

**GOVERNMENT RESPONSE TO THE STANDING COMMITTEE ON NATIONAL
DEFENCE REPORT, ENTITLED: *REPORT 12 – A TIME FOR CHANGE: REFORMING
DEFENCE PROCUREMENT IN CANADA***

The Government of Canada remains committed to addressing the long-standing challenges within the defence procurement system. In its response to the recommendations from the Standing Committee on National Defence's Twelfth Report, the Government has organized its responses under five key themes: Streamlining, Simplifying, and Improving Procurement Processes; Enhancing Defence Funding and Capabilities; Training and Continuous Improvement; Enhancing Collaboration and Partnerships; and Promoting Transparency, Accountability, and Inclusivity.

Each theme represents concerted efforts to reform various aspects of the defence procurement process. The Government recognizes the need to reduce bureaucratic hurdles, simplify procedures, and align procurement practices with international standards to increase efficiency. Furthermore, the timely delivery of modern defence capabilities and the alignment of funding with Canada's strategic priorities are essential to ensuring the Canadian Armed Forces is well equipped to assert our sovereignty and protect Canada's interests at home and abroad.

Streamlining, Simplifying, and Improving Procurement Processes

The Government of Canada recognizes the need for a defence procurement system that is efficient, transparent, and capable of meeting the complex demands of the modern security environment. Over the years, persistent challenges such as bureaucratic hurdles, the complexity of procurement processes, project delays and cost overruns have hindered the effectiveness and efficiency of defence procurement. To address these issues, the Government is committed to streamlining and simplifying procedures, identifying and eliminating redundancies, and aligning Canada's procurement practices with international standards. The recommendations within this theme reflect a comprehensive effort to enhance clarity, reduce complexity, and improve overall efficiency within the procurement process, ensuring that the Canadian Armed Forces (CAF) can rapidly acquire the capabilities required to deliver security to Canadians at home and protect Canadian interests around the world.

Recommendation 1

That the Government of Canada internally review and map the defence procurement process from start to finish, across all relevant departments and agencies, with the purpose of simplifying Treasury Board Secretariat guidelines and removing any points of duplication.

The Government agrees that it is important to have a detailed end-to-end mapping of the defence procurement processes to isolate deficiencies and identify opportunities to improve the timeliness of project delivery and efficiency of the processes. Various descriptions of the processes, tailored to both the type and complexity of projects, are currently available to guide leaders and managers on project and program management. The Government is continuously reviewing the defence procurement processes from start to finish, involving all relevant departments and agencies to identify areas for improvement and remove any points of duplication.

The Government continuously assesses its procurement processes to find efficiencies and streamline operations while ensuring compliance with all relevant policies, regulations, and acts. In 2021, Treasury Board reset its investment and procurement policies, replacing the prescriptive Contracting Policy with the principles-based Directive on the Management of Procurement. This change simplified TB procurement policies, removed duplication with departmental procedures, and provided more flexibility to departments to manage within their individual operational contexts.

With the April 2024 release of the Defence Policy Update - *Our North Strong and Free (ONSAF)*, Canada reaffirmed its commitment to launch a review of the defence procurement system. PSPC's Defence Procurement Review Office is reviewing all relevant policies and will make recommendations as part of their work. This ongoing effort identifies opportunities for improvement, enabling targeted adjustments to streamline procedures. Simplifying processes and removing redundant steps will enhance the efficiency of the procurement process, ensuring timely and cost-effective delivery of defence capabilities. These efforts demonstrate the Government's commitment to improving procurement practices and supporting the CAF's operational requirements.

Recommendation 2

That the Government of Canada convene a Secretariat within the Privy Council Office to bring together all relevant public servants and ensure defence procurement remains a top priority for the Prime Minister's Office.

The Government acknowledges that an organization that brings together all relevant public servants is key to ensuring that defence procurement remains a priority.

Established in 2014, the Defence Procurement Strategy (DPS) is an interdepartmental initiative that provides governance over defence procurement in Canada. Although DPS governance comprises four core departments (Department of National Defence (DND), Public Services and Procurement Canada (PSPC), Innovation, Science and Economic Development Canada (ISED), and Department of Fisheries and Oceans Canada and the Canadian Coast Guard (DFO/CCG)), the Privy Council Office (PCO) is an active participant and plays a key intervening role on defence procurement issues presented at deputy minister and assistant deputy minister governance committees.

Within PCO, responsibility for defence procurement files is held by the Operations Secretariat, led by a Deputy Secretary to the Cabinet who has a direct reporting relationship to the PCO Clerk. Further, the Deputy Secretary to the Cabinet (Operations) provides a monitoring, coordination, and advisory function on defence procurement issues in relation to briefing the Prime Minister and the Prime Minister's Office (PMO).

The PCO Operations Secretariat also works closely with implicated departments and provides a central coordination role among the government's central agencies on key policy and funding issues related to defence procurement to facilitate implementation and ensure that adequate funding, policy and program authorities are in place. Thus, PCO ensures government-wide coordination on critical files and maintains a direct reporting line to the Prime Minister and senior leadership on defence procurement issues, including support for Cabinet's decision-making function on key defence procurement files.

PCO continues to have key responsibility for engaging with relevant departments and providing a central coordinating function on the defence procurement review, reflecting the importance and prioritization of defence procurement issues by the Prime Minister.

Recommendation 3

That the Government of Canada depoliticize procurement decisions and increase the chances of them persisting across changes in government by redesigning the procurement process to allow specialists to create procurement policy subject to periodic review by Parliament.

Regarding the Report's recommendation to depoliticize procurement decisions, the Government acknowledges its importance. However, since this recommendation falls partly within the purview of the House of Commons and its parliamentary privilege to regulate its internal affairs,

it is recommended that this matter, including any concerns about partisanship in procurement, be referred to the House of Commons. Motions to depoliticize procurement decisions and encourage bipartisan consensus on the procurement process are inherently linked to parliamentary activities and broader public and political debates on defence. Such debates and deliberations related to military affairs inform the positions of Members of Parliament on defence procurement issues – alongside their party views. This dynamic is a fundamental aspect of the democratic deliberative process facilitated by the House of Commons.

The Government remains committed to enhancing the procurement process with particular focus on the need to streamline defence procurement. The Government maintains a strong focus on conducting procurements in a fair, open, and transparent manner and in accordance with policies, regulations, trade agreements and other applicable guidance. In its role, PSPC acquires defence goods and services, including ships, aircraft and supporting services on behalf of the CAF, CCG and other government departments. PSPC collaborates closely with government and industry partners to ensure the CAF and CCG members have the equipment they need to carry out their mandates and assigned missions, while leveraging economic benefits for Canadians. This approach includes early and ongoing engagements with industry and clients to better understand available industry solutions, share information between industry and government, provide industry with a better understanding of capability requirements and desired benefits to Canada, and facilitate more timely and informed decision-making.

Recommendation 7

That the Government of Canada review the lifecycle costing of procurement to ensure the process for foreign bidders considers the relevant findings of international audit agencies.

The Government acknowledges the necessity of reviewing procurement lifecycle costing to ensure all applicable costs are captured, including all relevant findings from audit agencies regarding foreign suppliers.

A lifecycle cost estimate provides a comprehensive and structured accounting of all resources and associated cost elements from initial concept through operations, support, and disposal. Lifecycle costing enhances decision making and informs budgetary decisions, key decision points, milestone reviews, and investment decisions. Delivering lifecycle costing is a key requirement of the *Planning and Management of Investments Policy*. The Policy requires that decisions be based on an assessment of full lifecycle costs while demonstrating best value and sound stewardship. Specific requirements are articulated in the Policy and other supporting policy instruments, such as the *Directive on the Management of Projects and Programmes*, *Directive on the Management of Materiel*, *Directive on the Management of Procurement*, and *Directive on the Management of Real Property*.

Aligned with the objectives and expected government-wide results identified in the *Treasury Board of Canada Policy on Financial Management*, the *Treasury Board of Canada Secretariat's Guide to Costing* outlines the principles and processes used to develop credible costing information. Additionally, DND uses a Costing Handbook that outlines a cost validation process to examine the financial and strategic aspects of major capital projects and submissions. Moreover, DFO/CCG has a dedicated Standard Costing

and Procedures team to ensure a consistent approach is applied when developing, reviewing and assessing departmental cost estimates.

