Pete and Jake are neighbours. They are good friends with similar backgrounds, but when it comes to defence procurement they really are on “Opposite Sides of the Fence.”

After a number of years in the Canadian military, Pete now works for a defence firm. His views on procurement are similar to many of his peers in the defence industrial sector. Pete asks a lot of questions and likes simple answers.

A senior official at DND, Jake had a long and enjoyable career in the CF. He then spent some years in industry and has now returned to the public service. Jake understands the complex demands of government and how the system works.

Pete: Hey Jake, I am sure glad that you and your wife will be dropping over for a BBQ with me and the Missus. The summer is almost over and we haven’t had much chance to talk about what is going on over at DND. I know that you guys have been very busy these last few months trying to get some major projects out the door!

Jake: Thanks Pete, nice of you to invite us over. You’re right. It’s been a busy summer – no question – so it’s great to take one of these rare perfect Ottawa Valley evenings to flush up the BBQ, and relax and reflect over a cool one. Besides, it’s always nice to see if the grass really is greener on this side of the fence!

Pete: There seems to be a lot more effort lately to reach out and get the opinion of industry on these defence projects, rather than just tell us that a procurement is coming and leave us in the dark until the RFP comes out. What’s behind all of that?

Jake: Good and timely question Pete. There’s a sea change in the works in how we consult with “Industry.”

Traditionally, to engage industry, we would initiate an “Industry Day” where, by and large, we’d simply transmit. We would describe the background and requirements of the new project, explain how the procurement strategy was structured, and give an indication of how it would likely unfold. It’s helpful information to be sure, but not so much an “engagement” as a “transmission” of information about decisions that have already been made. And while it’s true that we invite people’s comments and ideas, it probably bears more of a resemblance to the bidding conferences of old than it does to the kind of consultation we now have in mind.

We’ve listened to what many in the community have been saying, and our intent with this new approach is to get the benefit of the broad array of experience and ideas at an early enough stage in the process so that we can take advantage of the good ideas that are out there.

Getting a project through to approval and implementation is a challenging process. Even good ideas will not be taken up if they come so late in the process that they would set the project back – and the timely delivery of capability to those who need it. If we can get the suggestions early enough, we can explore and adopt those that would make sense.

The other benefit is that it will give companies the early information that they need to consider whether the project is something that they’re interested in.

Early engagement in this way also allows us to consider consulting with industry and other stakeholders at the program-level, not just project-level.

That Shipbuilding Consultation we heard about was a good example of looking at the Government’s needs from a sector and overall program basis and not just a single project basis.
While we are committed to sincere industry engagement, I should point out two things. First, one size doesn’t always fit all, and so there will continue to be engagements and Industry Days on single projects. Engagement could be simple, or quite complex, like it was for Halifax Class Modernization, an engagement that in many ways can be considered to have broken the mold.

Second, we’re seeking ideas, and while folks should expect that every idea will be read and considered, they should not expect that every idea will or can be accepted. I’m expecting a whole spectrum of ideas that will challenge and shape our thinking about capabilities, requirements and strategies. We’ll take all the thoughts and suggestions, give them a genuine read, analyze, select, combine and modify those that have potential, and use those thoughts to shape our advice to Government.

Pete: But the guys over in PWGSC don’t seem to be doing DND much of a favour. They seem slow to get requirements turned into procurement documents and it seems that they are pushing for competitions on everything that comes along, even the most trivial and obvious items. Doesn’t that just waste everybody’s time and money?

Jake: It does seem that way at times, but to be honest it wouldn’t be fair. Truth is, I’ve seen many great examples of extraordinary effort to “make it so” by a given date, and many examples where people at all levels have, for example, personally championed getting capability into theatre. PWGSC’s procurement folks are quite stretched: being at the call of every federal department and agency; sometimes not being brought in (engaged!) early enough in the process; being both the enabler for procurement and the watchdog for all of Government’s procurement policies; being told that procurement is about managing risk and being told to avoid all risk; and having to try to shape and evolve systems and processes that can work when you’re buying a stapler and also when you’re contracting for a destroyer. It’s also knowing that if there is a mistake, despite the literally tens of thousands of successful individual procurements a year, it’s the mistake that will be talked about!

And I’d like to say that DND is always perfect in what it does! I wish!

Pete: You guys in DND want firm, fixed-price, performance-based contracts for your equipment and support because it offloads risk and provides you with price predictability. Industry is prepared to do this, but it has to factor in some financial margin for risk. We then work very hard to minimize that risk. If we fail, we stand to lose a great deal of money. If we succeed, we make a profit. But if we do succeed, PWGSC gets concerned that we are making too much money and they want to go back to the old “Time and Materials” basis of payment so they have more detailed oversight with the ability to curtail profit margins. That is neither commercially sound nor fair.

Jake: You’re right, when we’re not in sync, it can sure make it tough on companies as they try to deal with the ambiguity and uncertainty of views that aren’t converging. We generally agree on most things, but there are definitely times when we haven’t seen eye-to-eye. We shouldn’t be surprised that differences of opinion arise when there are two large but separate organizations — with different mandates — working together.

