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The Evolution of Defence Procurement in Canada

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The Evolution of Defence Procurement in Canada
(Background Paper)

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THE EVOLUTION OF DEFENCE PROCUREMENT IN CANADA

1 INTRODUCTION

In Canada, defence procurement is a complex process involving several federal government departments and agencies: the Department of National Defence, Public Services and Procurement Canada, Innovation, Science and Economic Development Canada, and the Treasury Board of Canada Secretariat. Each department or agency is responsible for different stages of the defence procurement process.

This multi-departmental approach to defence procurement is unique to Canada. Most countries conduct defence procurement differently.¹ To better understand Canada's current defence procurement system and to anticipate how it might evolve in the future, it is important to know how it developed and progressed over time.

- When exactly did Canada adopt its multi-departmental approach to defence procurement, and why did it choose to do so?
- How did Canadians conduct defence procurement beforehand, and what lessons can be gained from those past experiences?

This background paper will attempt to answer those questions by examining how defence procurement evolved in Canada.

2 THE FIRST WORLD WAR, 1914–1918

2.1 PROCUREMENT BY THE ARMED FORCES (1914–1915)

When the United Kingdom declared war on Germany and its allies on behalf of Canada and the rest of the British Empire on 4 August 1914, Canada's army and navy were conducting procurement independently. The Department of Militia and Defence was responsible for Canadian Army purchases and the Department of Naval Service, for those of the Royal Canadian Navy (RCN).²

The early months of the war, however, revealed serious deficiencies in the defence procurement process in place. There was no effective coordination of armed forces purchases; significant variations existed in the prices paid for specific defence products; no federal government control was in place for defence production on the home front; and numerous cases of individual and corporate profiteering from defence contracts came to light. These challenges eventually prompted the government of Prime Minister Robert Borden to set up, in June 1915, a Royal Commission on War Supplies to investigate defence procurement and production irregularities; its findings were made public in 1917.³

Difficulties were also encountered with the Shell Committee, an independent committee composed of several Canadian businessmen and established by the

federal government in September 1914 to coordinate the manufacture in Canada of munitions for the British government. The Shell Committee not only wrestled with administrative problems, productive inefficiencies, and delays, it also became embroiled in a corruption scandal that led to its dissolution in November 1915.⁴

2.2 THE WAR PURCHASING COMMISSION (1915–1919)

To better control contracts, expedite war production, and avoid profiteering, the Borden government decided to centralize the procurement process under a single organization. In May 1915, a War Purchasing Commission responsible to the Privy Council was appointed to oversee all Canadian war purchases as well as all contracts placed by international allies with businesses and industries across Canada, except for those of the British government that fell within the scope of the Shell Committee and its successor, the Imperial Munitions Board. The creation of the War Purchasing Commission allowed the Canadian government to control and coordinate defence procurement and war production in Canada more effectively and efficiently.⁵

2.3 THE IMPERIAL MUNITIONS BOARD (1915–1919)

In November 1915, the Shell Committee was replaced by an Imperial Munitions Board directly responsible to the British Ministry of Munitions. It coordinated all British government orders in Canada for foodstuff, strategic raw materials, and manufactured products, including war materiel. The Imperial Munitions Board completely reorganized the Canadian industrial war effort and operated its own network of “national factories” to furnish any products that private companies were unable to produce. Canadian war production expanded significantly under its leadership. When the war ended in November 1918, more than 675 factories across Canada had worked on Imperial Munitions Board contracts.⁶

3 THE INTERWAR YEARS, 1919–1939

3.1 RETURN TO PRE-WAR PROCUREMENT PRACTICES (1919–1939)

The centralized system of procurement and war production set up during the First World War was abandoned in 1919 with the dissolution of the War Purchasing Commission and the Imperial Munitions Board. The Departments of Militia and Defence and of Naval Service became, once again, responsible for Canadian Army and RCN procurement, respectively. The new Air Board established in 1919 (renamed the Royal Canadian Air Force, or RCAF, in 1924) was also responsible for its own purchases.⁷

