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GOVERNMENT,
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CANADIANS.

Smart Procurement and the Defence Procurement Strategy



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Public Works and
Government Services
Canada

Travaux publics et
Services gouvernementaux
Canada

Canada

Smart Procurement

Early
Engagement

Effective
Governance

Benefits for
Canadians

Independent
Advice



Early Engagement

Smart Procurement

Early Engagement

Effective Governance

Independent Advice

Benefits for Canadians

- Early and ongoing **consultation** and **dialogue** with stakeholders
 - On needs identification, requirements, potential solutions, Ts & Cs, evaluation/selection methods
- Using a variety of methods and tools
 - Industry days, focus groups, one-on-one meetings
 - Webinar, project website, feedback questionnaire



Effective Governance



- Senior management commitment and oversight
 - DMGCs, ADM, or DG Steering Committees
- Robust dispute/conflict resolution process
- Roles and responsibilities
 - Established Rules of Engagement

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Benefits for Canadians



- Use of Third Party Experts to provide:
 - Estimates
 - Benchmarking
 - Validation
 - Advice
 - Evaluations
 - Oversight
 - Fairness Monitor
- Industry associations, market experts

Note: PWGSC responsibilities and obligations are not relinquished



Benefits for Canadians

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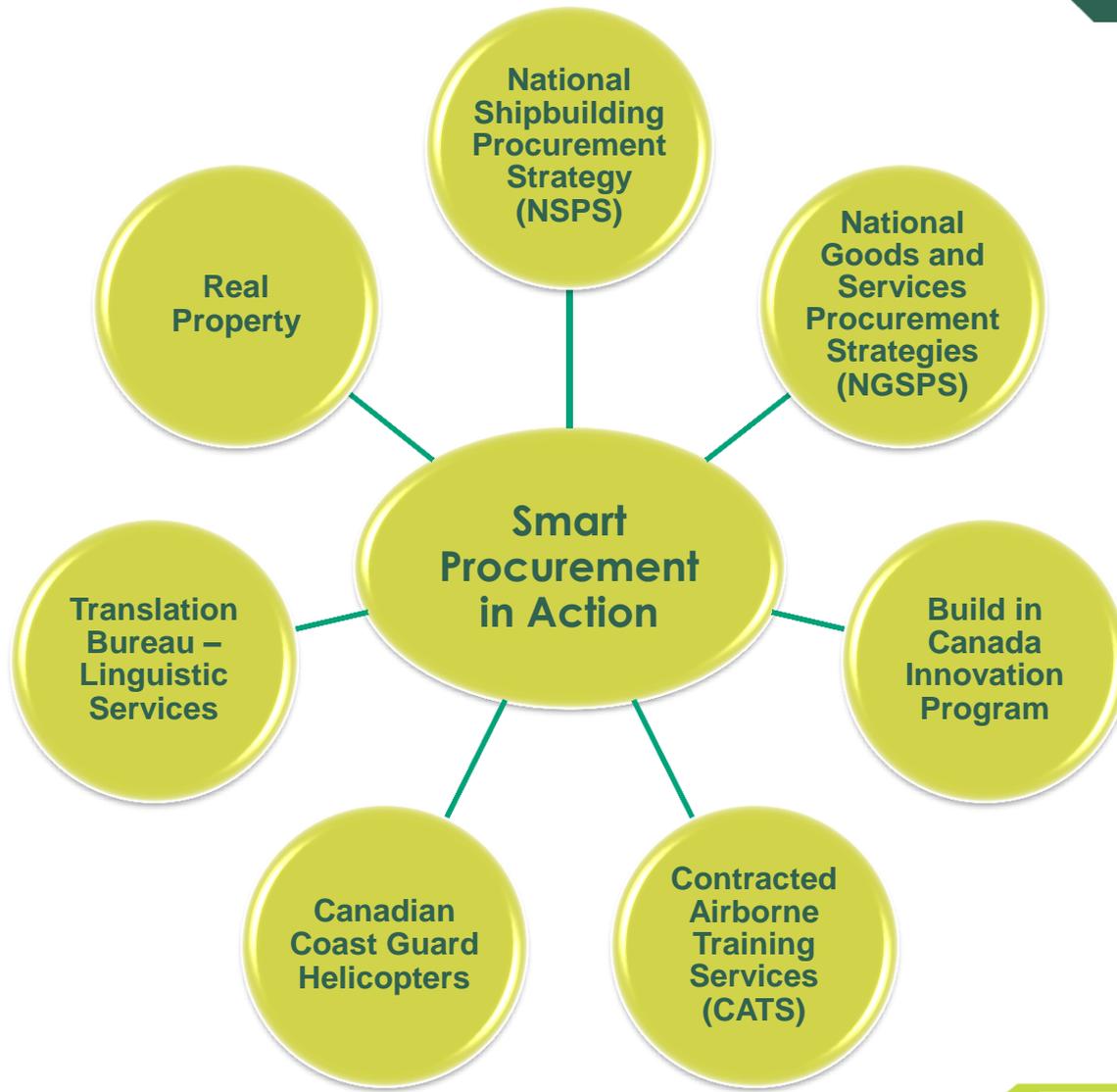
Independent Advice

