



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on National Defence**

---

NDDN • NUMBER 036 • 2nd SESSION • 41st PARLIAMENT

---

**EVIDENCE**

**Thursday, November 6, 2014**

—  
**Chair**

**The Honourable Peter Kent**



## Standing Committee on National Defence

Thursday, November 6, 2014

• (1530)

[English]

**The Chair (Hon. Peter Kent (Thornhill, CPC)):** Good afternoon, colleagues.

We are here, pursuant to Standing Orders 110 and 111, and the motion adopted by this committee on Tuesday, October 7, 2014, to consider the order in council appointment of Mr. Bill Jones to the position of associate deputy minister of National Defence, referred to this committee on Friday, September 19, 2014.

Mr. Jones, welcome to this committee. Would you make your opening remarks, sir, please.

[Translation]

**Mr. Bill Jones (Associate Deputy Minister , Department of National Defence):** Thank you, Mr. Chair and members of the committee.

[English]

I first want to thank you for giving me time to meet with you so soon after my taking on this appointment. I will come back to this point at the end of my brief remarks. Certainly it's been an incredible several weeks here for me at National Defence, with many issues.

I have devoted a good part of my life to public service, and it is certainly my great pleasure to continue to serve Canada in the position of senior associate deputy minister of National Defence following my many years of experience in both the federal public service and the provincial public service of Saskatchewan.

First let me tell you a few things about myself. I am an economist by training, having earned both a bachelor and master of arts from the University of Guelph. I have also lectured in economics at both Queen's and Guelph.

It was immediately following my time in academia that I joined the public service for the first time, assuming the role of an economist in the taxation and fiscal policy branch of the Saskatchewan Department of Finance. This was only the beginning of my long tenure with the Government of Saskatchewan. Over 17 years I occupied a variety of positions of increasing responsibility in the Department of Finance, ranging from the director of finance and administration to the senior associate deputy minister of finance of the treasury and debt management division. This experience gave me significant insight into the responsibility of the treasury activities of the province, including provincial investments, cash and debt management, relationships with domestic and international businesses, as well as financial institutions and credit rating agencies. I

was also responsible for overseeing the preparation and submission of regulatory filings for capital markets.

In 1995 I was appointed deputy minister of finance and secretary to the treasury board for the Province of Saskatchewan. In this position I was responsible for financial leadership, such as directing fiscal, economic and financial policy, oversight of pension and benefit plans, preparing and implementing the budget and estimates of the Province of Saskatchewan, providing advice and recommendations to the premier, ministers, Treasury Board, and cabinet, as well as managing the administrative affairs of the Treasury Board, and managing federal-provincial issues in collaboration with my federal counterparts.

While I enjoyed this challenging position immensely, after four years I decided to diversify my experience and take a job with a Saskatchewan crown corporation. In 1999 I became the vice-president of corporate and financial services as well as the chief financial officer for Saskatchewan Power Corporation. In this position I was responsible for the financial leadership and direction of the corporation, including treasury and financing operations; business planning and risk management; accounting and internal controls, including audits; corporate procurement; pension plans; and property management.

Following nine years in this position, I returned to the public service but at the federal level. I moved from Regina to Ottawa where I was appointed to the position of assistant secretary, pension and benefits sector, within the Secretariat of the Treasury Board of Canada, in 2009. My responsibilities at the Treasury Board included leadership and stewardship of the government's pension and benefit plans; overseeing the development of legislative, regulatory, and policy changes; overseeing and defining the parameters of negotiations on major contracts; ensuring the effectiveness of relationships with other government departments, central agencies, and the bargaining agencies.

In 2011, I made the move to the Canada Revenue Agency, where I was appointed as the deputy commissioner. My primary objectives in this position were to support the commissioner in the delivery of his and her mandate—I say his and her because there were both a lady and a gentleman there in the time I was at the CRA—and the responsibilities under the Canada Revenue Agency Act, and ensure the seamless function of the organization's day-to-day operations. I also supported the achievement of the objectives, including contributions to deficit reductions and strengthening and modernizing our business process to serve Canadians better.

•(1535)

After nearly three years in this position, I was appointed to my current position as senior associate deputy minister and assumed my responsibilities toward the end of the summer.

