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Chair

Mr. Tom Lukiwski

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• (1525)

[English]

The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)): Colleagues, I'll call the meeting to order just a few moments ahead of time. As I normally do, I will need a few moments at the end of the meeting for committee business, so I'll probably be adjourning the interventions with our witnesses about 15 minutes early.

I also see we have a new member joining us today at the committee. Mr. Lefebvre, welcome to the committee.

Ladies and gentlemen, this is meeting number 21 of the Standing Committee on Government Operations and Estimates.

Today we have with us some officials from the Department of Public Works and Government Services, from the Department of National Defence, and the Department of Fisheries and Oceans. Lady and gentlemen, welcome.

Am I correct in understanding that all of you have a brief opening statement, or are there no opening statements from any of you?

Ms. Lisa Campbell (Assistant Deputy Minister, Acquisitions Branch, Department of Public Works and Government Services): I have opening remarks, Mr. Chair.

The Chair: Are you the only one, Madam Campbell?

Ms. Lisa Campbell: Yes.

The Chair: Madam Campbell, welcome to our committee.

You can start at any time, and then I will go into the normal seven-minute round for questions.

Ms. Lisa Campbell: Thank you and good afternoon, Mr. Chair, and committee members. My name is Lisa Campbell. I am the assistant deputy minister of defence and marine procurement at Public Services and Procurement Canada.

I am accompanied by Patrick Finn, assistant deputy minister, materiel, from the Department of National Defence; and by Jeffery Hutchinson, deputy commissioner, strategy and shipbuilding, from the Canadian Coast Guard.

Governments around the world expend significant resources on goods and services to meet the needs of their citizens, and the Government of Canada is no exception. Federal procurement spending contributes close to 1% of Canadian GDP annually. Over the past decade, the federal government has issued more than 460,000 contracts, on average, per year, worth more than \$18 billion annually. The spending is used to acquire a vast array of goods and

services, ranging from vaccines, nuclear facilities and bridges, to military equipment such as ships, tanks, and aircraft.

[Translation]

At Public Services and Procurement Canada, we ensure that federal procurement is fair, open and transparent, and that it provides best value to Canadians.

In total, all levels of government in Canada spend about \$100 billion a year on the purchase of goods and services. The federal government accounts for just under 20% of this amount—about \$18 billion—as I said earlier. Half is spent on defence and marine procurement, and the other half goes towards the wide range of acquisitions needed to run a country, such as bringing in new Canadians through the Syrian refugee relief effort.

PSPC's acquisition program focuses on high-value, complex procurements that require the skills of our specialized workforce.

[English]

Canadian federal procurement is based on core principles of fairness and transparency. Our laws, regulations, and international trade agreements generally require that government purchases be put to the open market for public bids. Competition promotes innovation and best value.

There are some exceptions to this provided for in the government contracting regulations, such as when only one supplier exists or there is a robust justification to source a single supplier. This may occur mostly in the defence context, where interoperability with allies and national security are factors at play.

Like other governments around the world, the federal government also aims to achieve a variety of socio-economic objectives through procurement, leveraging the public spend for the industrial benefit of Canada. Canada has, for some time, leveraged defence procurements for industrial benefit, and recent changes have brought both broader application and more rigour to that work.

A core element of the industrial and technological benefits approach is a rated and weighted value proposition. As part of the overarching goal of getting the right equipment and services for the Canadian Armed Forces, this is a powerful lever for the government because it requires bidders to compete on the basis of meaningful economic benefits to Canada associated with each bid. It is a weighted and rated assessment, so bidders who provide quality value propositions will stand out.

We know as well that sustained spending over time not only strengthens the industrial base, but it also supports research and development, as well as innovation and export capacity. Innovation, Science and Economic Development Canada, or ISED, recently published the list of industrial offset obligations. Since 1986, companies promised to deliver \$37.7 billion, and \$24 billion of those obligations have been fulfilled, with the rest under way. Current industrial benefit obligations stand at about \$30 billion, of which \$16 billion have been completed, and \$9 billion are under way, with \$5 billion to be determined.

What we're seeing through all of this is that when we apply this lens to major procurements, with sound knowledge of our industrial base and do it in a targeted way, it helps us tailor procurement strategies to maximize the federal spend while achieving best value for Canada.

• (1530)

[Translation]

These efforts work in concert with other mechanisms to strengthen the Canadian industrial base, including providing access to global markets through trade agreements, and efforts by Global Affairs Canada and other federal departments to promote Canadian companies and skills abroad.

For example, Canada's infrastructure projects are covered by trade agreements. Therefore, government cannot specify a requirement for Canadian steel. However, our trade agreements greatly expand the global marketplace for Canadian goods and services, including Canadian steel.

[English]

The importance of the work we do has been underscored by the recent renaming of our department, along with the mandate for our minister and Minister Brison to modernize procurement policies and practices so that they are simpler and less administratively burdensome, and to deploy modern comptrollership and include practices that support economic policy goals. We welcome this new emphasis because it aligns with our own business imperatives. Changes are already under way, in collaboration with other government departments and central agencies, to modernize our procurement practices and processes. We're reviewing our contracts to make them simpler and shorter, as well as reviewing standard contract terms to ensure that they incentivize the business behaviour we want to see. Ultimately, we're working to make it easier for government departments to buy, and for suppliers to sell to us. We're also actively engaging industry, and we conduct industry engagement as part of all major procurements. We have industry advisory groups for both the defence and the non-military sectors.

In fact, we're at an important point in our modernization efforts: we're about to buy an electronic procurement system that's going to help us streamline procurement processes and allow us to capture real-time data about the federal spend. This data will in turn allow the government to make informed policy decisions, allocate resources, and set strategic goals. This change is going to be critical to our organization as we're currently, to be frank, working with outdated systems that create significant gaps in our ability to perform our function in an effective and efficient manner.

[Translation]

As part of our modernization, we are also reviewing our contracting practices. This initiative is focused on enhancing the Government of Canada's relationship with its suppliers and, therefore, aims to increase the ease of doing business with the federal government. This review will simplify, streamline and standardize procurement processes, and that is a key consideration for successfully adopting an e-business environment.

In addition, in response to concerns that Canada's pricing framework is dated and contributing to a rise in costs of defence programs, we engaged a third-party expert to review PSPC's cost audit and profit policy, as well as our methodology for determining contract pricing, particularly in the sole source context where competitive drivers aren't present to drive down prices.

The third-party report made several recommendations, including a call for substantive updates to the Government of Canada's practices, and a comprehensive action plan is underway. Third-party reviews are part of our ongoing efforts to improve the way we do business. We also conduct audits to confirm whether our procurement approaches maximize value for Canadian taxpayers' money and optimize performance.

• (1535)

[English]

We're also applying modern contract approaches, such as the two-step bid evaluation process that allows correction of minor omissions or errors after an initial review of bids. This more flexible approach maximizes competition and innovation as evidenced by a recent defence procurement. Initially, only one bid was found compliant. After the second step, however, five bidders were found to be compliant, and the winning bid was selected on the basis of best overall value, considering price, technical merit, and socio-economic benefits. This two-step evaluation not only led to greater competition, but it also sped the process up by several weeks. I wish some of those stories would make the news.

Another key element pertaining specifically to defence procurement is the sustainment initiative, a joint project with the Department of National Defence along with Innovation, Science and Economic Development Canada. I was pleased to participate with Mr. Finn in the official launch of this initiative yesterday, after a number of years of effort by our respective departments in its development. It's a new model of contracting for in-service support and maintenance of military fleets and equipment, which focuses on collaboration, international best practices, and strong business cases, instead of a one-size-fits-all approach.

Four principles are going to guide us: performance, value for money, flexibility, and economic benefits. Beginning in October 2016, these principles are going to become a mandatory element for all decision-making for sustainment solutions valued at more than \$20 million. We have pilot projects ongoing right now in land, sea, and air, and we anticipate that this will improve defence equipment readiness by leveraging the combined capabilities of government and industry.

[Translation]

Unlike the regular goods and services we procure, defence equipment is rarely standard. Even equipment described as off-the-shelf may need to be customized to meet the military's needs. Armoured and other non-armoured military vehicles, for instance, carry sophisticated equipment and must be able to withstand weather conditions and circumstances that are unlike those encountered in the civilian world.

Here in Canada, particularly in the defence sector, we have seen how sustained funding and support for innovation can be transformative for Canadian companies. With government contracts, the companies are able to contribute to Canada's safety and security, develop skilled workforces, seek export markets and participate in the global supply chain. They can also reap benefits from their investment in research and development.

[English]

One of the key priorities identified in Minister Foote's mandate letter was the national shipbuilding strategy. As part of this commitment, on May 26, Minister Foote released a status report on the NSS, which we've tabled today for your reference. The report provides an update on the state of the strategy as a whole, the projects and the economic benefits, from the signing of the umbrella agreements with the shipyards in 2012 to December 2015. The minister has indicated her commitment to report regularly on the NSS. In the fall she will table an annual report in Parliament, which will be followed by quarterly reports.

Much has been written on the strategy, so we welcome the opportunity to be here today to discuss our accomplishments and our challenges.

[Translation]

In the last three years, our shipyards, Irving and Seaspan, have essentially demolished and rebuilt their yards, at no cost to the Government of Canada. This modernization effort has cost the shipyards over \$500 million. The transformation is impressive, and we are currently building vessels on both coasts.

Esteemed members of the committee, if you would like to visit the shipyards, our offices could organize a tour.

Thank you for your time and, again, I appreciate the opportunity to appear before you today.

My colleagues and I would be happy to take your questions.

[English]

Thank you.

The Chair: Thank you, Madam Campbell.

For the benefit of our witnesses and our colleagues around the table, even though these proceedings are not televised, they are being recorded. CTV is recording video of the proceedings and Radio Canada is recording audio.

