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• (1530)

[English]

The Chair (Hon. John McKay (Scarborough—Guildwood, Lib.)): Colleagues, I see that it is past 3:30. We have quorum.

We have our witness in place. I want to apologize in advance to Mr. Jeglic for mispronouncing his name.

Thank you for joining us, sir. We'd appreciate your opening remarks, and then we'll go from there.

Thank you very much.

Mr. Alexander Jeglic (Procurement Ombudsman, Office of the Procurement Ombudsman): Thank you very much.

I'd like to begin by acknowledging that the land on which we are gathered is the traditional unceded territory of the Algonquin Anishinabe people.

[Translation]

Good afternoon.

My name is Alexander Jeglic, and I am the Procurement Ombudsman.

I'd like to thank the chair of the House of Commons Standing Committee on National Defence for inviting me to be here today to participate in the committee's review of the impact of Canada's procurement process on the Canadian Armed Forces.

[English]

I'd like to start by explaining my office's role in federal procurement, as this is my first appearance at this committee during my tenure as procurement ombudsman.

The Office of the Procurement Ombudsman opened in 2008, with a focus on providing Canadian businesses, mostly small and medium-sized, an avenue of recourse for procurement and contracting issues.

My office operates at arm's length from all other federal organizations, including Public Services and Procurement Canada. While I report to the Minister of Public Services and Procurement, the minister has no involvement in my office's daily activities or the contents of my report. The minister is required to table my annual report in Parliament.

[Translation]

My office is a neutral and independent organization of the Government of Canada. My mandate covers all government organiza-

tions, except for Crown corporations, the Senate, the House of Commons and certain federal security agencies.

[English]

Specifically, my legislative mandate is as follows.

First is to review complaints from Canadian suppliers about the award of certain federal contracts below \$30,300 for goods and \$121,200 for services.

Second is to review complaints regarding the administration of certain contracts regardless of dollar value. We rarely receive this type of complaint, but when we do, it most often pertains to late payments or non-payment.

Third is to review the procurement practices of federal departments to assess fairness, openness, transparency and consistency with laws, policies and guidelines. These larger systemic reviews examine the way in which federal departments do their contracting in general and often involve the review of multiple procurement files.

In terms of good practices to ensure fairness, openness and transparency in federal procurement, my office has identified three highest-risk procurement elements. We use these risk elements to establish three lines of inquiry: one, the establishment of evaluation criteria and selection plans; two, the bid solicitation process; and three, the evaluation of bids and contract awards.

These systemic reviews have two important functions: First, they identify areas in which departments can take concrete steps to improve the overall fairness, openness and transparency of their procurement practices; second, they point out good practices that can be emulated by other departments. Any recommendations made in these reviews are designed to improve practices and do not focus on individual complainants or winning and losing bidders in the same way that reviews of specific complaints do.

In 2018, my office put in place a five-year procurement practice review plan, which identifies and describes the reviews to be conducted by my office. The planned practice reviews looked at the highest-risk procurement areas as defined by our extensive environmental scanning.

As part of the 17 systemic reviews conducted under the five-year plan, my office conducted a review of the Department of National Defence, which was published on my office's website in May 2022. We made several recommendations regarding DND's procurement practices that required improvement and identified some good practices. For example, an area of improvement that was identified included inconsistencies in the bid evaluation process, including missing evaluation guidelines and results and incorrectly awarded contracts. An example of a positive observation that was made was that DND consistently used standardized solicitation documents, which contributed to the simplification of procurement processes for both Canadian businesses and DND officials conducting procurement. We made six recommendations for improvement to DND and will follow up next year to assess the implementation status of these recommendations. DND agreed with all of our recommendations.

My office also offers dispute resolution services with the help of certified mediators from my office. Either a supplier or a department can request our mediation services, and both parties have to voluntarily agree to participate in order for the mediation session to take place. Mediation is a highly successful and effective service that my office offers, which unfortunately remains underutilized by federal departments. There are no dollar value limitations associated with our mediation services, and we can mediate contracts valued at \$6,000 or \$60 million. Our mediation generally requires only a one-day mediation session, and these services offer a quick, inexpensive and administratively less burdensome process to litigation.

My office also conducts research studies on important issues in federal procurement. In 2018, we launched an initiative called "Knowledge deepening and sharing" to provide information and guidance to suppliers and departments. We've published a total of nine KDS studies, and some of the topics we've written about to date include emergency procurement, the chief procurement officer and late payments.

• (1535)

[Translation]

In addition, my office plays an active role in diversifying the federal supply chain. To date, we have hosted five annual summits, bringing more than 2,000 indigenous and diverse business owners together in the same room with representatives of government and private sector organizations that provide services to help these businesses access federal contracts.

[English]

OPO has become an important component of federal procurement, and we hope to continue to serve stakeholders in a way that brings positive change. This requires our office to be proactive in some areas, but, unfortunately, budget implications currently prevent us from continuing some of this important work.

My office has been operating on its 2008 budget for the past 15 years. For the first time, last fiscal year we sought program integrity funding to address critical gaps in delivering on my legislative mandate and on government and ministerial commitments. This request was unsuccessful, but we have again put forward a new ask to address our funding shortfall in future years.

We are acutely aware of the need for fiscal prudence and efficiency at the federal level and have been working diligently to ensure our operations are as lean as possible to best deliver on our mandate; however, as a result of my existing budget and the inability to hire additional staff, my office has had to curtail several vital activities for the current fiscal year and beyond. These cancelled activities include conducting follow-up reviews to determine if my recommendations for improvement have been implemented by departments and providing information and guidance to Canadian businesses through KDS research papers.

This year, we are once again seeking program integrity funding. Without this additional funding, OPO will become a reactive organization and will no longer be able to effectively provide key services necessary for the improvement of federal procurement.

I'm pleased to see the growing support of my office from the various House of Commons committees. I'd like to thank the national defence committee particularly for the invitation to be here today.

I welcome all your questions.

Thank you.

The Chair: Thank you, Mr. Jeglic.

Mrs. Gallant, you have six minutes.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): With respect to the replacement of the propulsion system of the Canadian Coast Guard heavy icebreaker *Terry Fox*, how did it come to pass that the bid failed to meet the mandatory requirements set out in the tender documents yet won the contract anyhow?

Mr. Alexander Jeglic: As I didn't conduct the review, unfortunately I can't answer your question directly.

The intention, obviously, is that if you're non-compliant with mandatory criteria, you should not be awarded the contract.

Mrs. Cheryl Gallant: If we go back to December 2019, the Liberal government said that only Davie was qualified to build the Coast Guard's new icebreakers, not Heddle. Yet now PSPC chose Heddle over Davie to replace the icebreaker *Terry Fox's* propulsion system, as I mentioned before.

Do you have any idea why PSPC made the conclusion that Heddle was now qualified to handle icebreakers over Davie?

• (1540)

Mr. Alexander Jeglic: Mr. Chair, unfortunately I can't answer that question directly because I did not conduct the review on the matter.

Mrs. Cheryl Gallant: Okay. I'll go to the army, then. There are urban operation training centres in Petawawa, Gagetown, Valcartier and Wainwright, and \$500-million laser weapon simulators have been mothballed. They were part of the integrated soldier program that uses simulated weaponry, which, most importantly, provides feedback to the soldier.

These were just mothballed and shelved. How is it that a contract renewal for such a vital training system could have simply been forgotten—they forgot to renew it—especially at this particular point in time when the world's state actors are poised for war?

Mr. Alexander Jeglic: I think the right person to answer that question is a representative of the department.

Mrs. Cheryl Gallant: We have several other procurements. Have you reviewed any of the procurements with respect to the Aurora replacement?

Mr. Alexander Jeglic: As a point of clarity, the way my organization works is that we have jurisdiction for complaints related to relatively low-dollar value procurements. We have complementary jurisdiction with another organization called the Canadian International Trade Tribunal, which has authority and jurisdiction at or above that.

All of the projects you're citing are above the monetary thresholds in terms of our review jurisdiction.

Mrs. Cheryl Gallant: Generally speaking, then, how can we guarantee that PSPC is going to make programs follow the legal guidelines and come in on time and on budget so that our armed forces don't have gaps in their capabilities?

Mr. Alexander Jeglic: Mr. Chair, that's a fair question, and I think the appropriate answer there is to utilize the existing recourse mechanisms. That is the nature of the Canadian International Trade Tribunal.

I would encourage them, if there are active complaints, to seek recourse from the Canadian International Trade Tribunal.

Mrs. Cheryl Gallant: Are the Auroras too big of a project? Okay.

The entire issue with these other procurements is not adding up. In your experience, is there a possibility, given that the bids are awarded on issues other than the requirements, that there would be political interference involved?

Mr. Alexander Jeglic: Again, Mr. Chair, unfortunately I can't wade into that discussion, but the contract should be awarded based on the solicitation documents themselves.

Mrs. Cheryl Gallant: Making sure that procedure is followed is one issue, but another is the utter inefficiency with the rollout of these projects.

Has the Office of the Procurement Ombudsman identified any opportunities for simplifying DND's procurement practices?

Mr. Alexander Jeglic: We have. As I mentioned in my opening statement, one of the things DND is good at is using standardized documentation. That matters because, as you can imagine, suppliers are bidding on multiple opportunities across different departments. It's a little bit unique in the Department of National Defence, where many of the projects are very specific. However, in a general way,

DND uses procurement documentation that's standardized, which helps suppliers from all across the country who are bidding on multiple opportunities to participate in an active way.

Mrs. Cheryl Gallant: Are you in contact with international allies' procurement departments, and have you discussed how DND and PSPC can employ those methods to achieve greater project efficiencies?

Mr. Alexander Jeglic: I have not engaged with international counterparts on defence procurement specifically, no.

Mrs. Cheryl Gallant: Okay.

What findings led to the OPO, in its review of DND's procurements, to recommend that DND should ensure that the established electronic system accurately tracks, controls and reports on its contracting activities and ensures that all contracts required to be disclosed are?

Mr. Alexander Jeglic: That's an absolutely fair question that I can directly respond to, which makes me happy.

Voices: Oh, oh!