While I did not choose a career in the military, my family has a very strong affinity with the Canadian Armed Forces. My grandfather served for many years, and my father was in the U.S. Air Force. I grew up in close proximity to Trenton. The Trenton air force base, or 8 Wing, was just across the bay from Prince Edward County, as we know it today. In August one of the first things I did was take the opportunity to visit 8 Wing when I was in the Trenton region.

Like my colleagues in uniform, I deeply believe in service to the country. I believe my extensive experience will serve me well in taking on my new roles and responsibilities. Many years of experience in both provincial and federal public service have positioned me to take on the new challenge of working at the Department of National Defence.

My one final thought, as I indicated at the beginning, Mr. Chair, is that these past several weeks have been an incredible period for me, and I think it's fair to say, for the department if not for Canada. Numerous activities have been taking place in the department. It was an incredible time to join, and I look forward to further opportunities and interesting challenges.

Thank you very much.

**The Chair:** Thank you, Mr. Jones.

For our first round of questions, Mr. Norlock, please.

**Mr. Rick Norlock (Northumberland—Quinte West, CPC):** Thank you very much, Mr. Chair, and through you to the witness. Thank you for attending today. I guess you might say this is one of your job interviews.

We usually have certain questions which you've probably come across before, so I'll start by saying that it's obvious from your introductory statement that you have extensive experience in the public service.

Of all the departments and agencies you've been in, can you tell us some of the successes and achievements you've witnessed, and more specifically, that you've presided over?

•(1540)

**Mr. Bill Jones:** Mr. Chair, and through you to the member, thank you for the question.

In anticipating that question, one example I would give, I would go back to my time in Saskatchewan in the Ministry of Finance. By way of context, Saskatchewan went through some very difficult times in the eighties and early nineties, but earlier in the eighties we were doing quite well. We went through difficult times and since have returned.

If you want to understand how any organization works, whether it's corporate or government, you go through it from the point of view of watching your credit rating go through the floor and then go from the top to the bottom and then back up. I can tell you, that was a very instructive lesson for me.

I'm proud of the relationships and responsibilities that were built up in dealing with financial institutions both in Canada and internationally that allowed us to continue to finance the activities not only of the provincial government, the deficit we were running, but also the investments in the crown corporations. During very difficult times we were able to continue to work with international financial institutions and the credit rating agencies to keep the province going.

**Mr. Rick Norlock:** I'm going to try to gear down into that general overview you gave us. I wonder if you could talk to us about your methodology and how you tackled these issues you just referred to. You're also aware of the apparatus in federal government. How would you tackle some of the issues specifically related...and how might they relate to the manner in which you tackle issues you're going to be faced with, significant military procurements in particular? How are you going to assist the minister and ministers? There's an overlap of ministries, as you know. How are you going to use your previous experience, the types of processes you used to be able to come to successful conclusions?

**Mr. Bill Jones:** Mr. Chair, and through you to the member, thank you again for the question.

I would make two points that I believe were important to the way we conducted business in Saskatchewan during very difficult times, and I think they're equally important today.

First, I think it's fundamental that, whether dealing with financial institutions, credit rating agencies, or corporations that want to sell things to the government, you deal with them in a very market-related way. That was very much the approach we took in Saskatchewan. We took a very market-oriented approach.

Second, we developed ongoing relationships with market participants. In doing so, we were successful in keeping the name of Saskatchewan, a relatively small province, at the top of the list of certain financial institutions during very difficult financial market times.

I think that being market-oriented, aware of the industry, is certainly important, as well as building solid business relationships. It was important and is important going forward.

**The Chair:** Thank you, Mr. Jones.

That's time, Mr. Norlock.

Mr. Harris, please.

**Mr. Jack Harris (St. John's East, NDP):** Mr. Jones, I want to thank you for joining us today, and I am pleased that you were able to come.

I am extremely impressed by your vast experience, particularly in service to the Government of Saskatchewan and the Government of Canada. This kind of experience at the senior level of the federal public service makes me feel that we have knowledgeable and experienced people running our federal public service. I am glad to have you with us today.

I also want to touch on the Saskatchewan experience that Mr. Norlock questioned, because I think we are all aware that the financial circumstances in Saskatchewan were, particularly with respect to credit rating and debt, fairly dire. After the early nineties, there was some change of government and a lot of work done to restore financial stability.

What I am impressed with is that you were there before that as assistant deputy minister, and you stayed there through the changeover in government and were there as part of the recovery until 1999, in fact rising to deputy minister of finance. They couldn't have blamed it on you, I guess. Am I right about that?