Mr. Ayoub, you may take seven minutes, please.

[Translation]

Mr. Ramez Ayoub (Thérèse-De Blainville, Lib.): Thank you, Mr. Chair.

Thank you for joining us today. These are extremely interesting topics. I also want to thank you for tabling a report recently.

I did some reading to prepare for your appearance before the committee. I spent a lot more time on shipbuilding and Fisheries and Oceans Canada.

I would like to know what challenges you have been facing over the past few years, following the plan established in 2010 to regularize the demand related to the constructions of those vessels. There have been some difficulties according to the reports. Canada is lacking the resources and expertise needed to meet the demand for specialized vessels. Could you tell me more about that?

It's good that a plan was launched in 2010, but if financial and technical means are lacking and the training of human resources is inadequate, it may definitely take more time. We are now in 2016. Our government has been in power for a few months, and we are already seeing rapid advances in the application of principles to meet the demand.

What's your point of view on that? What are the strike plans—no pun intended—of the Department of Fisheries and Oceans?

● (1540)

Ms. Lisa Campbell: Go ahead, Mr. Hutchinson.

Mr. Jeffery Hutchinson (Deputy Commissioner, Strategy and Shipbuilding, Department of Fisheries and Oceans): Thank you very much for those questions.

[English]

There's no question that we have faced some challenges, from a Coast Guard perspective, in implementing the shipbuilding strategy. If we go back, I think it's important to note, as you have referenced, that starting in 2010 the national shipbuilding strategy was launched because there was recognition that Canada didn't have the strategic shipbuilding capacity that we want as a nation, particularly when we have two large government fleets that have to be supported, particularly when we note that Canada has the longest coast line in the world, particularly when we note that Canada is responsible for three ocean domains.

It's of unquestionable importance to the government and of particular importance to the Coast Guard. We went into shipbuilding recognizing very much that the shipbuilding industry needed to make a commitment. The yards were selected through the NSS, and as Lisa referenced earlier, they've made large investments out of their own coffers to build the infrastructure that they need.

Perhaps we on the government side—and I think it's particularly true for us on the Coast Guard side—didn't recognize how much our own capacity and experience had dissipated over time. We have certainly faced a challenge internally in rebuilding our own capacity in shipbuilding. We have developed a team of engineers who are now...you made the play on words about the plan of attack, so I'll call them a fit fighting unit of engineers who do really exemplary work, there's no question about that, and we're building our cost capacity on the government side and our leadership capacity.

At the same time, concerning the Vancouver shipyard, I think everyone involved suffered from what our external expert calls a conspiracy of optimism. Everyone thought it would move faster than it did, including the yard. They have taken a very measured approach, in my view. They have quite a mature approach to taking lessons from the rebuilding, the implementation of their shipbuilding capacity, and learning from these and improving as they go.

We have seen their capacity, since the first cutting of steel on the offshore fishery science vessel last June, really develop, grow, and mature. They've brought in world-class equipment. They have continued to develop their management team, and most important, they've continued to develop the processes in the yard that will lead to stable, predictable, and high-quality shipbuilding.

We have faced challenges; there's no question about that. Both the Coast Guard and the shipyard have taken steps to address them, and I think we feel the progress that is every day now being made on the shipbuilding.

[Translation]

Mr. Ramez Ayoub: Thank you for the answer.

It is still pretty surprising to see that a plan developed in 2010 is still not receiving—now in 2016—the support needed to meet the objectives, according to what I have read. There is now talk of 2030. The oversight measures were perhaps not tight enough to make follow-up possible and to achieve those objectives.

Are you currently taking the necessary steps to support the plan and provide information to Canadians transparently? That was perhaps also missing.

● (1545)

[English]

The Chair: Mr. Hutchinson or Ms. Campbell, I hate to ask you, but because of the time constraints we have, could you keep your comments, hopefully, to about a minute.

[Translation]

Ms. Lisa Campbell: Thank you very much for the question.

As our minister recently mentioned at the CANSEC conference, we use five elements to strengthen our capacities and address the challenges. It's true that we have not built any vessels in Canada in 30 years, while we were investing in our staff. We have tripled the number of employees in charge of procurement. We provide a great deal of training; we are greatly improving our governance; and we are using third parties to determine whether the shipyards have achieved the necessary industrial capacity to start building.

As I mentioned in my remarks, shipyards have made investments themselves to be able to start construction. The building program has also been implemented to give them an opportunity to get used to things, to train, to develop processes and, after that learning, to develop efficiencies.

Mr. Finn, do you have anything to add?

[English]

The Chair: I think I'm going to have to stop you there. Hopefully, if you have more to add, you can do it in the next round of interventions.

Mr. Blaney, you have seven minutes, please.

[Translation]

Hon. Steven Blaney (Bellechasse—Les Etchemins—Lévis, CPC): Thank you, Mr. Chair.

I want to welcome the witnesses.

Ms. Campbell, I would like to thank you for your invitation. My colleague the deputy critic for procurement and I have already visited the three Canadian yards—Irving, Seaspan and Davie. In all the cases, we were impressed by the infrastructure.

I am wondering about something.

When the contracts were awarded in 2011, it was very clear that taxpayers' money should not be used.

With the committee's permission, I would like to submit two documents, in both official languages: the press release Ms. Campbell referred to, and an excerpt from the webpage that stipulates the five criteria of the naval strategy.

[English]

The Chair: Colleagues, does Mr. Blaney have unanimous consent to distribute these documents?

Some hon. members: Agreed.

The Chair: We will do that, Mr. Blaney, and you can continue with your question while we distribute the documents.

Hon. Steven Blaney: Okay.

[Translation]

One of the documents is Minister Judy Foote's press release. In it, Minister Bains reminds that the vessels will be built here, in Canada, and that the selected yards have modernized their respective facilities at no cost to Canada. I want to stress the idea that it is at no cost to Canada.

I am wondering about something. You are experts on naval strategy. Can you confirm that no taxpayer money has been used to modernize the capacity of the two shipyards that received contracts?

Ms. Lisa Campbell: Thank you very much. I can answer that question.

That's exactly right. The Government of Canada has not invested any money into modernizing the infrastructure.

I believe that you are referring to a contract called the horizontal engineering program plan.

The construction program in the west focuses on several types of vessels, built in small numbers, intended for two different institutions, the Canadian Coast Guard and the Royal Canadian Navy. Owing to this, the government deemed it appropriate, in 2014, to ask the shipyards to do some preparatory work in terms of engineering and the processes. That work will then be repeated for each construction. Because the work program is varied, efficiencies are created from the outset. For the first time, instead of proceeding on a project-by-project basis, Canada is looking at the construction as a program.

Mr. Hutchinson, do you have anything to add?

Hon. Steven Blaney: You are basically saying that we are paying for engineering services. How can we ensure that Canadian taxpayers won't be paying twice? How to ensure that they are not paying for upstream engineering services? Are those services included in the cost of construction? Which vessels are we talking about here?

Ms. Lisa Campbell: We're talking about the work program in Vancouver. It covers a number of ships intended for the Royal Canadian Navy and the Canadian Coast Guard.

Mr. Finn, would you like to say anything?

Rear-Admiral (Retired) Patrick Finn (Assistant Deputy Minister, Materiel, Department of National Defence): Thank you for the question.

I would add that this applies to all vessels—to every project. It's different from contracts awarded on a project-by-project basis, which don't allow us to be proactive in terms of design.

• (1550)

Hon. Steven Blaney: I will soon yield the floor to Mr. McCauley, but I would first like to share one of my observations.

We are in 2016. A lot of money has been invested. We already have a lot of public servants, and new ones are being hired. But where are the vessels?

I was listening to you talk about the conspiracy of optimism. I just had a quick look at your report, and I must say that it seems totally unrealistic to me. You are talking about an icebreaker that will be

delivered in 2021, while there are joint support ships to deliver. Is the conspiracy of optimism ongoing?

At some point, you will have to stop hiring public servants and build and deliver vessels instead. Currently, vessels are rusting faster than they are being replaced.

I will let Mr. McCauley continue.

[English]

Mr. Kelly McCauley (Edmonton West, CPC): Thank you.

We discussed the HEPP issue at the Standing Committee of Fisheries and Oceans. You may have been there. Marty Muldoon confirmed the existence of HEPP, the horizontal engineering program plan. During his testimony he stated that the goal of the plan was to invest in the shipyard's capability to get it up to capacity and start churning out vessels.

Our understanding is that it's a shared initiative between Fisheries and Oceans and DND.

Mr. Chair, with your permission, I would like to distribute some documents.

The Chair: Colleagues, is there unanimous consent?

Ms. Yasmin Ratansi (Don Valley East, Lib.): What documents are those?

The Chair: What documents are they?

Mr. Kelly McCauley: They are invoices, contracts.

Hon. Steven Blaney: Public—

Mr. Kelly McCauley: They are public tendered contracts, available.

Ms. Yasmin Ratansi: Show us before we say yes, please.

Mr. Kelly McCauley: I'll continue while we're handing them out.

In summary, there are two contracts worth \$40 million for marine architect engineering services. They've been awarded to Seaspan for work done. We know the HEPP exists. These were awarded in 2015, I believe, long after the start of the process for NSPS where we said there would be no public money invested in their infrastructure. It looks as if we're contradicting that. We said at the beginning and it's been in writing: no public money toward the infrastructure to get either Irving or Seaspan up and running. But at the same time, we're investing money into their company. You're saying it's for different boats.

I find it difficult to understand, or maybe you can explain how we can give \$40 million. I think the total over was about \$80 million altogether. I only have copies for the \$40 million. Perhaps you can explain how we can be putting \$40 million in 2015 into a shipyard that's been working on our ships for several years, and that there won't be any overlap of that money into the NSPS.