Mr. Alexander Jeglic: We identified, through our review of DND, that documentation was a significant issue, and it was a shortcoming. We sought 40 files for review, and we had to replace 19 of those 40 files.

The process of obtaining documentation may sound somewhat administrative, but there is a real consequence there. The lack of evaluation material means that you cannot justify how you made decisions associated with awarding contracts. The lack of documentation around communications with suppliers means that you cannot say that all communications with suppliers were done on an equal and timely basis.

There are broad implications to documentation, so that's ultimately what led us to make that recommendation.

● (1545)

The Chair: Thank you.

We have left it on a happy note.

Mr. Fillmore, you have six minutes.

Mr. Andy Fillmore (Halifax, Lib.): Thank you, Mr. Chair.

Thank you very much for joining us today and for sharing your experiences and wisdom.

Throughout this study, we have been hearing about and getting exposure to different kinds of procurement processes that are in use in different jurisdictions around the world. At the same time, we have also been hearing about some of the tensions that exist between domestic procurement and offshore procurement and the tensions that arise from that with conflicts like Ukraine's when timeliness is of most importance.

I wonder if you could talk a little bit about the tension between domestic and offshore procurement and about where you see Canada going—whatever you would like to tell us about that.

Mr. Alexander Jeglic: Sure. I want to clarify that by “offshore” you mean international obligations.

Mr. Andy Fillmore: I do, yes.

Mr. Alexander Jeglic: Okay.

Essentially, I think this is where the NSE, the national security exception, becomes particularly relevant as part of the discussion, because the NSE, when invoked by the Department of National Defence when doing procurement, disarms certain obligations under international free trade agreements. It doesn't do something similar with domestic requirements, so there are certain requirements that still exist under the government contracts regulations.

That's one of the big differences, and that's not the case in the United States. In the United States, what happens with the invocation of the national security exception is that it actually both disarms free trade obligations and, equally so, creates a disarmament of the national FAR and DFARS.

Mr. Andy Fillmore: I just want to make sure that we're getting the message you're sending here. Which is the more streamlined approach then, domestic or international?

Mr. Alexander Jeglic: What ends up happening is that, as a result, you have taken away certain obligations that exist within free trade agreements by the invocation of the national security exception. You don't disarm any obligations under the government contracts regulations by virtue of the application of the NSE. As a result, the domestic obligations that exist, including competition, still hold true.

Mr. Andy Fillmore: Okay. Thank you for that.

I want to stick with domestic procurement here for a moment. What advice would you give Canada to address the expectation that these substantial sums of money that are being invested in defence procurement lead to local economic development and job creation?

I represent Halifax, so the connection is obvious. Mr. Fisher represents Dartmouth, where some of the kits for ship assembly are being assembled. We're very interested in this topic.

How do we reconcile the benefits along with the procurement?

Mr. Alexander Jeglic: I know you've had a number of witnesses who represent industry. Ultimately, each witness represents their own views in terms of fairness. Obviously, my office is responsible for promoting fairness more generally and broadly. What we try to do is essentially ensure that, where there are domestic processes that are allowed to seek only Canadian participants, it is seen as a fair process.

Again, to reiterate the national security exception, when the national security exception is invoked, it does allow for procurements to be limited to domestic capabilities. One thing I will say is that it's incredibly important to understand what those domestic capabilities are. I have heard a number of previous witnesses mentioning the importance of being able to “direct contract”. In order to make those justifications to direct contract and not compete, you need to

be fully aware of what exists in terms of the capabilities of the Canadian supplier.

Mr. Andy Fillmore: In your experience, does the industrial and technological benefits program make your job more difficult or less difficult? What's your perspective on the whole ITB program?

Mr. Alexander Jeglic: My perspective is that the program exists and we have not done—again, I hate to reiterate this point—a review, obviously, of that specific program. However, that being said, because the national security exception allows for this program to exist within all our respective trade obligations and domestic rules, there are no issues associated with fairness.

With regard to the other issues raised by other witnesses about the timeliness associated with limiting the pool of available suppliers, that's kind of beyond the purview of fairness, from our perspective.

Mr. Andy Fillmore: Thank you.

The Chair: You have a minute and a half left.

Mr. Andy Fillmore: Okay.

I'd like to go back to where I began and the statement about the committee seeing and hearing about a lot of different procurement processes in different jurisdictions around the world. Here in Canada, three departments are involved in an overseeing body. A lot of testimony has indicated that the various reporting structures add time, confusion, delay and so forth.

I don't want to ask you an awkward question, but is there a jurisdiction whose procurement process you admire that you would share with us?

• (1550)

Mr. Alexander Jeglic: Again, Mr. Chair, that's a fair question.

I don't know that I would express admiration for a foreign jurisdiction's procurement process, but I will say that in terms of the process established within Canada, I know there's been a lot of discussion about whether in fact that needs to be streamlined. I would say that the development of the highest-level official with an exclusive mandate on procurement can only be seen as a good thing.

The Canadian system is unique, in the sense that there are multiple components as part of the system. That requires constant triaging. For procurement messages to bubble to the top, it has to be kind of the hottest issue, and sometimes that doesn't happen. Therefore, the voice of procurement matters might not be as timely and instantaneous as perhaps it should be.

Mr. Andy Fillmore: Thank you. I believe—

The Chair: You're pretty well done.

Mr. Andy Fillmore: Okay. I'll leave it there.

Thank you very much.

The Chair: Thank you, Mr. Fillmore.

Madame Normandin, you have six minutes, please.

[Translation]

Ms. Christine Normandin (Saint-Jean, BQ): Thank you, Mr. Chair.

Thank you for being here, Ombudsman.

I have a general question for you. When the committee asks ombudspersons about the authority they have, most of them say that all they can do is make recommendations because they don't have enough resources to impose real change.

Would you say the same thing about your office? Are you missing the tools to be more coercive when you see something you're not happy with?

[English]

Mr. Alexander Jeglic: Mr. Chair, that's a good question. It allows me to speak on one of the issues we've asked for in terms of regulatory changes.

It's not so much the power or the teeth associated with the recommendations. It's the right to compel documentation from departments. That is something we have been actively seeking for some time. We have examples of where we know that the documentation has not been provided to us upon request, so it takes many iterations to receive the required documentation.

In terms of your question specifically about recommendations, I will say that we're pleased to see that our recommendations are traditionally followed in almost all circumstances. On the systemic reviews, that is the benefit of the two-year follow-up. We follow up after two years to describe whether implementation has been complete on the recommendations we've made.

We will be submitting report cards on all 17 departments and agencies that we've reviewed. You'll be able to get a sense of whether they've complied with the recommendations in whole, in part or not at all.

[Translation]

Ms. Christine Normandin: I want to pick up on documentation, since it's something I was going to raise.

If I understand correctly, generally speaking, parties that aren't satisfied with the outcome of a contract will turn to your office for mediation, even though there's no real way to remedy the harm that's been done.

Do you have the authority to take action before a contract is concluded?

[English]

Mr. Alexander Jeglic: To answer the first part of your question, our mediation is, in fact, limited to the administrative component, once you're in contract administration. If your complaint is about the award of a contract, we don't have authority to provide ADR services, but we have other review mechanisms.

That being said, our mediation services are incredibly successful. Pre-COVID, when we did mediation only in person, we had a 90% success rate in resolving whatever issues arose. As I said, there are no dollar value thresholds associated with the mediation we perform. As a result of COVID, we had to pivot slightly and perform

online mediation. Our success rate went down slightly. Those of you who have actively participated in mediation appreciate that there is a benefit to being in person, but we still have a success rate of over 75% conducting mediation online.

You heard me say it's an underutilized aspect of our mandate. We know there are significant issues in contract administration across the federal government. We've been working diligently with departmental heads to make sure that information about our mediation services is proactively disclosed in contracts and that information about the dispute resolution mechanisms they can seek is in regret letters.

We have actively been working to address any concerns that have been raised about the availability or the usefulness of our services.

[Translation]

Ms. Christine Normandin: I want to turn back to the documentation that you aren't always able to get.

Do the organizations, the Department of National Defence, for instance, give you a reason as to why they aren't providing the documents? Do you make requests that simply go unanswered?

If there are reasons, I'd like to hear some of them.

[English]

Mr. Alexander Jeglic: To be absolutely fair to the Department of National Defence, we undertook this review pretty much during the height of COVID. DND was predominantly a paper-based department. As a result, there were certain buildings that were closed to them, so it took time for them to identify documentation. That being said, COVID alone was not an excuse for what we saw. We saw documentation issues beyond what COVID could explain away.

To answer your question directly, for the most part, additional requests were answered. However, you have to understand that we have a limited time to do our review, so asking over several months impacts our ability to analyze new documentation provided. In this way, there is an impact.

• (1555)

[Translation]

Ms. Christine Normandin: I just want to be sure I understand. The fact that the organization provided the documentation isn't good enough if it took a long time to do so. In some ways, it's a stalling tactic to hinder your work. Is that correct?

[English]

Mr. Alexander Jeglic: Absolutely.

[Translation]

Ms. Christine Normandin: I'd like to hear your view on what went on recently with the national monument to Canada's mission in Afghanistan. A process similar to a request for proposals was initiated, a competition. A company was awarded the contract, which was then taken away. Apparently, the department didn't make that decision; the Prime Minister's Office did.

That means that the Prime Minister could be influencing the process unbeknownst to everyone in some cases. Does that worry you?

[English]

Mr. Alexander Jeglic: We absolutely believe in segregation between the political arm and the procurement process. There should be no intervention from political actors whatsoever in procurement-related decisions.

Specific to the reviews we undertook, we had a case within our procurement practice review where there were issues associated with the conversion of Leopard-style vehicles into monuments. We saw that contract inappropriately awarded, because the bid was no longer valid at the time the contract was entered into. The bid validity period was 90 days, and the contract was awarded after 187 days. There was no extension of the bid validity period.

The Chair: Thank you, Madame Normandin.

Mr. Angus, you have six minutes. Welcome to the committee.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you so much, Mr. Chair. I am pleased to be here, and I'm very pleased to be able to ask some important questions.

A major European tank war wasn't on anybody's bingo card two years ago. Now we're coming into the second winter of the war in Ukraine. It has caused a massive pivot internationally for supplies, from artillery shells to winter coats, boots and hats—everything that is needed.