• (1545)

**Mr. Bill Jones:** Mr. Chair, a number of people did try to blame me for some of the actions that we took. However, it turned out that there was a lot of good work, and it turned around very well.

I can't say enough good things about Saskatchewan and the opportunity I had, and certainly the people of Saskatchewan. It was an outstanding opportunity for me.

**Mr. Jack Harris:** I said it somewhat in jest. Obviously, your abilities were recognized as part of the solution, if I may put it that way. I am pleased to see that this experience in managing a difficult situation has come to the federal public service with you joining us.

Part of our effort here under the standing order is, as Mr. Norlock calls it, a job interview. It's about getting to know your abilities and skills, and asking a few questions about your new role.

Your appointment is called assistant deputy minister. What particular functions and roles will you be responsible for within the Department of National Defence?

**Mr. Bill Jones:** Mr. Chair, and through you to the member, thank you for the question.

In the position that I've been appointed to, I would put it very generally, the first priority is to work with and support the deputy minister in the overall management of the department. As I'm sure you know, the deputy minister is charged with the responsibility of being the chief accountability officer and so forth. Hopefully, my finance background will assist him in managing the department from that point of view.

Second, the deputy minister has indicated to me that he wants me to also focus on a number of key files. Those include, for example, procurement and those types of files. We have an extremely large procurement plan, as I'm sure you're aware. I will also be looking at some of the people issues in the department, given my experience at TBS, Treasury Board Secretariat, and my strong interest in that. It includes people issues such as pension benefits, the issue of mental illness, and so forth, both on the civilian side and the military side. These are areas that I very much want to get involved in.

**The Chair:** A very brief question, please.

**Mr. Jack Harris:** It's a very complex department financially. It takes a long time to get to know how the financials of this department work. How quickly are you going to be able to be up to speed on that? How many other associate deputy ministers or assistant deputy ministers are there?

**Mr. Bill Jones:** Mr. Chair, and through you to the member, there is one associate deputy minister. I'm called senior associate deputy minister at that level. The act allows for up to three, I believe, but currently there is only one and I don't expect another one to be appointed. There are a number of assistant deputy ministers, if you like, below that.

• (1550)

**The Chair:** Thank you.

Your time is up, Mr. Harris.

Ms. Gallant, please.

**Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC):** Thank you, Mr. Chairman.

I'd like to ask the witness what he thinks the biggest challenges facing Canada, the Department of National Defence, and the Canadian Air Force, will be on the front line to be addressed in the coming years?.

**Mr. Bill Jones:** Mr. Chair, through you to the member, thank you for the question.

That's a tough question for what I'll say is a new person at the department.

Certainly from my short experience there I think a key issue for the department and for the Canadian Armed Forces is for us to be in a position whereby the defence team, as we call it, which is both the armed forces members as well as the civilians who support them, will be in a position of readiness to take on the missions that the government directs us to take on. That's a key issue. Also, as part of that we have to work very closely with our partners and allies. Obviously, the United States would be one, but there are other partners internationally.

**Mrs. Cheryl Gallant:** Internally, what do you think the biggest challenges within DND will be?

**Mr. Bill Jones:** Mr. Chair, and to the member, again it's another good question.

I think there are certainly a number of challenges. I would answer that in two points. One is to ensure that we continue to communicate internally. That would be my responsibility and the deputy's responsibility as well as senior management as to the future direction of where we're going. We're in a process, as the member may know, of defence renewal and so forth. I think it's important that we make sure all members of the defence team are aware of that. Communicating that and moving forward with that is important.

The other one is to ensure that we move into a positive period of reinvestment. We've dealt with in a very substantial way budget constraints and so forth. Now we have to move towards building for the future. We always have to make sure that we manage money very carefully, but I think we want to build the armed forces of the future.

Those are two elements.

**Mrs. Cheryl Gallant:** Is what you're saying that after DRAP, the deficit reduction action plan, and the other reductions, you're now going to re-target the money that has been saved?

**Mr. Bill Jones:** Mr. Chair, in terms of DRAP and the initiatives that have come before us, those were the Department of National Defence's contribution to deficit reduction, for which we wanted to pay our fair share. We wanted to be part of that, and we were very proud to do that.

Going forward, we have indicated that we need to be in a position of renewal—we call it defence renewal, and so forth—where we will continue to look for savings that we can reinvest into priorities for the department.