Benefits for Canadians



- Industrial and Technological Benefits
- Benefits for Aboriginal businesses
- Increase opportunities, reduce barriers for Small and Medium Enterprises
- Global Value Chain (OEMs use of Canadian Suppliers)
- Encourage Innovation





The Defence Procurement Strategy

- The Defence Procurement Strategy (DPS) fulfills the Government's commitment to ensure defence equipment procurement creates economic opportunities and jobs for Canadians.
- Improving economic outcomes from defence procurement is not only good for Canadian industry and the defence industrial base; it's a strategic choice that will enhance Canadian sovereignty and national security.
- The DPS represents a fundamental change in the approach to defence procurement.
- It is informed by the Government's extensive engagement with the industry and by the recommendations found in the [Jenkins](#) and [Emerson](#) reports commissioned by the Government of Canada.



Objectives

- **Deliver** the right equipment to the Canadian Armed Forces (CAF) and Canadian Coast Guard (CCG) in a timely manner
- **Leverage** our purchases of defence equipment to create jobs and economic growth in Canada
- **Streamline** the Defence Procurement Process



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

- Ensuring early and continuous industry and client engagement in the procurement process;
- Starting in June 2014, publishing an annual Defence Acquisitions Guide (DAG) that outlines National Defence (DND) procurement priorities; and
- Establishing within DND an independent, third-party challenge function for military requirements.



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

- Using a weighted and rated Value Proposition, to assess bids for defence and major Canadian Coast Guard procurements;
- Implementing an Export Strategy to support international sales opportunities and participation in global value chains;
- Identifying and applying Key Industrial Capabilities (KICs) to inform potential economic benefits of individual procurements so that they meet the CAF's needs and increase the competitiveness of Canadian firms in the global marketplace; and
- Establishing an independent, third-party Defence Analytics Institute which will provide expert analysis to support the objectives of the Defence Procurement Strategy (DPS) and its evaluation.



Streamlining Defence Procurement Processes

- Adopting a new regime to ensure streamlined and coordinated decision-making for defence and major Canadian Coast Guard procurements;
- Establishing a Defence Procurement Secretariat in PWGSC;
- Reviewing the current National Defence delegated authority to purchase goods with a view to increasing the level from the current \$25,000 to achieve more efficient procurement practices.



Early Engagement

- Establishes a two-way conversation between industry and government to better understand needs and provide solutions
- Provides Industry with an early understanding of capability requirements and the desired outcomes of benefit to Canada
- Helps GC understand what industry solutions are available
- New approach to engagement and transparency will support the following activities:
 - Publication of a Defence Acquisitions Guide
 - Value Propositions and procurement-specific engagement
 - Regular review of KICs
 - Continual improvement of the DPS



Defence Acquisition Guide

- To enable Canadian industry and potential bidders to make informed R&D investments and strategic partnering decisions
- Ensures Canadian industry is better positioned to deliver equipment and services for the CAF, and for export opportunities in defence sector
- Will identify list of procurement projects to be developed over 5, 10, 15, and 20 year timeframes
- Include projects over \$100M and those of lower value (\$20-100M) that have leveraging potential for Canadian industry
- Initial version to be published by DND: June 2014