Has this put more pressure on your office, in terms of being able to assess fairness in procurement regarding what Canada is supplying to the Ukrainian war effort?

Mr. Alexander Jeglic: Specific to Ukraine, we haven't seen an inordinate jump in complaints to our office. However, during the COVID period, because of the application of the national security exception, we did see a spike in complaints to our office.

Specifically on contributions being made to Ukraine, we have not seen a noticeable spike in complaints to our office about those issues.

Mr. Charlie Angus: Thank you very much for that.

The sexual harassment scandal certainly both rocked the Canadian public's confidence and caused a lot of trauma for the men and women serving. The Department of National Defence said at the time that they would hire a team of experts in the field of diversity, equity and inclusion, and that turned out to be McKinsey, who have their own deeply troubled past.

Many questions were raised about why they were given that position. I understand that you were tasked to look into PSPC's relationship with McKinsey. Can you tell us what you found?

Mr. Alexander Jeglic: I would love to be able to tell you, but unfortunately that review is not yet complete. It is scheduled to be complete in a relatively short time frame. We're anticipating it will be in early 2024.

Mr. Charlie Angus: We look forward to that report.

I think the thing that concerned us as New Democrats was that in a previous annual report you identified that more than half of the competitive solicitation processes resulted in a single bidder. If we're talking about certain kinds of rockets that have to be put on ships, that may make sense, but is this across the board? If so, what does this tell us about defence procurement, specifically about what's taking place in terms of barriers to meaningful competition? What are you seeing?

Mr. Alexander Jeglic: That's a great question.

First, thank you for reading our annual report. I think there are some really important pieces of information in the annual report.

You cite that figure: 34% of the time when competitive processes are run, you have only one bidder. You're not benefiting at all from diverse solutions and competitive pricing, so all that energy is for naught. It really is a good question to unpack why that's happening. Some of the reasons we've heard for it are the ultimate sophistication and difficulty of gaining entry to federal procurement in general, and there are also real issues about incumbent advantage.

Here's one of the questions that are asked typically in a procurement process: Is there an incumbent currently providing the goods or services? If the answer is yes, it seems to suppress any other willing bidders to step forward. The question is, how can we dilute incumbent advantage to encourage more people to participate in these competitive processes?

• (1600)

Mr. Charlie Angus: That's very interesting, because we have heard through this study calls for cutting red tape on defence procurement and loosening rules around sole-source contracts. For me, that's always a red flag for a boondoggle down the road.

Can you offer thoughts in terms of safeguards that you think should be in place for defence procurement and that we would need to make sure of? If we're going to cut red tape, are we going to make sure that small, medium-sized and other businesses are able to compete fairly and this isn't just going to the powerful insiders?

Mr. Alexander Jeglic: Absolutely. Transparency is kind of the offset to the risks you've identified.

That's where documentation matters. I answered a previous question about documentation, but it's incredibly important as you make decisions throughout the process that you document these decisions. If you make a decision that there is a rightful application of an exception to competitive procurement, in many instances that may be accurate. However, if you don't document those reasons, it's very difficult to know why a contract has been directed.

I can't underscore enough the need to document all decisions associated with procurement processes and then make transparent the outcomes. If the Canadian public no longer trusts in the federal procurement system, we all lose out. That's something that I've emphasized in our most recent annual report, which is that I do feel there is a risk as a result of a general lack of transparency.

The final thing I'll say is just on the national security exception. There are obviously inhibitors to transparency associated with the invocation, sometimes rightfully, but other times, when there's a blanket application of the national security exception, it might do more harm than good in terms of creating a belief that things aren't being done appropriately.

Transparency is the offset to some of the risks you've presented in your question.

Mr. Charlie Angus: My final few seconds are on the need for you to have the power to compel documentation. You don't have that, but if you did, that would be certainly something that would aid in your work.

Mr. Alexander Jeglic: Absolutely.

The Chair: Thank you, Mr. Angus.

Mr. Kelly, you have five minutes.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you, Chair.

Thank you for the important accountability work you do for Canadians.

You mentioned in your opening statement that you have requested sufficient budget resources to be able to continue to do proactive reviews, but you cannot. That budget request has been refused. For the record, does this mean that you do not have the resources to do proactive reviews and you can only investigate complaints?

Mr. Alexander Jeglic: I would say that, at this time, it's not that we don't have resources to do any systemic reviews, but we don't have the resources to do the volume of systemic reviews that we should.

Mr. Pat Kelly: Okay.

The point of systemic review or proactive review is to ensure best practice.

Mr. Alexander Jeglic: Absolutely.

Mr. Pat Kelly: Your office doesn't have the budget to do that now.

Mr. Alexander Jeglic: Absolutely.

If I may say, on your point, the reason we do knowledge pieces is to create reasonable grounds to actually do these systemic investigations. If we don't have the resources to launch knowledge pieces, we might not know where the problems lie. We're very reliant on

the stakeholders who work with our office to disclose information to let us know where to go.

Mr. Pat Kelly: Thank you.

You mentioned that the departments refuse your request for information. That's troubling.

Is that during a proactive review or a complaint review?

Mr. Alexander Jeglic: I wouldn't use the terminology that they refuse document production, but they're unable to produce documentation in certain circumstances. In other circumstances, the documentation that's provided is not fulsome.

Mr. Pat Kelly: Okay.

I thought you said you had to go back and re-ask and re-ask.

Mr. Alexander Jeglic: There is that. It stemmed from the question about the establishment of the electronic database. The database was not capturing information accurately. As a result, what was scoped in were not relevant contracts for us to actually review. We would have to go back to the department and ask them to reproduce relevant documentation.

It's not a refusal to provide the documentation; it's an inability to provide accurate information.

• (1605)

Mr. Pat Kelly: In the third recommendation in your report, you say, "DND should update its procurement policies and training to require all evaluators...to assess and confirm that they're not in a conflict of interest". I would hope that this really would go without saying.

Is your office concerned that conflict of interest exists with evaluators?

Mr. Alexander Jeglic: The issue is that if you're external to government, those evaluators are actively signing new conflict of interest declarations so it's top of mind right before conducting an evaluation. That same process isn't true if you're a member or an employee of the Department of National Defence. As a result, we wanted it to be top of mind for all evaluators. On those procurements where you're not doing a blind evaluation and you actually know who the bidders ultimately are, you need to be mindful of the fact that conflict is at the top of the priorities in terms of having an effective and fair evaluation process.

Mr. Pat Kelly: Okay.

When you have found improper bids have been awarded, who signs off on these bids? Is it DND, Treasury Board or PSPC, or is the complicated relationship of all three part of the root of how improper bids are awarded?

Mr. Alexander Jeglic: For the purposes of our systemic review, all of those contracts would have been awarded by the Department of National Defence. That's how we scoped it in, that they're both the contracting authority and also the ultimate recipient.

Mr. Pat Kelly: Okay, so it's on DND when there's an inappropriate bid.

Mr. Alexander Jeglic: Absolutely.

Mr. Pat Kelly: We heard this morning about the acquisition of Reaper drones being delayed three more years. We're 22 years now after the timeline when this piece of equipment was identified as one that the Canadian Forces needed.

What factors can lead to that kind of unacceptable delay in procurement?

Mr. Alexander Jeglic: Mr. Chair, unfortunately I can't comment on this specific circumstance.

However, if given the opportunity, I have some ideas as to how the procurement process can be improved in general.

Mr. Pat Kelly: Go ahead right now.

Mr. Alexander Jeglic: The first thing I would say is to publish an accurate, transparent project pipeline for non-NSE projects, so a refreshed version of the defence investment plan that can be relied upon and trusted by industry.

Second is to include full life-cycle planning in solicitations and contracts addressing obsolescence and interoperability.

Number three is to apply a risk-based approach to all defence projects, increasing delegations. I know that—

The Chair: This is very good stuff. I know you'll work it into another answer, for Mr. Collins or someone else.

Mr. Collins, you have five minutes.

Mr. Chad Collins (Hamilton East—Stoney Creek, Lib.): You can continue, sir.

Mr. Alexander Jeglic: I appreciate that.

Thank you, Mr. Chair.

I would say, embed a TB analyst as part of the major projects procurement teams, to raise any issues in real time and reduce TB subrequirements.

There's the payment of partial bid costs for compliant bidders for major projects. That goes to address some of the things we were talking about before about 34% of competitive processes having only a single bidder.

Create clear accountabilities between all of the respective actors. We know that's a complicated system.

Reduce the number of mandatory criteria to only those that are essential. We see that when mandatory criteria are overly restrictive, that creates a smaller pool of available bidders.

Use accepted exceptions to competition where appropriate. Do not make decisions in fear of litigation, and allow the dispute resolution mechanisms to play their roles. You heard me mention using the CITT appropriately. Mimic what worked during times of emergency procurement, which was centralization versus regional procurement.

Increase delegations.

Here's another area where our office can be particularly relevant. Use a hackathon-style event. "Hackathon" is a term my children use. I'm not sure I'm using it appropriately, but I'm pretty sure I am. Use that to bring together all the actors. You've brought forward many witnesses before you, each of whom has their own incentives for being here. Bring all of those actors together over a weekend to address critical issues. Those are the types of things that are done during a time of emergency, and defence procurement requires something similar.

Prioritize the creation of a government-wide vendor performance regime. Again, I can't underscore this enough. We do not have a government-wide vendor performance regime. We want to work with the best suppliers possible. You do not want to use the award process as a mechanism to avoid dealing with poor suppliers. The award process was not designed to play that role. We need a vendor performance mechanism that will reward good performers and not reward poor performers. It can't be limited to a single department; it has to be more appropriate across the board.

Engage industry in non-project-specific discussions, including capacity in Canada assessments. We had a previous question about Canadian capacity. I think it's really important to have frank dialogues about what is possible with Canadian industry currently, and what's possible in the future. That's why having that trusted pipeline of projects is so important. I heard industry say that they want contracts in hand. If you have a trusted pipeline that you can rely on, it may actually meet that need.

Again, there was a question about best practices in foreign jurisdictions. That's something you need to continually refresh yourself on. There are other allies working diligently to ensure that defence procurement is working as efficiently as it can within their countries. Get timely information from our allies.