Ms. Lisa Campbell: Thank you for the question, Mr. Chair.

The Chair: Because of the shortness of time, could you keep your comments to about a minute, please.

Ms. Lisa Campbell: Thank you for your comments.

Funding from the government's horizontal engineering program plan was not used to fund Seaspan's shipyard infrastructure improvements. Its infrastructure improvements of \$170 million were made at zero cost to Canada. It'll be building several different types of ships for the Canadian Coast Guard and the Royal Canadian Navy, as I said earlier. The horizontal engineering program plan is an early investment in engineering and production work to ensure efficiencies in streamlining. It will increase shipbuilding efficiency and maximize benefits to taxpayers, because it will reduce duplication of work and ensure standardization of processes across all the ship builds.

The Chair: Thank you very much.

Mr. Weir, you have seven minutes, please.

Mr. Erin Weir (Regina—Lewvan, NDP): As tempted as I am to push for more of these shipbuilding contracts to be awarded to Saskatchewan, I'd actually like to broaden the discussion to aircraft.

Ms. Campbell, in your opening remarks, you spoke about the virtues of an open and competitive process for procurement. I wonder if such a process would be feasible for fighter aircraft.

Ms. Lisa Campbell: Thank you for the question.

I'm going to ask my colleague Mr. Finn to respond to that.

RAdm Patrick Finn: Thank you very much for the question.

As per our minister's mandate letter, we are looking at all options for the replacement of the fighter aircraft. Right now, no decisions have been made. The full spectrum is being looked at. Our minister has asked us many questions, about approaches, products, how it could be done, what could be done, to make sure he has all the information he needs that he can bring to his colleagues to bring to decision. Absolutely, what you describe is among the options that are being considered. No decision has been made at this time.

Mr. Erin Weir: You'd say an open competition is feasible but the government has not necessarily decided to pursue that type of procurement to replace the CF-18.

•(1555)

RAdm Patrick Finn: I can't speak for the government in the context of the information we're providing. We are continuing to provide information across the whole spectrum, looking at the government contracting regulations, everything that's possible. At this point, no decision has been made.

Mr. Erin Weir: If the government wanted to have an open competition to consider various models of fighter, that would be doable from an official standpoint.

RAdm Patrick Finn: The process we go through in looking at requirements is that my colleagues at PSPC and I receive these after the decisions are made, after the military has established the requirements. Then they're looked at under the government contracting regulations to see what applies. That is definitely an option that can be pursued. It's information that we're providing, including information on competitions.

Mr. Erin Weir: One of the reasons I ask is that there have been media reports that the government has decided to purchase Super Hornets through a sole-source contract. Is that information not accurate?

RAdm Patrick Finn: Any information that talks about decisions having been made is speculative, and we're not there yet. We're still working through the information. At this point, our minister and his colleagues have not directed us in any way. We're continuing to pull information together on various products. We remain a member of the F-35 consortium, which enables us to bring information forward on that product. We are working with colleagues at PSPC and at ISED on all of the aspects of value propositions and what would occur. That information is still flowing. We have not been informed of any decisions being made.

Mr. Erin Weir: Since you mentioned the F-35 consortium, I am struck by the fact that the governing party promised, during the election campaign, not to buy F-35s. I also note that, just recently, it was reported that the government missed a payment to the F-35 consortium. Does either of those facts suggest that the government will not be buying F-35s?

RAdm Patrick Finn: Again, I can't speak for the government, but I will perhaps just address the payment issue.

The payment is made for the U.S. fiscal year. Typically, we make it in early May. We have not made it this year as of yet. Some years we have made it early, well beforehand, and some years we have made it after the fact. It certainly is the intention to meet our financial commitments to our U.S. ally this fiscal year. We will be making that payment.

Lisa, did you want to add something?

Ms. Lisa Campbell: Thank you for the question.

I would just say that the government remains committed to building a more agile, better equipped military while ensuring best value for Canada. This partnership, the MOU specifically with JSF, doesn't commit Canada to any particular option. What it does is it gives some industrial benefits to Canada while it decides what its requirements are.

Mr. Erin Weir: Does it guarantee industrial benefits to Canada, or does it just keep us in the mix for potential industrial benefits?

RAdm Patrick Finn: It is, in fact, the latter. It does not guarantee industrial benefits to Canada. To date, though, I would say that through our investments of approximately \$300 million, the industrial benefits that have accrued to Canadian industry are in the vicinity of \$800 million. Canada has a very strong aerospace industry. I understand it to be, if memory serves, about the fifth largest in the world. As a result, it has performed very well in open competition for various components for the F-35, and it continues to deliver on that. In the future....

I beg your pardon.

Mr. Erin Weir: Wouldn't it be better to negotiate concrete and specific industrial benefits into these procurement contracts, rather than just being part of a consortium that may or may not receive them?

RAdm Patrick Finn: I am sorry to say that it depends. In this particular case, as it turns out, had we negotiated.... Understand that this is often perceived as a U.S. program. It is not. We have others like it, such as the Seasparrow missiles, which is an international program with many countries involved, all of whom have a say in the process. That international community opted not to have direct offsets. Interestingly, in this particular case, other countries actually got less than their investment because Canada got more back than it invested.

The Chair: You have less than a minute.

Mr. Erin Weir: Okay.

I am wondering if you could quickly name the major types of fighters that are being considered as replacements for the CF-18.

RAdm Patrick Finn: What we will do is industry engagement, and there will also be an involvement of industry coming forward. We tend not to go out and say, "We will consider only the following products." We look to industry and international providers to come forward and indicate their interest. It will likely be, I suspect, a cross-section of those who have come, a number of whom—

• (1600)

Mr. Erin Weir: Could you mention a few that you are considering for sure? I recognize that it won't be an exclusive list.

Ms. Lisa Campbell: Just to clarify, the way the Canadian government procurement process is structured, the Department of National Defence decides on the capability it needs and its requirements, and then it comes to us, Public Services and Procurement Canada. We go to industry, see what is on the market, and make recommendations to the government on that basis.

The Chair: Thank you.

Mr. Drouin, go ahead.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

I want to focus on the procurement process and modernizing procurement. If I recall, in 2012, with regard to the MSVS program, there was an issue with the RFP. The government at the time had to cancel it four minutes before the bid closed. What worries me is bringing confidence to the industry, that, yes, they can do business with the Government of Canada when it comes to military procurement. Apparently, this had to do with Treasury Board approval.

Can you assure this committee that this won't happen again and can you explain the steps the government has taken to ensure that this doesn't happen again?

Ms. Lisa Campbell: I will start and then perhaps turn it over to Mr. Finn.

You are right that military procurement gets a lot of focus and interest, in part because we try to do so much with it. At its root, it is about buying the best equipment for our Canadian Forces. We also try to leverage it for industrial benefit, achieve competition, and achieve best value. There are a number of things going on at once.

One fundamental thing we have been doing that has made a big difference is engaging with industry very early in the process and

making sure that what we are actually asking for exists in some form. What modification would it require? Can we buy it in a reasonable amount of time to meet the needs of the forces? That has been a huge factor for us. As well, and Mr. Finn will probably talk about this, the independent review panel for defence acquisition which has been established helps firm up requirements much earlier in the process, which is an important piece for us. It means that there is some certainty.

The other thing is that we find we are much more strategic now about applying value proposition broadly across defence procurement. I talked about that in my opening remarks. It means that we are very targeted about where we will leverage defence procurement for the benefit of Canadian industries.

Mr. Finn, go ahead.

RAdm Patrick Finn: Thank you for the question.

You're correct. In the context of the medium support vehicle system project, there was a request for proposal that had to be cancelled just prior to closing. It became an interpretation of the authorities in place and whether or not, in our estimation, we could have continued and sought what were the ultimate authorities further on once the RFPs had closed. There was a differing view, and in respect for those who interpret that, we wound up cancelling that RFP.

We've done a lot of work since then, and as a result of it. My colleague mentioned, for example, the two-step process. We've had problems there where, by virtue of a very narrow interpretation of mandatory requirements, bidders put in financial information in a large bid, and it differed somewhat from one page to the next, and we wound up having to throw out their bid.

A number of those things have come from that experience in projects like the one you describe.

We equally now have a defence industry advisory group, where again Lisa and I sit with industry. We have a fair bit of work under way in areas such as intellectual property. We're working closely with the associations to make sure that we hear from them about what's going on. Our minister has launched his defence policy review. He has also included questions about defence procurement to ask industry and Canadians...notwithstanding everything we already have under way, what else could we do to continue to improve it.

Key to that is we really are working quite heavily on opening the dialogue so that we can hear best practices and understand the points of friction from industry.

Mr. Francis Drouin: I read the minister's speech at CANSEC. She talked about collaboration. One of the issues that I keep hearing on the street is that PSPC has this commercial, off-the-shelf culture and DND has a customization culture. What are we doing to ensure that, at the lower level, there's greater collaboration early on, at the start? I think that was actually highlighted by the Auditor General's report in 2012 on the F-35. He said at the time that PWGSC, at the time, was not made aware of this early on in the process.

What do we do to ensure there's greater collaboration between PSPC and DND at an early stage?

• (1605)

RAdm Patrick Finn: Thank you very much for the question.

There are a number of things we now do. For example, for all of our large projects, we collocate all of the people, so PSPC, National Defence, ISED. They are collocated, working together to make sure they have a common view that's put forward.

I would go back to your opening comment, if I could, please, about off the shelf versus developmental. I would say we're much more aligned. To the greatest extent possible, we prefer military off the shelf. There's no doubt about it. That's what we've executed in C-130Js, C-17s. We've done it with light armoured vehicles. We've done it in a whole number of areas because the development does, in fact, bring a lot of risk with it.