As lifecycle costing is a forecasting activity, it is imprecise and subject to various factors such as working assumptions, forecasting models, and costing methodologies which can affect its accuracy. While lifecycle forecasting aims to provide informed estimates, the inherent uncertainties and variables make it inexact. As the project matures, more detailed and reliable data is available which leads to increased lifecycle cost certainty. However, cost uncertainties (production and labour cost fluctuations, inflation, and foreign exchange rates) will persist throughout the life cycle of procurement which may result in actual lifecycle costs exceeding estimated lifecycle costs.

PSPC and DND are committed to developing the lifecycle costing process by incorporating all available information, including international audit findings, industry benchmarks, and best practices from other countries. Examples of these sources of information include: the Parliamentary Budget Officer Reports, The Life Cycle Cost of the Canadian Surface Combatants – A Fiscal Analysis (October 2022), and The Life Cycle Cost of Canada's F-35 Program – A Fiscal Analysis (November 2023), to benchmark costs estimates approaches and techniques.

In addition to resource limitations (people, time, and processes), the availability of quality data significantly impacts the certainty of lifecycle cost estimates. To refine lifecycle cost estimates, historical and projected project costs from other equipment users is often used. For example, the Parliamentary Budget Officer's estimates for the F-35 project's acquisition, operations and sustainment, and disposal phases included data from DND and the United States Government's Selected Acquisition Reports for the Joint Strike Fighter (F-35) program. This comprehensive approach ensures that lifecycle cost assessments are robust and well-informed. Client department Chief Financial Officers play a critical role in this process, providing financial oversight and ensuring all relevant costs are considered.

Recommendation 9

That the Government of Canada move away from a transactional model of procurement for major platforms like ships and aircraft to a continuous replacement model in which new generations of platforms are designed and ready for delivery before current models reach the end of their useful lives.

As outlined in *ONSAF*, the Government agrees to move away from a transactional model of procurements.

The Government is responsible for equipping the CAF with the resources required to achieve the defence mandate and execute its assigned missions. Currently, specific military equipment and platforms are used to deliver capabilities and operational effects; however, as technology advances, these outcomes may be realized via different means and not a one-for-one replacement basis.

Defence procurements for major platforms and systems are inherently complex, often multinational, and may encounter developmental challenges that lead to delays and cost escalations threatening a program's viability. The lead time for major capital acquisitions can exceed a decade and, as a result, are undertaken within evolving security and economic

environments further complicating the procurement and delivery of the requisite operational capabilities to the CAF.

Timely renewal is critical to ensuring the CAF has the operationally relevant, modern, and technology-compatible equipment and systems required to respond to changes in the global geopolitical environment and the impacts of climate change. Due to long delivery times, the CAF often requires interim solutions to minimize the operational impact of lost capabilities due to aging or non-compatible platforms and systems. However, due to the nature of CAF operations, a readily available interim solution may not always exist. Without a readily available interim solution, the CAF is required to accept the capability gaps and, occasionally, operate at a reduced capacity to deliver Government priorities.

To accelerate the integration of new technologies into vehicles, vessels, aircraft, and other equipment, the Government is piloting a Continuous Capability Sustainment (CCS) programmatic approach to upgrading equipment. The aim is to provide DND with the flexibility to integrate the latest technology and innovations during regular maintenance cycles instead of waiting years to do a minor upgrade.

To position the Canadian defence industrial base to meet the operational requirements of the CAF, *ONSAF* committed the Government to reviewing the defence policy every four years, regularly engaging industry on the development of technologically relevant, modern capabilities, and introducing contemporary approaches to efficiently and effectively sustaining and rapidly upgrading CAF equipment. Establishing a periodic approach to defence reviews will allow Canada to regularly assess the security environment and its implications for Canada, evaluate progress against plans, and address capability gaps in an integrated whole-of-government approach, leveraging the full range of available national security tools. This systematic defence review will enable the deliberate, phased approach to evolving the CAF to be well positioned to respond to the changing operating environments and threats. These defence reviews will provide clarity and transparency to the entire defence ecosystem: Canadians, our Allies, partners, and the Canadian defence industry.

As part of the development, a government-industry working group has been established under the Defence Industry Advisory Group to inform the process. This working group includes representation from DND, CAF, PSPC and ISED. A continuous approach to sustainment will provide the CAF with the flexibility to integrate technology and innovations in more regular, incremental maintenance cycles to ensure CAF equipment remains technologically relevant, fit for purpose and aligned with the extant high level mandatory requirements.

Recommendation 11

That the Government of Canada direct the Department of National Defence to review the process for contracting out base maintenance and service contracts to ensure the department can adequately complete a value-for-money analysis.

DND agrees to continually aim to achieve its value-for-money objective through leadership, innovation, and collaboration; liaising regularly with decision makers to seek out different perspectives and leveraging these views into efficiencies in the way base maintenance is conducted and service contracts awarded. This includes discussions with local Base and Wing Commanders, dialogue with industry associations, consultations with Indigenous partners, and engagements with union leaders. Specific initiatives by DND include recurring meetings with

industry representatives (i.e. Facilities, Operations, Maintenance/Management Association of Canada) to optimize service delivery at bases and wings across Canada; information sessions for Indigenous businesses, hosted by Defence Construction Canada, as an opportunity to learn more about DND's upcoming programs and to connect with the decision makers and contractors delivering on real property projects; and working groups on professional services delivery, hosted by the Canadian Forces Real Property Operations Group, a collaborative, open, forum with labour representatives to ensure transparent decision making through exchange of information and perspectives.

DND established the Alternative Service Delivery Program in 1995 to provide a framework for the CAF to pursue the most cost-effective ways of delivering site support services. The program's concept of value-for-money was reaffirmed in 2016 when DND prepared business case analyses for the re-procurement of new Base Support Contracts (Goose Bay, Alert, and Meaford).

Canada's defence real property portfolio provides the property, works, and facilities necessary to generate and maintain the requisite military capabilities. With a value of \$26 billion, DND's real property portfolio constitutes the largest real property collection in the Government of Canada. To manage this portfolio, DND utilizes a variety of service delivery models that address the unique operational needs of the CAF and ensure that the solutions it develops deliver the best value-for-money for all Canadians.

Recommendation 12

That the Government of Canada direct the Department of National Defence to establish an electronic system that accurately tracks, controls, and reports on its contracting activities, including documentation related to any ongoing and completed procurement projects, and ensures all contracts that are required to be proactively disclosed are disclosed.

The Government of Canada agrees in principle with this recommendation. DND currently utilizes the Contract Data Management System (CDMS) to monitor, disclose, and report its procurement activities. This system serves as a central repository for all contract-related information and provides a comprehensive overview of procurement operations within the department. However, CDMS' effectiveness relies heavily on users manually entering contract information, which can sometimes lead to delays, inaccuracies, and inconsistencies of information, which impacts the reliability of the reports.

To reduce the reliance on manual data entry, DND is developing a system that maximizes automated data collection and analysis, updating its current system, including the contracts' financial records, to capture all the necessary data, and developing a transition plan to fully exploit the system.

While DND is not establishing a single electronic system to track, control, and report on its contracting activities, the use of business analytics tools such as Power BI, in conjunction with current systems, will enable DND to provide real-time analytics and visualizations and offer timely reporting on contracting activities when required to effectively respond to inquiries. This

approach reduces the risk of human error and shorten the time needed to generate procurement reports.

Over the long-term, DND is evaluating the possibility of expanding the use of current systems to track, control, and report on its contracting activities, and making use of the full capability of these systems. These efforts contribute to continual improvements in the creation of required reports on contract activities, including ad hoc reports such as comprehensive land claim agreements and the mandatory five percent Indigenous procurement target required by the Government of Canada.

Recommendation 13

That the Government of Canada investigate the use of a procurement tracking software system to increase accountability between departments, reduce delays and track internal performance measures.

The Government of Canada acknowledges this recommendation and will explore ways to leverage procurement modernization initiatives to enhance interdepartmental collaboration.

