipalities who are working to accelerate that movement as part of sort of your procurement and moving things forward equation?

00:38:26

Speaker 3

Really it takes, what is it like, it takes the whole ecosystem, right, for companies to be successful, for Canadian companies to be successful.

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Speaker 3

So it means the government of Canada, the provinces, the municipalities.

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Speaker 3

And to take advantage of their champions that we have to create the conditions for success.

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Speaker 3

to give them the tools for success.

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Speaker 3

I think one of the things that this has mentioned that is going to be important to help with that is providing a better demand signal.

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Speaker 3

So there's already areas that we know and that have been, areas of strength in Canada, like national champions that are well established.

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Speaker 3

But when, and obviously there needs to be support, and we'll see, there's going to be for some, there's going to be growth, some stability as technology move.

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Speaker 3

But it's about understanding who the next champions will be, or who the additional champions will be.

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Speaker 3

Because when we're looking at the level of investment that are going to be made, the change in the technology, whether it's UAV, counter UAV,

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Speaker 3

some of the command and control system.

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Speaker 3

There are opportunities for new companies to take that space.

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Speaker 3

So I would say I think this is, I'd say at an eye level, that's what I would say.

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Speaker 3

I think where it makes sense that the IA will have discussion with municipalities, I think we will likely stay more with the companies and the organization themselves.

00:40:05

Speaker 3

But in some areas for project, especially when there are infrastructure components, that that's going to be crucial for success.

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Speaker 2

Thank you.

00:40:12

Speaker 2

We have one question there.

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Speaker 2

We're going to take two at a time, and then I know, Kate, you have a mic.

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Speaker 2

Please go ahead.

00:40:18

Speaker 4

Hi, Dominic Besner.

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Speaker 4

I'm with the CAE.

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Speaker 4

We talked about the fiscal framework and how money moves and

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Speaker 4

interaction with Treasury Board.

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Speaker 4

Do we have a sense of what the expenditure authority will be from the DIA and how independent they'll be able to compete or sole source contracts?

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Speaker 2

With that thought, Kate.

00:40:42

Speaker 8

Hi everybody, Kate Todd from the Department of National Defense Policy Group.

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Speaker 8

I was wondering, Vincent, if you could speak a bit about how potentially there's a

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Speaker 8

Defense Security and Resilience Bank will play into the defense investment ecosystem once it is stood up.

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Speaker 8

I know Canada has one that it will host the bank somewhere in the country eventually.

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Speaker 8

And you spoke a bit about how the DIA would be looking into either like providing loans, equity, debt financing.

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Speaker 8

So I was just wondering what you think the DIA's role will be versus this bank?

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Speaker 3

Thank you.

00:41:20

Speaker 3

So just on the authority, so the DIA's role is to procure on behalf of firmly national defense at CAF, but also national security.

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Speaker 3

That's how the legislation is built.

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Speaker 3

That could include other, say the RCMP, for example.

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Speaker 3

So but it doesn't have

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Speaker 3

it doesn't control the budget.

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Speaker 3

So the funding remains with national defense, with those national security agencies.

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Speaker 3

And they are the ones that determine the needs that they have, and then we will be procuring on their behalf.

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Speaker 3

So that's the, I think, kind of an eye level how it works.

00:42:03

Speaker 3

But the expenditure is separate from the authorities to do either non-competitive or selective tendering, which really means

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Speaker 3

inviting two or three companies to compete as opposed to going to everyone.

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Speaker 3

So those are separate, and through the act that's in front of parliament, there are a number of new authorities or new rationale that can be used for selective or tendering or sources.

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Speaker 3

And that includes contributing to the economic sovereignty of the country.

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Speaker 3

So that's

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Speaker 3

So that's very well aligned with the defense industrial strategy.

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Speaker 3

So now I think an interesting point on the defense security and resilience bank.

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Speaker 3

The roles are very complementary, right?

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Speaker 3

So one of the challenges that exists is in defense broadly, significant investments are necessary to get to avenue.

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Speaker 3

the manufacturing capability, the research and development, the workforce that is needed for success.

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Speaker 3

And for many good and bad reasons over the last decade, it's been harder to get access to that capital for people that are in the defense supply chain.

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Speaker 3

So that's, so organization like this will be helping and providing that better access to capital and better terms.

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Speaker 3

And we believe it will be important.

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Speaker 3

The Defense Investment Agency, our role, the first one is to actually procure, do the contract.

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Speaker 3

We will have new powers to invest, but those investments will be linked to

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Speaker 3

we expect.

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Speaker 3

And again, the framework is going to be developed in the future.

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Speaker 3

But it's going to be like, you can expect it to be adjacent to specific procurement and not necessarily broadly investing in the industry, not necessarily broadly investing in the full supply chain down the road.