**Mrs. Cheryl Gallant:** Okay.

Could you define for the committee what you feel would be a successful tenure during your time at DND?

**Mr. Bill Jones:** Mr. Chair, it's a tough question to answer in a short period of time. For me personally, I think a success would be that we fulfill our missions with the least possible risk to our members going forward. Furthermore, I think it is important that we continue to renew and position the armed forces and the civilian folks who work alongside them to provide for that readiness, that military capability for the future, which Canada needs, and dare I say, deserves.

• (1555)

**The Chair:** That's virtually your time. Thank you very much, Ms. Gallant.

Ms. Murray, please.

**Ms. Joyce Murray (Vancouver Quadra, Lib.):** I appreciate your being here to help us understand your position, and through the chair, congratulations on it.

In your time as deputy minister of finance in Saskatchewan, or in other jobs, have you seen a government achieve its deficit reduction targets through the kind of deliberate non-spending, lapsing, and clawbacks that we've seen affecting this department since 2010-11? Is that a typical strategy that you've overseen, and can you tell us a bit about whether you see that as a common way to go?

**Mr. Bill Jones:** Mr. Chair, it is an interesting question. I would answer that in my experience, governments going back to the eighties and nineties and so forth, and successive governments even more recently, have approached deficit reduction in different ways. Some have focused on the expenditures; some have focused on the revenue side or the tax side of the equation, and some use a combination of these. I think there are different approaches that fit different jurisdictions and different governments, and all have been employed with varying successes.

**Ms. Joyce Murray:** As a finance department official, can you comment on the accountability in a department when moneys that are approved by Parliament are not allowed to be spent and capital funds are clawed back? How does that influence accountability, and accountability to the public of that department's activities, especially when it's a question of large-scale clawbacks and underspending?

**Mr. Bill Jones:** Mr. Chair, I would approach that from two perspectives. Going back to my experience, I think there is much more accountability today for public servants than I can remember from when I was in Saskatchewan. I think there have been positive, constructive improvements to accountability and to how public

servants manage money. I don't think there is any question of that. I've seen that.

The other perspective on this is that, again, we all have to make sure that it's affordable, and so forth. I think public servants work towards that.

**Ms. Joyce Murray:** Thank you.

I know these are difficult questions, because this has been a major criticism of this government, especially with respect to the defence department and the inability to plan for the reductions in investment in this department. The moneys are announced and then there are barriers to spending them, so to me it seems to be a chaotic approach, but I appreciate your answer.

Another question I have is on one of your focuses, which is procurement. Can you tell me how your experience in the past will help you to meet your targets for procurement? At least half of the national procurement strategy equipment projects are behind schedule. Now there are five ministers in the mix, not three, none of whom have bottom-line accountability. How would your past experience help you get results in a situation where your minister doesn't have the final say on anything?

**Mr. Bill Jones:** Chair, to the member, thank you for that question.

Quite frankly, I'm still working out some of these relationships and so forth in practice, but from what I have observed to date, I can certainly tell you that there are a lot of eyes looking at many important initiatives going forward. In my experience, I think that certainly at the officials level, which I can speak for, there is good cooperation, and I think it's clear what the objectives are. I think that is working fairly well. But many challenges, yes—

• (1600)

**The Chair:** Thank you, Mr. Jones.

Time, Ms. Murray.

Mr. Jones, thank you very much for your time with us today and for sharing your vision. The committee wishes you well in the months and years ahead.

[Translation]

**Mr. Bill Jones:** Thank you very much, Mr. Chair.

[English]

**The Chair:** Could I call Mr. Coulter to the table, please.

Colleagues, again pursuant to Standing Orders 110 and 111 and the motion adopted by this committee on Tuesday, October 7, 2014, we are here to consider the order in council appointment of Mr. Keith Coulter to the position of special adviser to the Minister of National Defence, as referred to the committee on Friday, September 19 of this year.

Mr. Coulter, welcome. Would you make your opening remarks, please.

**Mr. Keith Coulter (Special Adviser to the Minister, Department of National Defence):** Thank you, Mr. Chairman, honourable members, and ladies and gentlemen.

[Translation]

I am very honoured to be here today. Thank you for the invitation to appear before you.

