



# 2016 DEFENCE RENEWAL ANNUAL REPORT: POSITIVE MOMENTUM FOR ENDURING SUCCESS



National  
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# EXECUTIVE SUMMARY

Overall, the aim of Defence Renewal is being met and the exercise is providing considerable benefit to the Defence Team. While some initiatives have proven to have challenges with respect to the timing and effort involved, most others are meeting expectations. Defence Renewal is having a positive impact on the readiness of the Canadian Armed Forces, and on the Department's ability to help offset previous budget reductions and added pressures. Through Defence Renewal there is improved control of infrastructure and IM/IT support costs, and mission-ready equipment is increasingly available as a result of improved maintenance practices and routines.

As of FY 2015/16, a recurring impact of close to a quarter billion dollars has been reached. Savings from previous years have been reinvested back to support the initiatives or to meet existing financial pressures including:

- \$182 million in Maintenance and Materiel to reduce financial pressures in our need to procure spare parts, maintenance services, and other materiel;
- \$24 million in Infrastructure reinvestments to modernize and maintain aging real property;
- \$18 million in Information Management to support the upgrade of systems and our capacity to implement new projects; and,
- \$16 million in Cadets and Junior Ranger Programs directed into increased participation at camps and other activities

As Renewal progresses, the Defence Team can anticipate a number of improvements to the way we conduct the business of Defence including:

- enhanced long-term sustainability through better materiel management for a more effective investment in equipment fleets;
- improved maintenance processes and execution aimed at improving the availability and serviceability of existing fleets;
- improved management of personnel and infrastructure through centralization of service delivery and management functions.

Enduring change, however, takes time, investment, planning, and careful management to ensure it is both measurable and irreversible. Now in its third year, Defence Renewal is making real progress against the initiative's four strategic outcomes:

- overhead costs and process inefficiencies -- in critical areas such as materiel, information management, and infrastructure -- continue to be reduced, and a comprehensive framework to strategically reallocate resources to front-line military capabilities and readiness -- has been introduced;



- Defence Renewal is assisting the Defence Team's broader efforts to develop a comprehensive family of performance metrics -- and attendant targets -- to measure and assess progress, help inform resource decisions, and ensure accountability;
- The role of information management and technology to support and enable process improvements across the Defence Team continues to grow, including the initial operational capability of the Defence CIO model and advances in critical efforts to ensure successful implementation of a modern and sustainable long-term approach to business intelligence; and,
- Defence Renewal is contributing to the overall efforts to instill a culture of continuous improvement in how defence goes about its business by addressing strategic clarity, introducing more disciplined approaches to business execution, and fostering the conditions by which knowledge sharing across the Defence Team will be enhanced.

Based upon the work conducted to date, Renewal is on track to be within the envisioned target range of \$750M by FY 2019/20: an important contribution to ensuring that the CAF remains an effective force, while demonstrating strong financial stewardship of the Government of Canada's financial resources.

Much of the work achieved by Defence Renewal to date has addressed concerns noted in prior studies, such as the Defence Transformation report. In the short term, the impact of Defence Renewal will have been to address immediate efficiency and effectiveness opportunities in the management of defence business. Going forward, Defence Renewal will transition into supporting the establishment of Continuous Improvement with the department, a principal objective of the program.

Continuous improvement within the department will embrace technology and innovation to support, reinforce, and enable process improvements, support decision making with business intelligence, and assist in driving the delivery of results for the Government of Canada. Defence faces the immediate future with positive momentum for enduring success: confident that we have increasingly taken further steps to move from targets towards a culture of continuous improvement -- finding better ways to conduct the business of defence -- and poised to further reinvest in operational capabilities and readiness.

Doug Haferkamp  
Defence Renewal Team Lead



# 1. INTRODUCTION

This report from the Defence Renewal Lead provides an overview of the Defence Team's progress in implementing the Defence Renewal programme in FY 2015/16 and is presented in the following sections:

1. Introduction
2. Overview
3. Performance Initiatives
4. Organisational Practices
5. Evidence-Based Decision-Making
6. The Reinvestment Framework and Business Planning
7. Continuous Improvement
8. Communications
9. Defence Renewal Governance and Oversight
10. Conclusion – Positive Momentum for Enduring Success
11. Annexes

The report is derived from a number of sources including triannual reports by individual Defence Renewal initiative leads, and information provided to both the Defence Renewal Oversight Committee (DROC) and the Investment and Resource Management Committee (IRMC).

## 2. OVERVIEW

Defence Renewal -- the Defence Team's long-term effort to find better ways to conduct the business of defence and free-up resources for reinvestment in operational capabilities and readiness -- has reached the mid-way point of its five-year mandate.

The six-performance themed portfolios progressed through FY 2015/16. Most initiatives have matured considerably and, according to April 2015 reporting, have generated \$104.2million in reinvestment opportunities through cost avoidance (a reduction in the anticipated need or cost for future resources), efficiencies (achieving the same output or effect with fewer resources) or effectiveness (realising greater output or effect with the same resources).<sup>1</sup> When added to the two previous years of Defence Renewal activities, this represents a quarter of a billion dollars in reinvestment opportunities for the Defence Team.

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<sup>1</sup> Annex A to this report details Reinvestment Opportunity identified thus far.





These achievements include:

- following a thorough bottom up examination, the Royal Canadian Navy (RCN), Canadian Army (CA) and Royal Canadian Air Force (RCAF) are poised, with stakeholder support, to implement a more effective approach to maintenance execution;
- The four initiatives of the Materiel portfolio -- constituting close to 40% of Defence Renewal's overall reinvestment opportunities -- have provided a total of \$182 million reinvestment opportunities to date;
- a more accurate evidence-based means of forecasting parts and services that will help keep military systems and equipment operationally ready is about to be launched, and an analysis of how Defence performs maintenance suggests that test and engineering overheads can be reduced and result in more CF-18s and Griffon helicopters available to the RCAF;
- an enterprise-level approach to IT Service Management -- including consolidation of some 169 IT Service Delivery organisations to as few as 20 points of service across the country supported by a single enterprise toolset -- is well underway. Defence is also seeing the immediate benefits of a renewed approach to IM/IT governance stemming from the introduction of a Defence Chief Information Officer (CIO);
- how all infrastructure assets are managed has been successfully centralised under the Infrastructure and Environment Group, thereby allowing Commanders of the RCN, CA, and RCAF to focus on their core business of force readiness, and efforts to rationalise infrastructure assets -- resulting in long-term savings in O&M costs and payments in lieu of taxes -- continues through the demolition and divestment of structures on bases and wings across Canada;
- work continues to review and update Strategic Documentation and directives as well as the Defence governance to ensure they are improved, coherent and effective; and,
- the introduction of e-approvals -- aimed at facilitating a transition of compatible processes to be "e-enabled" starting in FY 2016/17 -- is supporting the long-term conversion to a web-enabled work flow at Defence.

