



CANADIAN GLOBAL AFFAIRS INSTITUTE
INSTITUT CANADIEN DES AFFAIRES MONDIALES

Military Procurement Innovation Now

by Ian Mack
June 2022

COMMENTARY

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On May 10, 2022 at the CGAI conference at the Rideau Club entitled “After the War: What Kind of World for Canada?” Defence Minister Anita Anand made an unsurprising but important statement: “Our world changed immeasurably on February 24th [2022].” She spoke of what that would mean, including an update to the last defence policy, *Strong, Secure, Engaged* and the need for innovation and investment. In response to a question about procurement, she said she had been involved in the global “dogfight” to procure critical products to combat COVID-19 in 2020. She also highlighted a contract put in place in four days to deliver precision cameras for drones from a Canadian supplier and their subsequent delivery to Ukraine within a week.¹ Her point was that the capability was there to accelerate procurement when needed.

On May 4, CBC quoted Chief of Defence Staff Gen. Wayne Eyre saying: “Given the deteriorating world situation, we need the defence industry to go onto a wartime footing and increase their production lines to be able to support the requirements that are out there, whether its ammunition, artillery, rockets, you name it ... while Canada is currently able to meet its NATO commitments, the Canadian Forces need to be fully prepared for future demands while still supplying weapons to Ukraine.”² Just as quickly, some multinational arms manufacturers made it clear that contracts would be hard to fill as the demands flow in, due to supply chain challenges.³

Yet, a handful of months ago, the West was focused on China, the potential for Chinese action against Taiwan and President Xi Jinping’s plan to make China the new global hegemon of the 21st century by 2050. The focus was myopically on the Indo-Pacific. And as many strategists have suggested, China is drawing lessons from the West’s response to the war in Ukraine. This too is an emerging threat which requires Canada to determine future contributions by the Canadian Armed Forces (CAF) to collective defence in an updated defence policy. That policy will in part be shaped as Global Affairs Canada completes the development of an Indo-Pacific strategy begun in 2019.⁴

In response to the modest announcement of additional funding to the Department of National Defence (DND) in Budget 2022 on April 7, many have lamented Canada’s continuing inability as a NATO member to meet its commitment to spend two per cent of GDP on the CAF. The Parliamentary Budget Officer reported on June 9, 2022 that the government’s planned spending will only increase the defence budget from its current level of 1.33 per cent of GDP to 1.59 per cent by fiscal year 2026-2027, falling short of two per cent by \$13 billion to \$18 billion in each year over the next five years.⁵ Using some simple math and assuming that the percentage of that Defence Department budget spent on capital mirrored the 23 per cent figure in fiscal year 2020-2021, spending on new equipment capability for the CAF could more than triple to approximately \$30 billion annually. It is questionable if Canada’s military procurement system would be capable

¹ Bruce Cumley, “[Canada Sending Drone Surveillance Cameras to Ukraine](#),” Drone DJ, March 10, 2022.

² Peter Zimonjic, “Canada’s Top Soldier Says Defence Industry Needs to Ramp Up Production to ‘Wartime Footing,’” CBC, May 4, 2022.

³ Bryant Harris and Joe Gould, “Biden’s Javelin Factory Tour Spotlights Struggle to Backfill Ukraine Munitions,” *Air Force Times*, May 2, 2022.

⁴ Christopher Nardi, “Liberals Appoint Committee of Experts to Help Build Indo-Pacific Strategy,” *National Post*, June 9, 2022.

⁵ PBO, “Canada’s Military Expenditure and the NATO 2% Spending Target,” June 9, 2022.



of that level of spending when it has continued to fail to meet current spending targets for many years in the past decade.

Put simply, with Minister Anand stating that our world has changed immeasurably, so that a defence policy update is required, and with the CDS talking of a defence industry on a wartime footing, it is time to change how we respond in terms of military procurement.

Interestingly, federal government departments were required as of May 13, 2022 to implement the amended Treasury Board Directive on the Management of Procurement, which more than once requires innovation by calling for “lessons learned and best practices to inform procurement decision-making.”⁶ It appears that the alignment of policy and the demand to innovate in executing military procurement has arrived.

Why Procure Differently?

Canada’s military procurement system is routinely branded as the worst of the worst. One does not need to be a historian or scholar to understand why. The expensive and risky defence acquisition business is overhead to the federal government’s undervalued defence program. It has rarely been a priority of successive governments because Canadians have enjoyed over 70 years of minimal concern with defending the nation (the last 30 years of which was post-Cold War). Our geography north of the economic and military powerhouse of the U.S. has also enabled a sense of personal security which encouraged governments to focus almost exclusively on domestic issues.