[English]

Three and a half months ago, on July 24, I was appointed by the Governor in Council to the position of special adviser to the Minister of National Defence. This appointment is to hold office during pleasure on a part-time basis for a period of 12 months.

My appointment is directly related to the implementation of the new defence procurement strategy which the Government of Canada announced in February. A core element of this strategy is the establishment within the Department of National Defence of an independent third party challenge function for major military procurements. I was appointed to work with the deputy minister of national defence to provide advice on the implementation of this new challenge function to the Minister of National Defence.

I understand that your interest is in my qualifications and competence to do this job, so let me say a few words about myself.

[Translation]

My professional career has included senior leadership experiences in the Canadian Armed Forces, the private sector and the Public Service of Canada.

[English]

During my career in the Canadian Armed Forces, I was a fighter pilot who conducted operational assignments as well as a jet trainer/instructor, and a NORAD mission commander on the AWACS aircraft. The highlights for me were my years as a Snowbird pilot and as a CF-18 squadron commander.

As a military officer, I also spent some time here in Ottawa, including two years as executive assistant to the deputy minister of national defence and two years on secondment as director of operations in the foreign and defence policy secretariat of the Privy Council Office.

I left the Canadian armed forces in 1997 to pursue other interests. My first stop was with Hill+Knowlton Canada, which I joined as a senior consultant and for which I later worked as senior vice-president and director of industrial services.

However, my heart remained in public service, and in 1999 I joined the public service of Canada as an assistant secretary at the Treasury Board Secretariat. I subsequently had the privilege of leading two important national institutions over a period of seven years: the Communications Security Establishment, now known as CSEC, from 2001 to 2005, and the Correctional Service of Canada, from 2005 to 2008.

Since retiring from the public service in 2008, I have remained professionally active with various projects and volunteer activities. These have included conducting an independent review of Veterans Affairs Canada, which I delivered to ministers in 2010, and serving more recently as a member of the independent review panel overseeing the work of the Canadian Armed Forces and the Department of National Defence to evaluate options to sustain a fighter capability once the current fleet of CF-18s is retired.

[Translation]

I accepted my current appointment for two reasons. First, my background and professional reference points make me confident that I can do what needs to be done to set up an affective challenge function. Second, I believe that getting this one right is incredibly important for the Canadian Armed Forces, the Department of National Defence and Canada.

● (1605)

[English]

In this context, for the past three months I have been working with senior leaders in the Canadian Armed Forces and the Department of National Defence, and with other government stakeholders, including the Privy Council Office, the Treasury Board Secretariat, Public Works and Government Services Canada, and Industry Canada, to develop an implementation strategy. This work, from my perspective, is moving along well toward implementation of the new challenge function into early 2015.

[Translation]

Mr. Chair, honourable members of the committee, this concludes my opening remarks. I would be pleased to answer any questions you may have.

[English]

**The Chair:** Thank you very much, Mr. Coulter.

We will begin our questioning with Mr. Chisu, for five minutes.

**Mr. Corneliu Chisu (Pickering—Scarborough East, CPC):** Thank you very much to the witnesses for their presentations.

First of all, I note that you have an engineering degree. I'm an engineer, too, so I think there's already a positive aspect of your appointment.

You noted in your opening statement that your appointment is directly related to the implementation of the new defence procurement strategy. Can you tell us a little bit more about the challenge function under that strategy? I see that you have outstanding experience in the military and other fields. Can you answer this question?

**Mr. Keith Coulter:** The defence procurement strategy had a number of initiatives. This one is about getting the requirements stated in a way in which everybody can have confidence and stated clearly at the front end of the process to start these major military procurements.

The strategy set out that all projects with a value of over \$100 million would be challenged and certain projects with a value of less than \$100 million would be as well.

The strategy also made it clear that there would be an independent review panel set up to be the centrepiece of this challenge function with independent third parties involved, which means people from outside the government.

Beyond those parameters, it was left up to the Minister of National Defence to come up with a formula on how to implement this in a way that would make sense. I was asked to come in and develop the implementation strategy.

I would like to lay out three things that have been important to me along the way.

First and foremost, this has to be set up in a way that directly supports the first objective of that defence procurement strategy, which is to get the right equipment in the hands of the men and women of the Canadian Forces in a timely manner. We all know it takes a very long time to do these major procurements and that they aren't always timely.

Second, at the front end of the process you need clarity and certainty around how requirements are framed. It's critically important that this new function be set up in a way that helps ensure that there's as much clarity and certainty around these requirements as possible.