Going into FY 2015/16, Defence recognised that, in addition to the need to maintain progress on ongoing initiatives, critical work was required to advance an effective performance management regime. The Defence Renewal Performance Management Framework (PMF) pilots will demonstrate the value and ability of the use of business intelligence and analytics to identify, implement, and track improvement opportunities going forward. At the same time, a means of operationalizing the Framework -- a lasting process that moves beyond simple identification of the strategic reallocation of supply to one that is responsive to prioritised demand -- has been developed. Reinvestment priorities for Defence Renewal savings continue to be established and integrated in the annual business planning cycle. Although the identified reinvestment to date has remained within the specific Level 1s, planning continues to determine recipients of future Defence Renewal reinvestment. Opportunities to promote force capability and readiness with Defence Renewal reinvestment are being examined.

Defence faces FY 2016/17 with positive momentum for enduring success: confident that we have increasingly taken further steps to move from targets towards a culture of continuous improvement -- finding better ways to conduct the business of defence -- and poised to further reinvest in operational capabilities and readiness.



### 3. PERFORMANCE INITIATIVES

A summary of the activities of the six performance-initiative portfolios follows.

*Operations and Training.* The four initiatives of the Operations and Training portfolio are quite different and as such, present challenges with regard to progress and results achieved. A great deal of work is underway, and the initiatives have benefited greatly from the leadership of Director of Staff, Strategic Joint Staff (DOS SJS) and regular meetings of the Operational Readiness and Training Committee. The portfolio realised \$0.6 million in reinvestment opportunities through effectiveness and cost avoidance:

- **1.1 The CAF Operational Force Posture and Readiness (CAF FP&R) initiative** to develop a more effective means of managing force posture and is well underway and strong progress was achieved this year. The third annual *FP&R Directive* was released in June 2015 and provided a CAF-wide framework for readiness that is aligned to the mandated missions of the Canadian defence policy and the current Programme Alignment Architecture (PAA). The *Strategic Managed Readiness Tool (SMaRT)* that provides a uniform mechanism for Level One users to report their readiness status against key defence policy tasks was completed and rolled out on 1 April 2015, with the first full data collection occurring in October 2015. These two areas of focus have matured and have gained CAF community acceptance that they represent on-going practices that require no further developmental efforts. A third critical element of the initiative -- a means of cost-capturing FP&R output -- is almost complete and aims to finalize the cost-capturing implementation process with a first trial in June 2017. However, due to the policy reset and the transition of the PAA to a Departmental Results Framework, the FP&R cost-capturing effort will be delayed by one year to June 2018. In the interim, FP&R implementation will be refined once the Defence Policy Review is completed to ensure that direction remains aligned with assigned tasks;
- **1.2** With an initiative timeline beyond DR's mandate, efforts are underway to remove DR 1.2 **RCAF Simulation and Synthetic Environment** from the DR 1.0 portfolio. The RCAF will continue simulation strategy objectives funded as an annual baselined capability while still providing the foundational policy and guidance to achieve effectiveness and efficiency through synthetic training. The RCAF plans to progress institutionalisation of simulation through several near-term initiatives such as networking key RCAF simulation assets, amending RCAF orders to strengthen simulation usage, and implementing senior advisory boards for simulation and training. The WST programme will be pursued through a capital acquisition with careful liaison to corresponding fleet life extension or replacement projects;
- **1.3 The Maintenance Execution initiative** -- seeking to ensure that maintenance personnel are as productive as possible during their direct maintenance time -- continues to mature in the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force. FY 2015/16 was characterized by a contractor led analysis. A Maintenance Execution Report is to be completed early in FY 2016/17. The three environments have received the extensive analysis and are examining how they can enhance both the availability and productivity of maintenance personnel;



increase availability of spare parts; ensure adequacy of maintenance facilities; maximize usage of technology; and adopt a posture of continuous improvement. While some 40-60% of the recommendations fall within the authorities of the three Environmental Commanders, the remainder require enabling support from the Materiel, Infrastructure and Environment, and Information Management Groups. An initial review of the Maintenance Execution Report by the environments at the end of FY 2015/16 indicated that the anticipated effectiveness opportunities were consistent with originally planned reinvestment opportunities. With the analytical phase complete, the three environments will plan for implementation; and,

- **1.4 The Ammunition Management initiative** -- to institute a revised process for the governance and management of CAF ammunition requirements to support training and operations -- has progressed throughout the year and was aided by the stand-up of a Strategic J4. Director General Support (DGS)/Strat J4 initiated a review of the CAF ammunition requirements process with the aim of transitioning from L1s submitting their requirements based on financial envelopes to a true requirements-based analysis. This approach – that will increasingly be linked to the FP&R process -- will be phased in and will begin for L1 returns for FY 2017/18. DGS/J4 Ammo is in the process of amending Accountabilities, Responsibilities and Accountabilities and ensuring that CAF/DND policies reflect the changes. As the initiative matures, additional coordination will be required to ensure synchronisation with activities in DR initiatives related to Inventory Management, Warehousing and Distribution, and the Rationalisation of Real Property.