The Government of Canada has implemented several measures to improve the tracking of defence procurements. For example, PSPC launched CanadaBuys, a new suite of procurement services designed to make it easier and quicker for suppliers to do business with the government. More specifically, the Buyandsell.gc.ca platform supports main procurement applications, assists in viewing, creating, and managing tender notices, standing offers and supply arrangements. CanadaBuys is the government's official tendering service and single point of access for federal, provincial and territorial government tenders, along with tenders for municipalities, academic institutions, schools, and hospitals.

As part of PSPC's commitment to modernize and simplify procurement, the newly introduced, Electronic Procurement Solution (EPS) provides expanded capabilities to support, advance and track social procurement initiatives through improved data sets. EPS will enable PSPC to gather and track data related to social procurement.

Recommendation 14

That the Government of Canada consider adopting a digital technology platform that would contribute to: standardized defence procurement processes; improved management of defence procurement projects; enhanced transparency and accountability; and the identification of cost-saving opportunities.

The Government of Canada agrees to evaluate the integration of a digital technology platform to standardize and enhance the transparency and accountability of the defence procurement process.

PSPC is simplifying procurement practices by undertaking the phased implementation of its Contract Modernization Initiative (CMI), which aims to provide consistency and reduce complexity of government contracts based on feedback from the supplier community, in order to make procurement less burdensome for suppliers. The department will apply the new model to additional procurement activities.

Through the newly introduced EPS, PSPC has successfully established a cloud-based solution that provides Canada with a powerful, accessible and modern digital procurement platform that makes procurement simpler, faster and easier; including for suppliers seeking to find and bid on opportunities.

EPS will also increase efficiency and provide access to improved procurement data. In 2024, the EPS will transition to steady-state operations to become PSPC's primary procurement tool.

The department's capacity for procurement data and analytics is being enhanced to support evidence-based procurement program design and reporting, as well as its capacity to undertake research to measure the effectiveness of new and existing procurement initiatives. PSPC will continue implementing its multi-year procurement data and analytics strategy.

Recommendation 15

That the Government of Canada, when advisable, delegate some decision-making responsibilities for defence procurement to lower-level federal managers with the goal of meeting two objectives: reducing the number of approvals needed; and accelerating decisions relating to defence procurement projects.

The Government agrees with this recommendation and recognizes the need to streamline defence procurement processes to make them more efficient, through the reduction of time, level of effort and number of steps.

The Government has improved risk management within procurements and established a common understanding of roles and responsibilities among stakeholders. For instance, DPS included a significant increase in DND's contracting authorities, resulting in an increased level of autonomy and responsibility.

These enhancements enabled PSPC as the central purchaser for the Government of Canada to focus on more complex and higher value procurements. PSPC, also, implemented a robust review and approval framework for procurements that is based on a sound and systematic assessment of complexity, risk and dollar value, to determine the appropriate approval level for a particular procurement. These parameters are the cornerstones that inform appropriate and timely approvals. Procurement officers are equipped with the tools and guidance to support sound decision-making and navigation of the approval process.

Procurement teams are organized by commodity groupings to ensure that the personnel with the right expertise are assigned to manage procurement projects in an effective and efficient manner.

In addition to determining the appropriate decision-making level for establishing the procurement strategy, PSPC relies on the delegation of contracting authority, stemming from the contracting limits identified in the *Treasury Board Directive on the Management of Procurement*. The Minister of Public Services and Procurement may delegate appropriate contracting authority down to the lowest level of the department's procurement cadre. For the majority of procurements, the delegation instrument provides the manager an equivalent level of authority to enter into a contract as the deputy head.

In an effort to streamline approvals, empower lower levels of procurement personnel and facilitate expedited decisions, PSPC is examining the procurement risk assessment model that underpins the current framework. Recognizing that opportunities exist to potentially rebalance the system, future improvements could lead to greater efficiencies and contribute to a more accelerated pace of approvals.

Recommendation 16

That the Government of Canada make the Canadian procurement process more strategic and efficient by simplifying the criteria and focusing on performance-based criteria that will help deliver the mission rather than on prescriptive, detail-oriented criteria, so as to produce faster and better results that respond to the rapidly evolving international security threats and emerging capability requirements.

The Government agrees to review the procurement process with a focus on making the process more strategic, simplifying the criteria, and introducing the use of performance-based criteria to procure the equipment and services required to deliver the CAF's and Canadian Coast Guard mandated missions.

Currently, High Level Mandatory Requirements (HLMRs) are the foundational statements of operational requirements that describe a set of capabilities, expected outcomes, and effects or services to be delivered. HLMRs provide senior decision makers with a brief, high-level description of the objectives of a procurement that is free from specialist or technical language, focused on the required capability, and does not identify a specific solution. They are, also, used during the project planning and development phases to guide the development of the project, and facilitate options evaluation and selection to meet the CAF's operational requirements and confirm the project's alignment with DND's strategic goals. The Independent Review Panel for Defence Acquisitions (IRPDA), a key DPS component, assesses the validity of HLMRs, confirms the requirements are stated in clear language, and verifies the HLMRs:

- Are clear and free of technical and specialist language and can be used effectively to assess the proposed options to address the capability gap.
- Represent a general operational effect or capability, rather than a specific solution (platform, piece of equipment).
- Include sufficient detail to identify the degree of required capability.
- Address a credible gap in CAF capability.

As part of the review of the defence procurement system outlined in *ONSAF*, defence procurement stakeholders are examining internal processes to define requirements and approve projects and assessing the broader pan-government set of rules, regulations, and policies that govern military procurement. The defence procurement review is also examining long-term horizon CAF portfolio level road mapping as an approach to facilitate strategic programming and prioritization for capability delivery.

Recommendation 17

That the Government of Canada consider adopting a risk-based procurement approach and increasing the use of risk-based contract approvals to streamline defence procurement and reduce unnecessary process requirements.

In 2017, following the release of the Defence Policy, *Strong, Secure, Engaged (SSE)*, the volume of defence procurement projects increased. Recognizing the need to streamline contract approvals, PSPC implemented a risk-based approach pilot (RBA). The RBA supports DND by enabling a streamlined contract approval process permitting contracts for defence acquisitions that are low risk and low-to-medium complexity but that exceed the dollar values of PSPC's contracting limits.

To ensure a seamless implementation of the RBA, PSPC developed a framework, tools, guidance and training for procurement personnel. The RBA framework consists of comprehensive risk assessment tools with appropriate controls and oversight mechanisms that establish the conditions for a systematic evaluation to determine the approval authority based on risk and complexity, rather than solely on a dollar value. These measures support diligent, transparent and evidence-based practices that safeguard the integrity of the RBA approval process. Furthermore, the RBA process undergoes an annual review to assess its effectiveness and identify areas of improvement. The findings of such reviews have consistently shown that this process facilitates a faster and administratively streamlined contract approval. In 2020, the RBA pilot was extended to 2025.

Since its inception, the RBA has reduced the administrative burden and accelerated defence procurement approvals while maintaining an appropriate level of oversight. As reported by DND in the 2022-2023 Departmental Results Report, RBA resulted in an average savings of 62 business days in processing time per eligible defence project. In addition, defence requirements approved via the RBA created capacity gains which allowed resources to focus on the approval of medium-to-high risk and high complexity Defence requirements.

In January 2023, TBS and PSPC launched a '50-day challenge' aimed at reducing administrative inefficiencies in the approval process, thereby reducing the amount of time required to proceed with low-risk and low-to-medium complexity procurements.

Recommendation 18

That the Government of Canada update the defence procurement process to ensure that the use of the National Security Exception automatically triggers additional oversight by independent agencies.

The Government acknowledges the recommendation. PSPC reviews the NSE process regularly and the Government is reviewing procurement processes to ensure sufficient oversight of procurements invoking an NSE. PSPC works with Justice Canada when considering invoking the NSE, and Justice Canada exercises a challenge function for each NSE request before they are finalized.

