



BACKGROUND PAPER

THE EVOLUTION OF DEFENCE PROCUREMENT IN CANADA: A HUNDRED-YEAR HISTORY

Publication No. 2020-54-E

14 December 2020

Martin Auger

Parliamentary Information and Research Service

AUTHORSHIP

14 December 2020 Martin Auger

Economics, Resources
and International Affairs Division

ABOUT THIS PUBLICATION

Library of Parliament Background Papers provide in-depth studies of policy issues. They feature historical background, current information and references, often anticipating the emergence of the issues they examine. They are prepared by the Parliamentary Information and Research Service, which carries out research for and provides information and analysis to parliamentarians and Senate and House of Commons committees and parliamentary associations in an objective, impartial manner.

This publication was prepared as part of the Library of Parliament's research publications program, which includes a set of publications, introduced in March 2020, addressing the COVID-19 pandemic. Please note that, because of the pandemic, all Library of Parliament publications will be released as time and resources permit.

© Library of Parliament, Ottawa, Canada, 2020

The Evolution of Defence Procurement in Canada: A Hundred-Year History
(Background Paper)

Publication No. 2020-54-E

Ce document est également publié en français.

CONTENTS

EXECUTIVE SUMMARY

1	INTRODUCTION.....	1
2	THE FIRST WORLD WAR, 1914–1918	1
2.1	Procurement by the Armed Forces (1914–1915)	1
2.2	The War Purchasing Commission (1915–1919)	2
2.3	The Imperial Munitions Board (1915–1919)	2
3	THE INTERWAR YEARS, 1919–1939	3
3.1	Return to Pre-war Procurement Practices (1919–1939)	3
3.2	The Defence Purchasing Board (1939)	3
4	THE SECOND WORLD WAR, 1939–1945	4
4.1	The War Supply Board (1939–1940)	4
4.2	The Department of Munitions and Supply (1940–1945)	4
5	THE IMMEDIATE POST-WAR YEARS, 1945–1950	5
5.1	The Department of Reconstruction and Supply (1945–1948)	5
5.2	Decentralization and Transition (1948–1950)	5
6	THE KOREAN WAR AND THE COLD WAR, 1950–1991	6
6.1	War and Rearmament (1950–1951)	6
6.2	The Department of Defence Production (1951–1969)	6
6.2.1	The Early Years (1951–1960)	6
6.2.2	The Glassco Commission (1960–1963)	7
6.2.3	Expanded Mandate into Civilian Procurement (1963–1968)	8
6.3	A Multi-departmental Approach to Defence Procurement (1969–1991)	8
6.3.1	The Department of Supply and Services	8
6.3.2	The Department of National Defence (Materiel Group)	8
6.3.3	Industry Canada	9

7	DEFENCE PROCUREMENT SINCE THE COLD WAR (1991–2020)	10
7.1	The Department of National Defence, and Public Services and Procurement Canada	10
7.2	Innovation, Science and Economic Development Canada	11
7.3	Treasury Board of Canada Secretariat	11
7.4	Other Federal Departments and Agencies	11
8	REFORMING DEFENCE PROCUREMENT IN CANADA	12
8.1	The Challenges of the 21 st Century	12
8.2	The Defence Procurement Strategy of 2014	13
8.2.1	The Origins of the Strategy	13
8.2.2	The Strategy and Its Key Initiatives	13
8.2.3	Governance and Accountability	14
8.3	Defence Procurement Reforms (2014–2019)	15
8.4	Defence Procurement Since the 2019 Federal General Election	17
9	CONCLUSION	18

EXECUTIVE SUMMARY

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

That said, over time, Canada has had various defence procurement processes, each with its own challenges and successes. To date, these processes have included procurement by individual armed services (army, navy and air force), by centralized federal departments or agencies and by Crown corporations.

During the 20th century, the general trend in Canada in times of war or national emergency was to centralize defence procurement in a single federal department with its own Cabinet minister in order to improve control and coordination when acquiring defence products. For example, this approach was used during the Second World War with the Department of Munitions and Supply (1940–1945) and the early stages of the Cold War with the Department of Defence Production (1951–1969).

For about the last 50 years, Canada has had a decentralized, multi-departmental approach to defence procurement. Since 1969, the process has involved several federal departments and agencies with specific roles and responsibilities. Introduced at a time of significant organizational change within the federal government, this process was originally established with the goals of maximizing the use of resources, achieving better administrative efficiency and realizing significant cost savings.

Over time, Canada's defence procurement process has become more complex and bureaucratic as additional federal departments and agencies have become involved. Despite delays, cost overruns and other challenges encountered with defence procurement projects over the past 20 years, the federal government has retained the current decentralized, multi-departmental process.

While a number of reform measures have been introduced in recent years to improve Canada's defence procurement process, some commentators remain concerned about governance and accountability. They maintain that both could be improved if Canada were to centralize defence procurement in a single federal organization, as it did on several occasions before 1969.

In 2019, the federal government announced its intention to create Defence Procurement Canada as a centralized procurement entity and mandated the ministers of the Department of National Defence, Public Services and Procurement Canada and the Department of Fisheries and Oceans to bring forward “analyses and options” for its creation. While no timelines were established and several questions remain to be answered, one thing is certain: the creation of Defence Procurement Canada would mark a significant shift in the way defence procurement occurs in Canada, ending more than five decades of decentralized, multi-departmental defence procurement.

Regardless of the federal government’s future approach to defence procurement, it is likely that the billions of dollars spent to procure defence products and services will continue to attract significant political, media and public attention. As a result, calls for reform of Canada’s defence procurement process are likely to be ongoing.

THE EVOLUTION OF DEFENCE PROCUREMENT IN CANADA: A HUNDRED-YEAR HISTORY

1 INTRODUCTION

In Canada, defence procurement involves several federal departments and agencies: the Department of National Defence (DND); Public Services and Procurement Canada (PSPC); Innovation, Science and Economic Development Canada (ISED); and the Treasury Board of Canada Secretariat (TBS). Each department and agency is responsible for different stages of the defence procurement process.

This paper examines the evolution of defence procurement in Canada by focusing on two questions:

- When did Canada adopt its multi-departmental approach to defence procurement, which is unique from a global perspective,¹ and why did it choose to do so?
- How did defence procurement occur in Canada before the adoption of this approach, and what lessons can be learned from those past experiences for the future of Canadian defence procurement?

2 THE FIRST WORLD WAR, 1914–1918

2.1 PROCUREMENT BY THE ARMED FORCES (1914–1915)

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

The early months of the war revealed some deficiencies in the defence procurement process. For example, there was no effective coordination of armed forces purchases; significant variations existed in the prices paid for specific defence products; no federal control was in place for domestic defence production; and numerous cases of individual and corporate profiteering from defence contracts came to light. These deficiencies prompted the government of then prime minister Robert Borden to set up the Royal Commission on War Supplies to investigate defence procurement and production irregularities. Established in June 1915, the Royal Commission's findings were made public in 1917.³

Difficulties were also encountered with the Shell Committee, an independent committee comprising several Canadian businessmen. Established by the federal government in September 1914, the Shell Committee had the mandate to coordinate the domestic manufacture of munitions for the British government. However, the Shell Committee experienced administrative problems and production inefficiencies and delays. It was dissolved in November 1915 because of its involvement in a corruption scandal.⁴

2.2 THE WAR PURCHASING COMMISSION (1915–1919)

In May 1915, to establish better control over contracts, expedite war production and avoid profiteering, the Borden government centralized the procurement process under a single organization: the War Purchasing Commission, which was responsible to the Privy Council. It was appointed to oversee all Canadian war purchases and all contracts placed by international allies with companies and industries across Canada, with one exception: those of the British government that fell within the scope of the Shell Committee and its successor, the Imperial Munitions Board (IMB).

The creation of the War Purchasing Commission allowed Canada's federal government to control and coordinate defence procurement and domestic war-related production more effectively and efficiently.⁵

2.3 THE IMPERIAL MUNITIONS BOARD (1915–1919)

In November 1915, the Shell Committee was replaced by the IMB, which was directly responsible to the British Ministry of Munitions. It coordinated all British government orders in Canada for foodstuffs, strategic raw materials and manufactured products, including war materiel, and significantly expanded Canadian war production.

The IMB completely reorganized the Canadian industrial war effort and operated a network of “national factories” designed to provide any products that private companies were unable to produce. When the war ended in November 1918, more than 675 factories across Canada had worked on IMB contracts. Defence products manufactured in Canada during the war included artillery shells, small arms ammunition, explosives, rifles, armoured cars, military aircraft, warships and submarines.⁶

3 THE INTERWAR YEARS, 1919–1939

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

Canada's centralized system of procurement and war production that had been set up during the First World War was abandoned in 1919 with the dissolution of the War Purchasing Commission and the IMB. The Department of Militia and Defence and the Department of Naval Service again became responsible for Canadian Army and RCN procurement respectively. The Air Board, which was established in 1919 and renamed the Royal Canadian Air Force (RCAF) in 1924, was also responsible for its own purchases.⁷

In 1923, the *National Defence Act* came into force, amalgamating the Department of Militia and Defence, the Department of Naval Service and the Air Board into the Department of National Defence (DND). The amalgamation occurred with a view to improving cost-effectiveness and defence policy coordination in Canada. Although the establishment of DND brought Canada's army, navy and air force together under a single minister, the three armed services remained separate and independent legal entities, with their own chiefs of staff, headquarters, budgets, human resources and procurement practices.⁸

3.2 THE DEFENCE PURCHASING BOARD (1939)

In 1938, allegations of corruption by the government of then prime minister William Lyon Mackenzie King over a contract to a Canadian company for production of a light machine gun resulted in the appointment of the Royal Commission on the Bren Machine Gun Contract to investigate the allegations. Although the Royal Commission found no evidence of corruption, its 1939 report recommended that future defence contracts be administered by a centralized federal procurement organization. It was believed that such an organization would result in improved cost-effectiveness and greater administrative efficiency, and would prevent profiteering from defence contracts.⁹

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

4 THE SECOND WORLD WAR, 1939–1945

4.1 THE WAR SUPPLY BOARD (1939–1940)

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

In the interim, on 15 September 1939, an order in council created the War Supply Board, which was responsible to the Minister of Finance; it replaced the Defence Purchasing Board on 1 November 1939. The War Supply Board's powers, which were relatively broader, included the mobilization and organization of Canadian industry for the war effort. It was also empowered to coordinate all defence contracts placed by the British and French governments in Canada. On 23 November 1939, responsibility for the War Supply Board was transferred to the Minister of Transport.¹²

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

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

Under the leadership, control and coordination of the Department of Munitions and Supply, Canada produced a wide range of goods during the Second World War, including foodstuffs, raw materials, sophisticated weapon systems, military equipment and other manufactured products. By the end of the war, Canada was the world's fourth-largest producer of war materiel and supplies, after the United States, the United Kingdom and the Soviet Union.¹⁴ In particular, among other products, Canada manufactured the following defence products between 1939 and 1945:

- 4,453 warships and merchant ships, and 4,200 small boats;
- 16,418 military aircraft;
- 42,966 guns and mountings, and thousands of other pieces of artillery and associated equipment;

- 50,663 tanks and other types of armoured fighting vehicles (wheeled and tracked);
- 815,729 military trucks and other types of automotive transport vehicles;
- 1,767,392 rifles, machine guns, sub-machine guns, pistols and other types of small arms;
- 197,343,000 artillery shells, bombs, grenades and other projectiles; and
- 4,638,409,000 rounds of small arms ammunition.¹⁵

In addition, during that period, Canada produced more than 4 billion pounds of chemicals and explosives, and more than 13.7 million pyrotechnics. Other defence products manufactured in Canada included uniforms, personal accoutrements, radars, sonars, radios and various other types of communications systems, specialized instruments and electrical equipment, sighting and optical devices, and medical supplies. Canada was also involved in atomic research, chemical and biological weaponry, aircraft jet propulsion, rocketry, and other specialized fields of defence research and development.¹⁶

During the war, about 30% of Canadian war production was allocated to Canada's armed forces, with the remaining 70% exported to allied countries, including Australia, China, France, New Zealand, the Soviet Union, the United Kingdom and the United States.¹⁷

5 THE IMMEDIATE POST-WAR YEARS, 1945–1950

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

When the Second World War ended on 2 September 1945, the federal government shifted its attention to post-war reconstruction efforts and to the conversion of Canadian industry from war to peacetime production. In December 1945, the Mackenzie King government merged the Department of Munitions and Supply with the Department of Reconstruction to form the Department of Reconstruction and Supply. Established through the *Department of Reconstruction and Supply Act*, the department assumed responsibility for both defence procurement and defence production in Canada.¹⁸

5.2 DECENTRALIZATION AND TRANSITION (1948–1950)

Given the significant post-war reductions in defence spending, Canada's federal government felt that having an entire department responsible for defence procurement and production in Canada was no longer required. The result was the decentralization of responsibility for defence procurement and production.