Again, in other things that we've brought in as relevant to the transport procurement strategy, we now have, for example, an independent review panel for defence acquisition, which, very early, looks at the requirements and performs that challenge function up front. We're trying to advance the robust challenge function. We're improving how we do costing. There is greater engagement with industry so that industry can inform us collectively on what kinds of products they have and what they can deliver. We're doing that, I would say, in a very joined-up fashion, if I can use that expression, to ensure we are completely aligned in what we're trying to execute.

Ms. Lisa Campbell: I would echo that. We work very closely at the official level, at the senior official level, in integrated teams, and we do this for all of our client departments. DND is the biggest one, but there's also the Coast Guard, for whom we are an important buyer.

I would say as well that we looked at international models to make sure that Canada is in line with its counterparts in terms of what it's buying for the size of our country, for the size of our forces. We often benchmark with international counterparts and that helps us inform our recommendations to government.

[Translation]

Mr. Francis Drouin: Thank you.

[English]

The Chair: You have 30 seconds. Can you get in a question and an answer?

Mr. Francis Drouin: No, thank you. That's good.

The Chair: Thanks very much.

We're now going to go to five-minute rounds, and we have first, Monsieur Blaney.

Hon. Steven Blaney: Thank you, Mr. Chair.

I listened carefully, and I heard more talk, more costs, more bureaucrats, more delays, but no ships in sight.

[Translation]

Ms. Campbell, I would like to come back to the horizontal engineering program plan. It's a nice complicated name. What the Canadian Coast Guard representative essentially said before the

committee is that investments had to be made in the shipyard's capacity, operations had to be restarted and vessels had to be built.

Do you realize that there is a total contradiction between the program's spirit and the federal legislation that prohibits awarding two contracts and paying twice for the same thing? We put our trust in you, and the government is doing the same. You are responsible for delivering the strategy to us. You have the necessary expertise, and we have shipyards. We even have a 50% excess in capacity, in Canada. Shipyards are ready to build vessels and deliver them over the next few months.

What is happening? A bureaucratic empire is being built, dozens of millions of dollars are being lost and, ultimately, there are no ships. In addition, the time frames we are being given today are just as unrealistic as those we have been given in the past.

Ms. Lisa Campbell: Thank you for the question.

I will clarify a few things for you.

I would like to repeat what I said earlier. The contract related to the horizontal engineering program plan has not been used for infrastructure. Those are really engineering processes....

Hon. Steven Blaney: I apologize, but that's not what the Canadian Coast Guard official said before our committee, Ms. Campbell. You are completely contradicting the justification he gave for awarding that contract. Who is telling the truth? There is a contradiction here.

Contracts have been awarded based on the criterion whereby any increase in capacity is covered by the owners. Shipyards that had qualified were excluded. However, the score system and federal money may have enabled them to qualify and build vessels. We may not have been here hoping for vessels whose construction has been put off indefinitely, Ms. Campbell.

Ms. Lisa Campbell: Thank you for the question.

I also want to remind you that the process for selecting the two main shipyards was competitive and that the then auditor general....

Hon. Steven Blaney: Absolutely. It was in fact competitive, Ms. Campbell, but allow me to finish my....

The Chair: Mr. Blaney....

Hon. Steven Blaney: I'm getting a bit carried away, Mr. Chair.

• (1610)

[English]

The Chair: Mr. Blaney, order.

I think we should at least allow Madam Campbell a bit of a chance to answer. Would you mind?

[Translation]

Hon. Steven Blaney: I will let Ms. Campbell finish. I apologize, Mr. Chair. Like the government, I really like the naval strategy.

[English]

The Chair: Madam Campbell.

[Translation]

Ms. Lisa Campbell: I really like debates. In a former life, I was a litigator. It's not a problem. I'm used to it.

[English]

Hon. Steven Blaney: I apologize.

[Translation]

Ms. Lisa Campbell: I will continue, if I may.

The process was competitive, and the then auditor general said that it was fair, transparent and open.

Hon. Steven Blaney: Absolutely.

Ms. Lisa Campbell: It's important to note that two shipyards were selected to build large vessels. However, the building of small vessels remains competitive, and....

Hon. Steven Blaney: One moment.

Ms. Lisa Campbell: Allow me to finish.

Vessel maintenance is also competitive, and that means....

Hon. Steven Blaney: Yes, but the government was not supposed to pay to increase capacity. The awarding was competitive, but five or six years later, money is being given to a shipyard to increase its production. That's no longer competitive, and what was agreed upon is not being respected.

Here is my question for you. Why do you have a horizontal plan that is a subterfuge to increase a shipyard's capacity?

I would like you or Mr. Finn to answer my question.

Ms. Lisa Campbell: Thank you. I will say once again that that does not in any way constitute an investment in shipyard infrastructure.

As I have said, the fact that these elements are competitive helps expand the marine industry in Canada. We currently have a commitment with the industry to maintain offshore and Arctic patrol ships, the first of which is being built at the shipyard, while the joint support ships are slated for construction soon in Vancouver.

Hon. Steven Blaney: Exactly, let's get back to the joint support ships. There should be two of them, but they haven't yet been built. Three more ships are supposed to be built in Vancouver. There are delays. Now you are saying that, in 2021, we will all of a sudden have a polar class icebreaker.

Do you realize that the Russians have 40 nuclear ships in service and that we have to protect the Northwest Passage and Arctic sovereignty? The timelines you are giving us are the stuff of fairy tales. This is a conspiracy of optimism, as was mentioned earlier.

Can you provide revised and realistic estimates that reflect the fact that the next icebreakers will probably not be in service until 10 years from now, that we will have a gap to make up in the

meantime and that surplus capacity is available in Canada to meet this need?

[English]

The Chair: Unfortunately, Madam Campbell, Mr. Blaney has taken up all of his allotted time. Perhaps you can get an answer in with someone else's intervention.

Ms. Ratansi, for five minutes.

Ms. Yasmin Ratansi: Thank you very much, and I'll continue with that question, but in a gentle way.

Ms. Lisa Campbell: Thank you.

Ms. Yasmin Ratansi: The horizontal engineering program plan was awarded by the Conservative government in 2014, so when Mr. Blaney speaks of governance structure or blames you for bureaucracy, we should understand that the governance should have been in place.

With respect to defence procurement, you talked about how you would like to modernize it, make it efficient. The Auditor General talked about the governance and accountability structures as they affect the different departments. There's National Defence, PWGSC at that time, Treasury Board, and now Innovation, Science and Economic Development.

What are some of the global best practices? As MPs, we need to ensure there are no cost overruns on contracts. The AG was hard-hitting on the F-35 and how that was mismanaged: lack of expertise, lack of consultation, things done outside a proper procurement process.

What are some of the good global practices you would like to incorporate? Moving forward, how can we make procurement more efficient? What is required? What is the political will required to push this?

Ms. Lisa Campbell: We spend a fair bit of time learning from and sharing best practices with like jurisdictions. In some cases, they look to us, and in others, we look to them.

I think our e-procurement solution is going to do a lot for us. It's going to mean that a lot of things we are now paying people to do will be automated, and we'll be able to look at data in the aggregate to leverage the federal spend.

A little-known fact is that PSPC handles 12% of the contracts but 80% of the money volume. That's appropriate. It means that our workforce is focused on the really complex procurements.

As to your question about defence procurement, I would say that it's more similar than we would think to complex procurement. Buying a nuclear facility, vaccines, building bridges, many of these complex procurements have similar features in that there are unknowns. There are risks, and you have to plan for them. There are complex global supply chains. Managing that is the kind of work that we do.

As well, we're noticing that procurement life cycles are getting shorter and shorter. We're finding that more of the money we invest goes into in-service support rather than the original acquisition. Managing that aspect of procurement is increasingly important. In respect of the prime contractors we hire, we're noticing that keeping an eye on how their supply chain functions is as much interest to us as it is to them.

In regard to best practices, you're right that Canada has a bit of a distributed decision-making model. However, both our minister and the President of the Treasury Board have modernizing procurement in their mandate letters, and we are working closely with them on just that.

I've talked with you about our e-procurement solution. The other thing we're doing is streamlining our contracts. I am a lawyer by training, and I know that my profession can sometimes say that something is risk averse and that we therefore need to add a contract term or clause. The result, quite frankly, is that some of our contracts are a bit unwieldy. We hear this from business as well. Interestingly, they are also sometimes risk averse and will ask for long contracts. Increasingly, however, we're working with them to streamline where we need to and then agree on certain terms. Intellectual property is a thorny issue. Sometimes it can be used for competitive purposes by big incumbents. In other circumstances, the government needs to own some of it so that it can re-compete down the road and benefit from innovations.

We're doing a lot to modernize, to collaborate, and to really make this procurement function the most streamlined as possible so that the government of the day, whatever its policy priorities are, can leverage procurement for socio-economic benefit, whether it's green procurement, benefiting aboriginal communities, or leveraging the Canadian industrial base.

Thank you.

• (1615)

Ms. Yasmin Ratansi: Thank you.

There is a paper that I was reading, "Fixing the defence procurement fundamentals". It said that the 2014 defence procurement strategy ignored international best practices and increased the risk of poor outcomes. I'm trying to figure out whether that strategy is still in existence or whether it's been changed. Is it a push strategy or a pull strategy, and what can be done?

RAdm Patrick Finn: Thank you very much for the question.

The strategy is still unfolding, and it was consulted internationally. I'm not sure of the origin of the paper you're describing, but we certainly engaged with our international allies, and we do that on a continuous basis. It had a number of steps in it, and it continues to be rolled out. Many of the items we've talked about today, such as the independent review panel for defence acquisition, defence acquisition guides, the two-step process, how we do costing, all come from that strategy.

We have been rolling it out. Many of the components are now in place. The whole issue of value propositions, industrial and technological benefits, that shift all comes from that strategy. It continues to roll forward. It was heavily consulted with industry to

make sure that we got their input and feedback, and it continues to unfold as we speak.