The NSE is a provision found in Canada's domestic and international trade agreements that permits Canada to exclude a procurement from some or all obligations under relevant trade agreements where necessary to do so in order to protect its national security interests. However, this only exempts a procurement with a properly invoked NSE from the binding

requirements under trade agreements. The Government's commitment under the Financial Administration Act (s.40.1) to take appropriate measures to promote fairness, openness and transparency in the bidding process remain and procurements are still subject to the Government' Contracts Regulations' obligation to solicit bids (s.5) unless one of the exceptions (s.6) applies.

In accordance with the Canadian International Trade Tribunal Procurement Inquiry Regulations, the national security exception is properly invoked when an assistant deputy minister, or a person of equivalent rank, who is responsible for awarding the designated contract has signed a letter approving that the national security exception be invoked, and the letter is dated prior to the day on which the designated contract is awarded.

For procurements conducted by PSPC, client departments, including DND and DFO/CCG, submit NSE requests via a letter to PSPC ADM (AP). NSE requests are reviewed by the Specialized Services for Procurement Group prior to ADM (AP) approval being sought. After an NSE is invoked, the contracting officer must indicate in all procurement documents that an NSE has been invoked. The rationale for the invocation and the specific trade agreements from which the procurement is being excluded are identified in the procurement approval documents. A copy of the NSE approval letter must be kept on file.

Recommendation 23

That the Government of Canada empower the Procurement Ombuds with the authority to compel documentation from federal departments.

The Government of Canada acknowledges this recommendation and will explore whether the Procurement Ombud has the necessary authority to fulfill its mandate and review complaints and practices of departments for acquiring goods and services, including the possibility of empowering the Ombud with the authority to compel documentation from federal departments.

Reporting to the Minister of Public Services and Procurement, the Procurement Ombud has the mandate to review the practices of federal departments for acquiring materiel and services to assess their fairness, openness and transparency, make recommendations for the improvement of those practices, review contracting complaints, provide an alternative dispute resolution process, and inquire into complaints from suppliers that Canada did not adhere to regulations made under the Financial Administration Act.

The Procurement Ombud must also perform any other duty or function respecting the practices of departments for acquiring goods and services that may be assigned to the Procurement Ombud by order of the Governor in Council or the Minister of Public Services and Procurement.

Recommendation 33

That the Government of Canada work to bring our Request for Information (RFI) and Request for Proposal (RFP) requirements in line with allies to reduce overwhelming number of pages per application.

The Government acknowledges the importance of aligning Requests for Information (RFI) and Requests for Proposal (RFP) with allied processes and the criticality of having the requisite decision-making information available in a clear, concise manner.

A key component of the ongoing pan-departmental review of defence procurement policies and processes is the examination of procurement strategies and requirements-setting. This examination aims to streamline, simplify, and improve procurement activities which may result in the reduction of the number of pages in the RFIs or RFPs.

Governed by federal regulations, acts and governmental policies, the RFP ensures an openness and transparency in the defence procurement decision-making process. Given the complexity and scope of defence procurements, RFPs are specifically developed for each acquisition to capture individual project objectives and requirements, provide applicable regulatory and legislative information requirements, and set criteria on which the proposal will be evaluated. As new regulations, policies, or Government priorities are introduced, supplemental information is often required in the RFP thus an increased amount of documentation and additional pages are required to respond to the RFP.

Similar to Allies and partners, PSPC developed standardized templates to provide a common look and feel in acquisition documents, ensure consistency and uniformity in terminology used and simplify the contracting language by using plain language. Witnesses testified that RFPs in other countries are simpler and have fewer pages than Government of Canada RFPs; however, specific countries and detailed examples were not provided.

Previous efforts to simplify the procurement process and increase the number of bids or offers resulted in the introduction of the Phased Bid Compliance Process (PBCP). Although this process benefits the bidders by providing an opportunity to correct a finding of non-compliance, it does require additional information to be collected and increases the size of the overall RFP. As the financial threshold for the inclusion of a PBCP in the RFP is \$2M and the presence of another factor (for example, the project is complicated), the vast majority of defence procurements will include the PBCP component in the RFP.

As part of PSPC's ongoing work to modernize procurement tools and practices, the Canadian Collaborative Procurement Initiative was introduced to improve the efficiency and value of public procurement by sharing select federal procurement tools and bringing together the purchasing power from the broader public sector with provincial, municipal, non-government and intergovernmental organizations. Therefore, RFP changes could impact the broader public sector.

The Government will continue to evaluate the entire procurement process to identify opportunities and develop solutions to streamline, simplify and improve procurement activities, including those associated with RFI and RFP development and use.

Recommendation 34

That the Government of Canada does not base its conclusions regarding the capacity of the Canadian defence industry until an RFP is released and Canadian defence companies have had an opportunity to apply and be evaluated by a qualified defence engineer.

The Government acknowledges that PSPC, DND, DFO/CCG, and ISED have robust information gathering processes in place to assess the capacity of the Canadian defence industry accurately and fairly. The Government of Canada makes conclusions regarding the capacity of the Canadian defence industry after releasing an RFP thereby allowing Canadian defence

companies the opportunity to apply and be evaluated based on their proposals. This ensures a comprehensive and objective assessment.

The RFI process, which often includes written feedback and engagement sessions, plays a crucial role in identifying potential suppliers and gathering essential data from industry stakeholders. This initial step provides valuable insights into the capabilities and readiness of Canadian defence companies, which informs the development of a RFP, if appropriate, and reflects the Government's needs.

Also, Canada leverages insights from the State of Canada's Defence Industry Report, produced by ISED and the Canadian Association of Defence and Security Industries, to maintain a wholistic understanding of the industrial landscape. This report includes foundational data from Statistics Canada's Canadian Defence, Aerospace, Marine, and Cybersecurity Industries Survey.

After the RFP process, qualified individuals evaluate proposals to ensure assessments are conducted with the highest level of expertise, respecting all trade agreements, policies, acts, and regulations. This method not only upholds the integrity of the procurement process but also supports the ongoing development and competitiveness of the Canadian defence industry.

Recommendation 35

That the Government of Canada facilitate more research through Defence Research and Development Canada to ensure Canada stays at the cutting edge of defence and security innovation.

Canada agrees that the research done by Defence Research and Development Canada (DRDC) ensures Canada is able to stay at the cutting edge of defence and security innovation.

ONSAF highlights three interconnected trends influencing global security: the disproportionate impacts of climate change in the Arctic; challenges to the rules-based international order by disruptive states; and rapid technological advances that are reshaping the threat environment. To address these trends, the Government has and will continue to facilitate more research through DRDC in partnership with academia, industry, other government departments, and Allies and partners so that Canada stays at the cutting edge of defence and security innovation, ensuring CAF operational readiness and interoperability with Allies and partners.

The importance of research and development was also underscored in the June 2022 North American Aerospace Defence Command (NORAD) Modernization announcement, which included \$4.23 billion in investments in science and technology to future-proof Canada's capabilities to defend North America. Through these investments, Canada will work alongside its Allies, including the U.S., and collaborate with Indigenous, provincial and territorial partners, to rapidly investigate, assess, access and co-develop technological solutions for new and emerging threats on an ongoing basis to enhance the defence of North America.

DRDC's mission is to enhance Canada's defence and security posture through excellence in science, technology, and innovation. It serves as the functional authority on science and technology issues for DND and the CAF, and contributes to the formulation of departmental policy, planning, and decision-making. With about 1,400 people and an annual budget of \$408 million (Fiscal Year 2024-2025), DRDC's integrated Defence and Security Science and Technology program leverages seven research centres across Canada, each with a unique

combination of leading scientists and specialized facilities to carry out world-class research, as well as through a diverse set of Allies and partners, across the defence and safety and security spectrum.

In addition, DRDC's Canadian Safety and Security Program supports federal, provincial, territorial, municipal and Indigenous governments – along with partners in industry and academia - in the development of innovative science and technology advancements that contribute to the safety and security of Canadians.

DRDC's Innovation for Defence Excellence and Security (IDEaS) program brings innovators from outside government to improve Canada's defence and security capabilities. The program provides opportunities to interact with DND's science community and military members, promotes collaboration, and accelerates the development of cutting-edge solutions. IDEaS was established in 2018 with a 20-year mandate to help outside innovators develop and provide solutions to defence technology needs.