In April 1948, responsibility for defence production was transferred to the Industrial Defence Board, which was established in that month to administer all matters relating to Canada's defence industrial planning and preparedness. Originally attached to DND, the Industrial Defence Board operated under the authority of the Department of Trade and Commerce after March 1949.¹⁹

Responsibility for defence procurement was transferred to the Canadian Commercial Corporation, a federal Crown corporation, in November–December 1948. Established in 1946 to coordinate the export sales of Canadian defence products to foreign governments, the Canadian Commercial Corporation operated under the authority of the Department of Trade and Commerce.²⁰

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

6.1 WAR AND REARMAMENT (1950–1951)

Deteriorating diplomatic relations with the Soviet Union and the outbreak of the Cold War in the second half of the 1940s, the creation of the North Atlantic Treaty Organization (NATO) in 1949, and the beginning of the Korean War in 1950 prompted Canada's federal government to increase defence budgets and to order new weapon systems and defence equipment for Canada's armed forces. In 1950, the government of then prime minister Louis St. Laurent introduced the *Defence Supplies Act*, which provided the Minister of Trade and Commerce with basic powers to carry out defence procurement functions in Canada.²¹

6.2 THE DEPARTMENT OF DEFENCE PRODUCTION (1951–1969)

6.2.1 The Early Years (1951–1960)

In 1951, the St. Laurent government launched a major rearmament program designed to strengthen Canada's armed forces in response to intensification of the Korean War and growing tensions with the Soviet Union. To implement that program, the government decided to centralize defence procurement and industrial preparedness in a single federal department, as had occurred during the Second World War with the Department of Munitions and Supply. On 1 April 1951, the *Defence Supplies Act* was replaced by the *Defence Production Act*, which established the Department of Defence Production (DDP). The *Defence Production Act* was “modelled in large measure on the *Department of Munitions and Supply Act*,” which had established the Department of Munitions and Supply a decade earlier.²²

Headed by the Minister of Defence Production, the DDP took over responsibility for defence procurement from the Department of Trade and Commerce and for defence industrial preparedness and production from the Industrial Defence Board. The DDP

was responsible for procuring all goods and services required by DND and the armed forces. In addition, it had a mandate to ensure that Canada had the production capacity and materials needed to support the government's rearmament program.

In particular, the DDP was responsible for encouraging the design, development and production in Canada of weapon systems and defence equipment in order to maintain a technologically advanced domestic defence industrial base. Among other activities, it oversaw the domestic production of the following types of defence products:

- warships and other types of naval ships;
- military aircraft and engines;
- artillery guns, mortars, torpedoes, missiles, rockets and other types of armaments;
- military trucks and other types of automotive vehicles;
- rifles, machine guns, sub-machine guns and other types of small arms;
- artillery shells, bombs, depth charges, grenades and other projectiles;
- small arms ammunition; and
- radars, sonars, radios and other types of electronics equipment.

Through the Canadian Commercial Corporation, the DDP was also responsible for the export of Canadian defence products to NATO member states and other allied countries. Altogether, the DDP was responsible for seven Crown corporations, including the Canadian Commercial Corporation.²³

Originally, the DDP was intended to remain operational only for the duration of the Korean War. However, intensifying Cold War tensions with the Soviet Union coupled with the Canadian armed forces' continued demand for new defence products prompted the St. Laurent government to retain the DDP after the Korean War ended in 1953. In the late 1950s and early 1960s, the DDP was given responsibilities for, among other things, defence development and production sharing with the United States, and armament research, development and production cooperation within NATO.²⁴

6.2.2 The Glassco Commission (1960–1963)

In September 1960, the government of then prime minister John Diefenbaker appointed the Royal Commission on Government Organization, headed by J. Grant Glassco (the Glassco Commission). The Glassco Commission had the mandate “to inquire and report upon the organization and methods of operation of the departments and agencies of the Government of Canada,” and to recommend changes that would “best promote efficiency, economy and improved service in the dispatch of public business.”²⁵ In its 1962 report, the Glassco Commission found that the

“purchasing operations of the federal public service [were] dispersed and uncoordinated,” and that each department and agency “purchase[d] for its own account” and “establishe[d] its own machinery and rules.”²⁶

The Glassco Commission recommended that the federal government should establish “a central purchasing agency ... to serve all departments and agencies (civilian and military) of the federal government.” It believed that pooling procurement resources would reduce duplication of work, maximize the use of personnel, infrastructure and equipment, and allow bulk purchasing on behalf of all federal departments and agencies, thereby resulting in significant cost savings.²⁷

6.2.3 Expanded Mandate into Civilian Procurement (1963–1968)

Canada’s federal government agreed in principle with the Glassco Commission’s recommendations.²⁸ In September 1963, as an interim measure, it designated the DDP as “the central purchasing agency for the federal government as a whole to serve all departments, both civil and military,” and extended its responsibilities to include “the area of civil supply.”²⁹

In 1965, the government of then prime minister Lester B. Pearson said that it intended to replace the DDP with a new department responsible for all federal procurement, both civilian and military.³⁰ In July 1968, the government of then prime minister Pierre Elliott Trudeau announced the creation of the Department of Supply and Services (DSS).³¹ The DDP served as the basis for the DSS, to which were added certain responsibilities from other federal departments.³²

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

6.3.1 The Department of Supply and Services

The *Government Organization Act*, which officially established the DSS, was passed on 1 April 1969. The DDP was disbanded, and its functions, including its powers under the *Defence Production Act*, were transferred to the DSS. The DSS was responsible for planning, acquiring and supplying the goods and services required by all federal departments and agencies, including DND and the armed forces.³³

6.3.2 The Department of National Defence (Materiel Group)

The Glassco Commission’s recommendations resulted in a period of reform and reorganization for DND and the armed forces. It had recommended several consolidation and cost-saving measures designed to eliminate the duplication of resources between the three armed services (army, navy and air force) and to enhance accountability and efficiency through improved management and integration of Canada’s defence organization.³⁴

The first stage of reorganization occurred with unification of the armed forces. On 1 August 1964, amendments to the *National Defence Act* replaced the three Chiefs of Staff (Chief of the General Staff, Chief of the Naval Staff and Chief of the Air Staff) with the Chief of the Defence Staff, and effectively integrated the army, navy and air force headquarters into a single Canadian Forces Headquarters. Furthermore, on 1 February 1968, the *Canadian Forces Reorganization Act* merged Canada's three armed services (the Canadian Army, the RCN and the RCAF) into a single, unified military entity known as the Canadian Armed Forces (CAF). The Canadian Army, the RCN and the RCAF thus ceased to exist as separate legal entities and became environmental commands within an integrated CAF structure.³⁵

The second stage of reorganization involved a restructuring of DND. In March 1972, the Trudeau government announced that the civilian and military elements of DND and Canadian Forces Headquarters would be integrated into a new National Defence Headquarters (NDHQ). Under the NDHQ organizational structure, the roles and responsibilities of civilian and military officials were redistributed, giving public servants significantly more power and influence in managing the defence portfolio.³⁶ To provide a focal point of accountability for defence procurement, all DND and CAF responsibilities for defence procurement and the full life cycle of armed forces equipment were centralized under a civilian Assistant Deputy Minister (Materiel) accountable to the Deputy Minister of National Defence.

Under the leadership of the Assistant Deputy Minister (Materiel), the Materiel Group worked in close partnership with the DSS on all defence procurement projects, with DND and the DSS each responsible for specific aspects of the defence procurement process. For example, DND was responsible for all technical aspects relating to the defence products and services required, while the DSS was responsible for all matters relating to the issuance and implementation of contracts.³⁷

6.3.3 Industry Canada

Industry Canada became involved in the defence procurement process in 1986, when the government of then prime minister Brian Mulroney introduced an Industrial and Regional Benefits Policy (IRB Policy) designed to use defence procurement projects for two purposes: to leverage long-term industrial and regional development benefits, and to generate economic activity within Canada.

Industry Canada was responsible for administering and coordinating the IRB Policy in collaboration with regional development agencies, and it worked closely with DND and the DSS on defence procurement contracts.³⁸ Under the IRB Policy, contractors were required to make business investments in Canada's economy in an amount equal to 100% of the contract's value.

7 DEFENCE PROCUREMENT SINCE THE COLD WAR (1991–2020)

By the end of the Cold War in 1991, Canada had a multi-departmental approach to defence procurement that involved three federal departments: DND, the DSS and Industry Canada.³⁹ With one exception, this approach has remained largely the same since the Cold War. In June 1993, the government of then prime minister Kim Campbell merged the DSS with the Department of Public Works to form Public Works and Government Services Canada (PWGSC).⁴⁰

The *Department of Public Works and Government Services Act*, which was passed in 1996, established PWGSC as “a common service agency ... providing departments, boards, and agencies of the Government of Canada with services in support of their programs,” which included the “acquisition and provision of articles, supplies, machinery, equipment, and other materiel.”⁴¹ Responsibility for defence procurement under the *Defence Production Act* was transferred from the DSS to PWGSC.⁴²

Today, Canadian defence procurement still involves a number of federal departments and agencies: DND, PWGSC (renamed Public Services and Procurement Canada, or PSPC, on 4 November 2015), Industry Canada (renamed Innovation, Science and Economic Development Canada, or ISED, on 4 November 2015), and the Treasury Board of Canada Secretariat.⁴³ Each department or agency is responsible for different stages of Canada’s defence procurement process.⁴⁴

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

Although the *Defence Production Act* provides PSPC with the “exclusive authority” to purchase the defence products required by DND,⁴⁵ the two departments have a “partnering relationship” within the defence procurement process and have agreed to a “division of responsibilities” for the “acquisition of goods and services” and for the “quality assurance of materiel and services, as it applies to military specifications, acquired on behalf of DND.”⁴⁶ However, this division of responsibilities does not apply to “materiel and services to non-military specifications,” such as the acquisition of office supplies and civilian-type products. New weapon systems and military equipment are generally the types of defence products procured to military specifications.⁴⁷

PSPC’s *Supply Manual* outlines the various roles and responsibilities of DND and PSPC in the defence procurement process. Although both departments are engaged in most phases of the process, each has distinct lead responsibilities within it.

PSPC is the lead department responsible for: developing the procurement plan and strategy; soliciting and evaluating bids; coordinating industry engagement; and preparing, awarding, administering and closing contracts.⁴⁸ Among other activities, DND is the lead department responsible for: defining operational requirements;

developing specifications; preparing the procurement instrument; providing technical expertise; conducting acceptance trials and tests relating to the delivery of the materiel or services procured; and managing the integration of the newly acquired weapon systems and military equipment into the armed forces.⁴⁹

7.2 INNOVATION, SCIENCE AND ECONOMIC DEVELOPMENT CANADA

ISED continues to be responsible for the IRB Policy, and for coordinating and administering the Industrial and Technological Benefits Policy (ITB Policy) that was introduced in February 2014 as part of the Defence Procurement Strategy. Although the ITB Policy replaced the IRB Policy, the latter continues to apply to contracts signed before February 2014.⁵⁰

Like the IRB Policy, the ITB Policy allows the federal government to use defence procurement contracts to leverage industrial and economic benefits for Canada. Contractors are still required to make business investments in Canada's economy in an amount equal to 100% of the contract's value.