The Chair: Thank you very much.

Mr. McCauley, please, for five minutes.

Mr. Kelly McCauley: Thank you.

Sorry, Ms. Campbell, but I want to get back to the ships. Mr. Muldoon states that in giving money "what we're doing is investing in the shipyard's capability", but you mentioned earlier that it's at no cost to the Canadian taxpayer.

How is investing in this program, where it very clearly states that no Canadian money is supposed to be going for infrastructure-related things, and then our giving the money.... How is that not costing us money? Also, why are we investing in their capability to get the ships built?

RAdm Patrick Finn: Thank you very much for the question.

Perhaps I can give you the perspective as viewed from the projects. The point of the strategy was to move away from a stovepipe project by project—

Mr. Kelly McCauley: I realize that. I don't want to be rude, and I don't want to get to perspective.... It's a simple thing. There is not supposed to be taxpayers' money put into that for the infrastructure, etc., but here we have Mr. Muldoon very clearly stating that millions of taxpayers' dollars are being invested—

RAdm Patrick Finn: Yes.

Mr. Kelly McCauley: —in Seaspan to get them up to capability.

RAdm Patrick Finn: For capacity, not for infrastructure. It's for capacity, so—

Mr. Kelly McCauley: But you're splitting hairs here.

RAdm Patrick Finn: No, I'm not. I'm not—

Mr. Kelly McCauley: It's a simple question. There's almost \$10 million just in this one part, and there's another \$40 million here, but Mr. Muldoon says there's almost \$10 million of taxpayers' money going into a project where we've very clearly stated, for very many years, that there would not be public money going—

RAdm Patrick Finn: Into the infrastructure of the yard, into the projects themselves, to actually advance work on the project, so we created a—

Mr. Kelly McCauley: That's what this says, so they're getting money to get the project going faster.

RAdm Patrick Finn: They are getting money to work on the projects. They are getting money—

Mr. Kelly McCauley: They are not supposed to get money—

RAdm Patrick Finn: No, they are supposed to get money to build the ships in advance—

Mr. Kelly McCauley: Right, but not additional money to get them up and running.

•(1620)

RAdm Patrick Finn: Yes. It's not additional money. We're advancing work, so rather than wait—

Mr. Kelly McCauley: It's a progress payment is what you're claiming....

RAdm Patrick Finn: It's not a progress payment.

The Chair: Once again, I'm sorry to interrupt, but could we please at least allow.... You may not agree with the answer—

Mr. Kelly McCauley: Sure, okay.

The Chair: —but could we at least allow the witnesses to give an answer?

Mr. Kelly McCauley: We're short on time. That's why I just don't want to get back to—

The Chair: We'll be getting shorter on time if we keep getting interjections, so could we have an answer in one minute, Mr. Finn.

RAdm Patrick Finn: Very quickly, if I could, then, it's not infrastructure. It's actually not progress payments. It's actually advancing specific work on the projects horizontally to benefit all the projects. It's work that would otherwise be done in an inefficient way in each project. We created the horizontal ability to actually improve taxpayers' value for money and to actually advance work to succeed in a long-term build program for the yard.

Ms. Lisa Campbell: Mr. Chair, if I may, I'll put it in really plain language, because it is a kind of fundamental shipbuilding principle.

Normally in shipbuilding you'd build a long run of many of the same kind of ship, and the client department would pay at the beginning. It would say, "All right, do the engineering that we want you to do on the first ship and then do it again for all the others and achieve your shipbuilding efficiencies."

The build program that we have asked the Vancouver shipyard to do, as I said at the outset, is several small runs of different kinds of ships—three, two, one, one, and one—for two client departments. What we've said at the very beginning is to do this engineering in standard processes and then use it again on every single ship build. This means that Canada is both gaining efficiencies and standardization and saving money.

Mr. Kelly McCauley: We're paying money to save money. Okay.

How much money altogether are we going to be saving by giving money to them? We've seen about \$70 million so far. How much more?

RAdm Patrick Finn: I believe the contract is for \$40 million. It is, again, work that otherwise would have been done later or probably at greater cost, so it's actually advancing work in each of those projects. It's done earlier, so it is not in addition to any of the work that would have been done in any of the projects.

Hon. Steven Blaney: Well, yes, but what we see is a cost increase. We haven't seen any of the costs of those ships diminish.

Mr. Chair, I'm not really satisfied with the answers we got today. I wish that we could find ways to get a clearer explanation on this program and a convincing demonstration that taxpayer money is being well served by the execution of the strategy.

The Chair: Thank you, Mr. Blaney. I can assure you that we have almost an hour left with these witnesses, so you'll have ample opportunity to ask further questions, perhaps in a different way.

Now we'll go to Mr. Whalen.

Mr. Nick Whalen (St. John's East, Lib.): Thank you very much, Mr. Chair.

Thanks to all of you for coming here today.

We have seen both in our Shared Services Canada report and now possibly in respect to this horizontal engineering program plan that the previous government felt, erroneously, that it could contract out of its ability to contract manage within its department, perhaps through not adequately staffing at the different levels within government and the ability to communicate with engineers and other professionals in the supply chain.

I'm wondering if you could explain to me a bit about the horizontal engineering program plan, how your departments interface with the suppliers in respect of that program, whether or not you were adequately staffed and funded from your side, and what you may have done to correct that error since.

Ms. Lisa Campbell: Thank you for the question, Mr. Chair.

As I said at the outset, it had been 30 years since Canada had built ships, so the yards had to upgrade their infrastructure at their own cost, and government, both PSPC and client departments, had to grow and build internal expertise. We have a really impressive workforce that specializes in complex procurement.

Complex procurement in the marine context, especially where you're trying to avoid boom and bust, and this is an important principle, is really what's at the heart of a national shipbuilding strategy, trying to ensure continuity of work, the efficiencies, and implementation over time of the learnings you achieve. That means you have a robust supply chain and you have a strong industrial base. A lot of it is situated in Canada, and much of it you're also sourcing from around the world for value reasons.

What's interesting is that we've seen that capacity grow more and more and we're actually now having other countries come to learn from us. They now know we've been at this for a couple of years. They're asking about our challenges and opportunities.

Perhaps it could have been better explained at the outset that there would be a period of growth and learning, and that needed to be communicated: here are the challenges when you're building from scratch; here are the challenges of recruiting, training, and hiring professionals who do this work; here is the marine context; here is how it operates; and the reality of having to buy long-lead items before a ship is even built so that you have it in time to have continuous production processes in the yard.

● (1625)

Mr. Nick Whalen: Further to that, what sorts of measures have you put in place in the last six months since the ships have started to be built to ensure that there are appropriate levels of communication between your organization and the suppliers to ensure that not only are they accountable and meet the performance standards that you've set for them, but also that internally within your own organizations you know that your own employees are able to meet their performance and accountability metrics?

Ms. Lisa Campbell: We are present in the yard. We are integrated with them, overseeing the build program, and working with suppliers. There is robust governance. I can assure you, the three of us meet very regularly with the shipyards. We look at the program of work, the progress. We talk about risk areas, and we are continually planning years into the future because that's how shipbuilding programs have to be run. It is really down to the month that we look at it, and we look at costs as well.

Mr. Hutchinson, do you want to add anything?

Mr. Jeffery Hutchinson: I do, thank you.

Talking about the presence in the yard I think is really important, and I'm going to be really specific about it. We have a guy who spent 30 years at sea with the Coast Guard as a chief engineer. He knows what we do and how we do it. He knows how those ships have to function. He knows what environments they function in, and he knows how they have to be built to achieve those missions.

I talked earlier about the yard being able to incorporate lessons learned. I'll give you a very specific example that's a direct result of our having eyes on. When they started cutting steel on the first ship, we wanted some things done differently to improve the quality of some cuts. The second ship is now moving through those same stages. We see a vast jump forward, and we know that it came from the conversations with our eyes on the yard. That presence has played all the way through the build, actually. We see the process getting smoothed out. We see the pieces coming together as a result of our expertise that is able to say, "That's not what the Coast Guard needs; this is what the Coast Guard needs."

Mr. Nick Whalen: I'm glad to learn about this continuous improvement. I hope it keeps going.

Thank you.

The Chair: Thank you very much.

Mr. Weir, it's your turn, but unfortunately, for only three minutes.

Mr. Erin Weir: Thank you.

Although I'm not quite as excited about shipbuilding as Mr. Blaney is, I do have some questions about it.

Defence procurement has been rather opaque. We have a new government promising greater transparency. In that context, I'm wondering if you could explain the decision to stop providing initial cost estimates for shipbuilding processes.

Ms. Lisa Campbell: That's an excellent question. Thank you very much.

It's interesting. We hired a gentleman to give the government advice. His name is Mr. Steve Brunton. He is from the U.K. He asked, "Why does Canada do this to itself?" He said, "You're putting out budget estimates before you have any data on what it will actually cost, before you have some early indication of the risks, what will materialize, and efficiencies you might achieve, and you might also be affecting your negotiating position." In his view it was actually irresponsible to do that, and a much more responsible approach is, once you are into a contract with the company with which you're going to be doing business, then you can disclose the budgets for it.

I will turn also to Mr. Finn and to Mr. Hutchinson, if they want to say something about that.

RAdm Patrick Finn: Thank you very much.

Very specifically, as indicated, these would be estimates for purchases that are very much in the future. If you look at most of our projects, the Arctic offshore patrol ship that's in build, the joint support ship, and the interim AOR work being done in Davie, all that information is in the public domain. We continue to do that.

Where we have things that we continue to develop, we're re-establishing some real expertise around that area, trying to make sure that we avoid the pitfall of putting what are very rough order of magnitude numbers out too early.

Mr. Erin Weir: Sure, but from the point of view of transparency, wouldn't it be better to provide imperfect information than no information at all?