*Maintenance and Materiel.* The four initiatives of this portfolio constitute close to 40% of Defence Renewal's overall reinvestment opportunities. They identified \$64.3 million in reinvestment opportunities in FY 2015/16 through cost avoidance and efficiencies. The four initiatives under this portfolio continue to mature over time producing both results and challenges. Other achievements in FY 2015/16 include the development of performance measures for the four initiatives, the completion of a Review Services Group review of two of the initiatives, and the commencement of the production of monetisation rule-sets to ensure consistency in reinvestment opportunity reporting:

- **2.1 Inventory Management initiative** continues to seek ways to avoid the cost of acquiring unnecessary items by optimizing the amount of inventory procured and held. Through its National Stocktaking Project, the initiative has already conducted stocktaking of \$3.4B of materiel and verified items totaling \$2.9B since 2012. The *Distribution Resource Planning Application* -- a forecasting and planning tool that utilizes historical demand to predict future requirements -- is being used by equipment teams to enable the reduction of overbuy expenditures. The *Inventory Management Modernisation & Rationalisation Project (IMMRP)* is examining items held against NATO Stock Numbers for archiving and disposal. And, the initiative is assisting the progress of an *Automatic Identification Technology* project that will, over time, enhance total asset visibility. Going forward, achieving cost avoidance targets remains dependent upon ongoing improvements to data accuracy and integrity, as well as the effective use of enterprise Business Intelligence and forecasting tools to enable smart procurement planning. Given the initiative's maturity and links to Defence Renewal initiatives on Maintenance Execution, Warehousing and Distribution and the Rationalisation of Real



Property, the initiative was selected as a pilot for Defence Renewal's nascent Performance Management Framework proof of concept project in the Spring of 2016;

- **2.2 The Warehousing and Distribution initiative** is led by the Canadian Materiel Support Group (CMSG) and seeks to ensure warehouse facilities are right-sized and efficient, and that the materiel distribution process is lean. Achievements included the establishment of a Campaign Plan comprised of five lines of effort: Alignment, Optimisation, Rationalisation, Capability Development and Governance. In support of this Campaign Plan, several key studies were conducted that focused on depot warehousing operations, Group organisational structure, work processes, management of the Third Line Freight Budget, and operations of the National Freight Run. Several table-top Exercises were conducted on supply and ammunition materiel management processes, and a "Troops to Task Analysis" was initiated to review, optimize and standardize processes and organisational structures within the Formation. Recommendations from these activities will be incorporated into an implementation plan in FY 2016/17. The initiative also benefitted from other activities including the initiation of the removal of "dormant" stock under the IMMRP and an impact assessment of the Operational Clothing and Footwear Project on second and third line support. The study on depot operations identified significant challenges associated with the utilization of -- and training on -- the Defence Resource Management Information System (DRMIS) utilisation and training. To address this, CMSG has commenced an initiative to improve system training that will address programme functionality while also increasing stock visibility and confidence in the system;
- **2.3 The Maintenance Programme Design initiative** is aligned with the federal Defence Procurement Strategy and is progressing with Whole of Government support at the management level. A Director-General level Steering Committee includes representatives from three departments and industry representatives nominated by the Canadian Association of Defence and Security Industries and the Aerospace Industries Association of Canada. Based on three distinct lines of activity that are detailed below, the initiative seeks to optimize a balance between equipment performance, value for money, flexibility and economic benefit through the implementation of sustainment best practices that leverage the capabilities of the CAF, DND and industry:
  - *Maintenance Programme Rationalisation*: continues to optimize maintenance programmes through in-depth analysis of the maintenance actions that are performed on selected fleets. To date, the team has highlighted over 50 potential reinvestment opportunities for analysis - of which six have been reported. Progress continued on developing reinvestment opportunity monetisation rule-sets; with future approval of these rule-sets critical to future declarations. While data collection continues, an analysis of how Defence performs maintenance suggests that overheads related to inspections and engineering can be reduced and result, *inter alia*, in more CF-18s and *Griffon* helicopters available to the RCAF;
  - *Sustainment Initiative*: aims to institutionalize ways to optimize four principles (equipment performance, flexibility, value for money and economic benefits) through the identification and implementation of sustainment best practices that leverage the capabilities of the Government of Canada and Industry. This initiative has established





strong joint governance with Public Services & Procurement Canada (PSPC), Innovation Science and Economic Development Canada, and Canadian industry. FY 2015/16 saw the successful completion of the final planning stages of a business transformation that will institutionalize processes and toolsets refined through sustainment business case analysis pilot projects, including the sustainment of T56 and F404 engines for CC-130 and CF-18 aircraft respectively, to help refine and validate the methodology. To remain successful, the Sustainment Initiative requires close collaboration amongst several Departments, Industry support, and significant professional development and communications efforts; and,

- *Engineering Flight Test Rationalisation*: aims to reduce the cost of engineering flight test delivery, and will analyze options from three primary focus areas: rationalisation; outsourcing; and alternate location. As there is potential to outsource some current functions, Industry has been engaged through a consultative process. The related information has been compiled, and potential courses of action are being refined in a business case document that will be prepared in FY 2016/17.
- **2.4 The Departmental Procurement initiative** seeks to reduce costs of goods and services through improved and more effective procurement strategies, processes and best practices to ultimately optimize expenditures to deliver greater capability. In order to get a complete picture of the nature of commitments, the initiative “reverse-engineered” the procurement spend and engaged extensively with the Level 1s across DND, resulting in the identification of numerous examples of where savings could be realised. Three such examples include:
  - an International Standing Offer Agreement for Fuel (replacing hundreds of the RCAF’s Local Purchase Orders);
  - applying “smart procurement” principles and methodologies (such as early industry engagement, two-step bidding process, etc.) on the bidding process on several major military equipment acquisitions, resulting in lower bids than were anticipated; and
  - by increased use of Acquisition Cards across the Department (as demonstrated in a PSPC study) that concluded that DND could save millions of dollars each year.

The initiative is engaged in a number of other activities in support of procurement process improvements including creating a working group to identify and address common horizontal business process issues across the three environments, and participating in the Treasury Board-led initiative to reduce “red tape” in procurement.

*Information Management/Information Technology.* The role of IM/IT in Defence – and to Defence Renewal in particular – is increasingly complex and critical. The introduction and evolution of the Defence Chief Information Officer should help mitigate the challenges posed by a decentralised Defence IM/IT programme, and will aid in the overall effort to implement the IM/IT support necessary to realise the modern business reporting and intelligence tools required for long term success. Oversight from the Information Management Board continues and in total, the three initiatives of the portfolio realised **\$9 million in reinvestment opportunities through cost avoidance**:



- **3.1 The IT Service Management (ITSM)** initiative continues to realise progress. The Electronic Information Technology Service Management System has been rolled out across Defence and is performing well. Efforts to consolidate more than 160 points of service into approximately 20 Service Management Centres are well underway in cooperation with Level 1 staff across Defence. The National Service Management Centre achieved Initial Operational Capability (IOC) over two stages in December 2015 and March 2016. The stand-up of the remaining 20 Service Management Centres -- of which 10 achieved IOC on 31 March 2016 -- continues with all targeting Full Operational Capability in FY 2017/18. Key ITSM documents -- related to concept of operations and governance -- were endorsed by the Information Management Board. Efforts to modernise and streamline the Inter-Capability Component Transfer (ICCT) process -- critical to realising the movement of positions from one Level 1 to another -- continue and are critical to realising the full opportunity envisioned under this initiative;
- **3.2 The Application Portfolio Management** initiative seeks to improve IT programme efficiency by addressing the overall stewardship and maturity of application management practices across DND/CAF. The initiative has completed the initial inventory of applications across the DND/CAF; to date, 1816 applications have been decommissioned (either retired or identified as duplicates) representing approximately \$9.5 million in cost avoidance since the beginning of April 2014. Having completed their initial survey and rationalisation of applications, the initiative is now moving to a steady-state where continuous improvement is the norm: efforts to review and examine smaller networks within Defence continue; and
- **3.3 Rationalising the Defence IM/IT Programme** is progressing well: the Defence Chief Information Officer construct has continued to mature, and was formally designated as of February 2016. Though implementation is focussing on internal IM Group roles and processes, several broader Departmental changes have been made to the handling of IM/IT requirements including business relationship management and prioritisation. Moving forward, the recommendations and critical investments identified in the Lean Headquarters exercise as it pertains to the IM Value Case will be carefully reviewed, and the roles and increasing responsibilities of Shared Services Canada will require continued attention to ensure a sound and rational long-term Defence IM/IT programme.

*Infrastructure.* The four initiatives in this portfolio continue to progress well, highlighted by the centralisation of real property management under a single Infrastructure and Environment Group custodian. The Infrastructure and Environment Group developed a phased implementation plan to successfully transform the Group into a single strategic and accountable organisation that focuses on delivery and people. Effective oversight is provided by the Infrastructure and Environment Board and in total, the four initiatives of the portfolio realised \$8.4 million in reinvestment opportunities through effectiveness and cost avoidance:

- **4.1 The Centralisation of Real Property Management** initiative has progressed well. As of 1 April 2016 the management of all infrastructure assets was centralised under the Infrastructure and Environment Group and the attendant ICCT process is well underway. FY 2017/18 will be the first year where efficiencies will likely be seen. As this initiative transitions to a steady state of continuous improvement, it has launched a detailed survey of assets and their status through a



deliberate facility condition assessment. The contract for this assessment has been shortened from three to two years, and will gather the data required to determine the relative health of the portfolio, faster than originally planned;

- **4.2 The initiative to Rationalize the Real Property Portfolio** continues to progress as infrastructure -- and its associated real property replacement cost -- is divested from the portfolio. This initiative realized reinvestment opportunities through cost avoidance of Operations, Maintenance and Repair, and a reduction in the amount Paid in Lieu of Taxes. The portfolio realised the demolition of 115 structures with a total real property replacement cost of \$107 million including: 56 buildings in Goose Bay, a former food services building in Gagetown, 10 Storage buildings in Shilo, and a hangar in Montreal. The divestments of Building 66 in Moncton (former I ESU Building before the unit moved to Kingston) and payments for previously disposed properties also contributed reinvestment opportunities. Additionally, the *Defence Portfolio 2030* (formerly the *National Real Property Development Plan*) has been approved and released. Going forward, the document will provide the guidance -- and momentum -- to strategically rationalize the portfolio;
- **4.3 The initiative to Optimize Facilities Management Service Delivery** continues. This initiative requires working with Defence Construction Canada (DCC) and PSPC, and looks at negotiating new and re-negotiating existing contracts to include bundling of contracts, reducing contract administration costs and leveraging volume of work. The DCC Roadmap -- a collection of over ten strategic procurement initiatives directly in line with the original DR 4.3 plan and its Key Performance Indicators -- has been implemented. Opportunities are being pursued with PSPC to pilot their *eProcurement* solution with the Infrastructure and Environment Group. Combining the *eProcurement* solution with the implementation of the material module of DRMIS will deliver more efficient procurement processes for Infrastructure and Environment Group employees and directly aligns with the strategic objectives of the Infrastructure and Environment Business Modernisation project; and
- **4.4 The initiative to improve Real Property Project Delivery** is using the integrated project delivery (IPD) process that has never been used in the Federal Government. IPD represents a fundamental change in project delivery approach and is characterized by: early involvement of key participants; collaborative innovation and decision making; early goal definition, target value design; intensified design and planning; and, shared financial risk and reward. In FY 2015/16, the IPD team has learned a great deal about the process by visiting a construction project built using IPD and attending a variety of training courses and conferences focussed on Lean Construction -- a fundamental element of IPD. Moving forward, in the next FY, the initiative will seek project approval for the IPD Pilot Project that has been confirmed as the Royal Canadian Dragoons Facilities Project at Garrison Petawawa. The initiative is also shaping the proposed internal approval process for an IPD project.

*Personnel.* Though diverse in scope and ambition, the five initiatives in this portfolio have made steady progress though there are still opportunities to be realised. The Canadian Forces Personnel Management Committee has many pressing matters on its agenda including Defence Renewal though one initiative --



5.5 The Renewal of the Cadet and Junior Canadian Rangers -- stands outside the CFPMC governance process and seeks VCDS guidance on the way ahead. Combined, the initiatives have identified **\$21.7 million in reinvestment opportunities through cost-avoidance, efficiencies and effectiveness:**