The main difference between the IRB Policy and the ITB Policy is a shift in focus from investments in regions to investments in technologies that are strategic for Canada and its defence industry. Companies bidding for defence contracts are now rated and weighted based on the value of the expected industrial and technological benefits, or their "value proposition." Bidders' value propositions are evaluated and scored based on their plans in five areas: investing in Canada's defence industry; providing work to Canadian suppliers; undertaking research and development in Canada; promoting exports from Canada; and fostering skills development and training for Canada's workforce. Bidders are also encouraged to provide gender and diversity plans, and to focus investments in certain "key industrial capabilities" that have been pre-identified by PSPC.⁵¹

7.3 TREASURY BOARD OF CANADA SECRETARIAT

Among other activities, TBS is responsible for developing the federal government's overall procurement policies, directives and guidelines; approving preliminary funding for major capital projects that have been accepted by Cabinet; and conducting financial oversight of those projects.⁵²

7.4 OTHER FEDERAL DEPARTMENTS AND AGENCIES

The various stages of Canada's defence procurement process can also involve other federal departments and agencies, such as the Privy Council Office, the Department of Finance, the Department of Foreign Affairs, Trade and Development (renamed Global Affairs Canada on 4 November 2015), and the Department of Fisheries and Oceans, which is responsible for the Canadian Coast Guard.⁵³

8 REFORMING DEFENCE PROCUREMENT IN CANADA

8.1 THE CHALLENGES OF THE 21ST CENTURY

Since the 11 September 2001 terrorist attacks in the United States, Canada's federal government has invested billions of dollars in defence procurement projects designed to strengthen the CAF and to replace some of its aging weapon systems and military equipment. Projects for new military aircraft (fixed-wing and rotary-wing), warships, automotive and armoured vehicles (wheeled and tracked), artillery systems, small arms, ammunition and various other defence products have been launched over the past 20 years. With the CAF engaged almost continuously in wars in Afghanistan (2001–2014), Libya (2011), and Iraq and Syria (since 2014), as well as in the international campaign against terrorism (since 2001), the demand in Canada for new weaponry and defence equipment has been high.⁵⁴

The emergence of new international security challenges and threats in recent years has also led Canada to continue to invest in the CAF's recapitalization. In particular, the resurgence of Russia as an aggressive and revisionist military power, and the country's illegal annexation of Crimea and aggression against Ukraine since 2014, have prompted Canada and its NATO allies to reinvest in collective defence and deterrence. Consequently, NATO member states have been reinvesting in their militaries and rebuilding capabilities, such as heavily mechanized ground forces, air defences and anti-submarine warfare technologies, that had been downsized since the end of the Cold War. NATO has also adopted assurance and deterrence measures that are meant to strengthen its eastern and southern flanks with Russia and to reassure its member states in Central and Eastern Europe. Since 2014, the CAF has been contributing army, navy and air force personnel and assets to NATO assurance and deterrence measures in Central and Eastern Europe, as well as providing military assistance to Ukraine.

The resumption of Russian long-range bomber aviation activities in the Arctic and North Atlantic regions in recent years, among other things, has prompted Canada and the United States to invest in the modernization of the North American Aerospace Defense Command (NORAD). In 2017, Canada also made a commitment to re-engage in United Nations (UN) peace operations, deploying CAF contingents to Mali (2018–2019), Uganda (2019–2020) and other unstable regions of the world.⁵⁵ Canada's NATO, NORAD and UN commitments, as well as the CAF's continued participation in various military operations worldwide, have generated a continuous demand for new weapons and defence equipment in Canada.⁵⁶

While many of Canada's defence products have been acquired in a timely and efficient manner,⁵⁷ some high-profile defence procurement projects have experienced delays, cost overruns and other difficulties.⁵⁸ In particular, a number of reports released by the Auditor General of Canada⁵⁹ and the Office of the Parliamentary Budget Officer⁶⁰ have identified issues with the procurement process and the

estimated costs associated with certain key defence procurement projects. These issues have attracted significant political, media and public attention⁶¹ and raised concerns about the overall efficiency and effectiveness of Canada's multi-departmental defence procurement system,⁶² prompting some to call for reform.⁶³

In recent years, several initiatives have been implemented with the goal of improving Canada's defence procurement process and reducing the time taken to acquire defence products.⁶⁴ As well, a National Shipbuilding Strategy was launched in June 2010⁶⁵ and a Defence Procurement Strategy in February 2014 in an effort to streamline and enhance the efficiency of the defence procurement system, increase accountability, and leverage greater industrial, economic and technological benefits from defence contracts.⁶⁶

Whether Canada should centralize defence procurement under a single federal department or agency has been debated over the past 20 years,⁶⁷ especially while the country was engaged in the war in Afghanistan from 2001 to 2014.⁶⁸ However, the government of then prime minister Stephen Harper decided to retain the existing multi-departmental approach, which it committed to reform under its Defence Procurement Strategy.⁶⁹

8.2 THE DEFENCE PROCUREMENT STRATEGY OF 2014

8.2.1 The Origins of the Strategy

Between 2009 and 2013, the Harper government commissioned a number of independent studies on ways to improve defence procurement in Canada.⁷⁰ In the 2011 federal budget, it made a commitment to “improving military procurement,” and to developing “a procurement strategy, in consultation with industry, to maximize job creation, support Canadian manufacturing capabilities and innovation and bolster economic growth in Canada.”⁷¹

8.2.2 The Strategy and Its Key Initiatives

In February 2014, the Harper government released its Defence Procurement Strategy in an effort to reform and improve Canada's defence procurement process.⁷² The strategy's three key objectives are to deliver the right equipment to the CAF in a timely manner; to streamline and modernize the defence procurement process and ensure coordinated decision making; and to leverage defence equipment purchases to create jobs and economic growth in Canada.⁷³

The strategy contains several initiatives under each of the three objectives, including the following:

- Have DND publish an annual *Defence Acquisition Guide* outlining its defence procurement priorities. The first guide was released in June 2014. The *Defence Acquisition Guide* was replaced by the *Defence Capabilities Blueprint* in 2018.⁷⁴
- Establish, within DND, an Independent Review Panel for Defence Acquisition with a mandate to validate requirements for defence procurement projects valued at more than \$100 million and provide independent, third-party advice to the Minister of National Defence and DND's Deputy Minister. The panel was established in May 2015.
- Increase progressively, from \$25,000 to \$5 million, DND's delegated contracting authority to procure defence goods and supplies independently from PSPC.⁷⁵ DND's contracting authority was initially raised to \$400,000 in 2016 (Phase 1),⁷⁶ then to \$1 million in 2018 (Phase 2),⁷⁷ and finally to \$5 million in 2019 (Phase 3).⁷⁸
- Replace the IRB Policy with the ITB Policy, which rates and weights a bidder's value proposition when assessing bids for defence procurement. The replacement occurred in December 2014 alongside the release of Industry Canada's *Value Proposition Guide*.
- Identify and use Key Industrial Capabilities. The 16 Key Industrial Capabilities that have been identified represent areas of emerging technology and established domestic industrial capabilities that, when leveraged, could increase the competitiveness of Canadian companies in global markets.
- Implement an export strategy to support Canadian defence industry sales to foreign countries and participation in global supply chains.
- Establish an independent, third-party Defence Analytics Institute to provide expert analysis to support the objectives of the Defence Procurement Strategy and its evaluation. An interim Defence Analytics Institute was announced in February 2014.⁷⁹

8.2.3 Governance and Accountability

As part of the Defence Procurement Strategy, a new governance and accountability framework was introduced “to ensure streamlined and coordinated decision-making for defence procurements.”⁸⁰ In 2014, a Defence Procurement Strategy Secretariat was created within PSPC to oversee the defence procurement process and to coordinate the strategy's implementation across the multiple federal departments involved in the process.⁸¹

The Defence Procurement Strategy Secretariat reports to the Deputy Ministers Governance Committee (DMGC), which acts as the key decision-making body for defence procurement. It is chaired by PSPC and comprises deputy ministers from four departments: DND, ISED, Global Affairs Canada, and the Department of Fisheries and Oceans, which is responsible for the Canadian Coast Guard.⁸²

The DMGC provides the Working Group of Ministers with guidance about defence procurement. The Working Group, which is chaired by the Minister of Public Services and Procurement, comprises the ministers from DND, ISED, Global Affairs Canada, and the Department of Fisheries and Oceans. It was established to “ensure shared accountability in defence procurements” and “act as the forum for discussion, advice and ... resolv[ing] issues in the implementation of major procurement projects.”⁸³

8.3 DEFENCE PROCUREMENT REFORMS (2014–2019)

Since 2015, the government of Prime Minister Justin Trudeau has expressed a desire to improve defence procurement in Canada. In addition to continuing to implement the Defence Procurement Strategy introduced by the Harper government in 2014, the Trudeau government has identified actions that could be taken to “help streamline defence procurement and build on recent measures to improve procurement across government.” Those actions are outlined in *Strong, Secure, Engaged*, the Trudeau government’s defence policy that was released in 2017.⁸⁴ New initiatives introduced in *Strong, Secure, Engaged* include the following:

- Reduce project development and approval times in DND by at least 50% for low-risk and low-complexity projects through improved internal coordination, increased delegation and strengthened approval processes.
- Work with partners to increase DND’s contracting authorities for goods up to \$5 million, so that more than 80% of defence procurement contracts are managed by DND.
- Use procurement to incentivize Canadian research and development in key and emerging technological areas.
- Enhance the transparency and timeliness of communication to Canada’s defence industry associations, including by instituting meetings between DND and the industry through the Defence Industry Advisory Group and other fora.
- Strengthen the capacity to manage the acquisition of and support for complex military capabilities, including through hiring new procurement specialists and enhancing training and professional accreditation for defence procurement personnel.

- Provide Canadians with regular updates on major defence projects and programs in order to increase transparency, communicate challenges and measure performance, including by publishing a DND investment plan for defence materiel.
- Ensure that Canadian environmental standards are respected in all procurement projects.⁸⁵

Since 2017, the Trudeau government has implemented several of the initiatives discussed in *Strong, Secure, Engaged*. For example, in May 2018, DND published a Defence Investment Plan, which provides the public with an update on progress concerning the management and funding of defence procurement and infrastructure projects and contracts; it also informs Canada's defence industry about future investment opportunities.⁸⁶ Defence Investment Plans will be published every three years, with annual updates designed to inform Canadians about progress in delivering the various projects.⁸⁷

As well, in November 2018, PSPC launched an 18-month pilot project that involves “a risk-based approach to approving contracts for defence procurements.” This project, which is intended to accelerate the delivery of equipment to the CAF, allows PSPC to execute low-risk, low-complexity contracts on behalf of DND without seeking the approval of the TBS.⁸⁸

In May 2019, the Trudeau government increased DND's delegated authority for competitive services contracts from \$1 million to \$5 million. According to PSPC, DND's new delegated authority “is expected to provide increased efficiency in the purchase of goods and services of lower value and complexity.”⁸⁹ DND has characterized this change as “a significant step in streamlining the procurement process,” allowing it “to handle over 80% of contracts in-house.” DND manages more than 12,000 contracts annually.⁹⁰

While many observers believe that the introduction of the Defence Procurement Strategy and the defence procurement initiatives in *Strong, Secure, Engaged* are positive developments, some support additional reforms. For example, some commentators maintain that more human and financial resources are needed to continue streamlining and otherwise improving the defence procurement process. In their view, many defence procurement projects are still experiencing schedule delays and cost overruns. Some commentators also believe that measures should be introduced to bring greater agility to the defence procurement process so that it can keep pace with rapid technological changes.⁹¹

In addition, according to some observers, there should be greater transparency and closer cooperation between the government and Canada's defence industry, as well as improved communication and outreach with the public. A December 2019 report published by the Canadian Global Affairs Institute states:

[There] is a growing disconnect between [defence] procurement practitioners in government and everyone else paying attention about how well our procurement system functions. People working on procurement ... generally believe that the system works far better than those outside it perceive. ... The views of those not working in the area, and for most in industry, are far more negative, ranging from the rejoinder that procurement is broken, to simply too bureaucratic, too cumbersome and too slow.⁹²

In addition, some commentators have proposed changes aimed at improving the National Shipbuilding Strategy.⁹³

Finally, many observers argue that the Defence Procurement Strategy does not address issues arising from the multiplicity of ministerial points of authority and accountability in Canada's current multi-departmental defence procurement process. While the strategy created such new coordinating entities as the Defence Procurement Strategy Secretariat, the DMGC and the Working Group of Ministers, there remain challenges associated with having several federal departments and agencies accountable for various aspects of defence procurement. A number of commentators maintain that the new coordinating entities created under the Defence Procurement Strategy have added bureaucratic layers to a process that is already complex, thereby further complicating the defence procurement process. Other observers believe that additional defence procurement reforms are needed, and that the defence procurement process should be centralized under a single federal department or agency with sole responsibility for acquiring defence products and services. In their view, the result would be improved accountability, governance and efficiency.⁹⁴

8.4 DEFENCE PROCUREMENT SINCE THE 2019 FEDERAL GENERAL ELECTION

In the fall 2019 federal general election campaign, both the Liberal Party of Canada (LPC) and the Conservative Party of Canada (CPC) pledged to reform Canada's defence procurement process.⁹⁵

The LPC's proposal involved centralizing defence procurement under a single government organization – Defence Procurement Canada – to “ensure that Canada's biggest and most complex defence procurement projects are delivered on time and with greater transparency to Parliament.”⁹⁶

The CPC proposed to “de-politicize” defence procurement by having the House of Commons Standing Committee on National Defence “solicit advice and input on the future direction of procurement for our military so that no party plays politics with our procurement,” and by creating a Cabinet Committee on Defence Procurement and a Defence Procurement Secretariat within the Privy Council Office “to ensure that priority projects are progressing on time and budget.”⁹⁷

The mandate letters that Prime Minister Trudeau provided to three ministers – the Minister of National Defence, the Minister of Public Services and Procurement, and the Minister of Fisheries, Oceans and the Canadian Coast Guard – on 13 December 2019 directed those ministers to support each other in “bringing forward analyses and options for the creation of Defence Procurement Canada.”⁹⁸ No timeline was given for the ministers’ “analyses and options” regarding the creation of Defence Procurement Canada. As well, no information was publicly available about the possible structure of that organization, its mandate, and its human, financial and material resources.

That said, centralizing defence procurement under a single government organization would be a significant change in the way that defence procurement occurs in Canada, and would end 50 years of decentralized, multi-departmental defence procurement.

9 CONCLUSION

Throughout history, Canada has had various defence procurement models, each with its own challenges and successes. To date, these models have included procurement by individual armed services, centralized federal departments or agencies and federal Crown corporations. During the 20th century, the general trend in times of war or national emergency was the centralization of defence procurement under a single federal department or agency in order to improve control and coordination when acquiring defence products.

However, for about the last 50 years, Canada has had a multi-departmental approach to defence procurement. Since 1969, the country’s defence procurement process has involved several federal departments and agencies with specific roles and responsibilities. Introduced at a time of significant organizational changes within the federal government, this defence procurement process was originally set up with the goals of maximizing the use of resources, achieving better administrative efficiency and realizing significant cost savings.

Over time, Canada’s defence procurement process has become more complex and bureaucratic as additional federal departments and agencies have become involved. Despite delays, cost overruns and other challenges encountered with defence procurement projects over the past 20 years, Canada’s federal government has remained committed to the current multi-departmental model.

Although several observers believe that the Defence Procurement Strategy will improve defence procurement in Canada in the long run, public concerns exist about governance and accountability. Some commentators maintain that accountability and efficiency could be improved if Canada were to centralize defence procurement under a single federal organization, as it did on several occasions before 1969.

Nevertheless, the creation of Defence Procurement Canada would mark a significant shift in the way defence procurement occurs in Canada, ending more than five decades of multi-departmental defence procurement.

Regardless of the federal government's future approach to defence procurement, it is likely that the billions of dollars allocated for the procurement of defence products and services will continue to attract significant political, media and public attention for years to come. As such, calls for reform of the defence procurement process are likely to be ongoing.⁹⁹

NOTES

1. Examples of other countries' defence procurement models include procurement by individual armed services (army, navy and air force); defence departments; centralized defence organizations; separate government organizations; and independent civilian corporations, either state-owned or part of the private sector. For additional information, see Martin Auger, [Defence Procurement Organizations Worldwide: A Comparison](#), Publication no. 2019-52-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 28 April 2020; and Martin Auger, [Defence Procurement Organizations: A Global Comparison](#), Publication no. 2014-82-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 14 October 2014.
2. See Department of Naval Service, *Report of the Department of Naval Service for the Fiscal Year Ending March 31, 1913*, King's Printer, Ottawa, 1913; Department of Naval Service, *Report of the Department of Naval Service for the Fiscal Year Ending March 31, 1914*, King's Printer, Ottawa, 1914; Militia Council of the Dominion of Canada, *Report of the Militia Council of the Dominion of Canada for the Fiscal Year Ending March 31, 1913*, King's Printer, Ottawa, 1914; Militia Council of the Dominion of Canada, *Report of the Militia Council of the Dominion of Canada for the Fiscal Year Ending March 31, 1914*, King's Printer, Ottawa, 1915; and J. Mackay Hitsman, *Military Inspection Services in Canada, 1855-1950*, Department of National Defence [DND], Ottawa, 1962, pp. 1–22.
3. See Royal Commission Concerning Purchase of War Supplies and Sale of Small Arms Ammunition (Royal Commission on War Supplies), *Sale of Small Arms Ammunition*, King's Printer, Ottawa, 1917; Royal Commission on War Supplies, *Purchase of Submarines*, King's Printer, Ottawa, 1917; Royal Commission on War Supplies, *Military Cloth*, King's Printer, Ottawa, 1917; Royal Commission on War Supplies, *Purchase of Surgical Field Dressings and Other Surgical Devices*, King's Printer, Ottawa, 1917; Royal Commission on War Supplies, *Purchase of Horses in Nova Scotia for First Canadian Contingent*, King's Printer, Ottawa, 1917; and Royal Commission on War Supplies, *Evidence*, 3 Volumes, King's Printer, Ottawa, 1917.
4. See A. Fortescue Duguid, *The Official History of the Canadian Forces in the Great War, 1914–1919, Vol. 1, Part 1: From the Outbreak of War to the Formation of the Canadian Corps*, King's Printer, Ottawa, 1938, pp. 108–110; A. Fortescue Duguid, *The Official History of the Canadian Forces in the Great War, 1914–1919, Vol. 1, Part 2: Chronology, Appendices and Maps*, King's Printer, Ottawa, 1938, pp. 132–133; and J. Castell Hopkins, "The Shell Committee and Sir Sam Hughes: The Making of Munitions," in *Canadian Annual Review of Public Affairs, 1916*, Annual Review Publishing Company, Toronto, 1917, pp. 269–296.
5. War Purchasing Commission, *Report of the War Purchasing Commission*, 6 Volumes, King's Printer, Ottawa, 1916–1919.

6. See David Carnegie, *The History of Munitions Supply in Canada, 1914–1918*, Longmans, Green and Company, London, 1925; and H. H. Vaughan, *The Manufacture of Munitions in Canada*, Engineering Institute of Canada, Ottawa, 1919.
7. See Department of Naval Service, *Report of the Department of Naval Service for the Fiscal Year Ending March 31, 1919*, King's Printer, Ottawa, 1920, pp. 9, 18; Department of Naval Service, *Report of the Department of the Naval Service for the Fiscal Year Ending March 31, 1920*, King's Printer, Ottawa, 1920, pp. 29–31; Department of Militia and Defence, *Report of the Department of Militia and Defence for the Fiscal Year Ending March 31, 1920*, King's Printer, Ottawa, 1921, pp. 18–20; and Air Board, *Report of the Air Board for the Year 1920*, in *Sessional Papers of the Parliament of Canada 1921*, Vol. 9, King's Printer, Ottawa, 1921, p. 21.
8. See DND, *Report of the Department of National Defence for the Fiscal Year Ending March 31, 1923*, King's Printer, Ottawa, 1923; and DND, *Report of the Department of National Defence for the Fiscal Year Ending March 31, 1924*, King's Printer, Ottawa, 1924.
9. Royal Commission on the Bren Machine Gun Contract, *Report of the Royal Commission on the Bren Machine Gun Contract*, King's Printer, Ottawa, 1939.
10. See J. de N. Kennedy, *History of the Department of Munitions and Supply: Canada in the Second World War – Vol. 1. Production Branches and Crown Companies*, King's Printer, Ottawa, 1950, pp. 4–5; and C. P. Stacey, *Arms, Men and Governments: The War Policies of Canada, 1939–1945*, DND, Ottawa, 1970, pp. 122–123.
11. Library of Parliament, "[House of Commons Debates, 5th Session, 18th Parliament: Vol. 1](#)," Canadian Parliamentary Historical Resources, database, 12 September 1939, pp. 132–133, 171–181.
12. Kennedy (Vol. 1, 1950), pp. 4–6; Stacey (1970), p. 496; and Department of Munitions and Supply, *Department of Munitions and Supply Quarterly Summary, 1 January to 31 March 1940*, Ottawa, 15 May 1940, pp. 1–3.
13. The 28 Crown companies were Aero Timber Products Limited; Allied War Supplies Corporation; Atlas Plant Extension Limited; Citadel Merchandising Company Limited; Cutting Tools and Gauges Limited; Defence Communications Limited; Eldorado Mining and Refining Limited; Fairmont Company Limited; Federal Aircraft Limited; Machinery Service Limited; Melbourne Merchandising Limited; National Railways Munitions Limited; North West Purchasing Limited; Park Steamship Company Limited; Plateau Company Limited; Polymer Corporation Limited; Quebec Shipyards Limited; Research Enterprise Limited; Small Arms Limited; Toronto Shipbuilding Company Limited; Turbo Research Limited; Veneer Log Supply Limited; Victory Aircraft Limited; War Supplies Limited; Wartime Housing Limited; Wartime Merchant Shipping Limited; Wartime Metals Corporation; and Wartime Oils Limited. See *Canada at War – Recapitulation Issue*, Wartime Information Board, No. 45, Ottawa, 1945; Kennedy (Vol. 1, 1950); J. de N. Kennedy, *History of the Department of Munitions and Supply: Canada in the Second World War – Vol. 2. Controls, Service and Finance Branches, and Units Associated with the Department*, King's Printer, Ottawa, 1950; and Stacey (1970).
14. Ibid.
15. Kennedy (Vol. 1, 1950), pp. 1–520; and Kennedy (Vol. 2, 1950), p. 499.
16. *Canada at War – Recapitulation Issue* (1945); Kennedy (Vol. 1, 1950); Kennedy (Vol. 2, 1950); and Stacey (1970).
17. Ibid.
18. Department of Supply and Services [DSS], *The History of Supply and Services Canada*, Ottawa, 1989, pp. 70–79.
19. See N. E. Rodger, "Armed Forces and Industry," *Canadian Army Journal*, Vol. 3, No. 10, January 1950, p. 3; D. J. Goodspeed, *A History of the Defence Research Board of Canada*, Queen's Printer, Ottawa, 1958, pp. 95–96; and Lawrence R. Aronsen, "Planning Canada's Economic Mobilization for War: The Origins and Operation of the Industrial Defence Board, 1945–1951," *American Review of Canadian Studies*, Vol. 15, No. 1, 1985, pp. 38–58.
20. See Department of Reconstruction and Supply, *Annual Report for the Fiscal Year Ending March 31, 1949*, King's Printer, Ottawa, 1949, pp. 7, 13–15; Canadian Commercial Corporation [CCC], *Fourth Annual Report to the Minister of Trade and Commerce, April 1, 1949 to March 31, 1950*, Ottawa, 1950, pp. 1–5; and DSS (1989), pp. 70–79.
21. Department of Defence Production [DDP], *First Report of the Department of Defence Production 1951*, Ottawa, 1952.