Recommendation 36

That the Government of Canada conduct a review into the effectiveness of the Industrial Technological Benefits (ITBs) program and the impact it has had on growing Canada's defence industry, and table this report with the House of Commons.

The Government acknowledges that recurring reviews of its policies, programs and other tools are vital to ensuring the efficiency and effectiveness, identifying opportunities for improvement, and revising when appropriate to adjust to evolving security environments, fluctuations in the economy, and technological advancements.

ISED is responsible for the administration of the *Industrial and Technological Benefits (ITB) Policy*. The ITB Policy encourages major defence prime contractors to enhance their economic activities in Canada, carry out business activities with Canadian subsidiaries and suppliers, and help promote the global competitiveness and export potential of Canadian businesses. This is supporting Canada's defence industry:

- The *ITB* Policy contributed to a 55% growth in the Canadian defence sector (i.e., revenues) between 2014-2022 (above the DPS target of 40% by 2024).
- Under the *ITB* Policy:
 - Over 50% of business activities consist of direct work on Canadian defence and Canadian Coast Guard procurements; and,
 - 94% of business activities are related to contracting for supply chain activities in Canada (e.g., prime contractors purchasing Canadian technology and services).

Canada's approach for leveraging economic benefits from procurement aims to be one of the most transparent among countries with similar policies and tools. Information on broader outcomes related to leveraging defence and shipbuilding procurements is publicly available and updated via ISED's website, as well as the National Shipbuilding Strategy year in review report published annually on PSPC's website.

Enhancements and updates to the *ITB* Policy are informed by research, analysis, and feedback from stakeholders, including industry, academia, and other federal departments and agencies. This includes publicly available data, such as the annual State of Canada's Defence Industry

report and the *ITB* Policy Annual Report. Major changes and enhancements over the years include:

- 2018: Introduction of Key Industrial Capabilities (KICs), to motivate business activities in important areas of the defence industry, and tools focused on skills development and training and gender and diversity; and,
- 2022: Introduction of a new Clean Technology KIC to motivate business activities in clean technology in defence, dual-use, and commercial areas.

The *ITB* Policy is also subject to regular internal reviews at ISED, as well as external reviews by agents of Parliament, which also inform updates and improvements as needed. Recent examples include:

- A 2020 report on the *ITB* Policy published by ISED's Audit and Evaluation Branch, which included an assessment of its relevance, performance and efficiency.
- A 2022 report published by the Office of the Parliamentary Budget Officer, which analyzed transactions and business activities made from 2015-2019 under the *ITB* Policy; and,
- A performance audit of the *ITB* Policy conducted by the Office of the Auditor General. The report is expected to be published in 2024 and could inform potential enhancements to the *ITB* Policy.

As part of the Defence Procurement Review, the Government will examine whether further updates to the *ITB* Policy are warranted.

Training and Continuous Improvement

The effectiveness of Canada's defence procurement system relies heavily on the skill and expertise of its procurement personnel. Recognizing that personnel shortages and gaps in training have created challenges, the Government is committed to ensuring that procurement teams are well-equipped to meet the demands of an evolving security environment. This theme focuses on the ongoing training and continuous improvement of defence procurement specialists, ensuring that they maintain high standards of efficiency and effectiveness. The recommendations within this theme aim to address the issues identified in the Office of the Procurement Ombud's (OPO) review and strengthen the capability of the procurement workforce to handle the complexities of modern defence procurement.

Recommendation 19

That the Government of Canada re-examine the personnel posting structure to increase retention, continuity, and institutional memory in defence procurement, and ensure that an adequate number of qualified and trained procurement personnel are employed to perform all needed procurement duties.

The Government agrees that trained and qualified procurement personnel are critical enablers for CAF programs and operations. Procurement personnel obtain the requisite goods and services for the CAF to excel as a modern, military force, in support of domestic and international operations, including Operation LENTUS (CAF response to natural disasters in Canada), NORAD operations, and Operation REASSURANCE (CAF support to the North Atlantic Treaty Organization (NATO) deterrence and defence measures in Europe).

To ensure that they have the skillsets required to perform their duties, including entering into contracts with industry, defence procurement personnel and contracting officers must complete a series of online DND and Canada School of Public Service courses and exams. DND courses are updated quarterly to ensure they are current with Government of Canada procurement and contracting policies. TBS is further working with CSPA to modernize the mandatory procurement courses for procurement professionals. DND will integrate these new courses into its mandatory procurement training curriculum once they have been launched.

In January 2022, to support the attraction, hiring, development, and retention of qualified defence procurement employees, DND launched its Procurement and Supply (PG) Revitalization Strategy. In 2023, as part of this Strategy, DND opened the PG Academy to recruit civilian personnel with diverse skillsets and standardize onboarding and training to improve DND's capability to respond promptly to emerging and procurement needs.

The PG Academy, also, provides developmental opportunities and career guidance to procurement personnel at all levels, including entry level. For example, the "Fundamental Program", a dedicated program aimed at hiring new entry level procurement staff has recruited two cohorts (25 personnel) with plans to onboard additional junior-level staff in early 2025. These cohorts are equipped to complete an extensive training program that includes online courses, workshops, and on-the-job training placements to equip them with the necessary skills to become effective procurement officers and future leaders within the classification. PG specific onboarding for new employees is also provided.

DND has a dedicated PG Community Management Office (PG CMO) that has developed continuous senior-level recruitment pools, implemented organizational design enhancements, and has held targeted recruitment events emphasizing the need to hire for diversity in response to the Clerk of the Privy Council's Call to Action on Anti-Racism, Equity, and Inclusion in the Federal Public Service. The PG CMO has also coordinated various events to educate and inform on matters related to procurement and materiel management, including annual Town Halls and bi-monthly virtual chats.

In 2019, PSPC stood up the NSS Human Resources Strategy, a national approach for identifying and addressing workforce pressures and human resources challenges faced by shipyards and the marine sector. Progress to date includes establishing a forum for industry stakeholders and federal partners to share information about human resources opportunities and government programs available to industry.

DND and PSPC remain committed to strengthening their defence procurement workforce through sustained efforts in recruitment, retention, and professional development. The ongoing implementation of the PG Revitalization Strategy, including the robust initiatives of the PG Academy and PG CMO, underscores the Government's commitment to assuring trained procurement personnel are equipped to perform all necessary procurement duties effectively.

Recommendation 22

That the Government of Canada adopt all six recommendations made by the Office of the Procurement Ombud in their report titled "*Procurement Practice Review of the Department of National Defence.*"

The 2022 OPO Report “*Procurement Practice Review of the Department of National Defence*” made six recommendations to DND to ensure fairness, openness, and transparency in the defence procurement process. To confirm responses were developed for these recommendations, the six recommendations were reiterated in the 2024 Standing Committee on National Defence Report, Entitled: *Report 12 – A Time For Change: Reforming Defence Procurement In Canada*.

The following five of six OPO recommendations are captured within the Training and Continuous Improvement theme with the sixth being included in the Promoting Transparency, Accountability, and Inclusivity theme.

A single response has been developed to address these five OPO recommendations:

- OPO Recommendation 1 - DND should update its procurement policies and training to ensure they direct that:
 - Mandatory criteria are properly defined; measurable; not based on future compliance or unnecessarily restrictive; and bidders are informed of how the criteria can be met.
 - Rated criteria: include clear rating scales; align with the statement of work requirements; and not be unnecessarily restrictive.
 - The Selection Methodology should be clearly explained and included in every solicitation.
- OPO Recommendation 2 - DND should update its procurement policies and training to ensure its bid solicitation processes:
 - Do not result in some suppliers being given an advantage over competitors through the uneven sharing of information.
 - Invite the right number of suppliers and provide all bidders with contact information and the due date for the receipt of bids.
 - Include measures to ensure the requirement to send regret letters is consistently implemented.
- OPO Recommendation 3 - DND should update its procurement policies and training to require all evaluators, regardless of employment status, to assess and confirm they are not in a conflict-of-interest position prior to obtaining bid documentation and/or participating in the evaluation process.
- OPO Recommendation 4 - DND should update its procurement policies and training to emphasize:
 - Technical evaluators must strictly follow the solicitation’s evaluation plan and award contracts only to compliant bidders.
 - Any compliance failure regarding a mandatory criterion results in the immediate disqualification of the bid.
 - Evaluation results must be documented to fully explain how evaluators awarded points for rated evaluation criteria and determined compliance/non-compliance for mandatory evaluation criteria.
- OPO Recommendation 5 - DND should update its procurement policies and training to ensure all solicitations include the entire requirement as known at the time of publication of the solicitation, and that unexpected amendments are minimized, taking into account DND’s operational requirements.