Third, to state the obvious, these military procurements are complex undertakings that involve large sums of money and there has to be confidence and trust in how the Canadian Armed Forces and the Department of National Defence define these requirements. That's essential, so this function has to be set up in a way that is not only effective in substantively challenging these requirements, but is also done in a way that promotes confidence and trust.

Those are the three overarching things I've been doing over the last couple of months to develop this implementation strategy. I'm not there yet in having it fully developed, but I'm working very hard at it. As I said in my opening remarks, I am determined to achieve full implementation early in 2015.

• (1610)

**Mr. Corneliu Chisu:** Thank you very much for your answer.

I heard your intention for the request for proposal, that if a good request for proposal is made, then the project would eventually be running on time.

Can you elaborate on how your military experience combined with your extensive public service experience made you uniquely qualified to provide this required advice?

**Mr. Keith Coulter:** I have to address the premise of your question

**The Chair:** Please be brief, Mr. Coulter.

**Mr. Keith Coulter:** The request for proposal is downstream in the procurement process. The piece I'm working on is at the front end of the procurement process where requirements are initially defined. This drives the subsequent process. I wanted to make that clear.

In terms of unique qualifications, I've run a couple of large national organizations. I think this is a lot about defining business needs and delivering business results and not just about the idiosyncrasies of military requirements. On the procurement side, I do have some experience looking at these issues and dealing with them, both at the defence department and most recently with the fighter panel I was on.

**The Chair:** Thank you very much, Mr. Coulter.

Mr. Harris, please.

**Mr. Jack Harris:** Mr. Coulter, thank you for joining us today.

We're very interested in your qualifications and your work. Thank you for your service in the military. It sounds like you had a very interesting and exciting military career as well.

Let me ask you a question about the challenge function that you're talking about. We've been told over the years on this committee that there is a rigorous and high-level challenge function within the Department of National Defence by senior people who are very knowledgeable. That must have been inadequate, apparently. Is it?

**Mr. Keith Coulter:** I wasn't part of the analysis that went into framing the defence procurement strategy, but the conclusion of that body of work was that something more was needed.

**Mr. Jack Harris:** All right, that's a fair answer.

Tell me, though, how can this challenge function work at the front end, as you've talked about, if we have situations such as the recent one with the AOPS program? For example, we're told that the statement of operational requirements, which is the key document as you pointed out, is no longer published and is not available. The PBO, in trying to do an analysis, was told that it's an evolving document.

How does the challenge function whether external, internal, or whatever, work in a situation like that?

**Mr. Keith Coulter:** The piece I'm working on is going to change.... It's a paradigm shift. The challenge will come initially. When a project like the one you referred to is initially conceived, before it even gets into the project definition stage, there will be this independent third party challenge. The ones that are later in the process can't be part of the new regime because they're too far along in the process.

**Mr. Jack Harris:** Have you looked at the situation dealing with the fixed-wing SAR? The statement of requirements was obviously a big debacle and the National Research Council had to have a look at it. Is it possible for something like that to happen under the system you're putting together?

**Mr. Keith Coulter:** I'd like to tell you that it would be absolutely impossible, but the reality is that we will make judgements. We will have an independent panel with the knowledge, expertise, and independence to directly challenge what's being proposed and to draw conclusions and provide advice to the deputy minister and minister before they make decisions.

• (1615)

**Mr. Jack Harris:** You're talking about an independent panel within DND, but we have three departments that are involved here, Public Works, Industry Canada and DND, and your secretariat and all of those things. How can it be both independent and within DND as well? How's that going to work?

**Mr. Keith Coulter:** It is being set up under the accountability of the minister, but it will be providing independent third party advice to the minister. It will not be part of the normal DND governance process. They will continue to define requirements, work on requirements. But before they go to the level of decision, there will be an independent third party panel that will directly challenge them and provide advice on whether they think a good job has been done or whether there are holes in it.



**Mr. Jack Harris:** You're stated to be part-time, sir, with a per diem. There's nothing wrong with that. It's just that it's for a 12-month period. Since you've been appointed, have you been working every day? Do you expect to still until January or February?

**Mr. Keith Coulter:** No. I am part-time, but I have a small team assisting me that is full-time. I'm kind of the quarterback calling the plays and they're running them full-time. I am doing a lot more days up front than I will as we move along. In fact, I'm starting to do fewer now that some pieces are in place and it's organized.