RAdm Patrick Finn: Again, perhaps, but it really becomes an issue of what we're trying to do which is really to wait until we have a degree of information that is reflective of what it is we're actually doing and acquiring.

If you look at Canadian surface combatants, we have a prime contractor, the yard that is going to do it, a set of requirements. Really, as far as what that product is going to be, we still have work to do there. We're rapidly closing in on it.

It's just ensuring we have a bit more concrete information such that we can put that out.

● (1630)

Mr. Erin Weir: Even if it is the right policy, can you offer any comment on the minister's decision to announce it to the industry at the CANSEC trade show rather than during her appearance at this committee or before Parliament?

Ms. Lisa Campbell: It's an interesting evolution as Canada is learning from early budget estimates that may have to be adjusted over time what the best way is to conduct this kind of work, as Mr. Finn said, for long complex projects. The view is becoming that it's better when you have a robust dataset. It's based on actual experience. You have a better sense of costs and the estimates are just more robust.

Plus, the point that I mention is an important one. As the person responsible for federal procurement, I'd rather that industry didn't know exactly what the amount of money was that we had available for something. We may set ceilings to incentivize them to give us their best offer, but really it is more responsible to do it once you're in contract.

The Chair: Thank you very much.

We'll go back now to seven-minute rounds.

Mr. Drouin.

Mr. Francis Drouin: Thank you Mr. Chair.

I know the ship's been taking on some water for the past few years, but we're plugging the holes. To get back to the horizontal engineering program plan, when was the contract signed for the HEPP?

Ms. Lisa Campbell: In 2014.

Mr. Francis Drouin: It was signed in 2014.

Ms. Lisa Campbell: Yes.

Mr. Francis Drouin: Is this a task-based contract?

Ms. Lisa Campbell: That's right.

Mr. Francis Drouin: Can you explain that to us?

Ms. Lisa Campbell: It was signed in 2014. I should mention that I was in a different job at that time.

Mr. Francis Drouin: Okay.

Ms. Lisa Campbell: These are all things that I have learned and my colleagues that are there put it in place at the time because, for the reasons Mr. Finn stated, the nature of the build in Vancouver was complex, small runs of different kinds of ships for two government departments over time.

The recommendation at the time was to pull standard processes in all of those builds, develop them at the outset, and make sure that they reappeared in all of those builds, so that things wouldn't be reinvented, so there wouldn't be variances. We would find the most efficient way of doing this work at the outset of the program of build.

As Mr. Hutchinson has said very eloquently, and many of his organization's ships are being built on the west coast, it represents the government approaching this as a program of work rather than project by project.

We have learned from shipbuilding programs around the world that one of the risks, when they treat it as a different, disparate project, is that it creates a mini boom-bust cycle in the yard. We are trying very hard to avoid that, to ensure that we are one client for this yard as much as possible.

Mr. Hutchinson, is there anything you would like to add?

Mr. Jeffery Hutchinson: The boom-bust cycle exists in both the private and public sectors when you're building ships. Perhaps it's more likely to be exaggerated in the public sector because we do build specialty vessels. We may be looking for military off the shelf, but military off the shelf is not commercial off the shelf. When you build a science vessel for Canadian waters, the requirements for that vessel are going to be different from a science vessel that's plying Caribbean waters, just to take an extreme example.

In a very real example, our science requirements are actually quite different even from the American vessels that are built. When you have all of that upfront engineering work to be done, the challenge is to know your requirements, ensure your engineering achieves those requirements, and that you don't let your requirements creep up. You don't let your ship become bespoke rather than the workhorse that you need.

The HEPP contract helps us smooth out the bumps and drops that all that engineering work would naturally create when you go from a small run of offshore fisheries to oceanographic ships to JSS to a polar. You could have a big spike in work and a big drop because of the front end work that has to be done. This is meant to smooth that out.

Mr. Francis Drouin: Based on task-based contracts they report each stage to you and then you sign off on task one and task two. Which task are we at right now?

RAdm Patrick Finn: Coming back to your original question, the nature of a task-based contract means that it's not a contract for \$40 million of work. It's a ceiling. Every bit of work that's done in there is negotiated on a task-by-task basis and it's the crown saying they want us to do this work. For example, the joint support ship is a mature design that we took off the shelf.

Mr. Francis Drouin: Okay.

RAdm Patrick Finn: What this allows us to do, because of the horizontal nature, because we're not in contract to build a joint support ship yet as they learn lessons on the offshore fisheries science vessel about certain design components, we can task them right away to look at the joint support ship design in the same area. We can reduce costs and advance some of that work. If any number of tasks are open and they're not consecutive, they can be opened in parallel but they are things that the crown wants done. They're not things that the shipyard says we should give them work to do.

• (1635)

Ms. Lisa Campbell: Forgive me, to your point, the task formula or way of doing things allows us to control costs. As Mr. Finn said, there's not an infinite amount of money out there. The contract is put in place, and we only use it when we've negotiated and agreed on the work to be done.

Mr. Francis Drouin: When was the last time the crown signed off on a task?

Ms. Lisa Campbell: It would have been in October 2015.

Mr. Francis Drouin: That's when Mr. Blaney was in cabinet, I believe. You had the opportunity to ask questions back then and you didn't?

Hon. Steven Blaney: Trust me, I did.

Mr. Francis Drouin: How much time do I have, Mr. Chair?

The Chair: You have about two minutes.

Hon. Steven Blaney: I have more questions if you give me your time, Mr. Drouin.

Mr. Francis Drouin: I want to jump on the independent review panel for defence acquisition. Why was this created in the first place?

RAdm Patrick Finn: Thank you very much for the question.

Through a number of projects, what we were finding—and a bit of perception, a bit of reality here about the nature of some of the military requirements as they were stated and whether they were specifying a specific product, whether they were overstated—at times we would get feedback from industry indicating that what we're asking for in a combined set of requirements is not achievable. One of the difficulties about industry feedback...to be candid, we call it almost like an amorphous mass of industry; a number of players are competing against each other for work. Sometimes they will take on requirements that perhaps don't suit them and their product. We were looking for a means of an arm's-length, upfront look at the military requirements and struck a panel. It's quite a cross-section of people from industry, a former associate deputy minister from PSPC, an ex naval officer and deputy minister, an academic who could take on the role on behalf of our minister of challenging all the high-level mandatory requirements to ensure they were realistic, achievable, defensible, that they stood in policy, that it wasn't the military making policy of its own by just looking at what our allies had.

It is one of the best practices. Before when we talked about reforming defence procurement, it's one of the things that came to the fore in talking to our allies. It's already proven to be very effective for us. Again they report directly to our minister and write exclusively to him about the requirements for all the larger projects, and already we're seeing the benefits and the dividends of an early challenge, which could otherwise happen much later on. It could be at the time of an RFP when all of a sudden industry is pushing back on us, and we've moved forward. That's why it was created and why we're finding it effective today.

The Chair: Thank you, Mr. Finn.

Dare I say it? Mr. Blaney, we're into round two. You have seven minutes, please.

[Translation]

Hon. Steven Blaney: Thank you very much, Mr. Chair.

I would like to thank my colleague Mr. Drouin. He has given me the opportunity to clarify that the marine strategy is evolving.

When we realized that there was a problem with the timelines for the ships, we decided to increase production capacity, including a third shipyard, in order to meet the needs of National Defence, in this case. Urgent action is needed with respect to these two supply ships since we know that one of them was damaged by fire and the other one has a split hull.

Our fleet is an worrisome state. I invite you, dear members of the government, to act responsibly and to take the necessary steps to use the Canadian Coast Guard and the Royal Canadian Navy to protect our sovereignty in the Arctic.

So the marine strategy is evolving. That is exactly what we are hearing this afternoon. But the initial rules of the game still have to be followed. I would argue that your horizontal engineering plan and the management of the program created a bias in the strategy. So you weren't comparing apples with apples and the shipyards were not on an equal footing when the contract was awarded.

I would like to go back to the timeframes. Ms. Campbell, I would like to focus on non-combat vessels. I have here an impressive list of ships. It mentions the construction of three offshore fisheries science vessels. Can you tell me what progress has been made on the offshore fisheries science vessels?

• (1640)

[English]

In our jargon they are the OFSVs, if I'm correct.

[Translation]

Ms. Lisa Campbell: I see them often when I'm in the shipyard.

[English]

Hon. Steven Blaney: They are the ones under construction.

[Translation]

Ms. Lisa Campbell: I will ask my colleague Mr. Hutchinson to answer though because it is his responsibility.

[English]

Mr. Jeffery Hutchinson: The first OFSV, offshore fisheries science vessel, was started in June 2015. It's a ship comprising 37 different blocks—

Hon. Steven Blaney: Yes, I know.

When will the first one be ready?

Mr. Jeffery Hutchinson: The current projected receipt is October 2017.

Hon. Steven Blaney: It will be in 2017.

This is the first series of ships. Then we have the OOSVs, which are the Canadian Coast Guard ships. Is that correct?

Mr. Jeffery Hutchinson: That's correct.

Hon. Steven Blaney: Then we turn to the navy, the JSS. When I was elected, we were talking about the JSS, and it seems we're still talking about it. What is the time frame for building one JSS?

I guess I should turn to Mr. Finn from defence.

[Translation]

RAdm Patrick Finn: Thank you very much for the question.

[English]

We have already started acquiring all the materials. We started to acquire long-lead items and we will continue to do that this fall. We're moving through completing that again. In this particular case —

[Translation]

Hon. Steven Blaney: It's fine to purchase materials but construction won't start until the three offshore fisheries science vessels and the Canadian Coast Guard vessel are completed.

When would that be, according to your current schedule?

RAdm Patrick Finn: I would point out that we don't have to wait for one ship to be completed before starting the next one.