The Government agrees that updated procurement policies and training should reflect the essentials of mandatory and rated criteria, and clearly explain the selection methodology. DND’s Procurement Administration Manual (PAM) sets out detailed procedures to ensure contracting is

carried out in a manner that enhances access, competition and fairness and results in best value. Following the release of the OPO Report, DND conducted a review of the PAM to ensure its procurement practices included the principles of fairness, openness and transparency.

The review confirmed the PAM provided the necessary information and instructions that had been recommended for inclusion by the OPO's Report. To further ensure the PAM's clarity and alignment with the OPO's recommendations, the following minor revisions were made:

- Additional instructions to ensure that solicitation information is made available to all potential bidders at the same time, and that all bidders are provided with contact information and the due date for the receipt of bids. A Statement of Work Checklist was added as an on-the-job tool for the procurement authority to ensure all bidders were provided with the same information for solicitations.
- Clarification of the bid evaluation process and the roles and responsibilities of the evaluation team.
- Further guidance on how evaluations are to be conducted to allow for a better understanding by procurement authorities of mandatory and rated criteria, as well as the selection methodology.
- Supplemental instructions to ensure the solicitation's evaluation plan is followed, contracts are only awarded to compliant bidders, and that evaluation results are fully documented.
- Further guidance to send Regret Letters to each unsuccessful bidder that included links to Regret Letter templates within that PAM section to ensure Regret Letters are sent consistently.
- In consultation with the Procurement Advisory Committee members and legal services, a Conflict of Interest and Confidentiality Declaration form was developed and integrated into the PAM. The new form was added to all required courses and incorporated into the learning activities of the Bid Evaluation and Selection Methodology course; and
- Further details on how to ensure all solicitations include the entire requirement as known at the time of publication in order to minimize unexpected amendments were added to the PAM.

In September 2023, these changes were communicated internally to procurement professionals and DND owned procurement and contracting courses were updated to reflect these changes in 2024.

Enhancing Defence Funding and Capabilities

Ensuring the CAF is equipped with modern, interoperable, and reliable equipment is essential for maintaining national security and fulfilling Canada's international commitments. This theme emphasizes the importance of aligning defence spending with Canada's strategic priorities and ensuring the timely delivery of necessary military capabilities. The Government is focused on acquiring, enhancing, and sustaining critical defence equipment, which will strengthen the CAF's readiness to address both current and future challenges. Additionally, efforts under this theme are aimed at bolstering domestic defence industrial preparedness, thereby ensuring that Canada can independently meet its defence needs while contributing effectively to international alliances.

Recommendation 4

That the Government of Canada increase defence funding to match planned defence priorities articulated in Canada's defence policies.

The Government acknowledges this recommendation.

Since 2015, the Government of Canada has made historic investments in the CAF and has steadily and significantly increased funding for DND. When *SSE* was released, the vision and initiatives identified were backed by a long-term, stable Government funding commitment and model that provided the resources for defence policy implementation. With the stable, predictable and realistic funding identified in *SSE*, it was forecasted that defence spending would increase by more than 70%, from \$18.9 billion in 2016-17 to \$32.7 billion by 2026-27.

To adequately respond to the changed global security and economic environments following the global pandemic and Russia's illegal invasion of Ukraine, it became evident that additional investment was required. Consequently, in Budget 2022, the Government provided more than \$8 billion in new funding over five years to strengthen Canada's contributions to our core alliances, bolster the capabilities of the Canadian Armed Forces, continue to support culture change and a safe and healthy working environment in the Canadian Armed Forces, and reinforce Canada's cyber security. The Government also committed to conducting a defence policy review to update *SSE*. Later, in June 2022, the Government announced an investment of \$38.6 billion over 20 years to strengthen the defence of North America, Canada's most significant upgrades to NORAD in almost four decades, and protect Canadian sovereignty in the North.

Seven years after *SSE*'s release, in April 2024, the Government released *ONSAF* which included an additional investment of \$73 billion over the next 20 years with an emphasis on the Arctic and its approaches. Specifics of these additional investments were identified in Budget 2024 and were to ensure Canada was able to respond to global threats and to protect the well-being of CAF members.

With these funded initiatives, Canada - already the seventh-largest defence spender in NATO - is projected to almost triple its defence spending between fiscal years 2014-15 and 2029-30.

This increased defence spending will contribute to Canada's commitment to reach defence expenditures of 2% of gross domestic product (GDP) by 2032 and invest 20% of defence expenditures on equipment as agreed to by NATO alliance members. As the Government continues to implement *ONSAF*, during the 2024 NATO Washington Summit, the Prime Minister and Minister of National Defence announced that Canada was on target to meet its commitment of 2% defence spending by 2032.

Recommendation 5

That the Government of Canada honour its commitments to its NATO Allies and meet the Alliance's 2% defence spending target.

The Government agrees with this recommendation and is dedicated to honouring its commitments to our NATO Allies and the Alliance's 2% defence spending target.

As a founding member of NATO, Canada is strongly committed to the Alliance, including its principles of collective defence and burden-sharing. At the 2023 NATO Summit in Vilnius, Allies

reconfirmed their agreement to invest at least 2% of their GDP annually on defence. At the NATO Summit in Washington in July 2024, Prime Minister Justin Trudeau and Minister of National Defence, the Honourable Bill Blair, announced that Canada expects to reach the 2% target by 2032. This represents a credible, responsible, and achievable target date, which will allow Canada to ramp up its spending and procurement capacity on a realistic timeline.

This commitment is based on realizing the investments in national defence committed in *SSE*, NORAD Modernization, Budget 2022, *ONSAF*, and further investments in the right mix of capabilities for which Canada will explore options.

Through the investments outlined in *ONSAF*, Canada is acquiring new next generation platforms that will increase defence capabilities and continue to build on the previously announced investments. Defence spending to GDP is expected to reach 1.76% in 2029-30, advancing defence spending towards the 2% target by 2032. Planned investments include acquiring a more modern, mobile, and effective tactical helicopter fleet, a fleet of airborne early warning aircraft, a long-range missile capability for the Canadian Army, and establishing northern operational support hubs. *ONSAF* also committed to exploring options for renewing and expanding Canada's submarine fleet, increasing our contributions to the integrated air and missile defence of Canada and North America, and upgrading or replacing Canada's tank and light armoured vehicle fleets.

Throughout the coming years, Canada will also leverage the new four-year cycle of defence policy reviews introduced by *ONSAF* to identify further priorities for defence spending, ensuring that the CAF is equipped and ready for whatever challenges it will face.

Recommendation 6

That the Government of Canada prioritize the efforts to maintain a 20% minimum investment in capital projects, as defined by NATO's minimum obligations laid out to members states in the Wales pledge in 2014.

The Government agrees with this recommendation and is on track to invest at least 20% of its defence budget on major equipment, including defence-related research and development starting in fiscal year 2025-26.

With the initiatives identified in *ONSAF*, the Government is on track to exceed NATO's target of 20% for major equipment expenditures as a proportion of defence funding. DND is recapitalizing most of its strategic fleets and investing heavily in new capabilities. In 2023, the Government announced the procurement of a fleet of 88 F-35 fighter jets, up to 16 P-8A Poseidon patrol aircraft, 9 Multi-Role Tanker and Transport aircraft, and 11 remotely piloted aircraft. This is in addition to the ships being delivered by the NSS: 6 Arctic and Offshore Patrol Ships, 2 Joint Support Ships and 15 *River*-class destroyers.