Actually, I started on my own. I even had to spend some time getting the right team together to assist me and whatnot. It's one of those ones that's fuller time at the beginning, but as you may have noticed in my order in council appointment, I will be the interim chair at the beginning to make sure there's continuity and this panel is fully running and that will be a part-time job.

**Mr. Jack Harris:** Thank you.

**The Chair:** Time, Mr. Harris.

Mr. Williamson, please.

**Mr. John Williamson (New Brunswick Southwest, CPC):** Mr. Coulter, thank you for appearing today.

Could you share your thoughts on how our allies conduct defence procurement? What are they doing right, and what could we learn from them, or could we even mimic some of their best practices?

**Mr. Keith Coulter:** I can give you some short comments.

**Mr. John Williamson:** Short, yes.

**Mr. Keith Coulter:** We're looking at it. Every country has a different machinery of government around this. Every country has a different history. All the western countries we're looking at have their issues. They're all dealing with serious issues around defence procurement. But at the end of the day, we have to come up with answers for the system that we have. I can't find a system that is so like ours, or a challenge function that is so good, that we could simply copy that.

This is a piece that I'm still working on. We're still having some work done on the practices in other countries, taking advantage of every opportunity. The deputy minister very recently went to Australia. I gave him my questions to ask the key people who were his interlocutors there. I'm trying to do everything I can to learn about countries that could have some aspects of some things that would be of interest to us.

**Mr. John Williamson:** I'd be curious to pursue this a little bit. When I go around the world, I see American hardware being used—Taiwan is perhaps a good example—whether it's for the army, the air force, or the navy. Maybe it's because the price is right, but they certainly make do with American hardware.

Maybe the United States is not the example, but I'm wondering if we are so different from the United States that from a taxpayer point of view it might not make sense to be more integrated with their supply mechanism or with another northern country. I recognize that the U.S. is not a northern country, but of course they have operations in Alaska as well. They're familiar with it.

Are these options that you're looking at to streamline the process so that we're getting good hardware in a timely fashion?

**Mr. Keith Coulter:** No. I mean, those considerations are part of the broader defence procurement strategy. There's a DM committee that's looking at a lot of broader issues. My piece is around the statement of requirement: what the capability gap is that we're trying to address; how the requirement is being stated in a way that we know what performance is required and we aren't necessarily boxing ourselves in with a solution that's too early and whatnot.

In terms of the procurement strategies around these things, that is under the new defence procurement strategy, the purview of the DM committee initially, and of course there is a committee of ministers now that will deal with the procurement strategies for specific projects.

• (1620)

**Mr. John Williamson:** I probably should have reversed these questions, then.

Can you give us some insight into the new defence procurement strategy initiated by the government, and how you see it improving the situation?

**Mr. Keith Coulter:** There are three components of it. The first thrust is to deliver the right equipment in a timely manner to the Canadian Forces. That's where this piece fits in, because getting the front end of a procurement “genetically correct”—somebody said that to me, and I really liked it—at the front end can do nothing but help avoid problems later. There are a number of initiatives around that, i.e., the defence acquisition guide, the challenge function, engaging industry better, with more genuine and early engagement of industry. There is the whole industrial piece around leveraging these procurements for jobs and growth. That's the discussion around the value propositions and so forth.

Then there's the streamlining of processes. I think everybody around this table would agree with me that these processes take too long. They're cumbersome. They're awkward. They're even embarrassing at times. Streamlining these processes and getting things done quicker, with fewer problems, is key.

Now, Public Works and Government Services Canada has the lead on the defence procurement strategy. They've set up a secretariat. I've met with them on a number of occasions. They've set up a DM governance committee chaired by the deputy minister over there, and they're watching over all of that. Meanwhile, I'm grinding away to try to set up the perfect challenge function, under the defence minister's authority over at Defence, to get the front end of this thing as good as it can be so that we won't run into as many problems later.

**The Chair:** Thank you.

That's time, Mr. Williamson.

Ms. Murray, please.

**Ms. Joyce Murray:** Through the chair, I appreciate that you're here, Mr. Coulter. You have a pretty fearsome challenge in front of you.

I was the minister responsible for major procurement for the Province of British Columbia for a period of time. One of the key success factors was that there was one minister signing off on things and also that the right equipment for our client really was the priority.