- **5.1 The initiative to modernise Individual Training and Education** has made some progress beyond the major enhancements to the Defence Learning Network and Learning Support Centres (e.g. virtual classrooms, assessment and collaboration capabilities, Advanced Distributed Learning Labs, and Wi-Fi capability in Borden) that were achieved last year. However, the initiative will benefit from a recent investment of funds and personnel to enable it to move forward with development and implementation as outlined in the CAF Campus Operational Framework. A recovery programme – that consolidates efforts and offers a plan going forward – is under development;
- **5.2 The Modernisation of the CAF Career Management Process** has achieved most of its objectives and is effectively transitioning to a steady state of continuous improvement. Costs associated within existing activities have been reduced; low-value steps have been eliminated; business processes have been changed; and, stewardship of CAF career management services and programme delivery has been enhanced. A more efficient model for military moves, for example, has not only increased the accuracy of cost forecasts, it has resulted in the timely release of postings messages to personnel. Going forward, work on the Canadian Forces Personnel Appraisal System replacement – the Personnel Appraisal and Talent Management System (PATMS) -- is dependent upon the Military Personnel Management Capability Transformation (MPMCT) project. However, given delays to the MPMCT, alternate design and funding options are being explored to pursue advanced delivery of PATMS given the time sensitivity of this initiative;
- **5.3 Military Personnel Management Capability Transformation /MPMCT Project (GUARDIAN)** continues to progress but under revised timelines with new baselines. The roll-out of GUARDIAN Release 1 -- replacing the in-service HR system with technology dating from the late 1990s -- is planned for early in FY 2016/17. The initiative is widely recognised as an important effort to bring the military HR management and pay system up to modern pan-Government standards and is directly linked to the success of other Defence Renewal initiatives including 5.1 Individual Training and Education, 5.2 Modernisation of the CAF Career Management Process and 5.4 Recruiting;
- **5.4 The initiative to Modernise the CAF Recruiting Process** is also transitioning to a steady state of continuous improvement as it responds to the ongoing need to embrace modern technology and practices to bring in the military members of tomorrow. Significant internal process improvements have already been realized (e.g. the Recruiting Operations Centre has centralized recruiting, with decentralized execution, better geographic coverage through internet applications, quicker response times from recruiters to applicants, improved synchronisation with other L1s in managing personnel awaiting training and recruiting Reserve Force personnel). CF Recruiting Information System 2 (launched in January 2015) has greatly enabled better file management, thereby improving effectiveness and efficiency; and



- **5.5 The Renewal of the Cadet and Junior Canadian Rangers initiative** continues to make progress and has exceeded the original estimates outlined in the Defence Renewal Charter and attendant Plan. Like other initiatives, a commitment to continuous improvement has taken root. Over the first 18 to 24 months of Defence Renewal, reinvestments totalling \$11.9M have been realized and a further \$6.4M to \$8.0M is projected over FY 15-16 to FY 17-18. The increase is attributable to such things as: reducing staff (e.g. Full-Time Equivalents) , suspending lesser-priority training activities, achieving efficiencies in summer programme transportation, introducing a field training uniform for army cadets, providing additional funding for fitness and sports activities at community-level, developing and delivering a training package for adult staff and volunteers, and funding growth in the JCR Programme.

*Management Systems.* The four initiatives that constitute this portfolio are progressing reasonably under a governance mechanism that, with the stand-down of the Civilian Workforce Management Board (CWMB), relies on extant boards and regular meetings between the VCDS and the Assistant Deputy Minister (HR Civ).

- **6.1 The Lean Headquarters.** Numerous initiatives have reduced the size of NDHQ's HR footprint since the first contractor conducted their analysis from 2012 and presented their assessment to the CWMB in May 2013 – before the launch of Defence Renewal. These include the Deficit Reduction Action Plan and the transfer of resources to Shared Services Canada, as well as workforce attrition. The department has in fact exceeded its DRAP targets by 1825 FTE, and the DND/CAF Headquarters has been reduced by approximately 946 FTE, reducing the cost of headquarters by \$89.5M annually. Through the CMS contract, KPMG has provided initial indications that the Headquarters structure is reasonable although further efficiencies can be found by: enhancing the Materiel Group; thoroughly appreciating the cross-cutting role the Information Management Group; and, assessing the Military Personnel Command. Furthermore, the analysis suggests that the Defence Team could focus on process refinement and optimisation - pursuing improvements to business analytic tools and the establishment of an information management focus -- to drive efficiencies. The Final report is due early in the next Fiscal Year;
- **6.2 The Project Approval Process Review (PAPR)** a detailed review by the initiative lead -- supported -- has indicated that though dated, the initial internal assessment of the initiative's scope and potential (to achieve twice the project approval throughput in half the time) was sound and should be acted upon. Implementation is now underway: the PAPR Governance and Change Management Team is 75% staffed; briefings on the way forward to effected Level 1's have been launched; and, the PAPR Performance Measurement Tracking Tool has been developed and will be activated in an upcoming DRMIS release in FY 2016/17;
- **6.3 The Review of Civilian Human Resources Management** continues to progress well and is in a steady state of continuous improvement. Over the course of the past year, the Civilian Human Resources Group implemented the e-staffing self-service tool (i.e. *HR Actions*), new service standards for both Classification and Staffing and has created several tools that will be able to measure service delivery performance in several HR areas in the next FY. To date, LO governance has been established, communications have been augmented, and the Public Service Commission's New Directions in Staffing approach has been activated. The Civilian Human





Resources Group has taken the first steps towards implementing *Next Generation HR*, a series of initiatives that aim to clarify, create and communicate business processes and roles, more self-service capabilities, standardisation of work processes, and smarter use of qualified resources. Not only will the Civilian Human Resources Group be able to monitor classification and staffing, but it will be able to generate business intelligence and report on performance against service standards. Fundamentally, *Next Generation HR* takes over where *Service Delivery Transformation* had begun and opportunely uses the established successes of Staffing Reform (e-staffing, dedicated staffing teams), Classification Transformation (e-class, Job Library, centralisation of work) and the Review of HR Planning (Service Standards, HR Dashboards) to shape how the Civilian Human Resources Group provides services to the Defence Team; and

- **6.4 the Consolidation of Emergency Dispatch** seeks to provide multi-layered, trained, bilingual and robust communications and dispatch facilities to ensure that all calls for Emergency Services are answered and assistance is rendered to the caller. The initiative – which includes regionalising police and fire calls from more than 32 locations to three or less -- has matured since its launch in September 2014, and benefitted from a detailed examination supported by the CMS contract. The report has been accepted and the Canadian Forces Provost Marshal is currently preparing an implementation plan. Though the reinvestment opportunities stemming from this initiative are modest, the benefits of a consolidated approach to emergency dispatch to members of the Canadian Armed Forces are significant and justify a commensurate level of investment to ensure long-term success.

During FY 2015/16, the DRT introduced improvements to the *Defence Renewal Reporting Templates (DRRTs)* to provide more fidelity on the performance of all Renewal initiatives. The documents – updated three times a year – include tombstone information, forecasts, work plans, financial data, and risks and allow staff, leadership and governance bodies the opportunity to access fresh information on initiatives.