22. Ibid.
23. In addition to the CCC, the DDP was responsible for the following Crown corporations: Canadian Arsenals Limited; Crown Assets Disposal Corporation; Defence Construction (1951) Limited; Eldorado Mining and Refining Limited; Northern Transportation Company Limited; and Polymer Corporation Limited. See the following DDP annual reports from 1951 to 1968: *First Report of the Department of Defence Production 1951 to Eighteenth Annual Report of the Department of Defence Production 1968*, Ottawa, 1952–1969.
24. Ibid.
25. Royal Commission on Government Organization, “Volume 2: Supporting Services for Government,” *Report on the Organization of the Public Service of Canada*, Queen’s Printer, Ottawa, 1962, p. 9.
26. Ibid., pp. 77–78.
27. Ibid., p. 141. Also see Royal Commission on Government Organization, “Volume 5: The Organization of the Government of Canada,” *Report on the Organization of the Public Service of Canada*, Queen’s Printer, Ottawa, 1963, p. 108.
28. Bureau of Government Organization, *List of the Recommendations of the Royal Commission on Government Organization which the Government has Approved to Date*, Ottawa, 1963, p. 4.
29. DDP (1969), p. 5. With the introduction of the *Department of Industry Act* in 1963, the Minister of Industry assumed “all the duties, powers and functions of the Minister of Defence Production,” thereby taking on a dual role: Minister of Industry and Minister of Defence Production. This practice remained in place until July 1968, when an order in council relating to the *Public Service Rearrangement and Transfer of Duties Act* transferred those ministerial powers back to a separate Minister of Defence Production. See Government of Canada, [Guide to Canadian Ministries since Confederation: Nineteenth Ministry \(22 April 1963 – 20 April 1968\)](#); and Government of Canada, [Guide to Canadian Ministries since Confederation: Twentieth Ministry \(20 April 1968 – 3 June 1979\)](#).
30. Bureau of Government Organization, *List of the Recommendations of the Royal Commission on Government Organization Approved by the Government*, Ottawa, 1965, p. 3.
31. DSS (1989), pp. 186, 199–201.
32. In its last annual report, the DDP reported that, on 12 July 1968,

as part of the reorganization of certain ministerial and departmental responsibilities, the Prime Minister announced the emergence of the Department of Supply and Services. The new department will include the Department of Defence Production as then constituted with the exception of the International Programs Branch which has been transferred to the Department of Trade and Commerce. The Office of the Comptroller of the Treasury of the Department of Finance, the Department of Public Printing and Stationery from the Secretary of State of Canada, the Shipbuilding Branch of the Department of Transport, the Central Data Processing Bureau from the Treasury Board and the Bureau of Management Consulting Services from the Public Service Commission would be added.

It was also noted that a number of orders in council were issued “to effect the transfers” and that a Treasury Board of Canada Secretariat (TBS) task force was constituted to “proceed with the changes.” On 12 December 1968, the TBS approved the task force’s recommendations addressing the integration of the other federal departmental elements into the DDP. The DDP then reported that a “government Organization Bill will be presented to Parliament in early 1969” and that, “when this Bill becomes law, the Department of Supply and Services will come into being.” See DDP (1969), pp. 7–8.
33. DSS (1989), pp. 186, 199–201. For information on defence industrial preparedness in Canada following the establishment of the DSS, see C. A. Cannizzo, “The Federal Government and Defence Industrial Preparedness,” *Canadian Defence Quarterly*, Vol. 18, No. 6, June 1989, pp. 38–48; Paul Manson, “Who Defends the Defence Industry?,” in David G. Haglund and S. Neil MacFarlane, eds., *Security, Strategy and the Global Economics of Defence Production*, McGill-Queen’s University Press, Montreal/Kingston, 1999, pp. 85–92; Dan Middlemiss, “Canada and Defence Industrial Preparedness: A Return to Basics?,” *International Journal*, Vol. 42, No. 4, Autumn 1987, pp. 708–730; and Michael Slack and John Skynner, “Defence Production and the Defence Industrial Base,” in David B. Dewitt and David Leyton-Brown, eds., *Canada’s International Security Policy*, Prentice Hall, Scarborough, 1995, pp. 365–390.
34. Douglas L. Bland, *The Administration of Defence Policy in Canada, 1947 to 1985*, R. P. Frye, Kingston, 1987, pp. 25–32.

35. See D. J. Goodspeed, ed., [*The Armed Forces of Canada 1867–1967: A Century of Achievement*](#), Directorate of History, Canadian Forces Headquarters, Ottawa, 1967, pp. 265–267; Daniel Gosselin, “[Hellyer’s Ghosts: Unification of the Canadian Forces is 40 Years Old – Part One](#),” *Canadian Military Journal*, Vol. 9, No. 2, 2008, pp. 6–15; Daniel Gosselin, “[Hellyer’s Ghosts: Unification of the Canadian Forces is 40 Years Old – Part Two](#),” *Canadian Military Journal*, Vol. 9, No. 3, 2009, pp. 6–16; Daniel Gosselin and Craig Stone, “[From Minister Hellyer to General Hillier: Understanding the Fundamental Differences Between the Unification of the Canadian Forces and its Present Transformation](#),” *Canadian Military Journal*, Vol. 6, No. 4, Winter 2005–2006, pp. 5–15; Bland (1987), pp. 33–55; and Douglas L. Bland, *Chiefs of Defence: Government and the Unified Command of the Canadian Armed Forces*, Canadian Institute for Strategic Studies, Toronto, 1995.
36. See Bland (1987), pp. 56–86; and Daniel Gosselin, “[Unelected, Unarmed Servants of the State: The Changing Role of Senior Civil Servants inside Canada’s National Defence](#),” *Canadian Military Journal*, Vol. 14, No. 3, Summer 2014, pp. 38–52.
37. See Bland (1987), pp. 134–138; Aaron Plamondon, *Equipment Procurement in Canada and the Civil–Military Relationship: Past and Present*, Centre for Military and Strategic Studies, University of Calgary, Calgary, 2008, p. 19; and Aaron Plamondon, *The Politics of Procurement: Military Acquisition in Canada and the Sea King Helicopter*, University of British Columbia [UBC] Press, Vancouver and Toronto, 2010, pp. 6–7.
38. “The Procurement Process in Canada: Industry Canada,” Appendix A in *Transforming National Defence Administration*, ed. Douglas L. Bland, School of Policy Studies, Queen’s University, Kingston, 2005, pp. 61–69; and Plamondon (2008), p. 19.
39. Dan Middlemiss, “Defence Procurement in Canada,” in Dewitt and Leyton-Brown (1995), pp. 391–412.
40. Government of Canada, [Guide to Canadian Ministries since Confederation: Twenty-Fifth Ministry \(25 June 1993 – 3 November 1993\)](#).
41. [Department of Public Works and Government Services Act](#), S.C. 1996, c. 16, ss. 5 and 6(a).
42. [Defence Production Act](#), R.S.C. 1985, c. D-1.
43. Privy Council Office [PCO], *Machinery of Government changes*, 5 November 2015.
44. For more information about the defence procurement process, see Charles Davies, “[Understanding Defence Procurement](#),” *Canadian Military Journal*, Vol. 15, No. 2, Spring 2015, pp. 5–15; Plamondon (2008); Plamondon (2010); J. Craig Stone, “Defence Procurement and the Need for Disciplined Capital Investment,” in *The Public Management of Defence in Canada*, ed. J. Craig Stone, Breakout Education Network, Toronto, 2009, pp. 93–109; Alan S. Williams, *Reinventing Canadian Defence Procurement: A View from the Inside*, McGill-Queen’s University Press, Montréal and Kingston, Ontario, 2006; and Philippe Lagassé, *Accountability for National Defence: Ministerial Responsibility, Military Command and Parliamentary Oversight*, Institute for Research on Public Policy, Montréal, 2010.
45. Public Works and Government Services Canada [PWGSC], “[1.20.10. Defence Production Act](#),” chapter 1 in *Supply Manual*, Version 2020-3, effective 19 November 2020.
46. PWGSC (19 November 2020), [Annex 1.1.2.1 – Section A: Division of responsibilities between Public Works and Government Services Canada \(PWGSC\) and Department of National Defence \(DND\) for the acquisition of goods and services](#) and [Annex 1.1.2.2 – Section B: Division of Responsibilities between PWGSC and DND for the Quality Assurance of Materiel and Services](#).
47. Ibid.
48. Ibid.
49. Ibid.
50. The Industrial and Technological Benefits Policy applies to all defence procurement projects that exceed \$100 million. All eligible projects valued between \$20 million and \$100 million are also reviewed to determine whether a “value proposition” may be applied. See Innovation, Science and Economic Development Canada [ISED], [Industrial and Technological Benefits](#); and Government of Canada, [Industrial and Technological Benefits Policy: Value Proposition Guide](#), 31 May 2018.

51. There are 16 Key Industrial Capabilities. Five are classed as “emerging technologies” (advanced materials; artificial intelligence; cyber resilience; remotely piloted systems and autonomous technologies; and space systems) and 11 are classed as “leading competencies and critical industrial services” (aerospace systems and components; armour; defence systems integration; electro-optical/infrared systems; ground vehicle solutions; in-service support; marine ship-borne mission and platform systems; munitions; shipbuilding, design and engineering services; sonar and acoustic systems; and training and simulation). See Government of Canada, [Industrial and Technological Benefits Policy: Value Proposition Guide](#), 31 May 2018, pp. 19–22.
52. See Government of Canada, [Policies, directives, standards and guidelines](#); Government of Canada, [Contracting Policy](#); TBS, [Sources of Federal Government and Employee Information \(Info Source\): Treasury Board Secretariat](#); and TWGSC (19 November 2020).
53. See Global Affairs Canada, [Government Procurement](#); Public Services and Procurement Canada [PSPC], [Defence Procurement Strategy](#); Plamondon (2010), p. 9; and PCO (2015).
54. For more information about those military operations, see Veterans Affairs Canada, [The Canadian Armed Forces in Afghanistan](#); Government of Canada, [The Canadian Armed Forces Legacy in Afghanistan](#) regarding Afghanistan; National Defence, [Operation IMPACT](#) regarding Iraq and Syria; and Government of Canada, [Operation MOBILE](#) regarding Libya.
55. See House of Commons, Standing Committee on National Defence [NDDN], [Canada's Role in International Peace Operations and Conflict Resolution](#), Sixteenth Report, 1st Session, 42nd Parliament, May 2019; NDDN, [Canada's Task Force Mali](#), Fifteenth Report, 1st Session, 42nd Parliament, April 2019; NDDN, [Canada and NATO: An Alliance Forged in Strength and Reliability](#), Tenth Report, 1st Session, 42nd Parliament, June 2018; NDDN, [Canada's Support to Ukraine in Crisis and Armed Conflict](#), Eighth Report, 1st Session, 42nd Parliament, December 2017; NDDN, [The Readiness of Canada's Naval Forces](#), Sixth Report, 1st Session, 42nd Parliament, June 2017; NDDN, [Canada and the Defence of North America: NORAD and Aerial Readiness](#), Second Report, 1st Session, 42nd Parliament, September 2016; and NDDN, [Canada and the Defence of North America](#), Thirteenth Report, 2nd Session, 41st Parliament, June 2015. For more information about those military operations, see Government of Canada, [Military operations and exercises](#). See, in particular, National Defence, [Operation PRESENCE](#) regarding Mali and Uganda; National Defence, [Operation UNIFIER](#) regarding Ukraine; and National Defence, [Operation REASSURANCE](#) regarding ground forces to Latvia and Poland, air forces to Romania, Lithuania and Iceland, and naval forces to the Mediterranean Sea, Baltic Sea and Black Sea regions.
56. Status updates on major defence procurement projects can be found in DND, *Departmental Plans* (formerly *Reports on Plans and Priorities*) and *Departmental Results* (formerly *Departmental Performance Reports*); Government of Canada, [Defence Investment Plan](#); Government of Canada, [Defence Capabilities Blueprint](#); Government of Canada, [Defence equipment purchases and upgrades](#); and PSPC, [Defence and marine procurement](#).
57. According to DND, about “90% of procurements are delivered within their planned scope and budget.” On average, DND manages more than 12,000 contracts annually. See DND, [Defence Investment Plan 2018: Annual Update 2019](#), 2019, p. 13.
58. For example, in January 2020, DND reported to the House of Commons that 117 major defence procurement projects had been delayed between 1 January 2016 and 10 December 2019. See Government of Canada, [Order/Address of the House of Commons: Inquiry of Ministry](#), Reply by the Minister of National Defence to Question no. Q-184 with regard to defence procurements that have been delayed since 1 January 2016, Sessional Papers, House of Commons, 27 January 2020; and Lee Berthiaume, “More than 100 military procurements facing delays: Defence Department,” *National Post*, 5 February 2020. For an overview of delays, cost overruns and other challenges associated with major defence procurement projects between 2000 and 2016, see David J. Bercuson, Aaron P. Plamondon and Ray Szeto, [An Opaque Window: An Overview of Some Commitments Made by the Government of Canada Regarding the Department of National Defence and the Canadian Forces: 1 January 2000–31 December 2004](#), Canadian Defence and Foreign Affairs Institute [CDFAI], May 2006; Philippe Lagassé, [Recapitalizing the Canadian Forces' Major Fleets: Assessing Lingering Controversies and Challenges](#), CDFAI, December 2012; David Perry, [2016 Status Report on Major Equipment Procurement](#), School of Public Policy Publications, University of Calgary, Vol. 10, No. 22, September 2017; David Perry, [2015 Status Report on Major Defence Equipment Procurements](#), Canadian Global Affairs Institute [CGAI], December 2015; Elinor Sloan, [Something Has to Give: Why Delays Are the New Reality of Canada's Defence Procurement Strategy](#), CDFAI, October 2014; and Elinor Sloan, [Canadian Defence Commitments: Overview and Status of Selected Acquisitions and Initiatives](#), CDFAI, December 2013.