In 1923, the *National Defence Act* came into effect, amalgamating the Department of Militia and Defence, the Department of Naval Service, and the Air Board into a new Department of National Defence (DND). The amalgamation was effected for reasons of economy and to improve the coordination of defence policy in Canada. While the establishment of DND brought Canada’s army, navy, and air force together under a

single minister, the three armed services remained separate and independent legal entities, with their own chiefs of staff, headquarters, budgets, human resources, and procurement practices.⁸

3.2 THE DEFENCE PURCHASING BOARD (1939)

In 1938, allegations of corruption by the government of Prime Minister William Lyon Mackenzie King over a contract to a Canadian company for production of a light machine gun resulted in the appointment of a Royal Commission to investigate. The Royal Commission found no evidence of corruption, but recommended in its 1939 report that future defence contracts be administered by a centralized federal government procurement organization. It was believed such an organization would result in better economic and administrative efficiency and would prevent profiteering from defence contracts.⁹

The Mackenzie King government agreed with the Royal Commission and decided to establish a centralized defence procurement agency to oversee Canadian armed forces contracts as well as orders placed by allied governments with Canadian businesses and industries. In June 1939, Parliament passed the *Defence Purchases, Profits Control and Financing Act*, creating the Defence Purchasing Board, which began operations on 14 July 1939. The organization reported to the Minister of Finance and was given exclusive powers over all contracts placed in Canada for defence products. Its main responsibilities were to coordinate defence procurement and to control the profits and costs of defence contracts.¹⁰

4 THE SECOND WORLD WAR, 1939–1945

4.1 THE WAR SUPPLY BOARD (1939–1940)

When Canada declared war on Germany on 10 September 1939, the Mackenzie King government decided to further centralize defence procurement and production under a separate federal government department with its own minister and much wider powers than the pre-war Defence Purchasing Board. The *Department of Munitions and Supply Act*, passed in Parliament on 12 September 1939, provided for the eventual establishment, when it was deemed necessary, of a new Department of Munitions and Supply that would direct the purchase, production and distribution of defence products.¹¹

In the interim, a War Supply Board responsible to the Minister of Finance was created by order in council on 15 September 1939 and replaced the Defence Purchasing Board on 1 November 1939. The powers of the War Supply Board extended beyond those of the Defence Purchasing Board and included the mobilization and organization of Canadian industry for the war effort. It was also empowered to coordinate all defence contracts placed by the British and French governments in Canada. Responsibility for the War Supply Board was eventually transferred to the Minister of Transport, on 23 November 1939.¹²

4.2 THE DEPARTMENT OF MUNITIONS AND SUPPLY (1940–1945)

The Department of Munitions and Supply was officially established on 9 April 1940 through an order in council, taking over the activities of the War Supply Board. It had the authority to mobilize, control, and regulate all matters of defence production and supply in Canada; to act as the purchasing agent for the Canadian armed services; and to coordinate all contracts placed by allied governments and militaries with businesses and industries across Canada. It also managed 28 Crown companies engaged in various aspects of defence production.¹³

5 THE IMMEDIATE POST-WAR YEARS, 1945–1950

5.1 THE DEPARTMENT OF RECONSTRUCTION AND SUPPLY (1945–1948)

With the conclusion of the Second World War on 2 September 1945, the federal government shifted its attention to post-war reconstruction efforts and to the conversion of Canadian industry from war to peacetime production. In December 1945, the Mackenzie King government merged the Department of Munitions and Supply with the Department of Reconstruction to form a new Department of Reconstruction and Supply. Established through the *Department of Reconstruction and Supply Act*, the new department assumed responsibility for both defence procurement and production in Canada.¹⁴

5.2 THE CANADIAN COMMERCIAL CORPORATION (1948–1950)

With sharp post-war reductions in defence spending, the Canadian government felt that having an entire federal government department responsible for defence procurement and production in Canada was no longer required. This new reality compelled the federal government to decentralize responsibility for defence procurement and production.