ONSAF identified and Budget 2024 confirmed funding for a variety of new capital projects, including new tactical helicopters, and long-range missile capabilities. As such, the forecasted projections for defence spending indicate Canada is on track to exceed NATO's target of 20% for major equipment expenditures starting in Fiscal Year 2025-26.

Furthermore, as part of *ONSAF*, the Government will make the reforms needed to improve DND's capacity to procure the necessary equipment and capabilities. *ONSAF* and Budget 2024 include \$1.8 billion over 20 years to increase the number of civilian specialists in priority areas

to accelerate and improve the purchase of new equipment, among other goals. As well, DND is reviewing its procurement process with a view to evolve its rules and regulations, enable continuous technological upgrades, adopt a more strategic engagement approach with the Canadian defence industry, increase its access to allied markets, and work with Allies to bolster industrial and procurement collaboration. These are important steps in making Canada's procurement system fit for purpose in today's rapidly changing environment.

The Government's commitment to spending 2% of GDP on defence and investing 20% of defence expenditures in capital equipment, including research and development, will ensure Canada is contributing to NATO's capacity to deliver its core tasks and missions amidst the shifts in the strategic environment and emerging security and defence challenges.

Recommendation 8

That the Government of Canada acknowledge the danger posed by emerging geopolitical threats, the attendant urgency of replacing aging and/or obsolete platforms, such as ships for Arctic surveillance and security, and the need to keep pace with technological development and newer platforms like drones in a timely manner, and that it takes concrete steps to accelerate procurement.

The Government agrees that the danger posed by emerging geopolitical threats requires replacing aging and obsolete platforms, keeping pace with technological developments, and accelerating procurement.

ONSAF outlines the changing threat environment in the face of new geopolitical threats. *ONSAF* identifies the most urgent and important task is asserting Canada's sovereignty in the Arctic and northern regions, where the changing physical and geopolitical landscapes have created new threats and vulnerabilities to Canada and Canadians.

While strategic competition and climate change shape the security environment, technological advances accelerate the impact of these shifts. Advanced cyber and space technologies, AI, quantum computing, synthetic biology, data analytics, and autonomous systems create new vulnerabilities and complicate national security interests. Deterring conflict and maintaining the technological advantage require an ability to maintain and protect innovation, rapidly integrate new technologies into military capabilities, and ensure that systems integrate across all domains. Changes to the security environment also demand the CAF's capabilities be interoperable and complementary with those of our allies.

The initiatives identified in *ONSAF* complement the work launched under *SSE* and underway to modernize NORAD. Through these investments, Canada is strengthening NORAD capabilities and bolstering the CAF's ability to detect, track, and respond to threats earlier and more precisely with new command, control and communications systems, modernized surveillance systems, and air-to-air refuelling aircraft. To sustain a strong military presence across the country, including in the North, the Government is investing in new infrastructure and support capabilities.

Through *ONSAF*, the Government committed to improving the CAF's ability to surveil and control the country's maritime approaches, including in the Arctic and North. As part of this pledge, Canada will explore options for renewing and expanding the submarine fleet with up to

12 conventionally powered and under-ice capable submarines to project a persistent deterrent on all three coasts. As a critical component of the CAF's ability to defend Canada from a growing range and sophistication of underwater threats, including vessel-launched missiles, underwater systems, ships and submarines, the CAF will acquire specialized maritime sensors to track and evaluate underwater threats along all three coasts.

Additionally, *ONSAF* commits to enabling the CAF to enhancing surveillance over Canada's large territory and making further contributions to the integrated air and missile defence of Canada and North America. Key initiatives that will help deliver on these commitments include the acquisition of Airborne Early Warning Aircraft, and long-range artillery and missile systems to keep threats further from our shores. DND will also explore options for acquiring a suite of surveillance and strike drones and counter-drone capabilities. This is in addition to the acquisition of 11 MQ-9B Remotely Piloted Aircraft Systems, which will allow the CAF to monitor Canada's large territory and long coastline, increase our interoperability with the United States and support our NORAD contributions. In November 2023, Canada also finalized an agreement for the acquisition of up to 16 P-8A Poseidon aircraft to conduct maritime and overland surveillance and contribute maritime surveillance data in support of NORAD's maritime warning mission.

To accelerate the integration of new technologies, DND will pilot a Continuous Capability Sustainment (CCS) approach to upgrading equipment. While the traditional approach often takes years to do minor upgrades to major equipment, a continuous approach will give DND and the CAF the flexibility to rapidly integrate the latest technology and innovations during more regular, incremental maintenance cycles.

DND is prioritizing its research and development efforts to respond to evolving CAF requirements and build an awareness of emerging technologies to inform future procurement decisions. In partnership with allies and Canadian industry, Defence Research and Development Canada (DRDC) will invest in the development and demonstration of new and improved technologies which can be integrated with major platforms as part of the CCS approach. In rapidly evolving technology areas such as autonomous and counter-autonomous systems, DRDC will continue to work with industry through broader engagements, similar to the recent Uncrewed Aerial Systems (Drone) Industry consultation and Counter Uncrewed Aerial Systems Sandbox at the Suffield Research Centre. Under NORAD modernization, the Government committed \$4.23 billion over 20 years to science and technology initiatives to future proof the CAF's capabilities to defend Canada and North America.

Recognizing the requirement to improve the pace of capability delivery, the Government launched a defence procurement review to examine the internal processes used to define requirements and approve projects, and assess the broader set of rules, regulations and policies that govern military procurement. These efforts will clarify mechanisms to facilitate the timely delivery of military equipment, enable increased use of government-to-government arrangements where it makes sense, and examine how best to leverage existing programs to strategically invest in the domestic capacity needed by the military.

Recommendation 10

That the Government of Canada sign firm contracts with the Canadian defence industry to produce materiel associated with the conflict in Ukraine and to re-equip the Canadian Armed Forces.

The Government acknowledges the critical importance of supporting the Canadian defence industry while ensuring the CAF is equipped to respond effectively to both current and future security challenges. The ongoing conflict in Ukraine highlighted the urgent need for a robust and agile defence procurement process capable of responding to emerging international crises while simultaneously reinforcing Canada's domestic defence capabilities.

The Government has established contracting vehicles and mechanisms that can be leveraged to address these urgent needs and ensure the procurement process is efficient and costing and timelines predictable.

The use of firm contracts where terms, including price, quantity, and delivery schedule are fixed and not subject to variation during the performance of the contract, is one of the Government's procurement strategies. This strategy allows the Government to secure essential defence material rapidly and with greater certainty in terms of costs and timelines and provides a level of predictability to the Canadian defence industry. This approach aligns with the recommendation to sign firm contracts with the Canadian defence industry when appropriate to re-equip the CAF.

Recommendation 24

That the Government of Canada create a Defence Industrial Strategy to maintain and build Canada's defence industrial base.

The Government acknowledges this recommendation. In order to deliver on the Government's commitment to develop stronger relationships with Canada's defence industry, as outlined in *ONSAF*, PSPC is consulting with government stakeholders and industry associations to develop a more strategic approach to its relationship with Canada's defence industry.

Recommendation 26

That the Government of Canada make the procurement process more open, unbiased, and transparent with objective and realistic selection criteria to acquire the best equipment possible, and that it prioritizes Canadian companies before opening the competition to other global competitors, especially for industries that are well-developed, competitive globally, and where Canada is a leader, such as the Canadian aerospace industry.

The Government acknowledges this recommendation has two distinct elements, the first being the structuring of technical criteria and the second being the prioritization of Canadian companies in procurement. The Government agrees to address both elements and will explore ways to improve the procurement process for it to be more open, unbiased, and transparent while prioritizing opportunities for Canadian companies where appropriate before opening to global competitors.

The Government, by default, maintains a procurement process that is fair, open, and transparent. To safeguard the integrity of the procurement process, the Government developed and adheres to the *Values and Ethics Code for the Public Sector* (2012, updated 2023) and the *Directive on the Conflict of Interest* (2003, updated 2020), and monitors, identifies, and reports any conflict of interest that may exist and takes appropriate mitigating actions, as required.