Require multiple procurement-related courses for RMC graduates. If I could have one global theme as the take-away message, it would be that we need to recruit and invest time in those recruits coming out of university now. The reason is that I actually heard DND say it's a nine-year incubation period to be able to work on complex projects as a PG. That's an incredibly long period of time. If we invested more time and effort in university-related programs that could have sophisticated, complex, defence-related procurement as their focus of study... We know there are jobs that exist. The question is creating more of these programs.

There is a program like that which exists at the University of Ottawa and is run by the Telfer program, but there need to be more of them. That's the issue. It cannot be isolated to one program. I know that traditionally—again, I don't want to speak out of turn—we were sending people to participate in programs in Australia. We need to garner these programs in Canada and establish them.

On the RMC specifically, procurement ultimately impacts everyone, so having every graduate coming out of RMC have not just a basic introductory course on procurement but advanced knowledge of procurement will help them, regardless of what stream they pursue at the RMC.

I greatly appreciate the opportunity to present you with that list. Thank you.

• (1610)

The Chair: Thank you, Mr. Collins.

I think we just had our report written for us.

Thank you for that, Mr. Jeglic. It was very helpful.

We'll go to Madame Normandin for two and a half minutes, please.

[*Translation*]

Ms. Christine Normandin: Thank you, Mr. Chair.

I want to come back to the matter of justifying a decision to sole-source a contract, as opposed to putting it out to tender.

As I understand it, even if you make a recommendation that the Department of National Defence, say, provide an explanation as to why it opted for a sole-source contract, you have to rely on the department's good faith.

Is there a legislative or other way to make sure that the department doesn't have a choice about whether to provide an explanation when it decides to award a sole-source contract? What kinds of controls are available?

[*English*]

Mr. Alexander Jeglic: Mr. Chair, that's a good question. In terms of justification for sole-sourcing, I think it is very important to highlight the need to have robust justifications and make those justifications transparent. If that were happening, the veil of secrecy that's associated sometimes with some of these direct contracts would be lifted. Again, make transparent exactly why there is perhaps only one supplier that's available. What is the public policy that dictates that it's in the public interest to direct a contract?

We're coming out of a time during COVID when the emergency exception was utilized for a wide variety of procurements. Directly about your question, what legal safeguards could we implement so we could make sure that all departments have robust justifications for the invocation of these exceptions?

That being said, these exceptions are actually part of the regulations, so I don't want to give the impression that exercising an exception is somehow wrongful—it is not. There are absolutely reasons why you should use those exceptions, but the problem lies in the justification and the transparency of that justification.

[*Translation*]

Ms. Christine Normandin: Who, then, is the best person or body to examine the explanation and say whether it's adequate or not?

• (1615)

[*English*]

Mr. Alexander Jeglic: Here's where I can go internationally. You heard me make reference to the United States and how they go about invoking the national security exception and what that means domestically for them. They actually allow for additional oversight from the GAO, the entity within the United States that could go in and actually verify the justifications in place for directing some of these procurements.

In Canada, it's not as clear. The CITT does not have the authority to review the justification, perhaps, of the invocation of the national security exception, which in and of itself is not a justification to direct a contract, but sometimes forms part of the analysis that underpins why that contract might in fact be directed.

The Chair: Mr. Angus, you have two and a half minutes, please.

Mr. Charlie Angus: Thank you.

I represent people in James Bay and the lower part of Hudson Bay, and there are still very bad memories of when the Mid-Canada Line was put in. All the contractors came up, the military came up, and they left massive environmental damage.

We're now looking at the NORAD modernization in Nunavut. With the chance of northern communities being able to participate, northern businesses are going to face a number of difficulties. In order to make sure that this is not another exercise in Canadian northern colonialism, what steps need to be taken to ensure that northern communities in that region are able to financially benefit and participate in the investment that's going on?

Mr. Alexander Jeglic: Mr. Chair, that's a good question. Ultimately, there should be provisions in the contract that need to be enforced. It's just a question of enforcing those provisions. So, ensure that those provisions exist, make sure that those investments are in fact made, and then there has to be enforcement of those provisions.

Mr. Charlie Angus: Have you looked at any of the barriers? We're finding these enormous barriers in the far north. We find it with big mining projects, too. The whole system is set up so it fundamentally excludes the first peoples, whose land it is.

Have you looked at any of this? Have you been able to provide any ideas in order to make sure we are not dealing with this as a problem down the road, but we deal with it before it happens?

Mr. Alexander Jeglic: Absolutely. We are in touch, obviously, with issues associated with indigenous suppliers. There are new requirements under the directive on the management of procurement that require a 5% allocation of federal contracts to be awarded to indigenous suppliers. It's really important to note that this is.... I don't want to call it progress, but a certain requirement is now established.

Part of our role can be ensuring accountability that this is, in fact, happening. As an office, that is where we can play an active role.

The Chair: Thank you, Mr. Angus.

Now we have Mrs. Kramp-Neuman.

Mrs. Shelby Kramp-Neuman (Hastings—Lennox and Addington, CPC): I'm going to pass my time to James Bezan.

The Chair: Mr. Bezan, you have five minutes.

Mr. James Bezan (Selkirk—Interlake—Eastman, CPC): Thank you, Mr. Chair.

I appreciate the ombudsman coming, and I appreciate all the recommendations. That does make our task a lot simpler for us, especially when we start looking at defence procurement.

My understanding of your study, from what you just said, is that you only concentrated on the ones that National Defence had final authority on. I'm anticipating that you didn't look at some of the great big contracts like shipbuilding, fighter jets and others that are involved at three or four different departmental levels. Your recommendation is along the line of what we can do to streamline that process among National Defence, Procurement Canada and Treasury Board.

First of all, I find it striking in your report to National Defence.... You make your recommendations. Unlike what I've seen in responses from the department to the Auditor General or to the defence ombudsman, where they either accept or reject the recommendation, in almost every one of yours, the response starts the same way. It's an almost identical response: "We will review our processes and look at the management action plan."

Are you satisfied that this is good enough to deal with recommendations that you made in your ombudsman's report?

Mr. Alexander Jeglic: We also did note, obviously, that there was a certain repetition in the responses that we got from the department. However, I think it would be a bit premature, because we do have a follow-up mechanism. The department did actually write to me, providing an update at the end of September, but our evaluation of the implementation of these recommendations will happen only in our follow-up review, which should be in early 2024.

Mr. James Bezan: Can you share the response that National Defence sent to you, in a kind of interim report on what they are doing in response to your recommendations?

• (1620)

Mr. Alexander Jeglic: I would just need to check with the Department of National Defence before tabling that, because it's still in its draft phase, but I could certainly endeavour to look into whether I can table that with the committee.

Mr. James Bezan: I think it is timely and important for our study on defence procurement if we have that type of input.

In your opening comments, and also in response to questions, you talked about the issue of incorrectly awarded contracts. You had one example, but I think you said there were 19 that were inappropriately contracted or awarded. Is it because of cost? Does it cost the taxpayer more because they were incorrectly awarded?

Mr. Alexander Jeglic: I'll just clarify that. This is under the third line of inquiry, which deals with evaluation and contract award. In 10 instances, we did not have sufficient evaluation information to determine whether, in fact, the contract had been rightfully awarded. If you don't know what the individual evaluators did and you don't know what the consensus evaluation is, it's difficult to say that the contract was rightfully awarded. Then, in other circumstances, we found, as in the example I gave with the Leopard conversion into monuments, that the bid validity period had expired.

There are other examples I could give, such as one where there was a requirement for an educational background, but the resource did not have the required educational background to meet the mandatory criteria. By definition, if you didn't meet the mandatory criteria, it's a wrongful award of contract.

Mr. James Bezan: In your evaluation on national defence procurement, did you come across any circumstances or situations in which kit was bought, or defence materiel or equipment was bought, that was inappropriate for the original ask from the Department of National Defence and the Canadian Armed Forces?

Mr. Alexander Jeglic: I think it's important to clarify. Under the purposes of our review, there were not many pieces of the procurement file we looked at that actually involved defence-related goods or services. Traditionally these are contracts less than \$5 million, but that's where DND would still have their own contracting authority.

I'm not trying to skirt the question; I'm simply trying to explain why we reviewed DND the way we did. We reviewed all 17 departments and agencies in the same manner, using the same methodology. However, it goes back to the question of funding. If we did have additional funding, we would have the ability to pursue, perhaps, larger engagements that could include the defence side of the procurement realm.

Mr. James Bezan: You would be able to do that analysis based upon the entire gamut of how procurement happens, involving the entire scope of the whole Government of Canada.

Mr. Alexander Jeglic: Yes, that was the background or underpinning rationale for why we pursued this five-year systemic review plan.

Mr. James Bezan: This morning we heard.... The public accounts committee report came—

The Chair: Mr. Bezan, I don't want to hurt your feelings, but you're done.

Mr. Fisher, you have five minutes.

Mr. Darren Fisher (Dartmouth—Cole Harbour, Lib.): Thank you very much, Mr. Chair.

I want to thank the ombudsman for being here today.

My riding of Dartmouth—Cole Harbour has many defence-related companies, from start-ups right to huge defence contractors. These smaller companies are innovating some really brilliant tech, and as they're scaling up, of course, they're looking to bid on some Canadian contracts, hopefully. From the issues that you've audited or investigated, what could we do as a government specifically to streamline and make it simpler to help these smaller companies take part in the Canadian government procurement process?

Mr. Alexander Jeglic: A large portion of our stakeholders are, in fact, small and medium-sized businesses.

You'll hear me talk about overly restrictive criteria. If you have criteria that require a company to be of a certain size in order to participate, obviously that makes it more difficult for small and medium-sized businesses. Also, people don't appreciate how payment terms impact small and medium-sized businesses differently than they do large suppliers.

What we always recommend.... I shouldn't use the word "recommend". What we always suggest is that they participate in the supply chain differently to start and take the opportunity to be a sub-contractor in larger projects to gain that experience on federal contracts, so that for any mistakes that are made they don't bear the financial burden associated with it, yet they're learning lessons and gaining valuable experience, and through that they'll be able to naturally grow. That's typically the advice that we would provide to small and medium-sized businesses that, as yet, haven't entered the federal procurement supply chain.