## 4. ORGANISATIONAL PRACTICES

The Organisational Practices initiatives continued to mature at different rates during the year. A new initiative -- 8.4 *Electronic Approvals* -- was formally added to the family of initiatives in September 2015. A refreshed look at all efforts, as well as a changed footing to governance -- recognised as a more programmatic approach -- contributed to the overall progress of the initiatives. The Organisational Practices Steering Committee met regularly to consider updates and offer guidance where necessary.

The three complementary initiatives of the *Strategic Clarity* portfolio progressed throughout the year:

- **7.1 the initiative to Enhance Understanding of Strategic Intent** seeks to convey overall strategic priorities in terms that all members of the Defence Team can understand. Through the CMS contract, KPMG examined all strategic documents, their audience, their structure and associated timelines with a view to informing the Department's efforts to better align an entire family of high-level documents. Their analysis identified overlaps and differing planning horizons. The initiative lead, the Corporate Secretary, undertook to develop a revised framework



to bring into line strategic documentation which would also align with the revised organisational authorities. These efforts will be coordinated through the initiative's Working Group and Steering Committee;

- **7.2 Defence Governance Review** is well underway and a critical aspect is largely complete. A new *Organisation and Accountabilities* document with clear Accountabilities, Responsibilities and Authorities that better reflect the roles and responsibilities of the Commands -- while also clarifying lateral functional authorities -- has been completed and reviewed. A legal risk review has been completed in preparation for the anticipated approval and publication of the new document early in the next Fiscal Year. Concurrently, a review of the functioning of various defence governance committees -- their effectiveness and perceived overlaps -- continues; and
- **7.3 the Change Alignment Programme** seeks to articulate and communicate change activities across defence in a manner that is understandable and accessible to a broad cross-section of the Defence Team. For the first time, a single web-page -- *Focus on the Future* -- brings together clear information on the different change activities that are underway: a year ago, such material was difficult to locate and uncoordinated. Now, the information -- including the popular *Innovators* series and the *Leadership Spotlights* -- is accessible through a simplified web presence with clear narratives. Complementing the web pages is the *Leadership Toolkit on Change* that was widely distributed to the Defence Team in November 2015. Subsequently, the next step is the creation of an accessible overall strategic narrative document, which is currently in development. This document will be the precursor to the introduction of the change alignment programme intended to complement the next version of the Defence Plan.

*Disciplined Business Execution* saw both maturity and growth as a portfolio this year:

- **8.1 Efforts to Enhance Performance-based Decision Making** continued throughout the year and the initiative lead -- Chief of Programme -- continued to focus on the production of the draft programme activity layer of the sub-sub programmes to the Department's Programme Activity Architecture (PAA). The Government's stated intention to reset the *Policy on Management, Resources and Results Structure* and a movement from the PAA to a Departmental Outcomes Framework requires additional review to ascertain the full implications and work required to implement this new policy;
- **8.2 Encourage and Leverage Front-line Innovation:** the Public Affairs Group has maintained a popular series of videos and interviews that celebrate the innovative work that has gone on across the Defence Team. The Group also concluded its review of innovation programmes in other government departments and allied military organisations, and presented a business case that proposes the long-term institutionalisation of an innovation programme within Defence, recommending that the Defence Renewal Team take the lead. As work continues on the development of a broader defence-wide innovation programme, Level 1s across the organisation will continue to foster and celebrate innovation in their respective Groups and Commands. Moving forward, the challenge will be to ensure that the ideas generated in one part of the Defence Team (i.e. regionally) are embraced, monitored to track and ensure progress, and as applicable shared across the entire Defence Team and elsewhere;
- **8.3 Policy and Procedure Continuous Improvement:** a team continues to work with Level 1s to reduce unnecessary bureaucracy and administration resident in the *Defence Administrative Orders and Directives (DAODs)* and the eventual elimination of the *Canadian Forces*



*Administrative Orders (CFAOs).* This year, 14 CFAOs were cancelled, 20 DAODs were reviewed and updated using the streamlined process introduced last year, and nine DAODs have been cancelled. The process, however, still requires a great deal of staff work that is both deliberate and time consuming: involving rigorous review that is mindful of all interdependencies, including those related to higher regulations; and

- **8.4 Electronic Approvals.** Since its formalisation as a Defence Renewal initiative in September 2015, a great deal of work has followed to assess the full-potential of the initiative, understand the broader Government of Canada policy underpinnings, and explore how electronic approvals have been embraced elsewhere. While many less-complicated forms and processes lend themselves to approval electronically, others -- particularly those with direct financial implications -- require the development of a deliberate framework that respects specific accountabilities and audit requirements. Work on the framework is well underway. With e-approval already used with many departmental transactions and correspondence, momentum continues to build around this initiative that has as an early milestone of enabling for e-approval 25% of applicable processes by February 2017.

*Openness and Trust* – based on two initiatives – took concrete steps along the long path to promoting the transparency and effective knowledge sharing that are hallmarks of organisations that are committed to continuous and lasting improvement:

- **9.1 World-class Knowledge Sharing:** work on this initiative continues being complemented by significant departmental enhancements to the way information is shared internally through increased use of *SharePoint*, the *Intranet Renewal Project* that aims to make Defence Wide Area Network information more accessible, and the continuing *GC Docs* capital project. Moving forward, with a qualitative assessment of the Defence Team's knowledge sharing capability completed, the initiatives can focus on a best practices review and an examination of the *2010 Organisational Learning Strategy*: ultimately leading to a strategy road map that will facilitate the diverse approaches to knowledge sharing that exist across the Defence Team; and
- **9.2 Coaching on Leading Transformational Change** continues to advance and is being aided both by the Canadian School of the Public Service's (CSPS) efforts to improve training on leadership and transformation, and the ongoing improvement of professional development and leadership training within the Canadian Armed Forces. A small working group of subject matter experts from Civilian HR and the Canadian Defence Academy carefully examined the leadership required to implement the initiative and assessed them against CAF and Public Service competencies. The analysis also included the programmes and training delivery systems to achieve these competencies, as well as attendant regulatory frameworks. Looking to the future, the initiative will endeavour to identify additional means of improving transformational leadership training.



## 5. EVIDENCE BASED DECISION MAKING: DEFENCE RENEWAL PERFORMANCE MANAGEMENT FRAMEWORK

The *Defence Renewal Charter* notes the critical importance of evidence-based decision making, and calls for “a comprehensive regime of performance metrics and targets to be in place and employed to measure and assess improvements, guide resource allocation decisions, and ensure accountability” as one of the four strategic outcomes for Defence Renewal. FY 2015/16 saw real progress towards achieving this important goal.