Hon. Steven Blaney: There is still the issue of capacity. There are dry docks.

What is the date?

RAdm Patrick Finn: At the end of 2017 or the beginning of 2018, we will start building the first vessel.

Hon. Steven Blaney: How long will it take to build?

RAdm Patrick Finn: Three years.

Hon. Steven Blaney: It will take three years for the first boat. The two others will be series production?

RAdm Patrick Finn: Yes, series production, but once again—

Hon. Steven Blaney: If it takes three years, that means 2017-2020, 2022-2023. You see—

RAdm Patrick Finn: I'm sorry to interrupt, Mr. Blaney, but I must point out that, a year after we start construction of the first ship, we will start the second. The same is true for the three Canadian Coast Guard vessels: two are currently being built.

Hon. Steven Blaney: I see.

For the joint support vessels strategy, what was the initial delivery schedule for the first of these ships?

RAdm Patrick Finn: I'm sorry, I don't have the date with me.

Hon. Steven Blaney: We often forget the dates and then they get changed over time.

That brings us to the icebreaker.

By my rough calculation then, it won't be delivered until 2022-2023. We're in 2016 now. So that is six years from now. In my opinion, it will take 10 years, based on our average for ship delivery. That is why we will ask the government how we can fill this gap.

Right now, we have one icebreaker, the *Louis S. St-Laurent*, which is steam powered. Do you intend to retrofit this vessel in the short term? It is Canada's only icebreaker and I think it was built when I was two years old.

[English]

Mr. Jeffery Hutchinson: We have one icebreaker, as you've noted, in the plan for the Vancouver shipyard at this time. Funding has been announced for—

Hon. Steven Blaney: We just discussed that. We said it would be 2021-23. I say [Technical difficulty—Editor] so there's a gap.

When are you planning your retrofit of currently the only, and very old, icebreaker we have in Canada, the *Louis S. St-Laurent*?

Mr. Jeffery Hutchinson: I have the dates for our vessel life extensions. I'll just take a moment to pull them out.

Generally speaking, we do have a plan for vessel life extension across our icebreaker fleet.

Hon. Steven Blaney: There's the *Hudson*, I believe, as well, that will have a retrofit, but that's more like a research oceanographic vessel.

Mr. Jeffery Hutchinson: That's correct. It's not an icebreaking vessel.

Hon. Steven Blaney: What Polar class is the *Hudson*. Is it 2 or 3?

Mr. Jeffery Hutchinson: I don't have that number in front of me.

Hon. Steven Blaney: Okay.

To get back to the *Louis S. St-Laurent*, it is a Polar class 2. Is that correct?

Mr. Jeffery Hutchinson: That's correct.

Hon. Steven Blaney: There are no icebreakers in this country that can break ice on a year-round basis, whenever we need it. Is that correct?

Mr. Jeffery Hutchinson: The *Louis S. St-Laurent* is not a vessel that we consider to be capable of overwintering.

Hon. Steven Blaney: So it's not a Polar class 1. The Russians would love to hear the testimony this afternoon.

I think we should go in camera, Mr. Chair.

The Chair: Keep going, Mr. Blaney. You have half a minute.

Hon. Steven Blaney: Regarding the *Louis S. St-Laurent*, I would appreciate it if you could provide me with the date for your retrofit. At least we need to have some capacity for our Coast Guard.

Mr. Jeffery Hutchinson: The *Louis S. St-Laurent* is scheduled for a vessel life extension in 2019.

Hon. Steven Blaney: Do you think the *Louis S. St-Laurent* can still float until 2019?

•(1645)

Mr. Jeffery Hutchinson: Absolutely, there's no question about that.

The *Louis S. St-Laurent* is a safe vessel and it is extremely well built. It is nearing the end of its operational life, but with a vessel life extension, we will keep it operating for several years to come.

Hon. Steven Blaney: I would argue that it was probably built in one of the best Canadian shipyards.

The Chair: Thank you very much, Mr. Blaney.

Mr. Weir, take seven minutes, please.

Mr. Erin Weir: Lockheed Martin is saying publicly that it can't get a meeting with the government about the F-35. I'm wondering whether that's true, and if so, why not.

RAdm Patrick Finn: I can't speak on behalf of the government. What I can tell you, by being a participant in the F-35 program, is that I have people who work in the joint program office. We also have specific officials who have key roles in, for example, the chief executive officer's organization, who oversee it internationally. Lockheed Martin routinely meet with those officials. I would say that, for example, at CANSEC last week or the week prior, any number of companies were here who actually provide fighters. I met with a significant number of them. Certainly at the officials level, they routinely come and talk to us.

Ms. Lisa Campbell: I would add as well that I meet with Lockheed Martin and other major suppliers as part of my job often. We also have the Aerospace Industries Association of Canada and several of its members as part of our defence industry advisory committee.

At an officials level, we consult with industry as part of our everyday job.

Mr. Erin Weir: Thank you.

I was struck by the fact that both Mr. Finn and Mr. Hutchinson cited off-the-shelf availability as a major point in military procurement. While I understand you're indicating that no decision has been made to purchase the Super Hornet, I would note that this is the main argument that Boeing advances in favour of it.

Do you consider the availability of the Super Hornet off the shelf as being a compelling argument for that aircraft?

RAdm Patrick Finn: I would say it is a factor. It has clearly been delivered and is in use with some of our allies, as are other aircraft.

However, when we talk about off the shelf, I would say that a key component of it, in the vernacular I would use, would be around margins, the ability to grow, to change, the upgrades. Maturity at the outset can be an important factor, but it's one of many. Interoperability, price, being able to upgrade; all of those are key factors that we typically look at in any procurement.

Mr. Erin Weir: In terms of those factors, has the government set out any parameters or criteria for the acquisition of a replacement for the CF-18?

RAdm Patrick Finn: At this point, again, decisions have not been made. We continue to provide information on it and have not been provided with the kind of decision, I would say, on a broad way forward, which would then cause us in any procurement to then do a bit more of a detailed look at what the criteria for evaluation would be, what the weighting would be, what the rating would be. That would come later in the process.

Mr. Erin Weir: In terms of the process, if it were to be a competitive one and the government wanted to pursue that approach, would it have been realistic to have started that process sometime in the past seven months?

RAdm Patrick Finn: Most of the capabilities we're talking about, whether of fighters or ships, are almost half-century decisions. The future fighters that we acquire over the next 10 years will probably fly for 30 years beyond that, if not more. I think it's therefore really important to make sure that we have all the information, that we understand it, that we understand the through life costs, that we understand a number of factors that are extremely complex to get at.

To your earlier question about budgets, it is a question of trying to make sure that we pull all of this information together. I think our minister has explained to us that he's trying to make sure that he moves out, but that he does so in a prudent manner and that he's well informed.

Mr. Erin Weir: I absolutely agree. I think that's why it's so very important to have an open and transparent competition to make sure that we get aircraft that are going to work for our armed forces and will also provide good value for Canadian taxpayers. It would seem

to me that the best way to ensure a fulsome process would be to start that process as soon as possible.

I'm just wondering whether there's any reason, in your judgment, why the government hasn't started that process since the election.

RAdm Patrick Finn: Again, I can't speak for the government other than to respect their decision-making process. I can tell you that departmentally it's a very active file, with the minister asking us a lot of probing and appropriate questions, and we're developing a lot of information for him. It is a complex procurement, and we're trying to make sure collectively that we do it justice.

• (1650)

Mr. Erin Weir: I want to ask about the history of the F-35 consortium. Can you tell us when it started and just a little about how it has developed?

RAdm Patrick Finn: I have some of the information. I'll provide you with what I do have.

It follows a model that has been used in other international procurements. One that I'm very familiar with is the NATO Seasparrow project, which similarly was done internationally based out of the U.S. under the aegis of NATO in that particular case, and we've had various countries involved with it. It goes back, in that particular case, to the 1970s.

Typically, they do it in three phrases. The first is what we would call an option analysis phase. That started a little over a decade ago—and again, I apologize that I don't have the exact dates—when it brought a number of like-minded nations together to determine if it was something they could do, should do, had the ability to do, and if the international requirements were aligned.

That evolved into a second phase, which in our vernacular we would call project definition where, again, the partners—and that's the MOU that we're a part of right now—were basically funding a design and some of the early production, again, with competition to all of our native industries. That has continued to evolve.

It's now moving into the production phase, which would be the follow-on phase. That is now under way with initial aircraft delivered to a number of countries. There are still what we would call operational tests and evaluation under way, software development under way—

Mr. Erin Weir: It sounds as though this started under the former Liberal government. I am wondering if you could tell us how much Canada has paid since then into the F-35 consortium.

The Chair: Can you answer that in about 10 seconds?

Mr. Erin Weir: Come back with a written response, if that works better.

RAdm Patrick Finn: We can do that, if you would prefer.

Mr. Erin Weir: No, if you have a number, let us know, but if you don't—

RAdm Patrick Finn: I'm sorry, I can't remember under which government it started. It's about \$300 million that we have invested. With the returns, as I've indicated, it's about \$800 million of industrial offsets.

The Chair: Thank you very much.

Madam Shanahan, please.

Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.): Thank you very much, Mr. Chair.

Thank you very much to the witnesses for your testimony here today.

It's quite daunting for a new MP to be learning about different areas of our government. Certainly, the procurement approach we have is one that is of great interest to me. I was particularly interested in the industrial benefits our industry is able to enjoy with ensuring that we have this open and transparent process.

It is my understanding that Lockheed Martin actually did have the chance to meet with the Minister of Public Services and Procurement. Is that something you're aware of?

Ms. Lisa Campbell: I'm not aware of meetings that been held at the political level, but I can tell you that I have met with Lockheed Martin and other major suppliers as part of my daily job. I meet with the AIC industry associations. I should say that most of the major suppliers that are here in Canada are interested in a number of projects, both military and non-military. They're also interested in being in Canada because of our workforce and the industrial base they find here.