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Speaker 3

But when we can, and an example that my CEO, Mr.

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Speaker 3

Guzman, has been using is

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Speaker 3

a situation where to procure or to obtain a specific capacity, Canada needs to make a very important investment in research and development or development of a new capacity.

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Speaker 3

And that research and development has significant export potential.

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Speaker 3

So in a scenario where Canada takes a significant share of the risk,

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Speaker 3

then it should be able to receive some part of the reward if this is successful in the export market.

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Speaker 3

So I think the ability, as opposed to just making a payment, so you know what, we're going to help the financing, we're going to take, say, for example, an equity stake or some sort of stake in the company that allows Canada to have access to some of the future benefit of that technology, capture some of that value and investment and the risk that it's taken.

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Speaker 3

So basically it provides a better, like a Swiss knife, a better toolkit so that when we enter into a contract, we can, if there's significant capital requirement, we can do it in a way that's much more sophisticated.

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Speaker 3

And since we have one of the most accomplished banker as our CEO, you can imagine how creative we can be with those.

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Speaker 2

Any other?

00:45:44

Speaker 2

David?

00:45:48

Speaker 2

Jason.

00:45:55

Speaker 9

Hello.

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Speaker 9

Jason Reed.

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Speaker 9

First off, thank you for an excellent panel.

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Speaker 9

I've learned a lot, which is great.

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Speaker 9

Six things all at once.

00:46:04

Speaker 9

We'll obviously change the process, we'll change the project approval directive.

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Speaker 9

When will the six things or all the things that you're doing be codified and how transparent with industry will you be with that new codification?

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Speaker 5

That's a great question.

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Speaker 5

So our first bound is we're looking at, so if you're not tracking, defense had a propensity to do everything through project frameworks, everything.

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Speaker 5

So the pad is actually the project approval directive.

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Speaker 5

And we're changing that.

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Speaker 5

The name has not been settled yet, but rather than have a project approval directive, it's going to be an investment management framework, which is going to list out

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Speaker 5

the entire governance structure, but also the acquisition pathways that we intend to follow using decision tree methodology.

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Speaker 5

First step we have to do is we have to get out of the project only mindset and we're going to an enduring capability program mindset.

00:47:05

Speaker 5

So basically looking at, if I can pick a terrible example like satellite communications, the ability to communicate anywhere in Canada and abroad, rather than say, okay, we've got five

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Speaker 5

projects and we're going to execute all the uplift in those through projects, we'll look at the enduring capability and decide what element of the enduring capability needs to be supported by a project, what can be addressed through routine continuous capability sustainment, what can be, let's say the enduring capability is the ability to move logistics from one end of the country to the other, it could be just buying a new truck.

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Speaker 5

and not treating everything like a project, but reserving project frameworks for those things that require a very defined scope, very defined timeline, and very specific activities associated with that.

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Speaker 5

So we're starting to develop, we're actually looking at our entire departmental results framework right now to see how can we adjust it so it makes more sense and supports those enduring capability lines.

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Speaker 5

And that way we can get after things like you've probably had other people talk about continuous capability sustainment or continuous capability development, and I can't remember what the infrastructure one is.

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Speaker 5

But rather than sit there and go, okay, we have a CP140 Aurora, 20 years have gone by with very little investment, we're gonna do a massive midlife upgrade that's gonna take 20 years to execute.

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Speaker 5

That is not sustainable.

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Speaker 5

First off, it makes no sense.

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Speaker 5

because you live with a ginormous capability gap from year one to year 20, because if you buy something off the shelf, it's immediately obsolete.

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Speaker 5

It's just changing our investment management frameworks around that.

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Speaker 5

And then going from, and a lot of this stuff is already in play, and there's so much stuff that it would just be boring to talk about.

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Speaker 5

Rather than look at our investment planning on a three-year cycle for three years out, we're doing it now annually.

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Speaker 5

so we can make adjustments on the fly.

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Speaker 5

We can signal to a Treasury Board and the Department of Finance what investments we need to make three years out.

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Speaker 5

That also enables things like continuous capability sustainment so we can identify what investments need to be made in the midterm.

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Speaker 5

The harder ones are the cultural changes and I would say the professionalization of the workforce.

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Speaker 5

We need to see where we're at today and where we need to be tomorrow and then figure out how to drive that gap.

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Speaker 5

We're very, I won't say we're good at it, but we have

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Speaker 5

very good project management competency developments inside D&D.

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Speaker 5

We don't have as very good portfolio management competencies within D&D.

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Speaker 5

So there's a lot of work that we need to do in those.

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Speaker 5

And I could go on all day because this stuff fascinates me.