First, through the CMS contract, KPMG made recommendations on a proof of concept for a Defence Renewal Performance Management Framework (DR-PMF) through a series of detailed reports. Second, the RCN has offered to share resources -- and experience -- using an evidence-based approach to informed decision-making that will demonstrate the potential of the DR-PMF approach. And third, the Information Management Group has recognised both the potential and immediacy of DR-PMF, and sees it as a means to align and accelerate the timely development of an effective Enterprise Business Intelligence and Analytics approach that is critical to long-term performance measurement across Defence.

As a result, the Defence Renewal Team concluded FY 2015/16 poised to pilot the emerging DR-PMF with at least two initiatives including Maintenance Execution and Inventory Management. The trials will continue through the first half of FY 2016/17 and seek to demonstrate the ability to measure initiative performance -- and progress -- in a systemic manner.

## 6. THE REINVESTMENT FRAMEWORK AND BUSINESS PLANNING

The Defence Renewal Reinvestment Framework is situated in a multifaceted business planning environment where decisions must be identified, harmonised and acted upon with regard to their implications for near and medium term horizons.

Key actors -- including the Chief Financial Officer, Chief of Programme and the DR Lead -- have spent much of this FY further operationalising the Framework: ensuring that Defence Renewal is incorporated as an Annex to all relevant Business Plans; reporting every trimester through Defence Renewal Reporting Templates; developing a more evolved understanding of how to best to apply the reinvestment model in the complex Defence context; and, regularly revisiting the overall reinvestment profile as a part of prudent financial planning.



The Framework is maturing and will benefit from the added insights derived from the DROC process that examines initiatives from a number of perspectives including their progress to date and their reinvestment opportunities.

Looking forward, efforts to further institutionalise the Framework -- while moving beyond permitting Level 1s to retain much of their reinvestment opportunities -- are both necessary and timely, and will revolve around continuing discussions on both the supply of DR-derived reinvestment opportunities and the demand for additional financial resources that privilege force readiness and capability development.

## 7. CONTINUOUS IMPROVEMENT: CHANGE SYNCHRONISATION, NEW INITIATIVE MANAGEMENT AND BENCHMARKING

In FY 2014/15, the Defence Renewal Team took steps to understand the interdependencies and challenges posed by the more than 200 strategic change initiatives that are currently being implemented across the Defence Team at the direction of the Government of Canada, as Defence-wide efforts, or as change activities within specific Level 1 organisations. The resulting Defence Strategic Synchronisation Matrix (DSSM) and attendant interdependencies was briefed early in FY 2015/16.

This fiscal year saw further refinement of the methodology for influencing synchronisation and coordination of Defence strategic change initiatives, monitoring dependencies and interrelationships, identifying potential second and third order effects, and recommending mitigation where required. The observations of the updated DSSM are now part of the monthly updates provided by the Defence Renewal Team to the senior leadership.

Ideas to improve Defence and how it conducts its business are welcome. Twenty-three proposals were received during FY 2015/16 and each was examined using the value-based analysis introduced fiscal year. While no ideas were selected for further detailed analysis by the Defence Renewal Team, many were determined to be of interest to Level 1s and shared with them for further consideration. Moreover, the fact that there's a modest appetite and interest in sharing good ideas suggests that members of the Defence Team *are* embracing the concept of continuous improvement: encouraging that interest -- and learning from it -- will continue to be the focus of Defence Renewal Initiative 8.2.

Reforming the business of Defence is not unique to Canada, and building on the initial analysis developed last year, the Defence Renewal Team examined what our partners are pursuing in their respective efforts to modernize, renew and transform their militaries and ministries of defence.

The intent of this research and analysis was to put our efforts into context amongst those of our allies and to learn from how others are working to achieve the same goal of creating efficiencies. The Defence Renewal Team considered their defence reforms to identify activities that are in line with our initiatives in the areas of maintenance, procurement, IM/IT, infrastructure, personnel, lean headquarters, governance and innovation.





As well, in FY 2015/16 senior Defence officials met with international counterparts from New Zealand, the United Kingdom and Australia to discuss a number of topics including defence reforms: their meetings were informed, in part, by detailed briefings about defence reforms in each nation. In addition, more comprehensive analysis focussing on how specific countries were reforming their defence governance systems was developed.

While analysing the defence reform efforts of our allies is useful, it is equally important to examine the reform, transformation and modernisation agendas of other government departments. Research on select other government departments provided valuable insight on how they are promoting innovation, engaging with their employees, and bringing about changes in workplace culture. The insights are applicable to the various Organisational Practices initiatives and are helping to further refine and advance these initiatives.

## 8. COMMUNICATIONS

Though internal and external communication efforts were affected by the 42nd Federal General Election, communications about Defence Renewal occurred at many levels across the Defence Team:

- Defence Renewal continued to be discussed at the combined General Officer and Flag Officer/EX Townhall meetings;
- Defence Renewal remains an integral part of briefings to future leaders of the Defence Team at the Defence Resources Management Course, the EX Orientation course, and at the Executive Leaders Programme and National Security Programme at the Canadian Forces College;
- The Public Affairs Group continued to highlight milestones and quick wins to the broader Defence Team through the Maple Leaf, The Innovators series, the Focus on the Future internal webpage and the new Defence Team news videocast;
- Defence Renewal remains a standing agenda item at the DND Union Management Consultative Committee and the Defence Renewal Annual Report for FY 2014/15 was provided to Union Management with an offer for further discussion to address any questions;
- Steps were taken to improve the Defence Renewal website and develop specific web pages for certain key initiatives. This work will continue going forward to ensure all members of the Defence Team have easy access to current information regarding Defence Renewal;
- Both the Defence Renewal 2013/14 and 2014/15 Annual reports were made available to any interested parties through postings to internal and external websites; and
- Several key defence stakeholders requested copies of the annual report and follow-on discussions with the Defence Renewal Lead.

With the conclusion of the 42<sup>nd</sup> Federal General Election and attendant “Caretaker Period,” Defence Renewal communications efforts continued, culminating in the wide distribution of the FY 2014/15 Annual Report and associated stakeholder briefs. As well, a focussed internal communications effort marked Full Operational Capability for initiative 4.1’s efforts to Centralize Real Property Management under the Infrastructure and Environment Group on April 1, 2016: a significant milestone.