You’ll be glad to know that we’re working together, at a senior level, to deal as promptly as possible with the issues that arise. Our discussions are frank, generally informative for both sides, and almost always productive. I’d even say that 90% of situations are resolved just by sharing information, including sharing background and perspective.

We’re also engaged quite directly with each other, and with the folks at Industry Canada, on the initiatives to improve military and general procurement. We’ve got a number of good examples now of individuals who’ve served in one department and are now serving in the other — they bring a network of contacts and an appreciation of “being in the other guy’s shoes.”

Pete: You’re an old sailor, Jake. What do you think is going to happen on this whole shipbuilding study the government is doing? Do you think this is just going to be another examination of the obvious that will go on the shelf and grow barnacles, or will the government really do something progressive with it?

Jake: Arrrr, Pete, I’m impressed with the sailor-talk. Hey, what’s this about “old”?

My personal view is that this time it’s different. Very different. For one, I can’t think of any major player in industry or in the key departments who doesn’t “get it.” It’s been a long haul in helping many who understood very little about the shipbuilding and marine industries — or worse, who understood only the urban legends about unproductive and expensive Canadian yards and workers — to understand that Canada has had remarkable success in building innovative ships and ship systems, at a cost that is quite competitive when you add in all the other bits that are often hidden in other parts of other nations’ budgets. The advantages of a sustainable shipbuilding strategy have been obvious for decades, but there was not the broad-based understanding and will to make it happen that I’m seeing now.

This includes the shipyards themselves, who know that any such strategy means that choices will have to be made. We may all need to put some water in our wine, but there’s a staggering amount of work and opportunities available for people across this country once we forge a smart, sustainable way ahead.

By the way, one of the most impressive aspects of this engagement is that most of the companies are approaching this — thus far — in a non-parochial way. There’s self-interest, to be sure, but there’s hardly a senior person in the industry that isn’t acutely aware of how destructive the alternative, “boom and bust,” is to the yards, the workers, their families and their communities.

And not just destructive in the generally understood short term of the boom and bust. Destructive in the longer term too, because it doesn’t just mean that you have the misfortune of going through a bust period, it means — in today’s globally competitive economy — that you’re set back to the start line again in building the kind of capability and industry centres that are key to success.

So I’m hopeful (cautiously optimistic I’d say), that together we can seize this opportunity for Canada.
Pete: Well, buying new equipment is one thing but what about keeping it running? I’ve heard that the guys in DND that manage the in-service support of the fleets of aircraft, ships and army vehicles are having their funding cut back again. This happens every year and it makes no sense. You know what would happen to that old car sitting in your driveway if you didn’t spend any money to do maintenance on it. It would fall apart sooner than you can imagine and you and the wife would be at the mercy of OC Transpo.

Jake: Funny – I think I can hear the rumble of an OC bus going by in the background!

You’ve heard right, there’s been a lot of activity going on to adjust the allocation of funds to where they’re needed the most. The Department of National Defence deals with one of the most dynamic and complex situations in Government, which is part of the reason why it attracts those of us in this community! So, you’re right that this isn’t the first time, nor the last time this will happen. Probably fair to say that it’s more of an unusual year when there isn’t a situation or combination of events and factors that forces another look at spending plans that were developed over a year ago.

And as a large program in the Department, the National Procurement program and the thousands of individual support strategies and procurements of which it’s made will always be a significant consideration at any time of reallocation.

What you’ll be encouraged by is – as a senior officer reminded me the other day – that “NP” is no longer thought of as “the residual.” Or, the bad old days when NP was what you did with the money that you had left over (chuckle).

I know I’m exaggerating for effect in saying this, but there were times in our careers when there was not the same visceral understanding of the “delayed-but-no-less-real” operational consequences of spending on maintenance and support that was too low. In this too, the senior folk in the department now “get it.” After all, what’s the point of spending billions on procuring equipment if you don’t do the maintenance so that it’s operationally available and reliable?

So we’re going through a reallocation process that is not uncommon in our history and practice, but with experienced ears tuned to hear and understand the challenges and need of maintaining and sustaining “the family car.”

Will there be some changes? We should expect there will be. We should also expect, however, that the priorities will go to supporting the kit that our men and women who are out there in Afghanistan, or on the SAR or NORAD hangar line, or at sea in some unsavoury part of the world, depend on.

We should also remember that any adjustments being contemplated are to a program that is 50% better funded than it was just five years ago. I know that doesn’t make it any easier if it’s your expectations that have to be adjusted, but it’s useful to keep the overall in perspective.

Pete: Oh, the Missus is giving me the high sign. It is time to throw the steaks on the BBQ. How do you like yours done, Jake? And, what do you say I pop the cork on this bottle of red that you brought and let it breathe a little while we see these “T” bones.

Jake: Sounds like a plan, Pete! I like mine charred a bit, by the way. Makes me feel right at home (chuckle, inside joke).