Ministers have been frequently tasked to improve procurement processes and performance but without appreciable change occurring. Two recent cases relate to the creation of a defence procurement agency and the requirement of “improving project management capabilities, so that all major projects in government are led by a certified professional with at least five years of experience” – both of which were also in the Liberal Party’s platform⁷ and neither of which appears to have been advanced. Investment in even incremental process innovation has been absent or introduced new process challenges rather than adding to the positive side of the ledger, as is evident in the case of the sustainment initiative.⁸

Government programs to reduce public service costs have repeatedly hollowed out the most experienced and skilled practitioners in the procurement realm. Exacerbating these impacts are three factors: the common risk-adverse approach to complex acquisition projects seen in Canada and in many other Western democratic governments; the outsized influence of Canada’s Justice Department lawyers in limiting changes to contracting practices to avoid the potential for increased liability; and a steady growth in process and bureaucracy in response to perceived

⁶ Treasury Board, Directive on the Management of Procurement, May 13, 2021.

⁷ Liberal Party of Canada, “Forward: A Real Plan for the Middle Class,” 2019.

⁸ An initiative to better assess how the government should launch or extend in-service support contracts for major weapon systems was launched about a decade ago. An online industry sustainment business case analysis workshop on May 16, 2022 revealed that the related process has now evolved so significantly that it takes an estimated three years to complete.



shortfalls. Thus, we see a culture for many procurement and National Defence officials which generally acts to survive by going along to get along with the status quo.

This ecosystem has proven impervious to meaningful and positive innovation unless there was a forcing function or significant event. Most recently, Minister Anand led Canada's fight for COVID-19 supplies. And in 2005, Gen. Rick Hillier dictated a list of equipment enhancements required for OP ATHENA to enable success in Afghanistan starting in 2006; such systems were then acquired in record time. These were such forcing functions and they produced results in record time.

The world has encountered yet another significant event with Russia's February 2022 invasion of Ukraine. The state of NATO's readiness in general and that of Canada is just such a forcing function.

Immeasurably Different Times Call for Immeasurably Different Procurement Solutions

The need for change has been obvious for decades. In the past we have seen that our acquisition system can be flexible in a crisis. It is time to move to that footing as the default approach.

As Global Affairs Canada develops and informs the update to the SSE defence policy, there is a need for fresh ideas aplenty. Based on past innovations and flexibilities employed at various times, a few opportunities are mentioned in this paper. But if people are encouraged to launch innovations on a large scale, there will be many more useful initiatives than this long-retired (and naval career-biased) septuagenarian could ever offer.

It strikes me that the requirement facing Canada is to quickly develop and deploy new deterrent and combat capabilities which benefit collective defence, activity which will signal to our allies that we get it that the world has changed significantly. As a minimum and as directed by Treasury Board's latest policy on procurement management, the acquisition system needs to dig out, launder and get ready to use all the past methods employed in crises to expedite military procurement, some of which follow.

Accelerating military acquisition starts with the Treasury Board Secretariat (TBS) and its ability to recommend waived or amended policies to ministers to meet urgent requirements – something I witnessed as the National Shipbuilding Procurement Strategy was launched and then in early implementation. As well, TBS has in the past engaged in a form of swarming of approval documents for projects and programs, whereby responsible officials from DND, Public Services and Procurement Canada (PSPC) and Innovation, Science and Economic Development Canada (ISED) worked with TBS representatives non-stop to amend submissions as they arose to achieve project and contract approvals in weeks. This succeeded in terms of the package of capabilities procured before the Canadian army went into Afghanistan in 2006, and soon after to advance a number of procurements under the Canada First Defence Strategy (CFDS).



CAF service leaders need to work with Joint and Special Forces commanders to quickly develop the lists of capabilities they see as options as the defence policy update navigates government committees. Those requirements need to focus more on military-off-the-shelf products than those with all the bells and whistles they would like to have, a practice that is ill-suited to speedy procurement action. The Independent Review Panel for Defence Acquisition may need to ramp up its capacity to respond as weapon system requirements become more numerous.

PSPC needs to swallow hard and replace its default position of competition in favour of sole-source contracting for speed of acquisition, with such contracts awarded to Canadian suppliers who have partnered with offshore OEMs to deliver new systems and provide in-service support throughout the equipment's life. Such contracts could favour Canadian companies under the National Security Exemption policy. A supplemental consideration would be an appropriately resourced and implemented contract audit activity approaching 50-75 per cent of awarded sole-source contracts. In terms of in-service support contracts, the three-year sustainment business case analysis (SBCA) process should be put aside in favour of a SBCA-lite model instead (see footnote 8). As well and where it makes sense, we need to embrace foreign military sales (FMS) procurements from the United States. U.S. military forces are our key allies and they have in the past accelerated deliveries from their own orders, all the while guaranteeing interoperability in an efficient manner.