Mr. Darren Fisher: It's interesting that you talk about the payments. A new business would presumably need to have that money within 30 days or so. With government, it's probably 60 days, 90 days or 120 days.

• (1625)

Mr. Alexander Jeglic: Absolutely.

You'll notice that one of our "knowledge deepening and sharing" pieces was about late payments and how they mean different things to different people. On the government side, there are defined definitions as to what "late payment" means, but if you're a small or medium-sized business, you're perceiving that payment will be made within 30 days after delivery of the goods or service.

Sometimes there's a disconnect. That's why we wrote that piece, so there's an appreciation of the various responsibilities within the transaction.

Mr. Darren Fisher: I get the sense that we are pretty good at the little things when it comes to procurement, but we struggle when we get to the big things.

How do we take what we know about smaller procurements and apply it to the bigger projects?

Mr. Alexander Jeglic: The bad-news answer is this: I wouldn't suggest that what you said is accurate for this specific purpose, in

the sense that we saw identifiable issues in relatively small-scale procurements. There are certainly lessons to be learned, and there are certain departments that are particularly good at certain things. IRCC, for example, has excellent documentation protocols that could be mimicked. The RCMP also has a certain oversight functionality of aspects of their procurement processes that can catch some of those errors early on. It's a dangerous question: How much oversight is enough without creating an additional burden?

I heard previous witnesses talk about the risk-based approach. I strongly believe that is the right mechanism to continue to pursue, in terms of defence procurement.

The one thing I will soften is this: Regarding the list I read, I have to be careful to note that those are my ideas, not my recommendations. I did not do a review of defence procurement. Those are ideas I've had that I've brought forward from other reviews I've done. They could be useful as you study defence procurement.

Mr. Darren Fisher: You mentioned the national security exception in the States. They can invoke that, certainly.

Does that cause any issues with regard to general procurement in the States? When the Americans want to qualify for overseas contracts but keep it in-house, might other countries be reciprocal? Do you see that happening?

Mr. Alexander Jeglic: Because my jurisdiction is limited to Canada, I can't speak to the international angle. I have previous life experiences in the United States, but I wouldn't want to draw parallels between what I saw previously and what I do in my current role.

Mr. Darren Fisher: If we were to do something similar to the national security exception, would you see that causing a problem with our general procurement role if Canadian companies try to get contracts in other countries?

Mr. Alexander Jeglic: What I would say about the United States is that there's an offset. What the NSE does in the United States is trigger enhanced oversight by the GAO—the Government Accountability Office.

If we were to try something similar in Canada, or even propose something similar, we would need to determine who would be the overseer of the appropriate invocation of NSE or disarmament of the obligations at the national level.

Mr. Darren Fisher: Thank you.

The Chair: Mr. Jeglic, I want to thank you on behalf of the committee. Your testimony has been highly stimulating. While I know you're saying these are not recommendations but rather ideas, you can't have a recommendation until you have an idea in the first place. We appreciate your ideas. I suspect that, somehow or other, this testimony is going to be featured in our report. You've been very helpful. I appreciate your not only staying in your remit but also going beyond your remit with some very useful and helpful ideas.

With that, colleagues, again, thank you.

We'll suspend while we re-empanel.

• (1625) _____ (Pause) _____

• (1630)

The Chair: I call this meeting back to order.

For our second hour, we have two witnesses with us today as individuals: Alexis Ross, president of Apex Defense Strategies; and Professor Trevor Taylor, director of the defence, industries and society program at the Royal United Services Institute.

Both of you have been briefed, so I'll ask you for your five-minute opening statements, starting with Alexis Ross.

Welcome to the committee.

Dr. Alexis Ross (President, Apex Defense Strategies, LLC, As an Individual): Thank you, Mr. Chairman.

Good afternoon, committee members. Thank you for the opportunity to appear before you to inform the committee's deliberations by offering comparative insights from the U.S.'s experience with procurement.

My name is Alexis Lasselle Ross. While I currently own a consulting business that advises companies as they navigate the defence market, I've spent 20 years in government working on national security policy. During my time in Congress and at the U.S. Department of Defense, I spent several years instituting reform in government programs, most recently in defence acquisition.

As a congressional staffer, I wrote legislation to change the focus and outcomes in weapons procurement. I continued this work in the Army, as the presidentially appointed deputy assistant secretary to the Army for strategy and acquisition reform, where I worked to change the policies, processes and responsibilities in the Army's acquisition enterprise. Through these experiences, I have gained an understanding of the necessity, obstacles and benefits of acquisition reform.

It is my honour to appear today before the committee to offer my observations on the procurement process. While I cannot speak with regard to the Canadian procurement system or its impact on the Canadian Armed Forces, I can explain the American experience in weapons acquisition and our attempts to reform our own defence acquisition system to yield better outcomes for our military forces.

There are several well-cited pitfalls of the U.S. defence acquisition system. For example, it can take 10 or more years to field a major weapon system, and the DOD's procurement processes typi-

cally do not adapt quickly to emerging threats or evolving technologies. Consequently, there have been dozens of initiatives to reform acquisition policies, processes and organizational structure over the last 50 years.

Every several years, a surge of interest and activity emerges that leads to notable changes. As in every kind of public policy debate, there is a proverbial pendulum that swings between what is important or which side of the debate triumphs. In acquisition reform, the pendulum usually swings between optimizing cost, schedule or performance when procuring weapon systems.

Currently, the American defence system is in an era that promotes speed and innovation. Starting in roughly 2015, we have undertaken structural changes, such as the realignment of decision-making authority to accelerate the pace of programs' advancement through the process. We have made procedural changes, including creating new pathways in the process that eliminated some of the procedural requirements for programs and sped up their progress. We have expanded the use of the more flexible and, therefore, more rapid contracting methods.

With regard to innovation, we have taken steps to attract non-traditional vendors into the defence market, such as the technology companies from the Silicon Valley tech hub here in California. This has consisted of the creation of organizations designed to perform outreach to and guide these non-traditional vendors as they enter the defence market. We have also created special authorities to incentivize the acquisition workforce to utilize these new, non-traditional entrants.

In closing, there are three considerations that I would offer to anyone undertaking acquisition reform.

First, any major reform effort must be bolstered by a sound implementation plan. Reform is really just a good idea until it has been implemented. The majority of the work occurs when the changes are executed and the system adapts to the new paradigm. Really, it entails changes in the organization's culture, which take, of course, a lot of time, so it's definitely worth being prepared for a long endeavour.

Next, the extent of the success of acquisition reform is inherently limited by the faults of adjacent systems that impact acquisition outcomes. For the U.S., these are the requirements system, which determines what to buy, and the budgeting system, which resources the procurement. After a few years of designing and then implementing acquisition reform in both Congress and at the U.S. Department of Defense, I came to the conclusion that acquisition could not go any faster without changes to the budgeting process, which is another rigid, slow and overly prescribed process.

Finally, one must anticipate a change in focus in the near future. Just when you feel that the previous changes are taking hold, something will inevitably happen, such as a sudden involvement in military operations that shifts priorities or a change in the political party in power. Again, with these, the focus shifts to a new priority. As I said before, in acquisition it usually means shifting the priority between optimizing cost, schedule or performance.

I applaud the committee for its interest in improving the Canadian procurement system, and I hope that my testimony proves useful to that endeavour.

• (1635)

I look forward to your questions.

The Chair: Thank you, Dr. Ross.

Professor Taylor, you have five minutes, please.

Prof. Trevor Taylor (Director, Defence, Industries and Society Programme, Royal United Services Institute, As an Individual): Thank you.

It's an interesting challenge to be asked to talk to you this evening. It's evening for me; obviously, it's afternoon for you.

What I would like to say, first of all, is that I observe that Canada, like Australia, the United States and certainly the United Kingdom, has a kind of constant effort to improve its acquisition systems. This is to be applauded, but it does say something about how difficult it is, actually, to get everything right.

One conclusion that I reached quite a while ago—and it relates to something with your last speaker—is that different things have to be bought or procured in different ways and need different acquisition strategies to deal with them. It's quite a complex challenge to specify, but you don't buy office desks in the way that you buy combat aircraft. It builds on that.

Well done, Canada, for trying to make things better, but you're in a club where defence acquisition is a soap opera rather than a novel with an ending.

I'm not going to talk too much about the British acquisition system. I'm happy to take questions on it. I did put some written paper to you and I'll just underline the headlines from that.

One is that there's a role, I think, for expectation management. People have extraordinary expectations that defence equipment can be delivered in 10 years' time with a particular performance for a particular amount of money. On the way here, I just tested my views with a cab driver. I asked him if he'd had any work done on his house. He'd had various jobs done, including a new bathroom. I asked him if it was on time. He said it wasn't and that it took 10 days, not five. I asked him if he wrote to his minister and he said hadn't. When our equipment is a year or so late on a 10-year program, we have to appreciate how difficult these things are. I think there's a role for expectation management.

I think there's a fundamental challenge now to defence acquisition at the high level. I will put it in these terms. We are accustomed to defence acquisition processes being very deliberate and careful. There's a kind of formal way through where you specify a requirement, you think of an acquisition strategy and then you im-

plement it. Eventually, you sign a contract and all that. It takes a long time, as everybody in this business knows.

The reality of the world in which we are living now is that technology is moving very quickly in many important areas. Also, world politics are moving very quickly in important areas. Therefore, the idea that you can write a really useful requirement now against which you'll sign a contract in four years' time seems absolutely ludicrous.

The way in which it's moving—reluctantly, I must say, in some parts of the U.K., at least—is that there's a need for a closer dialogue between industry, which knows more about the technology, and the government, which knows more about needs. They talk together and the relationship between them becomes more important than the contract that may exist. It's a big and radical way of moving, but when you think of the speed at which.... It's the sort of way in which we operate with urgent operational requirements, but it's not the sort of way in which we usually work with major platforms.

There's a real challenge for defence acquisition in ambitious countries that ask how they can make their acquisition system move at the same rate as technology and politics are moving. Now, I know that Canada is trying to go more quickly with acquisition processes, so there's awareness of this. However, I think one particular point is that if you go for fixed requirements, then those requirements are going to become unsatisfactory to your military users before you've had a chance to deliver the system. That means contract changes and all that.