To your question about value proposition and how that works, what I say to companies when they want to know about the rules for doing business in Canada, my message to them is, any company that can figure out that magic formula of providing robust industrial offsets.... As we said at the outset, these are now weighted and rated. It's quality value proposition, good work, and lasting industrial benefits that help Canadian small and medium-sized enterprises export globally that will help them demarcate themselves. This is particularly important in complex procurements where that can be the distinguishing factor. The companies are, for the most part, pretty much the same, and what can help them distinguish themselves is the package they will offer to Canada.

I think we are actually—and I've said this at meetings with industry associations—helping them hone what is a good business practice, because every country around the world is going to want to achieve industrial offsets by leveraging its federal procurement. If companies can get good at that, they can actually market the model elsewhere. I've had several companies say to me, when we've pushed them in negotiations, that they're grateful afterwards because they have then put those kinds of offers to other countries.

• (1655)

Mrs. Brenda Shanahan: That's very interesting. Thank you.

On that note, I heard you say earlier that we want to streamline our procurement process. Can you talk to us about the e-procurement solution and what it entails? There's an RFP out there. Where is that at, and when can we expect that to be up and running?

Ms. Lisa Campbell: Canada is a little bit late to the game on this one. The benefit of that, though, is that we get to look at models that have been tried, tested, and not done so well. There are now models on the market for electronic procurement buying. There are several at the municipal, territorial, and provincial levels in Canada. We've met with provinces and territories and heard about their experiences and what the flaws are. Following intensive industry engagement, we

launched an RFP. It is out on the street now. We expect really robust responses back, because we talk to industry a lot and we know there are several companies that will have offers for us.

What it's going to do is take away many of the rote processes. You heard me say earlier that PSPC focuses on 12% of contracts that represent 80% of the money. That's where we want our people to focus. That's where we want the judgment and the analytics to be. For all the rest of it—the repetitive tasks, the ones where you could have, quite frankly, an algorithm to give you an alert if something's not working or if there's a payment due—those could be handled by software, artificial intelligence. It's where companies are going as well.

For the first time in Canada, it's going to give us aggregate data about the federal spend. As we've analyzed the way standing offers and supply arrangements are used, we know there are variances, and that doesn't make any sense. If a supplier is selling to the Government of Canada, it should offer one price and the best price. The government should also be able to leverage its buy for its own benefit in negotiations. We think the e-procurement solution is going to do a lot for us.

The other thing is that we're buying something off the shelf. We're not creating a custom system that will then match our existing processes. We are adapting to it. It's happening at a really good time in our business operations, because we wanted to do that anyway. We wanted to refresh and review our policies and processes. It was time to do it.

I do want to say that doesn't mean we're throwing out a lot of good tools that we have; we're just refreshing the set of tools. There are many tools that we have. I was looking at one yesterday in the Defence Production Act. There's a provision that says no matter how a corporation is structured, the government as a buyer can go after liabilities or assets. No matter if it's a joint venture, if it merges or acquires, or if it puts its headquarters in another country, the government as the buyer can access liabilities, debts owing, or excess profits. That's particularly important in the defence context, I would say.

Mrs. Brenda Shanahan: That's interesting. Is that program also going to help you with general data collection, just being able to keep track and analysis?

Ms. Lisa Campbell: Exactly. Quite frankly, it will force a rigour and discipline that we don't see right now. We have delegated to other departments the ability to contract for 80%. They do the high volume but lower value contracting, and that's appropriate. They should do it. We are going to try the procurement system first on ourselves. We'll pilot it and then offer it to the rest of government.

Treasury Board is pretty excited about this because it will have templates. It will force good information in, and then give all of us in central agencies a level of reporting that we won't have seen before.

Mrs. Brenda Shanahan: That's excellent. Thank you.

I have finished.

The Chair: That's excellent.

Colleagues, it's just about five o'clock. We're going to have two more five-minute interventions, and then we'll excuse our witnesses and get ready for committee business.

Now to the Conservatives, you have five minutes. Gentlemen, I'm not sure exactly who wants to lead, but you have five minutes in total between you.

We'll go to Mr. McCauley.

Mr. Kelly McCauley: Going back to boats, but on a different subject, we heard originally that Coast Guard tugboats were perhaps going to be built overseas. Then we heard a retraction and then an un-retraction.

Do we have an update on that at all?

Mr. Jeffery Hutchinson: It's actually not Coast Guard vessels we're talking about, but DND vessels.

Mr. Kelly McCauley: Okay, the same question goes to Mr. Finn, then.

RAdm Patrick Finn: Thank you for the question.

Again, going back to our independent review panel for defence acquisition, when we brought the requirements to it, it noted that we had done a couple of previous analyses around an alternate service delivery, so it charged us to go and refresh that. We've done that and gone before the panel. It now agrees that we should proceed with the design and build in Canada and deliver to the navy.

Mr. Kelly McCauley: That's perfect.

A voice: That's good news.

Mr. Kelly McCauley: I love that.

Has the government consulted you about F-35 versus the Super Hornet? I know it has not made a decision yet, but has it asked for an opinion on procurement? How far along is it? How much has it involved you?

RAdm Patrick Finn: It's asked us some information, I would say, around products.

• (1700)

Mr. Kelly McCauley: When you say "some information"....

RAdm Patrick Finn: Sure. What might be aircraft that are out there? Who might be the suppliers that are interested? What might be options?

Mr. Kelly McCauley: When would it have asked that?

RAdm Patrick Finn: It's been, I would say, on an ongoing basis. It was in our minister's mandate letter. Our minister's mandate letter calls for that to occur, as do some of his colleagues' letters. It has been something we have been providing some information on. Again, he has a broad portfolio, so it wouldn't get to him—

Mr. Kelly McCauley: That's perfect. Thank you. I'm just trying to get some answers on that.

The defence industry advisory group, does it advise on economic impact in Canada on defence procurement?

Ms. Lisa Campbell: In part they do. This was formed, actually, when I got into the job.

Mr. Kelly McCauley: What do they advise on?

Ms. Lisa Campbell: They advise on a few things. They will tell us about the Canadian industrial base and we're very careful—

Mr. Kelly McCauley: Is there any information between the two planes?

Ms. Lisa Campbell: May I finish with the answer, please?

Mr. Kelly McCauley: Well, you've given me the answer.

Ms. Lisa Campbell: I haven't actually.

Mr. Kelly McCauley: Have they given any feedback as to any industrial impact on Canada, good or bad, for either one of the two planes?

Ms. Lisa Campbell: I think your original question was why it was formed.

Mr. Kelly McCauley: No, I didn't ask why they were formed. I asked if they supply you information on the industrial impact on the economy at all.

Ms. Lisa Campbell: We talk to the defence ministry advisory group about defence procurement writ large. We don't get into specific projects for a very good reason, which is that many of the companies that are there are bidders. We speak to them about defence procurement, its processes, industry engagement, intellectual property, and some of the recurring issues.

Mr. Kelly McCauley: Perfect.

The Chair: Mr. Blaney, you wanted a few minutes.

[Translation]

Hon. Steven Blaney: Thank you very much.

[English]

Mr. Kelly McCauley: I have one last quick question on that. Have you provided the Minister of National Defence or the science and technology minister information about the economic impacts of switching from the F-35 if we go with the Super Hornet? Have you looked at the job impact or the industrial impact of that for Canada?

RAdm Patrick Finn: Again, we have not. Until such time as we would engage with industry to get that information, it's not information that we have.

Mr. Kelly McCauley: Perfect. Thank you.

[Translation]

Hon. Steven Blaney: In the time remaining, I would like to go back to shipbuilding.

Something has struck me this afternoon: there are inconsistencies in the timelines for the production of the new vessels and for retrofit. Something seems to be off. Why are we retrofitting ships if we are expecting new ones to be delivered?

Mr. Finn, I would like you to provide us with an update on the \$90 million awarded on a non-competitive basis to a certification agency that is not Canadian. That is under your responsibility. We will not have time in the minute remaining, but if you could indicate to the committee members what progress you have made so far.

Essentially, we want more ships and less bureaucracy. We need to increase shipyard capacity. Given the laundry list of shipyards and the delays reported, it is quite obvious that our ships rust out more quickly than they can be replaced. We hope the government will make informed decisions to ensure that the Royal Canadian Navy and the Canadian Coast Guard can protect the sovereignty of our waters.

Thank you.

RAdm Patrick Finn: Would you like us to provide written information on the contract you mentioned, Mr. Blaney?

Hon. Steven Blaney: I would like that update. It is a \$90-million contract that was awarded on a non-competitive basis to a company that is not Canadian. It is a certification agency. Is that your responsibility?

RAdm Patrick Finn: Yes, it is my responsibility.

Hon. Steven Blaney: Okay, I would like that update. What amount has been committed thus far? What concrete results have been achieved? How will it make it possible for us to get vessels more quickly? Are there accountability mechanisms to ensure that the shipyards deliver the boats on time and on budget?

RAdm Patrick Finn: Okay, thank you very much for your question.

[*English*]

The Chair: Mr. Blaney, since you're out of time, I'll ask Mr. Finn to perhaps give a written response to that question.

Hon. Steven Blaney: I would appreciate that, Mr. Chair.

The Chair: Thank you very much.

Madam Campbell, Mr. Finn, and Mr. Hutchinson, thank you very much for being here. We appreciate your attendance.

Colleagues, as I mentioned before, that will be the end of our interventions. We'll be dismissing the witnesses and going in camera for committee business for the last 15 minutes or so of the meeting.

Witnesses, thank you so much. You're excused.

We'll suspend for a few minutes while we get ready for committee business.

[*Proceedings continue in camera*]

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