Government should also consider offshore ship design/build to expedite the delivery of government vessels under the National Shipbuilding Strategy (NSS) where the soon-to-be-three NSS shipyards cannot improve on schedules for contracted vessels or do not have the capacity to build additional vessels quickly. The Canadian restriction to buy all naval (and government fleet) vessels domestically is not employed by our allies where national shipbuilding policies exist, as both the U.K. and Australia include offshore acquisition of naval ships when it makes sense to acquire them from abroad. Similarly, Canada's policy of "build in Canada" needs to be waived where the justification is speed of delivery. And lest the naysayer suggest that such ideas would still take years to come to fruition, the new cold-to-warm war could last decades as did the Cold War of the 20th century.

ISED needs to adopt a plan for simpler industrial and technological benefits rather than the complex value proposition now in use which has seen varied results. As well, we should seriously consider an ITB-lite approach with FMS cases, something I recall we did when we acquired the BAE M777 howitzers and with some aircraft fleets for the RCAF post-CFDS.

As called for in the recently amended Treasury Board policy on procurement management, greater use of best/emerging practices will also be important to implementing more effective and efficient acquisition projects. The list is long in this area, but I offer three examples of such opportunities, all of which are in use to some extent among our allies and the latter two well enunciated by international associations:

- An effective firewall policy to better employ the expertise of Canada's small community of military companies to fill the void created by the absolutist approach to conflict of interest;



- The implementation of contracts which embrace comprehensive collaboration across the contract divide to avoid potential time-consuming crises in military procurement projects; and
- The use of the emerging techniques specific to navigating complex projects.

All of this activity will require the support of additional knowledgeable government procurement personnel. Many departments retain alumni connections which should be polled for their interest in re-engaging to provide their experience and wisdom. As well, contracted-in expertise should be pursued where shortfalls are known to exist – hence the suggestion earlier of the need for a firewall policy to allow companies to both assist the government and to offer their products while avoiding a conflict of interest – something that other nations have done for decades. And if required, the hiring of third party government agents with full responsibility to deliver projects should be considered.

On the industry side and if not already underway, the Canadian Association of Defence and Securities Association (CADSI) should mobilize in preparation for an updated defence policy statement to determine what Canadian industry and its international partners can do if asked to move to a wartime footing. This should not be a year-long report in the making; rather, it should be a request for innovative contracting approaches from government and a high-level definition of CAF weapon systems, in-service support and logistics procurement opportunities that could be made available.

But we are talking about innovation. Mistakes will be made, so a meaningful safe space is necessary for innovation to flourish, supported by a defined and appropriately high tolerance level for the unavoidable risks that will be realized. Equally important, all government stakeholders must come together to commit legislatively to the innovative procurement system we create as the new minimum standard in perpetuity.

What Next?

When faced with threats to our immediate health, we hope to enter the emergency room of a well-equipped hospital where codes are announced to gather all hands on deck. Such threats exist to the health of our value system and the nation's wellbeing, so the equivalent action is needed for military procurement as a critical enabler to the CAF's readiness.

Nothing in what this short paper suggests may find traction. Noting that I retired five years ago, the suggestions offered may already have been implemented as the standard way of doing military procurement. But Peter Drucker's "innovate or die" comment comes to mind, and in this case more is better. Such innovation needs to be across the board, but I will withhold my ideas about changes to things other than procurement – there are those better placed and experienced to



address and influence other related domains. One thing I know for sure – improving the military procurement system is only enabled if innovation is embraced as it was in past crises. The alternative is more of the same, a slowly dying and worsening procurement regime. The CAF's capability will then be in jeopardy.

People in Canada and abroad are wondering if we can still be relied upon to collaborate in addressing some of the global challenges now upon us.

I served in Washington as the defence attaché from 2002-2005. The one message I constantly heard was how our allies sought CAF members on contingency operations. Canadians from all walks of life flourish when they go abroad. When people say they want “more Canada,” they mean more Canadians. And for CAF members going into harm's way, they need the weapon systems to prevail.

Can we do what is needed to support the CAF in facing the emerging threats? As a proud Canadian, I hope the answer is a resounding “yes.” And that must include significant innovation in our military procurement enterprise, starting now.

About the Author

*After a 38-year career with the Royal Canadian Navy, **Ian Mack** (Rear Admiral, Ret'd.) served for a decade (2007-2017) as the director general in the Department of National Defence responsible for the conception, shaping and support of the launch and subsequent implementation of the National Shipbuilding Strategy, and for guiding the DND project managers for the Arctic offshore patrol ships, the joint support ships and the Canadian surface combatants. Until 2015, he also had responsibility for four vehicle projects for the Canadian army. Since leaving the government, he has offered his shipbuilding and project management perspectives internationally. Ian is a longstanding Fellow of the International Centre for Complex Project Management and a recent Fellow of the World Commerce and Contracting Association. As well, he is allied with Strategic Relationships Solutions Inc. He is married to Alex and has three grown children.*

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