The next point I want to make is that Canada does not—nor does the United Kingdom—buy military equipment to achieve a single objective of military capability. It's going for prosperity and for improving wealth distribution within the country. In the U.K.'s case, it's trying to keep the union together and help cement the union. We place work in Scotland to help to do that because it binds the Scots closer together.

• (1640)

We have procurement for multiple objectives. We have debates now about what is meant by “value” and what the dimensions of value are. It's much more than whether a general in a division thinks it's a very good piece of kit. That's an important consideration, but it's not the only consideration. Foreign policy considerations can also feed in.

• (1645)

The Chair: Professor Taylor, you've gone a fair bit past your time. I'm wondering whether you could work the rest of your comments into responses to members' questions.

Prof. Trevor Taylor: Okay. That's fine with me.

The Chair: Thank you.

Prof. Trevor Taylor: That makes my life easier.

Voices: Oh, oh!

The Chair: We're all about trying to make your life easier. There we are.

Mr. Bezan, you have six minutes.

Mr. James Bezan: Thank you, Mr. Chair.

I want to thank our witnesses for taking time out of their schedules to join us virtually in Canada as we look at ways to improve defence procurement here.

Professor Taylor, at RUSI, have you guys, or have your colleagues, ever done any studies on the Canadian Armed Forces?

Prof. Trevor Taylor: Not to my knowledge. We have a separate group who do the operational side of the military, if you like, or the military sciences part. I'm sort of aware, because I deal with procurement, of things like your new ship, the Type 26 variant, but I don't know of any studies.

We've been in existence since 1831, so when you ask me if we've ever done that, I can't give you a clear answer.

Mr. James Bezan: I know you've been at RUSI for quite a while, from reading your bio.

I want to drill down on an issue that you kind of touched on, Professor Taylor. I know that Dr. Ross is incredibly experienced on this from her time at the Pentagon and on Capitol Hill.

What's the importance, from a national defence perspective, of having the indigenous capabilities of domestic production of your own equipment versus having to rely on international partners? This is especially when you look at the great power struggles that we're seeing today—the war in Ukraine, the war in Israel with the terrorist attack by Hamas, and the ongoing conflict raging in the South China Sea between China and the Philippines, never mind over the Strait of Taiwan with the independent island of Taiwan and the PRC.

I'm just wondering about the importance of having those defence industry capabilities domestically.

Prof. Trevor Taylor: I think the quick answer is that it's very important but not absolutely important.

The U.K. wants to present itself as an operationally independent major international power. They recognize this means that you can't depend entirely or excessively on a foreign supplier. I think Ukraine has brought out the importance of supply chains in the defence capability. There's a variety of reasons for this, in part to do with prosperity and these other things.

There is government documentation, particularly the defence and security industrial strategy announced in 2021, explaining why the government concluded that this was important and what they were going to try to maintain. Then we have quite a series of sector strategies. I think it's very much down to this. A document in 2012 said that the ability to use your armed forces as you see fit is the essence of sovereignty. Now, that raises all kinds of questions about what sovereignty means, but it says that it's something quite important—

Mr. James Bezan: Dr. Ross, perhaps you could jump in here.

You kind of alluded to this when you talked about trying to bring some of the non-traditional players into the defence industry and defence procurement in the United States, specifically on cyber and new digital technologies. In the United States, you guys are by far the most capable in defence production in the western world, so I just wanted to get your comments on that.

As well, you do have experience on Capitol Hill. We saw U.S. media comment that Canada has become a laggard in meeting the NATO 2% mark. At committee, we also had Senator Dan Sullivan, who talked about Canada not pulling its weight, and was quite critical of our Prime Minister.

I'm wondering if you'd be able to comment on that.

• (1650)

Dr. Alexis Ross: I'll take the first question first.

It's a very good question, Mr. Bezan. I think there is a great importance that we place, especially currently, on domestic manufacturing.

Starting in the nineties, we made some choices. These were choices that were made by the defence department and others that essentially amounted to exporting quite a lot of our production. Our domestic manufacturing facilities and capabilities—and therefore workforce—dramatically dwindled in the ensuing decades.

Here today, we find ourselves in a situation where, for much of what we need for things, such as the materiel we're supplying to Ukraine, we've found that we did not have a strong industrial base here in the U.S. To ramp up production on something that has been turned off or turned down is a very big challenge. As you know, industry cannot turn on a dime. Starting up a production capability, starting up a facility, can take 18 months to two years. We're finding that we're now having to take steps to try to reverse those trends.

In some cases, it may not be entirely practical to do everything on U.S. soil, so of course we have to rely on nearshoring or friendshoring, these other concepts of working with allies and partners, which also have additional benefits of working together with a common goal and ultimately having greater interoperability of our systems and other things. There's a great opportunity for that.

To your point about my opening comments, on trying to seek innovation domestically where it exists, I think we—and I would presume Canada, the U.K. and others—are finding that one of our greatest strengths in the western world is that we have incredible innovation in engineering and a lot of scientists and tech talent that we need to leverage. We're attempting to do that now. When we look at near-peer adversaries, we're seeing that they don't have quite that talent, so we need to make sure we leverage this while we can, before those other forces do catch up.

We're also seeing—

The Chair: Unfortunately, Dr. Ross, we're going to have to leave it there, because Mr. Bezan's time is well past.

With that, Ms. Lambropoulos, you have six minutes, please.

Ms. Emmanuella Lambropoulos (Saint-Laurent, Lib.): Thank you, Chair.

I'd like to thank both of our witnesses for being here to answer some of our questions.

Professor Taylor, I've done some quick reading on some of what you've already written and sent in to the defence committee at the U.K. Parliament. It seems that your views on competition may not be so clear-cut. I'm wondering if you can explain the pros and cons and go into how we can perhaps promote healthy competition within our own industry but at the same time cut back on some of the cons.

Prof. Trevor Taylor: If you have a word limit.... That's a really big question, by the way, and a difficult question, but I think the quick observation I would make is that if you have a small number of suppliers and a customer who makes only very occasional orders, those suppliers are desperate to win an order. When you come to a competition, they quite frequently make offers that are highly optimistic, let's say, and then it's not surprising that they come in late and over budget. It's not surprising that if the government wants to change a contract and maybe change a requirement, the companies that have the contract seem to charge excessively for it, because they know they're in difficulty with their contract in the first place, so I think you have to think about the effects of competition on the offers that companies make.

Now, if you're in a market where there are multiple suppliers and multiple customers, competition works much better, but if you're in a competition where losing that competition could mean you leave the sector, then you are not going to give.... You're going to be drawn to extremely optimistic answers. I think we can see this in the way that lots of competitions have run. If I use Dr. Ross's country, the competition between Airbus and Boeing for the U.S. tanker has left Boeing with losses in the billions because of the price they committed to. You have to think about using competition when the market structures are right.

• (1655)

Ms. Emmanuella Lambropoulos: Thank you for that.

I also recognize that you have experience with the procurement process in the U.K. You've also compared it to that of the U.S. You mentioned Australia. You have some experience in the European system as well. Can you draw on some of the strengths and what

you've seen as best practices that you think Canada can benefit from?

Once you're done, I'll pass the baton to Dr. Ross as well, so she can give us her input there.

Prof. Trevor Taylor: One hesitates to make a recommendation to another country in different circumstances.

I'd go back to my comment in the very beginning on thinking about buying different things in different ways. We practise that very heavily in the United Kingdom, without doing it explicitly.

For our next combat aircraft, under GCAP, which we're doing with Japan and Italy, the companies are chosen, the partner countries are chosen and they're working as one team to develop what they know must be a competitive product. The competition comes not from within the top companies, but from having to compete in the future with China, which is in the export market, whatever the U.S. has to offer, and so on. That's a once-in-30-years contract, where there are a very small number of companies that are going to do it.

In other areas, like if you're buying rifles, a traditional open competition will work perfectly effectively. There are lots of people who sell them to you. You don't have, through life, big update costs, obsolescence management costs and so on.

You have to think through whether you have the right acquisition process for the particular thing you're buying. This is a hard thing for commercial officers within defence to get a grip on. What is suitable in one area may not be suitable elsewhere.

It's a very limited answer, but I did my best in the period allowed.

Ms. Emmanuella Lambropoulos: Thank you.

I don't know if there's much time left, but Dr. Ross, would you like to chime in as well?

The Chair: You have about a minute.

Dr. Alexis Ross: I'll be very brief and offer just one thought.

Without knowing the other country systems, I don't know if, by comparison, there are things that work well here that should be in place there. What I can do, though, is suggest something that doesn't work well in our system and that I would suggest you try to avoid.

Our system is very statutory-based. It's highly technical. Many of the rules are based in procurement law. Every time something goes wrong, Congress writes a new law. You could think of it as barnacles on a ship. They keep getting added and are never taken away. If you look at our United States code, it's like a graveyard of past acquisition mistakes.

The only problem with that is that it's a lot to keep up with. It makes it very technical and hard for the workforce to adapt to and keep up with. We have to have a very professional acquisition corps, which requires a lot of training and makes it very hard for them to be creative, dynamic and agile.

Our greatest success in recent reforms has been finding pathways to try to streamline this [*Technical difficulty—Editor*].

Ms. Emmanuella Lambropoulos: I think we might have lost Dr. Ross.

The Chair: Dr. Ross is frozen.

She was pretty well at the end, in any event.

Dr. Ross, you froze for a second there. It was pretty well at the end of the six minutes, regardless. We were just contemplating barnacles here.

I'm going to turn to Madame Normandin. She'll ask her questions in French, so I hope you're on your English translation.

With that, Madame Normandin, you have six minutes.

[*Translation*]

Ms. Christine Normandin: Thank you very much for being here, Professor Taylor and Ms. Ross. It's nice to see you.

My first question is for the both of you.

You both talked about how long the procurement process is, from the time that the requirements are defined and the parameters are set for the request for proposals to the time that the final product is delivered.

Is the process just as long the other way around? From the time that the end user can provide feedback on the quality of the product and specify needed improvements, does it take just as long to work through the process? Is that a problem either of you see on your end?