Defence Procurement Secretariat

- The DPS will include the establishment of a permanent **Working Group of Ministers** chaired by the Minister of PWGSC, and will include the ministers of DND, IC, DFATD, and DFO (for CCG projects)
 - Will ensure shared accountability in defence procurements and to enable these to proceed faster and more efficient and coordinated manner.
- Working Group of Ministers will be supported by a permanent **Deputy Ministers Governance Committee** (DMGC), which is the key decision-making body for the implementation of the DPS and chaired by PWGSC
 - Will provide guidance for defence and major CCG procurements and ensure timely and appropriate decisions among competing objectives associated with particular procurements.
- A permanent **Defence Procurement Secretariat** will be established within PWGSC and report to the DMGC to ensure all DPS objective are met.



Key Industrial Capabilities

- Originally identified in the Jenkins report to serve as a framework for analyzing Canadian defence industrial capabilities and their potential for growth
- Six identified areas as KICs by Jenkins:
 - Arctic and Maritime Security
 - Protecting the Soldier
 - Training Systems
 - Cyber-Security
 - Command & Support
 - In-Service Support
- KICs will be applied in identified market segments through the use of Value Proposition



Market Segments for KICs

- Based on Industry Canada's (IC) defence sector analysis framework, 14 market segments identified within KICs
- Scorecard has been developed by IC to analyse market segments based on DND priority, economic impact, innovation, and export potential
- When ranked based on Jenkins' criteria, the following market segments could become priority KIC opportunities for Canadian Defence:
 - C4ISR across air, land, and marine domains
 - Combat Vehicles and Components
 - Simulation Systems and Components
 - Aircraft Fabrication, Structures, and Components
 - Missiles, Rockets, and Drones,
 - In-service Support



Value Proposition

- To assess the potential economic benefit to Canada in all defence procurement with a weighted and rated criteria
- Will be informed by KICs and industry consultations.
- Will be identified on a procurement-by-procurement basis, as per the following:
 - \$100M or more: All will **require** a Value Proposition as part of a comprehensive ITB plan
 - \$20M - \$100M: All will be **reviewed** for the application of a Value Proposition
 - \$25K - \$20M: All will be **assessed** for their economic potential, and the revised CCP will be applied to realize this potential
- Reflects recent policy changes to PRP and CCP

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Value Proposition

- Represents a shift from Industrial and Regional Benefits (IRB) policy (scoring on pass/fail basis) to Industrial and Technological Benefits (ITB), with a Value Proposition
- ITBs will focus on Value Proposition as a weighted, rated, and required element of bid proposals to be informed by KICs
- Value proposition rating will favour actions that lead to improved economic outcomes through:
 - Investments that strengthen Canadian KICs
 - Investments that support enhanced productivity
 - Broader Industrial and Technological high-value activities, such as “technology transfer”
- The timing of fulfilling Value Proposition commitments will also be considered



Defence Analytics Institute

- 2013 Jenkins report noted insufficient data and analysis on both defence economics-related issues and Canadian defence industrial base
- Recommended that an institute be established to lead the required research and analysis to fill this gap
- Strong recognition among industry stakeholders that research and analysis are critical to help guide and inform the Government's objective of improved economic outcomes from defence procurement.
- A study will be conducted by IC and recommendations will be made later in 2014



Implementation and Next Steps

- Implementation of the DPS will begin immediately
 - Coming-into-effect date to be determined following ongoing industry consultations
- Important activities during this phasing-in period
 - Implementation of Policy Changes for the DPS (Completed)
 - Significant orientation and training of officials in key departments (Feb - Ongoing)
 - Engagement and Information-sharing with Industry
 - Establishing a new Defence Procurement Secretariat (May)
 - Publishing of Defence Acquisition Guide (June)
 - Identify a series of procurement to which the DPS will apply
 - Develop evaluation framework to measure success of the DPS
 - Establish a new Defence Analytics Institute