59. For example, see Office of the Auditor General of Canada [OAG], [Supplying the Canadian Armed Forces – National Defence](#), Report 3 in *Reports of the Auditor General of Canada – Spring 2020*, 2020; OAG, [Canada's Fighter Force](#), Report 3 in *Reports of the Auditor General of Canada – Fall 2018*, 2018; OAG, [Operating and Maintenance Support for Military Equipment – National Defence](#), Report 7 in *Reports of the Auditor General of Canada – Fall 2016*, 2016; OAG, [National Shipbuilding Procurement Strategy](#), Chapter 3 in *Report of the Auditor General of Canada – Fall 2013*, 2013; OAG, [Replacing Canada's Fighter Jets](#), Chapter 2 in *Report of the Auditor General of Canada – Spring 2012*, 2012; OAG, [Maintaining and Repairing Military Equipment – National Defence](#), Chapter 5 in *Report of the Auditor General of Canada – Fall 2011*, 2011; OAG, [Acquisition of Military Helicopters](#), Chapter 6 in *Report of the Auditor General of Canada – Fall 2010*, 2010; OAG, [Acquiring Military Vehicles for Use in Afghanistan](#), Chapter 5 in *Report of the Auditor General of Canada – Fall 2009*, 2009; and OAG, [National Defence – Upgrading the CF-18 Fighter Aircraft](#), Chapter 3 in *Report of the Auditor General of Canada – November 2004*, 2004.
60. For example, see Office of the Parliamentary Budget Officer [PBO], [The Joint Support Ship Program and the MV Asterix: A Fiscal Analysis](#), 17 November 2020; PBO, [The Cost of Canada's Surface Combatants: 2019 Update](#), 21 June 2019; PBO, [Fiscal Analysis of the Interim F-18 Aircraft](#), 28 February 2019; PBO, [The Cost of Canada's Surface Combatants](#), 1 June 2017; PBO, [Budget Analysis for the Acquisition of a Class of Arctic/Offshore Patrol Ships](#), 28 October 2014; PBO, [Feasibility of Budget for Acquisition of Two Joint Support Ships](#), 28 February 2013; PBO, [Labour Sensitivity Analysis for the Acquisition of Two Joint Support Ships](#), 11 December 2013; PBO, [Comparing PBO and DND Cost Estimates on Canada's Proposed Acquisition of the F-35 Joint Strike Fighter: Some Preliminary Questions and Answers on Key Issues](#), 23 March 2011; and PBO, [An Estimate of the Fiscal Impact of Canada's Proposed Acquisition of the F-35 Lightning II Joint Strike Fighter](#), 10 March 2011.

61. For example, various newspapers, magazines and periodicals have published articles that discuss defence procurement projects in Canada between 2000 and 2020; authors include Michael Byers, Ken Hanson, Peter Hayden, Sharon Hobson, Aaron Plamondon, David Pugliese and Martin Shadwick. Examples of magazines and periodicals that have published articles on the topic include *Canadian Air Force Journal*, *Canadian Army Journal*, *Canadian Defence Review*, *Canadian Foreign Policy Journal*, *Canadian Military Journal*, *Canadian Naval Review*, *Esprit de Corps*, *Frontline Defence*, *Jane's Defence Weekly*, *Jane's International Defence Review*, *Royal Canadian Air Force Journal* and *Vanguard Canada*. Also see Jay Ballard, [*The F-35 and Canada: A Fighter Pilot's View*](#), Centre for International and Defence Policy, Queen's University, 2014; Rob Burroughs, [*Canada's Quest for New Submarines*](#), Vimy Paper, Conference of Defence Association [CDA] Institute, February 2015; Michael Byers, [*Smart Defence: A Plan for Rebuilding Canada's Military*](#), Canadian Centre for Policy Alternatives [CCPA], June 2015; Michael Byers, [*One Dead Pilot: Single-Engine F-35 a Bad Choice for Canada's Arctic*](#), CCPA, June 2014; Michael Byers, [*The Plane That Ate the Canadian Military: Life-Cycle Cost of F-35 Fleet Could Reach \\$126 Billion*](#), CCPA, April 2014; Michael Byers and Stewart Webb, [*Blank Cheque: National Shipbuilding Procurement Strategy Puts Canadians at Risk*](#), CCPA, December 2013; Michael Byers and Stewart Webb, [*Stuck in a Rut: Harper Government Overrides Canadian Army, Insists on Buying Outdated Equipment*](#), CCPA, September 2013; Michael Byers and Stewart Webb, [*That Sinking Feeling: Canada's Submarine Program Springs a Leak*](#), CCPA, June 2013; Michael Byers and Stewart Webb, [*Titanic Blunder: Arctic/Offshore Patrol Ships on Course for Disaster*](#), CCPA, April 2013; Michael Byers and Stewart Webb, [*"The Worst Procurement in the History of Canada": Solving the Maritime Helicopter Crisis*](#), CCPA, February 2013; Michael Byers and Stewart Webb, [*Search and Replace: The Case for a Made-in-Canada Fixed-Wing Search and Rescue Fleet*](#), CCPA, June 2012; Matthew Fisher, [*The MV Asterix Delivers: Canada's Supply Ship Impresses at Sea*](#), CGAI, July 2018; Matthew Fisher, [*Canada Looks to the Past for Fighter Fix while Allies Fly in the 21st Century*](#), CGAI, December 2017; Paul Fredenburg, [*The F-35 Fighter: A logical CF-18 replacement*](#), NATO (North Atlantic Treaty Organization) Association of Canada, 2017; D. F. Holman, [*The Future of Drones in Canada: Perspectives from a Former RCAF Fighter Pilot*](#), CDFAI, August 2013; Rob Huebert, [*The Royal Canadian Navy: Facing Rough Seas*](#), CGAI, January 2016; Adam Lajeunesse, [*Unarmed Warships: What are the AOPS for?*](#), CGAI, June 2018; Eric Lerhe, [*The National Shipbuilding Procurement Strategy: An Update*](#), CDFAI, February 2013; Ian Mack, [*Launching the Canadian Surface Combatant Project*](#), CGAI, December 2020; Ian Mack, [*Another Way to Buy Frigates*](#), CGAI, November 2019; Craig Martin, [*What Role and Rules for Canada's Armed Drones?*](#), CGAI, December 2018; David McDonough and Brian Lee Crowley, [*Should We Purchase Interim Super Hornets? A Survey of the Experts*](#), Macdonald-Laurier Institute, June 2017; Paul T. Mitchell, [*Full of Holes: Byers and Webb on Canada's Submarine Programme*](#), CDFAI, July 2013; Plamondon (2010); Richard Shimooka, [*The Catastrophe: Assessing the Damage from Canada's Fighter Replacement Fiasco*](#), Macdonald-Laurier Institute, May 2019; Richard Shimooka, [*The Fourth Dimension: The F-35 Program, Defence Procurement, and the Conservative Government, 2006–2015*](#), Vimy Paper 33, CDA Institute, September 2016; Richard Shimooka, [*An F-35 Case Study*](#), Report, CDA Institute, 2013; Richard Shimooka, [*F-35 and the Future of Canadian Security*](#), Strategic Studies Working Group Papers, CDFAI, November 2012; Steven Staples, [*Pilot Error: Why the F-35 stealth fighter is wrong for Canada*](#), CCPA, October 2010; Al Stephenson, [*Anatomy of a Buy: The Four Dimensions of Procuring a Future Fighter for Canada*](#), CGAI, May 2019; Alan Stephenson, [*Gaming the CF-18 Fighter Replacement: The Politicizing of a Military Procurement*](#), CGAI, December 2017; Alan Stephenson, [*Symbolism and the CF-18 Replacement*](#), CGAI, November 2016; Stewart Webb and Chris Murray, [*Canada's Hidden Plan for Predicted Failure: Planning for the Introduction of the Canadian Surface Combatant*](#), CGAI, January 2016; and Alan Williams, [*Canada, Democracy and the F-35*](#), School of Policy Studies, Queen's University, 2012.

62. For example, as early as 2003, the Minister of National Defence's Advisory Committee on Administrative Efficiency reported that "the current split in mandate between DND and Public Works and Government Services Canada [PWGSC] for the acquisition of goods and services results in the inefficient use of government resources" because "there is substantial duplication of effort or functional overlap" between the two departments. It concluded that "the business of procuring military materiel is so big and unique in terms of value, complexity and volume as to warrant a dedicated procurement agency or division." The Advisory Committee believed that

the split accountability for the procurement of military unique requirements is fundamentally wrong. It weakens accountability and creates inefficiency by requiring [DND and PWGSC] to work on the acquisition of the same good and services. The Committee recognizes that there is a definite benefit to a common procurement organization for common goods and services; this is PWGSC's specialty. However, the acquisition of specialized military equipment is unique to DND, large in scope and complex in nature. Therefore, accountability, responsibility and authority for that activity should, more logically, be assigned to a single agency. Such a move would eliminate the current high costs of maintaining up-to-date knowledge levels in two groups of personnel assigned to executing similar aspects of a shared task. ... The Committee believes that these unique procurement needs would best and most efficiently be done by the user of the equipment or services, that is, DND.

See DND, [Achieving Administrative Efficiency: Report to the Minister of National Defence by the Advisory Committee on Administrative Efficiency](#), 21 August 2003, pp. 28–32.