• (1700)

[*English*]

Prof. Trevor Taylor: There are two aspects to this. One is that when equipment gets delivered, a high-technology new kit, there are often small, or sometimes not so small, defects in it that get fixed by engineering processes either in government or in the company. That's quite normal. You don't expect a big, complicated piece of kit to work absolutely perfectly from day one. We do our best, but it happens. Sometimes, if the shortcomings are really serious, then there's a big row, but that's relatively uncommon.

The other part of it, though, is that in this day and age you should know that certainly platforms that you acquire are going to need fairly regular, constant updates on them, so this term "open system" is becoming commonplace. It means that you can make improvements without taking the whole machine apart, that it's a relatively simple process to do. With software, that's often relatively easy. Sometimes it's more difficult with things like integrating new weapons onto a platform and so on.

There is fixing the immediate faults, but also recognizing that a thing that's going to be in service even for a decade is going to need

in-service improvements and that you want some assurance that it is an open system.

I could give you some examples, but six minutes doesn't allow that. If you write in, I will send you some examples.

Dr. Alexis Ross: I'm not sure that I understand the question, based on the discussion we just had.

Would it be okay to repeat it? I want to make sure I am giving you what you're looking for.

[*Translation*]

Ms. Christine Normandin: Actually, I'm going to throw something new in there.

You talked about working more with industry and non-traditional suppliers. When the end user, the military, say, wants to recommend improvements to a system or product post-delivery, is the supply chain able to promptly address the issues and recommended improvements?

[*English*]

Dr. Alexis Ross: I understand now.

I would echo what Dr. Taylor said about a modular, open-system approach. It was one of the key pieces of acquisition reform we attempted in this last round of reforms.

Also, I will note that if the requirements are written in a certain way, in a correct way, it provides better opportunity to truly attain what the end-user is looking for—the end-user and the acquisition community being, of course, two different communities.

I'm not sure we have much more time than that, so I will leave it there.

[*Translation*]

Ms. Christine Normandin: Thank you.

Professor Taylor, I want to revisit something you said about acquisitions often having multiple objectives. You mentioned national unity in relation to Scotland.

Is there enough transparency around procurement processes that have various objectives? Are improvements needed so that the public is more aware of non-military objectives associated with a procurement process?

[*English*]

Prof. Trevor Taylor: The Ministry of Defence and the government are quite open about their policy stances, and you can read about them in policy documents. Whether the general population wants to take on this burden is quite a different matter.

What we have done in the U.K. is that... Where they feed into the formal acquisition, procurement processes very much come to the fore when you try to do a competition, because you have to provide what we call an assessment scheme. I think in the U.S. it's an evaluation scheme, but the purpose is the same. You have to tell the bidders how much weight you're going to give to different considerations.

In Britain, certainly today, we have the idea of a levelling-up agenda. That's to say doing things for the economically poorer areas of the U.K. and various other things like environmental considerations, but also the extent to which it will contribute to prosperity. If you put those two together, it can be allowed up to 20% in the evaluation schemes that are put to contractors. So they know. They have an idea of what they have to offer. Contractors treat that as really heavy.

• (1705)

The Chair: Thank you, Ms. Normandin.

Mr. Angus, you have six minutes.

Mr. Charlie Angus: Thank you, Mr. Chair.

Last winter, I was in Berlin meeting with the social democratic government. We were in meetings and, at one point, one of the officials stopped, looked around the room and said, "Who would have imagined that we would be in a massive European tank war in the 21st century?" The Ukraine war has upended everything. We are scrambling, coming into the second winter, to supply all manner of needs, from coats to surface-to-air missiles, Leopard tanks and light armoured vehicles.

Ms. Ross, what strain has that put on procurement and the need to be able to suddenly shift gears dramatically, in terms of what we're supplying in the military realm?

Dr. Alexis Ross: Thank you.

The situation in Ukraine has been enlightening for the defence department, in terms of how it manages its relationships with industry in particular.

If we look at the example of munitions and the munitions industrial base, what we're seeing today is that much of the materiel we are utilizing and providing to Ukraine—such as 155-millimetre rounds of artillery—are things we don't buy consistently or spend a lot of money on, compared with the rest of the materiel we purchase throughout the Department of Defense.

The consequence of that is an inconsistent demand signal to the defence industry. Without purchase orders and money coming in on contract, companies will not usually invest their capital in facilities to have the production capacity for something the Department of Defense is not buying regularly. As such, they optimize their production lines. With the goal of efficiency and value, they ensure they optimize and reduce these lines. The effect is that, when we ask them to suddenly produce more—in this example, 155-millimetre shells—they are not able to immediately start producing more. It takes time to have that throughput go through the industrial base.

In this case, the ramp-up was several months. At the beginning of the response to Ukraine, it was well cited in news articles that some munitions were taking upwards of two years for their estimat-

ed arrival time. The Department of Defense was concerned with that and looked very closely at why that is.

As I said, there is often a symbiotic relationship between the defence-industrial base and the customer—in this case, the Department of Defense.

Mr. Charlie Angus: I think it adds a lot of pressure here in Canada. We are a small player. We do international deployments but, in my region—which is a large constituency in northern Canada—if you ask my citizens what the number one military need was this past summer, during catastrophic climate fires... We didn't have Hercules aircraft to lift people out of the fire zones. We're using our military for floods, fire and all kinds of domestic needs. I think it's a similar situation in the United States.

We're trying to respond to Ukraine, because we have a very close emotional and historical relationship, but we're having to provide materiel that has probably not been considered necessary since the fall of the Berlin Wall. We also have some of our allies, like Hungary, not doing anything to help. This puts us in a difficult position when it comes to supplying the needs to stop the Putin war machine.

Do you see things starting to improve, or do we have to shift gears in terms of friendshoring? Do we have to shift who does what, so we actually get supplies to Ukraine?

• (1710)

Dr. Alexis Ross: With enough advance notice, we're able to adjust the industrial base. I can't speak to the other countries' industrial bases, but I can speak to the U.S. industrial base. With enough advance notice, we're able to produce the materiel we need. In fact, regarding the items going to Ukraine, such as munitions—I'll keep using this example—the Department of Defense awarded several contracts that have ramped up production to very large amounts. I think it's nearly 85,000 or 100,000 rounds per month, which is a dramatic increase over what we were seeing at the beginning of our assistance to Ukraine.

There is much work being done, but there are always opportunities to do more. I think the Department of Defense is routinely looking at friendshoring, as well.

Mr. Charlie Angus: Thank you.

Well, we certainly have General Dynamics in London, Ontario that can provide light armoured vehicles. We may not be able to compete on the Leopard tank front, but we could turn that around fairly quickly.

Again, it's a question of whether we need a broader strategy of all the allies saying what is going to be supplied and how we do it fast, because coming into the second year of the war, we really have to put a stop to the Putin war machine.

The Chair: Answer very briefly, please.

Prof. Trevor Taylor: Well, Alexis, if I may call you that, you made the chief points. The defence industry sizes itself according to the level of demand, and in the U.K., too, we're boosting munitions production capacity.

I think there's an important point, which is that, the simpler the product—and an artillery shell is, let's face it, a fairly simple product—the more it can be automated and the easier it is to increase production capacity in an acceptable way. The more that increasing production capacity involves employing a lot of people, then, as soon as that war demand disappears, you have to decide what you're going to do with those people. You can leave a machine working eight hours a day for five days and switch it to 24 hours, but you can't take a person who's working eight hours a day and turn that to 24 hours; you have to employ more people. Alexis got it; it's really difficult.

The Chair: Unfortunately, we are going over time, and we can't employ people overtime in this committee, either.

We have 25 minutes of questions, and we have 20 minutes of time, colleagues, so five minutes just became four.

Mr. Kelly, you have four minutes.

Mr. Pat Kelly: Thank you.

Dr. Ross, if I may continue on the production of artillery shells, we've had testimony at this committee that in Canada we have not increased our production of 155-millimetre shells since the beginning of the war. We've been told many of the reasons you've explained about why it's difficult, yet, in the United States, if I understand your testimony correctly, you said that artillery shell production has already increased. I don't know what it might have been 18 months ago, but you said it has now gone to 100,000 per month.

What can you tell this committee about how to get critical material like 155-millimetre shells up and running? There's a mothballed factory north of Montreal that, until fairly recently, produced this item on a larger scale, but nothing has broken through to enable us to get that production increased.

Dr. Alexis Ross: I think a major element to this is our workforce. As Dr. Taylor mentioned, it is critically difficult, once you have laid off, mothballed or reduced production, to ramp back up a skilled labour workforce. You can't just pull a person off the street and start having them do some of these hazardous projects. There's a degree of training involved and artisan craftwork for some of these things. We don't have a very large skilled labour workforce of welders, for example, in the United States.

Mr. Pat Kelly: In your testimony, you just said, if I understood you correctly, that the production has increased, and it has not in Canada, so I'm wondering what was successful and how you in the United States were able to overcome these obstacles, even if it took a matter of months, to get the contracts in place and get the production going.

• (1715)

Dr. Alexis Ross: The call went out for munitions probably in the spring of 2022, if I remember correctly. In the course of the last year and change, much work has been done between the Depart-

ment of Defense and its prime suppliers in the ammunition industrial base to attempt to find all of what I would call the bottlenecks. These are usually workforce and long-lead items, individual components of the munition that are hard to find or hard to produce. A lot of dedicated work went into finding second sources of supply for those long-lead items and getting the production facilities open and scaled up.

Mr. Pat Kelly: We heard about how Senator Sullivan's testimony at Congress had quite an impact on a number of people in Canada. He spoke about the shortcomings in Canada's holding up its end of continental defence.

NORAD modernization is an example of very close partnership between Canada and the United States. I'd like you to comment on the necessity for NORAD modernization and whether you can identify anything for this committee or Canadians on how Canada can best uphold its responsibilities for NORAD modernization.

The Chair: You have 20 seconds or less.

Dr. Alexis Ross: Actually, I can do this really quickly. I'm not familiar with Senator Sullivan's statements, and I'm not really an expert on NORAD modernization, so I'd not hazard to even comment.

The Chair: Thank you, Mr. Kelly.