In April 1948, responsibility for defence production was transferred to the Industrial Defence Board, which was set up that month to administer all matters related to defence industrial planning and preparedness in Canada. Originally attached to DND, the Industrial Defence Board operated under the authority of the Department of Trade and Commerce after March 1949.¹⁵

Responsibility for defence procurement, on the other hand, was transferred to the Canadian Commercial Corporation around November–December 1948. Established in 1946 to coordinate the export sales of Canadian defence products to foreign governments, the Canadian Commercial Corporation was a Crown corporation that operated under the authority of the Department of Trade and Commerce.¹⁶

6 THE KOREAN WAR AND THE COLD WAR, 1950–1991

6.1 THE DEPARTMENT OF TRADE AND COMMERCE (1950–1951)

The deterioration of diplomatic relations with the Soviet Union and the outbreak of the Cold War in the second half of the 1940s, the creation of the North Atlantic Treaty Organization (NATO) in 1949, and the beginning of the Korean War in 1950 prompted the federal government to raise defence budgets and order new weapons systems and defence equipment for Canada's armed forces. In 1950, the government of Prime Minister Louis St. Laurent introduced the *Defence Supplies Act*, which provided the Minister of Trade and Commerce with basic powers to carry out defence procurement functions in Canada.¹⁷

6.2 THE DEPARTMENT OF DEFENCE PRODUCTION (1951–1969)

In 1951, the St. Laurent government launched a major rearmament program to strengthen Canada's armed forces in response to the intensification of the Korean War and growing tensions with the Soviet Union. To implement that rearmament program, the government decided to centralize defence procurement and industrial preparedness once again in a single federal government department. On 1 April 1951, the *Defence Supplies Act* was replaced by the *Defence Production Act*, which established a new Department of Defence Production (DPP).¹⁸

The DPP took over responsibility for defence procurement from the Department of Trade and Commerce and for defence industrial preparedness and production from the Industrial Defence Board. The responsibilities of the new department were to procure all goods and services required by DND and the armed forces. In addition, it had a mandate to ensure that Canada had the production capacity and materials needed to support the government's rearmament program. The department was also responsible for the export of Canadian defence products to NATO allies and to friendly countries through the Canadian Commercial Corporation. Altogether, the DPP was responsible for seven Crown corporations, including the Canadian Commercial Corporation.

Originally, the department was meant to remain operational only for the duration of the Korean War. But intensifying Cold War tensions with the Soviet Union, and the Canadian armed forces' continued demand for new defence products, prompted the federal government to keep the department in operation well after the Korean conflict ended in 1953. New responsibilities were eventually assigned to the DPP in the late 1950s and early 1960s, such as defence development and production sharing with the United States and armament research, development and production cooperation within NATO.¹⁹

6.3 THE GLASSCO COMMISSION

In September 1960, the government of Prime Minister John Diefenbaker appointed a Royal Commission on Government Organization headed by J. Grant Glassco (the Glassco Commission) "to inquire and report upon the organization and methods of

operation of the departments and agencies of the Government of Canada” and to recommend changes that would “best promote efficiency, economy and improved service in the dispatch of public business.”²⁰ In its 1962 report, the Commission found, that the “purchasing operations of the federal public service [were] dispersed and uncoordinated” and that each department and agency “purchase[d] for its own account” and “establishe[d] its own machinery and rules.”²¹

The Glassco Commission recommended that the Government of Canada establish “a central purchasing agency ... to serve all departments and agencies (civilian and military) of the federal government.” The commission believed that pooling procurement resources would reduce duplication of work; maximize the use of personnel, infrastructure, and equipment; and allow bulk purchasing on behalf of all departments and agencies, thereby resulting in significant cost savings.²²