Three years later, in 2006, DND's Chief Review Services [CRS] came to a similar conclusion to that made by the Advisory Committee in its audit of the "capital equipment acquisition process." The CRS reported a "duplication of effort" between DND and PWGSC with regard to contracting, and suggested that a "single agency, with contracting authority" should be selected to provide "a single point of accountability"; it proposed that this single point of accountability should be DND's Materiel Group, which is headed by the Assistant Deputy Minister (Materiel), or ADM (Mat). The CRS explained, "This single agency ... could be the ADM (Mat) organization as part of its mandate as a special operating agency." In particular, the CRS recommended that DND "continue discussions with PWGSC and the TBS to place the contracting function with [DND] to remove duplication between departments." See DND, *Perspectives on the Capital Equipment Acquisition Process*, Chief Review Services, June 2006, pp. 13–14, 22.

63. For examples of calls for reform made before the release of Canada's Defence Procurement Strategy in 2014, see Ron Buck, "[Blue Ribbon Panel for Defence Procurement](#)," *Frontline Defence*, Vol. 10, No. 2, 2013, pp. 8–9; Ross Fetterly, "Shaping Future Procurement Strategies through Canadian Defence Procurement Reform," in [National Approaches to Shipbuilding and Ship Procurement](#), Chapter 3 in Douglas L. Bland, ed., School of Policy Studies, Queen's University, 2010; Richard Gimblett and Paul Manson, eds., [Creating an Acquisition Model that Delivers](#), Vimy Paper 1, CDA Institute, April 2006; Plamondon (2008); Plamondon (2010); Ken Pole, "[Who gets a 'say' in Defence Procurement?](#)," *Frontline Defence*, Vol. 8, No. 4, 2011, pp. 8–9; David Pugliese, "Wading Through a Bureaucratic Quagmire: Solutions for an Inefficient Procurement System," *Esprit de Corps*, Vol. 20, No. 1, February 2013, pp. 8–12, 61; David Pugliese, "The State of Procurement: Defining the Quagmire," *Esprit de Corps*, Vol. 19, No. 12, January 2013, pp. 8–12, 45; Dan Ross, "[Is Defence Procurement broken, or is this normal?](#)," *Frontline Defence*, Vol. 10, No. 6, 2013, pp. 8–9; Martin Shadwick, "[Procurement and the Perfect Storm](#)," *Canadian Military Journal*, Vol. 14, No. 1, Winter 2013, pp. 64–67; Martin Shadwick, "[Recapitalizing the Forces](#)," *Canadian Military Journal*, Vol. 10, No. 1, 2009, pp. 87–89; Craig Stone, [Canadian-Australian Opportunities for Defence Procurement and Industry Cooperation](#), Centre for International Governance Innovation, January 2014; Craig Stone, [Prioritizing Defence Industry Capabilities: Lessons for Canada from Australia](#), CDAI, January 2014; Craig Stone, "Canada Needs a Defence Industrial Policy," *International Journal*, Vol. 63, No. 2, Spring 2008, pp. 341–357; Williams (2006); NDDN, [Procurement and Associated Processes](#), Second Report, 2nd Session, 39th Parliament, February 2008; and House of Commons, Standing Committee on National Defence and Veterans Affairs, [Procurement Study](#), June 2000.
64. See PSPC, *Defence Procurement Strategy*; and Williams (2006), pp. 95–96, 159–160.
65. From 2010 to 2016, the National Shipbuilding Strategy was known as the National Shipbuilding Procurement Strategy.

66. See Martin Auger, [The Evolution of Defence Procurement in Canada](#), Publication no. 2016-09-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 4 February 2016; Martin Auger, [Canada's Defence Procurement Strategy](#), HillNotes, Library of Parliament, 25 February 2016; Martin Auger, [National Shipbuilding Procurement Strategy: An Update](#), HillNotes, Library of Parliament, 2 July 2015; Martin Auger, [The National Shipbuilding Procurement Strategy: A Five-Year Assessment](#), Publication no. 2015-35-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 15 June 2015; Auger (2020); Auger (2014); PSPC, [Defence Procurement Strategy](#); and PSPC, [National Shipbuilding Strategy](#).
67. Supporters of this option argue that Canada's current multi-departmental defence procurement process is too bureaucratic and slow to respond to military requirements, has inefficiencies and duplicates work. They maintain that a simpler process with a clearer line of ministerial responsibility could be achieved with a single government organization controlling defence procurement. For example, see Williams (2006), pp. 5, 74–94. Those who oppose centralizing defence procurement under a single government organization suggest that this approach would not resolve the challenges with the current process or with the acquisition of complex and sophisticated weapon systems and defence products; challenges include schedule delays and cost overruns. In their view, the current process could be reformed but does not need to be completely overhauled through the creation of a new defence procurement organization. For example, see J. C. Stone, [A Separate Defence Procurement Agency: Will it Actually Make a Difference?](#), CDFAI and Canadian International Council, Calgary and Ottawa, February 2012, pp. 2–15.
68. During the war in Afghanistan, Canada did not centralize defence procurement under a single government organization, as it had done during the First World War, the Second World War and the Korean War. However, delays, cost overruns and other problems encountered with certain defence procurement projects raised concerns about the efficiency and effectiveness of Canada's multi-departmental defence procurement process, which appeared to be incapable of rapidly procuring urgently needed weaponry and military equipment for the Canadian armed forces (CAF) under wartime conditions. For example, on 9 March 2009, the Chief of the Land Staff told the Standing Senate Committee on National Security and Defence that "it is quite tough to fight a war with a peacetime process in place," explaining that the war in Afghanistan was wearing out the army's equipment faster than replacement items could be supplied through Canada's existing defence procurement processes. The Chief of the Air Staff and the Chief of the Maritime Staff shared similar concerns. See Senate, Standing Committee on National Security and Defence, [Evidence](#), 2nd Session, 40th Parliament, 9 March 2009. Such concerns prompted public discussions about reforming defence procurement processes. While DND and PWGSC introduced new measures to reduce acquisition cycle times and accelerate the delivery of defence procurement projects as the war progressed, some commentators held the view that more ambitious defence procurement reforms should be implemented to further improve Canada's multi-departmental procurement process. However, there were disagreements about the types of reforms needed. While some believed that the federal government should abandon the multi-departmental model and centralize defence procurement under a single government organization, others felt differently about the issue. For example, in 2010, two former DND Assistant Deputy Ministers (Materiel) – Alan Williams and Pierre Lagueux – debated the centralization question in the *Hill Times*. While Williams recommended that the federal government place responsibility and accountability for defence procurement in a newly created organization called Defence Procurement Canada under the statutory authority of DND, as he had proposed in his 2006 book entitled *Reinventing Canadian Defence Procurement: A View from the Inside*, Lagueux believed that the current system could be significantly improved without the creation of a new organization. The defence procurement centralization debate remained unresolved when the CAF mission in Afghanistan ended in 2014. See Pierre Lagueux, [Military Procurement: It's Complex – Get Used to It!](#) *Frontline Defence*, Vol. 7, No. 1, January–February 2010, p. 6; Pierre Lagueux, [DND should focus on improving current procurement process](#), *Hill Times*, 5 April 2010; Pierre Lagueux, [Fixing defence procurement: here we go again](#), *Hill Times*, 22 March 2010; Bea Vongdouangchanh, [There should be one single minister in charge of defence procurement, says former ADM](#), *Hill Times*, 31 May 2010; Alan Williams, [In business of defence procurement, procurement strategy a critical component](#), *Hill Times*, 12 April 2010; and Alan Williams, [Establishing a single point of accountability will improve defence procurement process](#), *Hill Times*, 29 March 2010.

69. In September 2009, the Harper government commissioned the Canadian Association of Defence and Security Industries (CADSI), which represents more than 900 Canadian companies, to conduct “Government of Canada consultations with the defence and security industry on factors that affect the military procurement process.” The CADSI was asked to make recommendations to the federal government on ways to improve Canada’s defence procurement process and align it with domestic industrial objectives in order to produce a better return on investment. The consultations lasted 13 weeks. The CADSI submitted its report to the federal government in December 2009, and the report was publicly released in March 2010. See Government of Canada, “[Minister Paradis announces consultations on military procurement](#),” News release, 4 September 2009; and CADSI, “[CADSI Calls for a Defence Industrial Strategy to Optimize Job Creation in Canada](#),” News release, 10 March 2010.

One of the report’s key recommendations was that the “Government [of Canada should] strengthen defence procurement governance” by “creating a single point of accountability at the Cabinet level responsible for both defence equipment and the defence industrial base.” The CADSI argued that “Canada is unique ... in managing its defence procurements through multiple federal departments,” and that “the absence of a single Ministerial point of accountability within Government slows and adds costs to the procurement process and weakens the Government’s ability to defend Canada’s national interest and achieve a strong economic return on investment.” The CADSI identified at least three options available to implement this recommendation, and suggested the following:

Create a separate defence procurement agency reporting through a single Minister; [c]onsolidate procurement, industrial, contracting and trade mandates into one new department, like a Defence Production Department, reporting to a Minister; or [c]ombine the responsibilities for defence equipment and Canada’s defence industrial base under one existing entity.

See CADSI, [Canada’s Defence Industry: A Vital Partner Supporting Canada’s Economic and National Interests – Industry Engagement on the Opportunities and Challenges Facing the Defence Industry and Military Procurement](#), Ottawa, December 2009, pp. vi, 1, 15 and 18.

A DND review team examined the CADSI’s report, including its recommendations, for the federal government. The *Ottawa Citizen* obtained a copy of the review team’s report under the *Access to Information Act* and, in July 2011, reported that “the review team concurred with many of the recommendations put forward by CADSI in its report,” including the recommendation that there should be a single point of accountability for defence procurement in Canada. The review team purportedly concluded that “a Defence Procurement Agency is the most appropriate option, and offers a model agency for Government/industry consideration.” However, the government decided not to centralize defence procurement under a single organization. In July 2011, a spokesperson for then prime minister Harper told the CBC that “there [were] no plans to create another bureaucracy or more red tape in Ottawa.” See David Pugliese, “Report Calls for Defence Procurement Agency,” *Ottawa Citizen*, 4 July 2011; and Laura Payton, “[New federal procurement agency not in the cards](#),” *CBC News*, 5 July 2011.

70. See CADSI, *Canada’s Defence Industry* (2009); CADSI, [Improving Canadian Defence Procurement: Feedback from Industry Consultations on the Opportunities and Challenges Facing the Defence Industry and Military Procurement](#), Ottawa, November 2009; Government of Canada, [Innovation Canada: A Call to Action – Special Report on Procurement](#), Expert Panel on Research and Development, ISED, Ottawa, October 2011; David Emerson, [Beyond the Horizon: Canada’s Interests and Future in Aerospace – Volume 1](#), Ottawa, November 2012; David Emerson, [Reaching Higher: Canada’s Interests and Future in Space – Volume 2](#), Ottawa, November 2012; and Tom Jenkins, [Canada First: Leveraging Defence Procurement Through Key Industrial Capabilities](#), Ottawa, February 2013.
71. Department of Finance, [The Next Phase of Canada’s Economic Action Plan: A Low-Tax Plan for Jobs and Growth](#), Budget 2011, 6 June 2011, p. 85.
72. Government of Canada, “[Leveraging Defence Procurement to Create Jobs and Economic Growth in Canada](#),” News release, 17 March 2014.
73. PSPC, *Defence Procurement Strategy*.

74. The *Defence Capabilities Blueprint* provides information, including funding ranges and timelines, about approximately 240 major defence procurement and infrastructure projects valued at more than \$5 million and in-service support contracts valued at more than \$20 million. See DND, *Defence Capabilities Blueprint*.
75. Under the *Defence Production Act*, the Minister of PSPC has the

exclusive authority to buy or otherwise acquire defence supplies and construct defence projects required by the Department of National Defence, except: (a) defence projects to be constructed by persons in the employ of Her Majesty; and (b) such defence supplies or defence projects as the Minister of National Defence or any other Minister designated by the Governor in Council may procure and construct at the request of the Minister.