While progress was made in FY 2015/16 in communicating Defence Renewal, communications across the various initiatives remains uneven with some initiatives communicating extensively while others are less proactive. As initiatives near and enter the implementation phase, communicating with employees and the broader Defence Team about the impact they may experience is an important change management function. Supervisor and employee face-to-face engagement will be important as initiatives continue to mature and reach implementation.

## 9. DEFENCE RENEWAL GOVERNANCE AND OVERSIGHT

Governance and oversight – necessary elements of a successful Defence Renewal Programme – matured in FY 2015/16.

Executive leadership and governance of Defence Renewal was exercised primarily through the Defence Renewal Oversight Committee (DROC): a new body that met for the first time in April 2015. While it did not replace the privilege of senior leadership to consider Defence Renewal issues at the executive table, it offers a forum for candid and focussed discussions on all aspects of the Defence Renewal programme including global reinvestment opportunities, DR-PMF and the status of individual initiatives through updates to DROC.

DROC's work complements the critical financial oversight that the Investment and Resource Management Committee (IRMC) provides on all business plans, and is the forum for continuing discussions on how the reinvestment opportunities generated across Defence Renewal can be directed back into force readiness and capability development.

Still, a great deal of key oversight and governance continues to occur at the sub-committee level where initiatives can be considered in the proper context and with the appropriate level of detail:

- the Operational Readiness and Training Committee meets every four months where the four Operations and Training initiatives are examined in details as required;
- the Material Acquisition and Support Oversight Committee provides effective oversight of the four Material and Maintenance initiatives by meeting every six weeks;
- the Information Management Board meets regularly -- as frequently as once a month -- with the IM/IT initiatives as standing agenda items;
- the Infrastructure and Environment Board meets regularly and reviews the progress of the four infrastructure initiatives;
- Canadian Armed Forces Personnel Management Council meets quarterly and has enhanced its review and oversight of Defence Renewal initiatives; and
- the Organisational Practices Sub-Committee, has been revitalised and meets quarterly to provide senior level guidance to this complex family of initiatives.



Internal governance and oversight is complemented by external perspectives. The Departmental Audit Committee (DAC) met several times throughout the FY, and the External Advisory Committee (EAC) – a unique body that brings together senior leadership from business and industry to consider Defence Renewal – met in April 2015. Follow-up bilateral meetings between the leadership of Defence Renewal and individual members of the EAC were held in late November 2015. As well, the Review Services Group undertook an examination of the governance structures, risk management practices and internal controls of Defence Renewal to determine if they are suitable for informed decision making and effective reporting. The results of that review will be presented to the DAC in FY 2016/17.

## 10.CONCLUSION

Defence Renewal concluded the year with positive momentum for enduring success. Overhead costs and process inefficiencies -- in critical areas such as materiel, information management, and infrastructure -- continue to be reduced, and a comprehensive framework to strategically reallocate resources to front-line military capabilities and readiness has been introduced.

Defence Renewal is helping develop a comprehensive family of performance metrics -- and attendant targets -- to measure and assess progress, help inform resource decisions, and ensure accountability. The role of information management and technology to support and enable process improvements across the Defence Team continues to grow, including the initial operational capability of the Defence CIO model and advances in critical efforts to ensure successful implementation of a modern and sustainable long-term approach to business intelligence.

Lastly Defence Renewal is contributing to the overall efforts to instill a culture of continuous improvement in how defence goes about its business by addressing strategic clarity, introducing more disciplined approaches to business execution, and fostering the conditions by which knowledge sharing across the Defence Team will be enhanced.



# ANNEX A TO 2016 DEFENCE RENEWAL ANNUAL REPORT: *POSITIVE MOMENTUM FOR ENDURING SUCCESS*

Reported Savings (Efficiencies and Economies)					
15 April 2016 - Reporting					
Initiative		FY13-14	FY 14-15	FY 15-16	TOTAL
1.1	CAF Operational Force Posture and Readiness	0	0	0	0
1.2	RCAF Simulation and Synthetic Environment	0	0	0	0
1.3a	RCN Maintenance Execution	0	0	0	0
1.3b	Land Maintenance Execution	0	0	13,000	13,000
1.3c	RCAF Maintenance Execution	0	0	583,600	583,600
1.4	Ammunition Management	0	0	0	0
2.1	Inventory Management	62,600,000	33,570,000	22,250,000	118,420,000
2.2	Warehousing and Distribution	0	2,500,000	500,000	3,000,000
2.3	Maintenance Program Design	0	3,700,000	36,725,000	40,425,000
2.4	Departmental Procurement	0	15,000,000	4,800,000	19,800,000
3.1	Optimize Service IT Management	590,205	1,180,410	0	1,770,615
3.2	Application Portfolio Management	0	2,610,000	6,898,000	9,508,000
3.3	Rationalize the Defence IM/IT Program	2,276,800	2,403,487	2,127,262	6,807,549
4.1	Centralize Real Property Management	2,550,000	1,700,000	850,000	5,100,000
4.2	Rationalize Real Property Portfolio	5,650,000	3,600,000	3,025,000	12,275,000
4.3	Optimize Facilities Management Service Delivery	1,500,000	500,000	4,500,000	6,500,000
4.4	Improve Real Property Project Delivery	0	0	0	0
5.1	Modernize CAF IT&E	0	4,700,000	765,500	5,465,500
5.2	Modernize CAF Career Management Capability	1,104,500	1,104,500	17,904,500	20,113,500
5.3	Military Personnel Management Capability Transformation	0	0	0	0
5.4	Modernize CAF Recruiting Process	0	0	0	0
5.5	Renewal of Cadet and Junior Ranger Programs	5,700,000	6,159,000	3,075,000	14,934,000
6.1	Lean Headquarters	0	0	0	0
6.2	Project Approval Process Renewal	0	0	0	0
6.3	Modernize Civilian Human Resources Management	0	257,200	219,000	476,200
6.4	Rationalize the Emergency Communications and Dispatch Services	0	0	0	0
8.3	Policy and Procedure Continuous Improvement	0	0	0	0
<b>TOTALS</b>		<b>\$81,971,505</b>	<b>\$78,984,597</b>	<b>\$104,235,862</b>	<b>\$265,191,964</b>

Note: Variance with figures reported in previous *Defence Renewal Annual Reports* follows from the use of data that was available at the time the *Annual Report* was prepared.