On this local work and local industries sort of industrial benefits priority, which seems to me to be a greater priority than the right equipment, judging by some of the amazing failures to deliver so far, are you concerned that whatever good work you do might be frustrated by that preference to have industrial benefits over having the right equipment?

**Mr. Keith Coulter:** It's a conversation that I've had with a lot of people around town. I'm comfortable that if we do this right, we're going to be good, and I'm determined to do my part right.

The idea is that with the requirements set, the high-level mandatory requirements for a project should set the basement for a project, and you can't go below that basement. If we all have confidence that we have that consensus, that we have this set the right way, there should be no discussion about going below that line. On value propositions, that discussion has to be above that minimum requirement line.

**Ms. Joyce Murray:** Is a factor in the failure to deliver on major equipment so far the lapsing of capital budgets, or the clawback of capital budgets, and the blocks and barriers to actually spending operational budgets, which means there are probably internal expert positions unfilled? How does this kind of budget cutting on the back of National Defence potentially undermine the success, no matter how good the statement of requirements is? Will you have anything that you can recommend on that level for the budgeting process?

• (1625)

**Mr. Keith Coulter:** It's not within my terms of reference to be looking at those issues. You're the committee for defence. You have to ask others about those.

I wanted to say that I'm from B.C., too, though.

**Ms. Joyce Murray:** I also wanted to note from my meetings with the French defence department that they have their inter-ministerial committee at the front end. What they told me was that the reason their procurement works as well as it does is that they iron out things early on, rather than defence doing a great job in the beginning and going down a certain track and then every other minister and deputy minister having their fingers in the pie.

Has there been any discussion about the potential for getting that collaborative approach at the front end so that the buy-in has happened before you're too far down the track?

**Mr. Keith Coulter:** Yes.

**Ms. Joyce Murray:** Or are you stuck with this new procurement process that does the opposite?

**Mr. Keith Coulter:** Well, the new procurement process will attempt to develop that consensus better. The conversation has

started. We have a lot of pieces in motion, but the intention is to get a better consensus.

I have a different view of the French procurement system. I don't think it's that great. They have a lot of issues. Everywhere you look, there are a lot of issues, there's a lot of trouble, and there are a lot of national interests that are brokered for different things. I don't think they have a model for us.

**Ms. Joyce Murray:** Also, you mentioned working with the Privy Council, the Treasury Board, Public Works, and Industry. In this latest procurement model, rather than simplifying, there were two other departments added: Trade, and also DFO when there's coast guard involvement. That seems to complicate things. Are they among the group of senior leaders you're working with as you set this up?

**Mr. Keith Coulter:** Yes.

**Ms. Joyce Murray:** Are Trade and DFO also part of whom you're consulting as you set this up?

**Mr. Keith Coulter:** It comes back to a point that I was trying to make before, and maybe not well enough. Confidence and trust are really important here. This is being set up under the accountability of the Minister of National Defence, but the way I'm approaching it is to have a lot of conversations with people around town so that we have a lot of support for the way it's being set up.

People are helping. There are good ideas from different quarters. That's so when we kick off this thing early in 2015, people are really comfortable that we have the right formula, and therefore, when an independent panel is supporting something, people know that it has been looked at the right way, from the right angles, and they can move on and count on its good quality.

**Ms. Joyce Murray:** Is there time for a last quick question?

**The Chair:** No. I'm afraid on that optimistic note, I must call time.

I thank you, Mr. Coulter, as we all thanked Mr. Jones, for your time with us today, for your insight and vision. This committee wishes you all the best in the challenges ahead. Thank you very much.

**Mr. Keith Coulter:** Thank you.

**The Chair:** Before we suspend committee to deal with committee business, shall the chair report to the House that the committee has examined the qualifications and the competencies of Mr. Jones to the position of associate deputy minister of national defence, and Mr. Keith Coulter to the position of special adviser to the Minister of National Defence?

**Some hon. members:** Agreed.

**The Chair:** Thank you.

We'll now suspend to clear the room to go in camera for committee business.

*[Proceedings continue in camera]*







Published under the authority of the Speaker of  
the House of Commons

---

### SPEAKER'S PERMISSION

---

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

---

Also available on the Parliament of Canada Web Site at the following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

---

### PERMISSION DU PRÉSIDENT

---

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

---

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : <http://www.parl.gc.ca>