The Canadian government agreed in principle with the recommendations of the Glassco Commission.²³ In September 1963, it designated the DPP as “the central purchasing agency for the federal government as a whole to serve all departments, both civil and military” and extended its responsibilities to include “the area of civil supply.”²⁴ This was an interim measure; in 1965, the government of Prime Minister Lester B. Pearson announced its intention to replace the DPP with a new department responsible for all federal government procurement, both civilian and military.²⁵ In July 1968, the newly elected government of Prime Minister Pierre Elliott Trudeau announced the creation of a new Department of Supply and Services (DSS).²⁶

6.4 A MULTI-DEPARTMENTAL APPROACH TO DEFENCE PROCUREMENT (1969–1991)

6.4.1 THE DEPARTMENT OF SUPPLY AND SERVICES

On 1 April 1969, Parliament passed the *Government Organization Act*, which officially established DSS. The DPP was disbanded, and its functions were transferred to DSS, including its powers under the *Defence Production Act*. The new department was responsible for planning, acquiring, and supplying the goods and services required by all federal government departments and agencies, including DND and the armed forces.²⁷

6.4.2 THE DEPARTMENT OF NATIONAL DEFENCE (MATERIEL GROUP)

The Glassco Commission also ushered in a period of reform and reorganization for DND and the armed forces. It had recommended a number of consolidation and cost-saving measures to eliminate the duplication of resources between the different armed services (army, navy, and air force) and to enhance accountability and efficiency through greater management and integration of Canada’s defence organization.²⁸

The first stage of reorganization came with the unification of the armed forces. On 1 August 1964, amendments to the *National Defence Act* replaced the three Chiefs of Staff (Chief of the General Staff, Chief of the Naval Staff, and Chief of the Air Staff) with the new position of Chief of the Defence Staff and effectively integrated the army, navy and air force headquarters into a single Canadian Forces Headquarters.

Then, on 1 February 1968, the *Canadian Forces Reorganization Act* merged Canada's three armed services (Canadian Army, RCN, and RCAF) into a single, unified, military entity known as the Canadian Armed Forces (CAF). The Canadian Army, the RCN, and the RCAF thus ceased to exist as separate legal entities and became environmental commands within an integrated CAF structure.²⁹

The second stage of reorganization came in the form of a restructuring of DND. In March 1972, the Trudeau government announced that the civilian and military elements of DND and Canadian Forces Headquarters would be integrated into a new National Defence Headquarters (NDHQ). Under the new NDHQ organizational structure, the roles and responsibilities of civilian and military officials were redistributed, giving public servants significantly more power and influence in the management of the defence portfolio.³⁰ All DND and CAF responsibilities for defence procurement and the full life cycle of armed forces equipment were centralized under a civilian Assistant Deputy Minister (Materiel) accountable to the Deputy Minister of National Defence. This was done to provide a focal point of accountability for defence procurement within DND.

Among its numerous tasks, the Materiel Group of the Assistant Deputy Minister (Materiel) worked in close partnership with DSS on all defence procurement projects. Each organization was made responsible for specific aspects of the defence procurement process. DND, for example, acted as the technical authority responsible for all technical aspects related to the defence products and services required, whereas DSS acted as the contracting authority responsible for all matters related to the issuance and implementation of contracts.³¹

6.4.3 INDUSTRY CANADA

Industry Canada became involved in the defence procurement process in 1986, when the government of Prime Minister Brian Mulroney introduced an Industrial and Regional Benefits (IRB) Policy to use defence procurement projects to leverage long-term industrial and regional development benefits and to generate economic activity within Canada. Industry Canada was made responsible for the administration and coordination of the new policy, in collaboration with regional development agencies. Under the IRB Policy, contractors were required to make business investments in the Canadian economy in an amount equal to 100% of the contract value. As the IRB authority, Industry Canada worked closely with DND and DSS on defence procurement contracts.³²