See *Defence Production Act*. In 2014, DND's delegated contracting authority to procure defence goods and supplies independently from PSPC (then known as PWGSC) was limited to \$25,000; PSPC handled all DND contracts valued at more than \$25,000. Under the Defence Procurement Strategy, DND's "authorities to independently contract" were progressively increased to \$400,000 and then "phased up" to \$1 million and then to \$5 million "once functioning well." See PSPC, [Supporting Industry to Better Leverage Defence Procurement](#), 16 April 2015. According to PSPC, increasing DND's contracting authority under the Defence Procurement Strategy will "provide the Minister of National Defence with increased authority to proceed with the purchase of goods, under conditions set by the Minister" of PSPC, and "is expected to provide increased efficiency in the purchase of goods of lower value and complexity by reducing the transaction overhead cost of working between two departments."

See PSPC, [Increased authority for National Defence to purchase defence supplies](#), *Defence Procurement Strategy*.
76. DND, [Readiness Assessment for Defence Procurement Strategy – Increased Contracting Authorities \(Phases 2 and 3\(a\)\)](#), Final report, Assistant Deputy Minister (Review Services), December 2017, pp. 4–5.
77. Jody Thomas, Deputy Minister of National Defence, [National Defence Response to Recommendations 4, 7 and 8, as promised in the Government Response to the Twenty-Ninth Report of the Standing Committee on Public Accounts, entitled Report 7, Operating and Maintenance Support for Military Equipment – National Defence, of the Fall 2016 Reports of the Auditor General of Canada](#), 30 April 2018, p. 5.
78. PSPC, *Defence Procurement Strategy*.
79. See PSPC, *Defence Procurement Strategy*; PSPC (2015); Government of Canada, [Canada Launches Third-Party Oversight of Defence Procurement](#), News release, 1 June 2015; Government of Canada, [Independent Review Panel for Defence Acquisition](#); Government of Canada, [Independent Review Panel for Defence Acquisition \(IRPDA\)](#); Government of Canada, [Terms of Reference for the Independent Review Panel for Defence Acquisition](#); Government of Canada, [Minister Finley Announces the Establishment of an Interim Defence Analytics Institute](#), News release, 19 February 2014; and Government of Canada, [Government of Canada Unveils Value Proposition Guide](#), News release, 19 December 2014.
80. PSPC, *Defence Procurement Strategy*.
81. PSPC, [Streamlined and coordinated decision-making](#), *Defence Procurement Strategy*.
82. Ibid.
83. Ibid.
84. DND, [Strong, Secure, Engaged: Canada's Defence Policy](#), 2017, p. 74.
85. DND, *Strong, Secure, Engaged* (2017), pp. 75, 112.
86. See DND, [Defence Investment Plan 2018](#), 2018, p. 5; and PSPC, *Defence Procurement Strategy*.
87. DND (2019), p. 8.

88. PSPC said that,

normally, PSPC is required to seek Treasury Board ... approval for all defence contracts above its contracting limits, regardless of the risk and complexity of a particular contract. Those limits are: \$40 million for goods and \$20 million for services procured through competitive procurements and \$2 million for goods and \$3 million for services procured through non-competitive procurements.

However, under the pilot project, "procurements considered low risk and low or medium complexity will be recommended for approval within PSPC." PSPC noted that it will "work in partnership" with DND and the TBS to "assess contract risk and complexity," and that this assessment will include consideration of a number of factors, such as "the number of business rules, the size of the procurement or contract, supplier history and the impact of trade agreements." According to PSPC, "procurements considered higher risk and complexity will continue to require [TBS] approval, where the dollar value of the contract exceeds PSPC's contracting limits." See PSPC, [Background: Piloting a streamlined approval process for defence procurements](#); PSPC, *Defence Procurement Strategy*; and PSPC, [Risk-based pilot project](#).

89. PSPC, *Defence Procurement Strategy*.

90. DND (2019), p. 13.

91. For example, see Alastair Allan, "Joint Venture Option Visibility for Managing Major Defence Projects," *Frontline Defence*, Vol. 11, No. 4, 2014, pp. 12–13; Charles Davies, [Competition in Defence Procurement: The Popular Choice, But Not Always the Right One](#), Vimy Paper 26, CDA Institute, December 2015; Charles Davies, [Canada's Defence Procurement Strategy: An End or a Beginning?](#), Vimy Paper 20, CDA Institute, September 2014, pp. 11–13; Alyssa M. Gagné, "RCAF Procurement: Canadianization is Not the Best Fit for Canada," *Royal Canadian Air Force Journal*, Vol. 8, No. 3, Summer 2019, pp. 24–35; Vern Kakoschke, [Financing Capital Assets: The Missing Link in Defence Procurement](#), CGAI, February 2020; Jon Mack, "Defence Procurement – Is it Broken?," *Frontline Defence*, Vol. 16, No. 2, 2019, pp. 10–11; Ian MacMillan, "I'll Make the List, You Go to the Store: Dividing Labor in Canadian Defence Purchases," *Canadian Foreign Policy Journal*, Vol. 23, No. 2, 2017, pp. 146–157; Kim Richard Nossal, *Charlie Foxtrot: Fixing Defence Procurement in Canada*, Dundurn Press, Toronto, 2016; Dave Perry, "Canada is Making Real Procurement Progress, but Still Falling Short of Strong, Secure, Engaged," *Canadian Naval Review*, Vol. 14, No. 3, 2019, pp. 35–36. David Perry, [Fixing Procurement](#), CGAI, July 2016; Dave Perry, [Putting the 'Armed' Back into the Canadian Armed Forces: Improving Defence Procurement in Canada](#), Vimy Paper, CDA Institute, January 2015; William Richardson et al., [Toward Agile Procurement for National Defence: Matching the Pace of Technological Change](#), CGAI, June 2020; Sven Tommi Rebien, [Canada's New Defence Procurement Strategy: Has the Pendulum Swung Too Far?](#), CDFAI, April 2014; Martin Shadwick, "Prescriptions for Defence," *Canadian Military Journal*, Vol. 15, No. 4, Autumn 2015, pp. 59–65; Sloan (2014); J. Craig Stone, "Improving the Acquisition Process in Canada," *SPP Research Papers*, School of Public Policy, University of Calgary, Vol. 8, No. 16, April 2015; J. Craig Stone, [Implementing the Defence Procurement Strategy: Is It Working?](#), CGAI, July 2016; Senate, Standing Committee on National Finance, [First Interim Report on Defence Procurement: Summary of Evidence](#), 1st Session, 42nd Parliament, June 2019; and Vern Kakoschke and Marcia Mills, [Financing Defence Procurement in Canada: Where is the Oversight?](#), CGAI, December 2020.

92. David Perry, [The Defence Procurement Outlook for Canada's 43rd Parliament](#), CGAI, December 2019, p. 1.

93. For example, see Michael Byers, *Onto the Rocks: With disaster looming, National Shipbuilding Strategy needs urgent change of course*, Department of Political Science, UBC, December 2017; Hugues Canuel, "On the Rise of the Materialists and the Decline of Naval Thought in the RCN," *Canadian Naval Review*, Vol. 15, No. 3, 2020; Jeffrey F. Collins, [Overcoming 'Boom and Bust'? Analyzing National Shipbuilding Plans in Canada and Australia](#), CGAI, January 2019; Eric Lerhe, [Fleet-Replacement and the 'Build at Home' Premium: Is It Too Expensive to Build Warships in Canada?](#), Vimy Paper 32, CDA Institute, July 2016; Eric Lerhe, [Is There a 'Made in Canada' Premium for Building Warships?](#), *Canadian Naval Review*, Vol. 12, No. 1, 2016, pp. 32–35; Ian Mack, [Reflections on a Decade of the NSS](#), *Canadian Naval Review*, Vol. 16, No. 1, 2020, pp. 8–13; Ian Mack, [Emerging Lessons from the National Shipbuilding Procurement Strategy](#), CGAI, March 2019; Ian Mack, [A Third NSS Shipyard](#), CGAI, October 2019; Ian Mack, [A Basic Primer on Naval Shipbuilding](#), CGAI, February 2018; Dave Perry, [The First Decade of the NSS](#), *Canadian Naval Review*, Vol. 16, No. 1, 2020, pp. 36–38; Dave Perry, [Evaluating Justin Trudeau's Shipbuilding Record](#), *Canadian Naval Review*, Vol. 15, No. 1, 2019, p. 39; Dave Perry, [Get Going with the Refresh of the National Shipbuilding Strategy](#), *Canadian Naval Review*, Vol. 14, No. 2, 2018, p. 37; Dave Perry, [How is the National Shipbuilding Strategy Going?](#), *Canadian Naval Review*, Vol. 13, No. 4, 2018, pp. 36–38; Tom Ring, [Assessing the Progress of Canada's National Shipbuilding Strategy](#), *Canadian Naval Review*, Vol. 12, No. 4, 2017, pp. 9–14; Tom Ring, [The National Shipbuilding Procurement Strategy: How did we get to where we are now?](#), CGAI, March 2016; Elinor Sloan, [Editorial: A Perspective on Canada's Three Shipyard Decision](#), *Canadian Naval Review*, Vol. 15, No. 2, 2019, pp. 2–3; Howie Smith, [National Shipbuilding Strategy: Not Perfect, Not Broken](#), *Canadian Naval Review*, Vol. 13, No. 4, 2018, pp. 27–30; J. Craig Stone, [The Demise of the National Shipbuilding Strategy: Is it Inevitable?](#), CGAI, October 2019; Ian Wood, ed., [Human Capital and the National Shipbuilding Procurement Strategy](#), Maritime Security Occasional Paper No. 18, Centre for Foreign Policy Studies, Dalhousie University, 2015; and Ian Wood, ed., [National Shipbuilding Procurement Strategy: Charting the Course](#), Maritime Security Occasional Paper No. 17, Centre for Foreign Policy Studies, Dalhousie University, 2014.
94. For example, see Jeffrey Collins, [Defence Procurement Canada: Opportunities and Constraints](#), CGAI, December 2019; Ian Mack, [A Single Canadian Defence Procurement Agent](#), CGAI, December 2019; Brian Mersereau, [A new Defence Procurement Agency – Would it solve anything?](#), *Ottawa Citizen*, 4 November 2019; Elinor Sloan, [Organizing for Defence Procurement](#), *Frontline Defence*, Vol. 14, No. 4, 2017, pp. 8–9; Alan Williams, [The Continuing Erosion of Accountability](#), *Frontline Defence*, Vol. 12, No. 1, 2015, p. 19; and Alan Williams, [Fixing Defence Procurement \(it's not rocket science\)](#), *Frontline Defence*, Vol. 11, No. 2, 2014, pp. 12–15.
95. Perry (2019), *The Defence Procurement Outlook for Canada's 43rd Parliament*, p. 1.
96. Liberal Party of Canada, [Forward: A Real Plan for the Middle Class](#), 2019 Electoral Platform, 2019, p. 71.
97. Conservative Party of Canada, [Andrew Scheer's Plan for You to Get Ahead](#), 2019 Electoral Platform, 2019, pp. 86–87.
98. Justin Trudeau, Prime Minister of Canada, [Minister of Public Services and Procurement Mandate Letter](#), 13 December 2019; Justin Trudeau, Prime Minister of Canada, [Minister of National Defence Mandate Letter](#), 13 December 2019; and Justin Trudeau, Prime Minister of Canada, [Minister of Fisheries, Oceans and the Canadian Coast Guard Mandate Letter](#), 13 December 2019.
99. The federal government is moving forward with some of the most expensive and complex defence procurement projects in Canadian history, and the evolution of those projects will likely attract significant political, media and public attention in the coming years. For example, at an estimated cost of between \$56 billion and \$60 billion, the Canadian Surface Combatant project is at present the most expensive defence procurement project in the country's history. The project will replace the Royal Canadian Navy's fleet of destroyers and frigates with 15 new warships. The second most expensive project is the Future Fighter Capability project, which will replace the Royal Canadian Air Force's fleet of CF-18 jet fighters with 88 new advanced fighter aircraft at an estimated cost of between \$15 billion and \$19 billion. See DND, [Canadian surface combatant](#) and [Future fighter capability project](#).