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Speaker 5

But we have a pathway and we have to report periodically to the clerk.

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Speaker 5

Our first report has to go out by the end of June.

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Speaker 5

And so we're laying out all the activities that we need to do across, I'll say 30 lines of effort to support those six streams.

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Speaker 5

But we're very, like, this isn't a matter of, I mean, we are going to drive efficiency, but we've come to the realization this is a matter of survival.

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Speaker 5

We cannot drive the level of investment using the processes and the understanding that we had yesterday.

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Speaker 5

It's just like moving,

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Speaker 5

unless you were involved in moving that \$8.9 billion last year, it was just pure brute force.

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Speaker 5

We went through all of our processes faster, and it burns sections of the team out, and you can't do that.

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Speaker 5

And we recognize that very early, that everything has to change.

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Speaker 5

And so now we're on a path to do that.

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Speaker 6

Dave.

00:50:45

Speaker 1

Just had a couple easy ones to finish off on here.

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Speaker 1

For the folks at Defense, just to tease out the change piece,

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Speaker 1

last five years, total spends doubled nominally.

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Speaker 1

Spend on capital has gone up by almost 4x.

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Speaker 1

So how much relative change are you anticipating getting into the financial authorities levels, governance structure, the way that that's set up, who does what at what level?

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Speaker 1

Because that was all set up to literally handle at minimum

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Speaker 1

half the volume.

00:51:14

Speaker 1

And there's been some adjustments, but not ones to correlate even to spending at the 2% level that we're at today, let alone path forward.

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Speaker 1

So I just give a bit of a flavor about how much that's going to change.

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Speaker 1

And then for Vista, I think crystal clear, everything's going to the agency.

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Speaker 1

What's the path to doing that?

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Speaker 1

There's sort of an initial two steps so far that we've seen.

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Speaker 1

How do you go beyond that?

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Speaker 1

Are you going to take everything, all come over one fell swoop?

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Speaker 1

or something different, and then how do you communicate what happens, whatever path it is that you take?

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Speaker 5

So when we talk about enduring program, one of the advantages that we have a very high capacity to manage investments inside D&D, we actually score quite well.

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Speaker 5

What Treasure Board's actually directed us to do is we have a lot of, because we bundled everything into these massive projects, including things like Future Fighter Capability Project, which included everything from building two bases, building secure infrastructure, to acquiring a fighter aircraft, that makes the project, and it probably wouldn't have changed the complexity, but it makes it the most complex project, same with submarines, same with the river class destroyer investments.

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Speaker 5

What we're trying to do is take

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Speaker 5

take that bundling and disaggregate it into its components and execute it within the authorities that we have within defense so that we reserve our trips to Treasury Board for only the most complex investments that we need to undertake.

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Speaker 5

And that's a matter of their own survival because they were not going to be able to handle four times the number of submissions to go through Treasury Board.

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Speaker 5

So disaggregating, so taking infrastructure and executing that through IE's authorities, taking the material, developing the continuous capability sustainable pass, executing that through our implementers' authorities.

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Speaker 5

And then the acquisitions themselves, whether it's the platform or a new capability, that can be encapsulated in a project and depending on what risk and complexity that we drag that to treasure ports.

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Speaker 5

That's the idea behind going to a more program-centric framework versus a project-centric framework.

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Speaker 5

Because people will say, why have I done this before?

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Speaker 5

It's like, we never had this level of investment.

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Speaker 5

We were really worried about where the next dollar went.

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Speaker 5

It was going to be a 40-year generational investment in any capability.

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Speaker 5

So yeah, we packed everything in because we thought it was our one shot.

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Speaker 5

We don't think that's the case anymore.

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Speaker 5

This is perpetuity, hopefully.

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Speaker 5

Change of government's notwithstanding, Dr.

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Speaker 5

Stone, or priorities?

00:53:49

Speaker 6

I would just say from a force development perspective, there's some internal tension around what force developers do.

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Speaker 6

So the way that chief of force development is set up is really to look at concepts.

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Speaker 6

Those concepts are 30 year time horizons.

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Speaker 6

We all know that that's laughable in terms of the actual ability to do predictive analysis on those timelines.

00:54:14

Speaker 6

And then we do more near-term capability development.

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Speaker 6

Now the services are traditionally taking care of the force and being so that the military as it exists today and making sure that mostly through their minor cap programs, they're able to iterate the force and being to adapt to current problems that they see on the battlefield.

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Speaker 6

I do think from a force development point of view, we do need to be more involved in that near-term force development process and making sure that we're not just continuously recapitalizing capability that's already passed its best before date.

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Speaker 6

And that happens on a nearer timeline than chief of force development's traditionally been focused.