7 DEFENCE PROCUREMENT SINCE THE COLD WAR

By the end of the Cold War in 1991, defence procurement in Canada was a multi-departmental affair, involving three separate federal government departments: DND, DSS, and Industry Canada. This multi-departmental defence procurement system has remained largely the same since the Cold War, with one exception. In June 1993, the government of Prime Minister Kim Campbell merged DSS with the Department of Public Works to form Public Works and Government Services Canada (PWGSC).³³ The *Department of Public Works and Government Services Act*, passed

in 1996, officially set out the legal authorities for the new department. The Act established PWGSC as “a common service agency ... providing departments, boards, and agencies of the Government of Canada with services in support of their programs,” which included the “acquisition and provision of articles, supplies, machinery, equipment, and other materiel.”³⁴ Responsibility for defence procurement under the *Defence Production Act* was transferred from DSS to PWGSC.³⁵

Today, Canadian defence procurement still involves a number of federal government departments and agencies: DND, PWGSC (renamed Public Services and Procurement Canada, or PSPC, on 4 November 2015), Industry Canada (renamed Innovation, Science and Economic Development Canada, or ISED, on 4 November 2015), and the Treasury Board of Canada Secretariat.³⁶ Each department or agency is responsible for different stages of the defence procurement process.³⁷

7.1 THE DEPARTMENT OF NATIONAL DEFENCE AND PUBLIC SERVICES AND PROCUREMENT CANADA

Although PSPC (formerly PWGSC) has “exclusive authority” under the *Defence Production Act* to purchase defence products required by DND,³⁸ the two departments have agreed to a “division of responsibilities” for the “acquisition of goods and services” and for the “quality assurance of materiel and services, as it applies to military specifications, acquired on behalf of DND.”³⁹ New weapons systems and military equipment are generally the types of defence products procured to military specifications. This division of responsibilities, however, does not apply to “materiel and services to non-military specifications,” such as the acquisition of office supplies and civilian-type products.⁴⁰

PSPC’s *Supply Manual* highlights in detail the various role and responsibilities of DND and PSPC in the defence procurement process. Although the two departments are both engaged in every phase of the defence procurement process, each has distinct lead responsibilities within it. PSPC, for example, is the lead department responsible for developing the procurement plan; soliciting and evaluating bids; as well as preparing, awarding, administering, and closing contracts.⁴¹ On the other hand, DND is the lead department responsible for defining operational and technical requirements, preparing the procurement instrument, and conducting acceptance trials and tests related to the delivery of the materiel or services procured, among other things.⁴² In other words, DND establishes the requirements in terms of defence procurement, but responsibility for contracting and acquiring materiel or services rests with PSPC.

7.2 INNOVATION, SCIENCE AND ECONOMIC DEVELOPMENT CANADA

ISED (formerly Industry Canada) continues to be responsible for the IRB Policy as well as for the coordination and administration of the Canadian government’s new Industrial and Technological Benefits (ITB) Policy. Introduced as part of the Defence Procurement Strategy (addressed in the next section) in February 2014, the ITB Policy is meant to replace the IRB Policy. Like the IRB Policy, the ITB Policy will allow the federal government to use defence procurement contracts to leverage industrial

and economic benefits for Canada. Contractors will still be required to make business investments in the Canadian economy in an amount equal to 100% of the contract value, just as under the IRB Policy.

The main difference is that the focus has shifted from investments in regions to investments in technologies that are strategic to Canada and to its defence industry. Under an ITB plan, companies bidding for defence contracts will now be rated and weighted based on the value of the industrial and technological benefits they propose to invest in Canada (the Value Proposition). Bidders' Value Propositions will be evaluated and scored based on four key criteria: how they plan to invest in the Canadian defence sector, provide work to Canadian suppliers, undertake research and development in Canada, and promote exports from Canada. The ITB Policy applies to defence procurement contracts announced after February 2014; IRB obligations continue to apply to contracts signed before that date.⁴³

7.3 TREASURY BOARD OF CANADA SECRETARIAT

The Treasury Board of Canada Secretariat is responsible, among other things, for developing the federal government's overall procurement policies, directives, and guidelines; approving preliminary funding for major capital projects that have been accepted by Cabinet; and conducting financial oversight of those projects.⁴⁴