Next is Madame Lalonde.

Mrs. Marie-France Lalonde (Orléans, Lib.): Thank you very much, Mr. Chair.

Professor Taylor and Dr. Ross, I want to thank you for joining us today, especially in your respective time zones, as I understand it.

In the last few meetings we had on this study, some witnesses discussed the importance of improving our defence procurement by simplifying the processes and certainly streamlining the layers of policy that impede procurement. Based on your experience, what is the most important lesson governments should learn from discussions to help face the current challenges in actually simplifying and certainly streamlining the procurement processes?

Prof. Trevor Taylor: Again, the situation in the U.K. is very different from that in the U.S., because the volume of law that Dr. Ross has referred to doesn't exist in the U.K. There is a lot of guidance and a little bit of law about procurement.

Processes are there for two reasons. One is to make sure you're buying just the right thing and the right priority with the money. The other is to make sure the behaviour of the parties involved isn't improper in any way. Those are risks that are well recognized, but what's less well recognized is that if you take these through sequentially, if you have a very measured system, you have other risks, which are that your equipment doesn't arrive in time or it's out of date with the things we're familiar with.

I would quickly observe that in many aspects of life, and certainly in defence acquisition, trust among the people who are doing the work—trust in their judgment and in their integrity—saves a lot of work and a lot of time, but it's a fairly scarce thing in government and something that public procurement officials are reluctant to rely on.

Dr. Alexis Ross: I'll speak to your point about layers and simplifying or streamlining that.

In the Department of Defense, our program managers, those who are responsible for managing the program as it goes through the process, sought in this last round of acquisition reforms to simplify the layers and to delegate some of the decision-making authority from the highest levels of the Pentagon down to the next-highest levels. Rather than having the Secretary of Defense level making decisions on certain programs, we have now delegated that decision-making authority to the secretaries of the military departments: the Army, Navy and Air Force.

We found that when the program managers had to go all the way up to the Office of the Secretary of Defense for reviews and approvals—of course, going through their respective military service department—it created an additional amount of administrative requirements, justification documents and, frankly, just time in the Pentagon, briefing senior leadership twice: at your service level—in other words, the Navy, Air Force and Army—and then again at the Secretary of Defense level.

We found that great streamlining could be accomplished, and it's currently in progress. We've had that for about six or seven years, and it certainly has decreased some of the time and burden of the process.

• (1720)

The Chair: Thank you, Madame Lalonde.

Madame Normandin, you have one and a half minutes.

[*Translation*]

Ms. Christine Normandin: Thank you, Mr. Chair.

I have a question for Professor Taylor.

In a July 2023 report, the UK describes the procurement system as having poor accountability.

In our situation, when a problem arises, the blame can fall just as much on the minister in charge of procurement as the defence minister. That makes it challenging for us to get accountability.

What hinders accountability for procurement decisions in your experience?

[*English*]

Prof. Trevor Taylor: I have a quick answer to that. You used the word “blame”. If inquiries into why things have gone wrong are looking for blame, then people of course don't speak accurately because they don't want to put in evidence that leads to it being put on them.

In the recommendation that I've made—and our minister actually took it with regard to one of our major programs that did go wrong—accountability should be asking people what they decided

when and why, and seeing what grounds they had. Generally speaking, people do not go to work thinking, “I'm going to wreck this project.” In order to make things better, you have to understand why people did things, why they decided what they did and on what grounds. That means that you are not searching desperately for blame; you're searching for understanding. If you do look for blame, you will not get good understanding.

That doesn't apply if you have a corruption issue. I'm just talking about the regular processes that we've been discussing so far.

The Chair: Thank you, Madame Normandin.

Mr. Angus, you have a minute and a half.

Mr. Charlie Angus: Thank you, Chair.

Procurement is a funny thing. The public always gets told that the lowest bid on a ship is going to be the best thing ever, and then, of course, everybody knows the price is going to go through the roof.

We have the Canadian surface combatants project, which was originally tagged at \$60 billion and is now coming in at \$84 billion. Who knows where it ends up? For me as a legislator, that extra \$24 billion would hire a lot of nurses, fix a lot of my roads and make sure that some of my northern indigenous communities aren't living in third-world conditions.

Professor Taylor, you talk about spiral acquisition. Is this just part of the game of procurement or is there a way we can actually put the real cost in, so that we know what we're dealing with when we go back to our citizens and tell them why they're buying these very expensive projects?

Prof. Trevor Taylor: Every project is different and has particular characteristics. I think you acquired your ship by a competitive process and that may have been vulnerable. It's also a slow process. I don't know how the requirements have changed since the commitment to a contract was made.

My view is that in this day and age, we have to have a more cooperative view about trying to calculate what the cost is likely to be.

If you want further complication—which you may not like—most platforms cost much more to run in service over their life than they do to buy in the first place. In a way, in looking at the acquisition costs, you're focusing on something that is relatively unimportant. The thing that is really going to take your dollars is looking after it once it's in service. That gets less attention because it's more difficult to pin down.

• (1725)

The Chair: Unfortunately, I have to leave it there.

I'm sorry to keep running this hard clock on you, but it's just what it is.

Mrs. Gallant, you have four minutes.

Mrs. Cheryl Gallant: I'm going to ask both questions in one shot and they can split the time.

Dr. Ross, do you know if any of your colleagues have completed any reports on the status of the army, navy or air force with respect to the Canadian Armed Forces and if we should be expecting any of those reports?

Professor Taylor, would you compare and contrast the U.K.'s acquisition of the Upholder/Victoria-class submarines to Canada's acquisition process for those very same vessels? Hopefully we'll be in the market for some more submarines and we don't want to be using that same process this time around.

Dr. Alexis Ross: I'll start.

No, I am not aware of any army, navy or air force reports related to the Canadian Armed Forces or acquisition.

Prof. Trevor Taylor: The Upholder procurement process actually predates my awareness of the situation.

I can tell you how we are looking at procurement for submarines. We have two things about procuring submarines. One is that we left a big gap between procuring the last of our nuclear bomber fleet and the attack submarines. The result is that it cost us a fortune. We really learned.... Employment at the yard went from 17,000 to 3,000 and when we tried to start building Astute submarines, we found there were lots of difficulties because of skill shortages.

The second thing is that when we look to the current generation of submarines that we're building, which is the new Dreadnought class of nuclear weapon submarines, we're doing that from the beginning with an alliance between the one company that can build them and the government, the navy and the procurement authorities. It's called the submarine delivery alliance and they are working together. They have a generous budget, you might say. It's a significant sum of money. They report annually on the progress being made.

It's another of these areas where we know we can't have a competition for who can build a nuclear submarine, so what we can do is get the.... The parties know the importance of it, even down to the workforce.

That's how we're doing submarines currently.

Mrs. Cheryl Gallant: What has the U.K. done to speed up its procurement process? How have you overcome the inertia of making change, essentially?

Prof. Trevor Taylor: The quick thing is that when there's a crisis, we do very well, because we cut out a lot of the process. Because the risks of being late are greater than the risks of perhaps a bad choice or a priority that shouldn't quite be a priority, those processes are shortened. We have an urgent operational requirement process that enables people to avoid competitions—not always, but sometimes—or, if there is a competition, it's on a very basic level.

The U.K. record on doing urgent operational requirements, and that includes getting things to Ukraine, is pretty good. The issues arise when we think about the army needing a new reconnaissance vehicle or something like that, which does take forever and is a real mess.

The Chair: Thank you—not that we know anything about messes around here.

Mr. Collins gets to ask the question he never asked before.

Mr. Chad Collins: That's great. Thanks, Mr. Chair.

Mr. Taylor, let me start with you. We're certainly interested in scaling back the number of barnacles on the bottom of the ship here in terms of the internal policies and controls that we look at. Most of the study recommendations that have come through have talked about the policies that drive procurement here with our level of government.

You emphasized in your opening the need for closer dialogue between industry and government. What role does industry play with procurement reform?

• (1730)

Prof. Trevor Taylor: With procurement reform, it's not massive, but I think there is a decently close government contact group with the major companies and major suppliers. They articulate and spell out—not that the government always takes notice—some of the costs and risks of the processes that the MOD uses. There is a dialogue. If you look at British policy statements, and I can let you have some of them, you will see that the government recognizes that it needs to have a better partnering relationship with industry and not an adversarial relationship.

I hesitate to go over time, so I won't say more than that. It is strongly recognized in government. It's not always practised, but it's recognized at the government level.

Mr. Chad Collins: Thanks.

Ms. Ross, you mentioned cost, schedule and performance. How can the private sector help us with that?

Dr. Alexis Ross: I think a close relationship with the defence department and its industrial base is critical for keeping the cost, schedule and performance in the right balance. Much of that has to happen early on, in the early phases of a program. When you're designing requirements, you need to feel comfortable and adequately utilize the insights that come from industry in telling you what is possible, perhaps helping you think about the weapons system in a way that you might not have, helping you know a little bit more about the requirement, and informing what technological capabilities could address the capability gap you're seeking.

I think that constant communication is critically important. A lot of our rules and processes preclude that, in some cases, to avoid issues or situations where—I'm trying to think of non-U.S. jargon—you could have competition issues that would incite protests by losing bidders in contracts. We have to strike a balance.

Those rules often make the workforce very risk-averse and hesitant to communicate at all. It takes leadership, people who are in senior positions, encouraging them and really covering and having their backs to do so, so that they feel comfortable engaging in the appropriate ways with industry to inform both the requirements and the program.

The Chair: Thank you, Mr. Collins.

On behalf of the committee, I want to thank both of you for your testimony. Particularly, I want to thank Professor Taylor, who is five hours ahead of us.

I should imagine that your next stop is bed.

An hon. member: Fish and chips at the pub.

The Chair: Oh, maybe it's the pub. I don't really know. Maybe you can have a conversation about duelling barnacles.

Again, thank you. I'll leave it to you to sign off.

Colleagues, I want to remind you that the deadline for witness submissions for the rising domestic operational deployment meeting is tomorrow, if you want to put in more witnesses. On Thursday, it's the PBO. Our esteemed clerk either has sent you a calendar or is about to send you a calendar, which should occupy the rest of 2023.

With that, the meeting is adjourned.

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