00:54:58

Speaker 6

Now I'm previewing that for the first time and there's some folks from the services in this room who will probably be interested in that later, but I do think it's an important step in making FD relevant, not just to tomorrow's fight, but also today.

00:55:13

Speaker 6

And this comes back to what I was saying about the need to

00:55:19

Speaker 6

be able to engage in conversation with industry from a force development point of view, specifically around requirements and informing acquisition strategies over the long term.

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Speaker 6

And if we don't know what we're doing today, we won't be able to do that for tomorrow.

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Speaker 6

So that's one observation.

00:55:37

Speaker 6

The second on governance is

00:55:41

Speaker 6

Force developers need to decide whether we're project approvers or we're capability developers.

00:55:46

Speaker 6

And the way that our system's currently designed is we approve projects.

00:55:50

Speaker 6

And you've just heard from Mark that that's not really the way that we're going to be doing things in the future.

00:55:55

Speaker 6

And so we need to adapt what's called the defense capability boards, the things that look at strategic context for new capabilities that are coming online and do options analysis and adapt that to this new investment planning framework

00:56:11

Speaker 6

that Mark's just unpacked here.

00:56:15

Speaker 6

I had a third point.

00:56:17

Speaker 6

It's drifted away.

00:56:19

Speaker 6

I'm going to fire it over to DIA.

00:56:23

Speaker 3

Thanks for the question on the transition.

00:56:25

Speaker 3

That's important.

00:56:25

Speaker 3

I'm sure that many people are asking themselves.

00:56:28

Speaker 3

I think we have guiding principles that will walk us through this.

00:56:34

Speaker 3

And the first one that was kind of my first

00:56:39

Speaker 3

objective that I was given to like when I was recruited is first do no harm.

00:56:47

Speaker 3

And I think this is it's important.

00:56:48

Speaker 3

We have many very important procurement that's are underway that are the responsibility of PSPC and that are like whether it's within the national shipbuilding strategy in the land space.

00:57:01

Speaker 3

So we already are in conversation with my colleagues and I look forward to working even more closely with them as we join the DIA.

00:57:10

Speaker 3

But at an eye level, the first step will be to make sure that there is continuity and nothing, like everything continue to proceed at pace because we cannot afford to stop or slow down or pause everything.

00:57:25

Speaker 3

So generally the approach would be like in that case where like

00:57:31

Speaker 3

first people would join the DIA, maintain their responsibilities that they have.

00:57:37

Speaker 3

And then as a subsequent, then we would start the change management process around some of the elements that I mentioned around different ways of procurement, more conversation.

00:57:51

Speaker 3

Again, there's going to be a portion to talk more about that in the coming months.

00:57:56

Speaker 3

And then making adjustment to the organizational structure.

00:58:02

Speaker 3

But we want to do it in a way that is responsible and make sure that there's no, like that, again, I do know nothing falls apart, that we stay, like everything that is planned for the coming months still happen on time and on schedule.

00:58:20

Speaker 3

So that's, I think, so that's going to be at an eye level how we're going to do it.

00:58:23

Speaker 3

And for the details around the specific, like I will ask that we respect the fact that we have this conversation.

00:58:31

Speaker 3

We've had meetings with the old teams, but we're going to be providing them with more details first before we go more publicly with those changes.

00:58:40

Speaker 2

A lot to digest.

00:58:41

Speaker 2

So thank you very much, gentlemen.

00:58:44

Speaker 2

And please join me in thanking them as well.

00:58:54

Speaker 1

And let me reiterate that.

00:58:55

Speaker 1

I think it helped provide some clarity on issues that a lot of people had questions about.

00:59:00

Speaker 1

We're now going to break for lunch.

00:59:02

Speaker 1

Thank you very much to RTX.

00:59:04

Speaker 1

I also want to quickly thank all the supporters that helped us put on this sessions today.

00:59:09

Speaker 1

Lockheed Martin Canada, General Dynamics, Onwa Defence and Ocean, Black Diamond, BAA Systems, Amazon Web Services, Cove Ocean, Davy Shipyards,

00:59:19

Speaker 1

Microsoft, Calient, and Stantec, and conference sponsors today, TKMS, Dominion Dynamics, Hatch, and Airbus.

00:59:25

Speaker 1

So we're going to invite everybody to go out into the hallway for lunch.

00:59:29

Speaker 1

Thank you again to RTX.

00:59:31

Speaker 1

You can either eat out there, probably get a little crowded, so there's lots of space back in here.

00:59:35

Speaker 1

If you want to bring it back into the room and eat in this room, unless Charlotte waves at me and tells me that we're not allowed to.

00:59:40

Speaker 2

No, that's perfect.

00:59:41

Speaker 1

No, you're allowed to do that.