8 REFORMING DEFENCE PROCUREMENT IN CANADA

8.1 THE CHALLENGES OF THE 21ST CENTURY

Since the 11 September 2001, terrorist attacks in the United States, the Government of Canada has invested billions of dollars in defence procurement projects to strengthen the CAF and to replace some of its aging weapon systems and military equipment. Projects for new military aircraft (fixed-wing and rotary-wing), warships, automotive and armoured vehicles (wheeled and tracked), artillery systems, small arms, ammunition, and various other defence products have been launched over the past 15 years. With the CAF almost continuously engaged in wars in Afghanistan (2001–2014), Libya (2011), Iraq and Syria (since 2014), not to mention Canada's participation in the international campaign against terrorism (since 2001), the demand in Canada for new weaponry and defence equipment has been high.⁴⁵

While many defence products have been acquired in a timely and efficient manner, some high-profile defence procurement projects have faced delays, cost overruns, and other difficulties over the years. These problems have attracted significant political, media, and public attention and raised concerns about the overall efficiency and effectiveness of the defence procurement system in Canada, prompting some to call for reform.

In recent years, DND and PWGSC (now PSPC) have implemented several initiatives to improve defence procurement processes and reduce acquisition times.⁴⁶ The Canadian government also launched a National Shipbuilding Procurement Strategy in June 2010 and a Defence Procurement Strategy in February 2014 to streamline and

enhance the efficiency of the defence procurement system, increase accountability, and leverage greater industrial and economic benefits from defence contracts.⁴⁷

Whether Canada should centralize defence procurement under a single federal government department or agency has been subject to debate over the past 15 years.⁴⁸ The government of Prime Minister Stephen Harper, however, decided to retain the existing multi-departmental system, which it committed to reform under its Defence Procurement Strategy of 2014.

8.2 THE DEFENCE PROCUREMENT STRATEGY OF 2014

Between 2009 and 2013, the Harper government sponsored a number of independent studies on ways to improve defence procurement in Canada.⁴⁹ It also made a commitment in the federal budget of 2011 to “improving military procurement” and to developing “a procurement strategy, in consultation with industry, to maximize job creation, support Canadian manufacturing capabilities and innovation and bolster economic growth in Canada.”⁵⁰

In February 2014, the Harper government unveiled its Defence Procurement Strategy in an effort to reform the defence procurement process in Canada.⁵¹ The strategy has three key objectives: (1) delivering the right equipment to the CAF in a timely manner; (2) leveraging purchases of defence equipment to create jobs and economic growth in Canada; and (3) streamlining defence procurement processes. The strategy contains several initiatives under each key objective. These include:

- having DND publish an annual *Defence Acquisition Guide* (the first of which was released in June 2014) outlining its defence procurement priorities;
- establishing within DND an Independent Review Panel for Defence Acquisition (appointed in May 2015) to validate requirements for major defence procurement projects (value of more than \$100 million) and to provide independent, third-party advice to the Minister and Deputy Minister of National Defence;
- progressively increasing DND’s authorities to independently contract from \$25,000 to \$5 million;
- replacing the IRB Policy with a new ITB Policy (officially announced in December 2014 with the release of Industry Canada’s *Value Proposition Guide*) that uses a weighted and rated Value Proposition to assess bids for defence procurement;
- identifying and using Key Industrial Capabilities (KICs) to increase the competitiveness of Canadian companies on global markets;
- implementing an export strategy to support Canadian defence industry sales to foreign countries and participation in global supply chains; and
- establishing an independent, third-party Defence Analytics Institute to provide expert analysis to support the objectives of the Defence Procurement Strategy and its evaluation (an interim Defence Analytics Institute was established in February 2014).⁵²

A new governance and accountability framework was also introduced as part of the Defence Procurement Strategy “to ensure streamlined and coordinated decision-

making for defence procurements.”⁵³ A Defence Procurement Secretariat was created within PSPC to oversee the defence procurement system and to coordinate the strategy’s implementation across the multiple federal government departments involved. This Secretariat reports to a Deputy Ministers Governance Committee (DMGC), chaired by PSPC, which consists of deputy ministers from DND, ISSED, Global Affairs Canada, and Fisheries and Oceans Canada (which is responsible for the Canadian Coast Guard) and acts as the key decision-making body for defence procurement. The DMGC, in turn, provides guidance on defence procurement to a Working Group of Ministers, chaired by the Minister of Public Service and Procurement, which includes the ministers of National Defence; Innovation, Science and Economic Development; Foreign Affairs; International Trade; and Fisheries, Oceans and the Canadian Coast Guard. This Working Group of Ministers was established “to ensure shared accountability in defence procurements” as well as to “act as the forum for discussion, advice and to resolve issues in the implementation of major procurement projects.”⁵⁴

While many people maintain that the introduction of the Defence Procurement Strategy has been a step in the right direction, some believe that there is still room for improvement. Some commentators maintain that the strategy does not address the multiplicity of ministerial points of authority and accountability under Canada’s current multi-departmental defence procurement system. While the strategy created new coordinating entities (for example, the Defence Procurement Secretariat, the DMGC and the Working Group of Ministers), the issue of having several federal government departments and agencies accountable for defence procurement processes remains omnipresent. Some defence experts therefore believe that additional reforms are needed and that the defence procurement system should be centralized under a single federal government department or agency dedicated solely to the acquisition of defence products and services. They argue that accountability, governance, and efficiency could be improved by doing so. Some commentators also maintain that the new coordinating entities created under the strategy have added bureaucratic layers and new sequential steps to already-complex processes, thereby further complicating the defence procurement system. Other experts believe that the strategy is too industry-oriented and focused on securing employment and economic benefits from defence procurement contracts.⁵⁵

That said, the strategy is still new, and time will tell whether additional changes or reforms will be needed to improve the Canadian defence procurement system.

9 CONCLUSION

For more than 45 years, Canada’s approach to defence procurement has been multi-departmental. Since 1969, the defence procurement system in Canada has involved the joint participation of several Canadian government departments and agencies, each with its own roles and responsibilities. Introduced at a time of great organizational changes within the federal government, Canada’s multi-departmental defence procurement system was originally set up in the hope of maximizing the use of resources, achieving better administrative efficiency, and resulting in significant cost savings. That system has expanded since the 1960s, however, with new

government departments and agencies becoming involved in the process. As a result, today's multi-departmental defence procurement system is increasingly complex, and some have argued that it has become unnecessarily bureaucratic.

However, Canada did experiment in the past with very different defence procurement models, each with its own set of challenges and successes. These models included procurement by individual armed services, procurement by centralized federal government departments or agencies, and procurement by Crown corporations.

The general trend in times of war or national emergency during the 20th century was for the governments of the time to centralize defence procurement under a single government department or agency in order to better control and coordinate the acquisition of defence products. However, governments have not followed this pattern for Canada's involvement in the armed conflicts of the 21st century. In spite of delays, cost overruns, and other challenges encountered with defence procurement projects over the past 15 years, the Canadian government has remained committed to the current multi-departmental model.

Although many people believe that the introduction of the Defence Procurement Strategy in 2014 will improve defence procurement in Canada in the long run, there are still public concerns over issues of governance and accountability. Some commentators maintain that better accountability and efficiency could be achieved if Canada abandoned its multi-departmental defence procurement system and centralized the system under a single federal government organization, as it did on several occasions before 1969. Regardless of which approach the Government of Canada takes in the future with regard to defence procurement, one thing remains certain. The billions of dollars invested in the defence procurement system and its projects will continue to attract significant political, media, and public attention for years to come, and calls for reform will, in all likelihood, continue.

NOTES

1. Examples of defence procurement models that exist in other countries include procurement by individual armed services (army, navy and air force), by central government organizations, and by independent civilian corporations, either state-owned or part of the private sector. Martin Auger, [*Defence Procurement Organizations: A Global Comparison*](#), Publication no. 2014-82-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 14 October 2014.
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