Since 2004, the Government has maintained a Fairness Monitor Program to provide assurance that PSPC conducts its procurement activities in a fair, open, and transparent manner. The program retains and manages the services of independent fairness monitors who act as objective third parties to observe all or part of a procurement activity and provides an attestation on the fairness, openness, and transparency of the procurement activity.

As a best procurement practice, CCG and DND utilize the RFI process to seek industry interest and feedback prior to a formal RFP to enhance transparency and ensure the development of technical criteria for procurements is well-informed. In collaboration with PSPC, the RFI process allows CCG to engage industry early-on in a procurement process and share all elements of a draft RFP with industry, including terms and conditions, statements of work, technical requirements and bid evaluation criteria with industry. One on one meetings with industry are typically held, allowing officials to hear directly from industry. This process provides industry with the early opportunity to engage Canada in discussions on all aspects of planned procurements ultimately resulting in a more efficient and transparent procurement process.

In May 2024, to strengthen the integrity and oversight of the federal procurement processes to ensure that Canada does not contract with suppliers of concern, PSPC established an Office of Supplier Integrity and Compliance (OSIC). Launching the OSIC is one element of the Government's commitment to modernizing procurement practices so that they are simpler and less administratively burdensome.

The Government respects domestic and international trade agreements for any goods and services covered by these agreements. As such, limiting competitive procurements to Canadian and domestic companies could be in contravention to trade agreements with our closest Allies. Additionally, the Government procurement obligations governed by these agreements ensure that Canadian suppliers of goods and services are treated in an open, transparent, and non-discriminatory manner and that they have access to dispute settlement mechanisms to ensure obligations are respected.

Furthermore, Canada benefits enormously from reciprocal access to foreign defence markets, particularly the United States, where Canadian companies enjoy a privileged market access and Canada is able to acquire cutting edge defence technologies. Under circumstances where international trade agreements do not apply and there is more than one domestic supplier, the Government could limit the competition to Canadian suppliers, including Indigenous-owned companies and small and medium enterprises.

The *Buy in Canada*, *Canadian Content* and *Industrial and Technological Benefits (ITB)* Policies are integral Government of Canada procurement tools that leverage federal procurements to promote the economic growth and development of the Canadian industrial base. The *ITB* Policy encourages major defence prime contractors to enhance their economic activities in Canada, carry out business activities with Canadian subsidiaries and suppliers, and promote the global competitiveness and export potential of Canadian businesses.

The *Canadian Content Policy* in particular, provides an avenue for procurements to be limited to Canadian companies, in instances where two or more Canadian suppliers exist in the marketplace and the procurement is not subject to international trade agreements. The *Canadian Content Policy* and the Government's obligations under the Comprehensive Land Claims Agreements were the foundations that supported the selection of the Inuit owned company, Nasittuq Corporation (Ottawa, Ontario), as the Prime Contractor for the operation and maintenance of the North Warning System, a key component of NORAD's aerospace warning ecosystem.

Recommendation 27

That the Government of Canada champion Canadian industry within NATO and to all of our allies to ensure that Canadian companies are benefiting from interoperability requirements.

The Government of Canada acknowledges this recommendation. In close coordination with Global Affairs Canada (GAC), Canadian Commercial Corporation, Export Development Canada, and ISED, DND supports the Government of Canada's export market development activities.

GAC's Trade Commissioner Service (TCS) supports Canadian exporters and innovators through a worldwide network. The TCS promotes Canadian industry to NATO members in partnership with DND Canadian industry liaison officers embedded in NATO.

NATO's Defence Innovation Accelerator for the North Atlantic (DIANA) seeks to stimulate transatlantic cooperation on critical technologies that NATO has identified as priorities, such as AI, big-data, quantum-enabled technologies, biotechnology, novel materials and space technologies, and ensure that innovative solutions developed through DIANA are available to all Allies. This new challenge-based innovation initiative provides funding and access to a network of over 200 accelerators and test centers for small and medium companies from across the Alliance to solve critical defence and security challenges. Canadian industry and start-up companies in the emerging and disruptive technology fields selected as part of the DIANA network have the opportunity to participate in DIANA Challenges.

DND has made significant efforts to contact Canadian start-ups to ensure awareness of the opportunities afforded by DIANA. Following the first call for proposals in June 2023, 7 out of 45 Canadian companies that submitted proposals were selected for entry into the DIANA. This number is on par with American and British companies. DND continues to engage Canadian start-ups for upcoming calls, ensuring robust Canadian participation in DIANA.

In addition to the DIANA Regional Office located in Halifax, Nova Scotia, there are thirteen accelerator sites and two test centres across Canada, including Communitech, Southern Alberta Institute of Technology – Centre for Innovation and Research in Advanced Manufacturing and Materials, and Centre technologique en aérospatiale, which are part of the DIANA network of over 200 sites.

The Government of Canada will continue to leverage its international forums, including the NATO Industry Forum, and existing programs to champion Canadian industry.

Recommendation 28

That the Government of Canada recommend that NATO develop a database of NATO member defence equipment and supplies available for sale to NATO member countries.

The Government acknowledges this recommendation and will examine opportunities with established NATO agencies, the Support and Procurement Agency (NSPA) for example, to develop or expand current databases of NATO defence equipment and supplies available for sale to NATO member countries.

NSPA is NATO's principal organization for multinational acquisition, support, and sustainment in all domains, and assists NATO members by organizing common procurement, managing weapon system lifecycle, and supplying services to deployed operations. To link industry capabilities with NATO members' requirements, the NSPA uses an internal database, the Source File, to invite bids from international suppliers. To do business with NSPA, suppliers must be registered, and once registered, suppliers will be contacted for new requests for proposals if the registered capabilities match the identified operational capability requirements.

To facilitate interoperability, minimize duplication, promote standardization, and maximize logistics support among NATO members, the NATO Codification System is used to describe and classify NATO equipment components and military supplies. For each physical supply item, regardless of its origin, a unique NATO Stock Number (NSN) is assigned and linked to a structured database that identifies the name, price, source, physical and performance characteristics, manufacturer and other key information. NSNs play a critical role in military and defence procurement processes, serving as a common reference point, and facilitating efficient procurement, inventory management, and logistics operations.

Although there are only 32 NATO member nations, NSNs are recognized by over 100 countries and provide the backbone for military procurement systems of our non-NATO Allies, including, Australia and New Zealand.

Promoting Transparency, Accountability, and Inclusivity

The principles of transparency, accountability, and inclusivity are foundational to a defence procurement system that is trusted by stakeholders and effective in its execution. This theme underscores the Government's commitment to ensuring that the procurement process is open, responsible, and inclusive, reflecting the diverse needs and perspectives within Canada's defence community. Efforts under this theme focus on improving communication about major projects, promoting equitable practices, and ensuring that all stakeholders—particularly underrepresented groups—are considered in the procurement process. By enhancing these core principles, the Government aims to build greater confidence in the defence procurement system and ensure it operates in the best interests of all Canadians.

Recommendation 20

That the Government of Canada recognize the distinct needs of women in the Canadian Armed Forces by conducting and publicly reporting a GBA+ analysis.

The Government recognizes the diverse needs of people within the CAF and agrees that the Gender-based Analysis Plus (GBA Plus) process is important in understanding who is impacted and identifying barriers to utilizing, accessing or benefiting from procurement activities.

GBA Plus is a key priority for the Government of Canada and, as an analytical tool, is used to identify and address the distinct needs of diverse groups, including women in the CAF. Within DND, efforts to improve the use of this tool across both military and civilian contexts is ongoing.

In 2023-2024, DND developed and implemented the GBA Plus Enterprise Approach (GBA Plus EA). The GBA Plus EA is included in the Defence Team's Culture Evolution Strategy and is part of DND's framework to enable culture evolution and support the use of GBA Plus across the Defence Team. Through the GBA Plus EA, DND decentralizes GBA Plus capacity and leadership accountability across the organization. This is enabled by the recent launch of DND's GBA Plus Community of Practice which pools horizontal expertise and knowledge while increasing accountability across DND to ensure all initiatives are well informed by intersectional analysis. Strengthening the use of intersectional analysis enhances evidence-based decision-making while also allowing DND to better monitor and track GBA Plus outcomes and results which will be measured and reported annually.

To support the decentralized GBA Plus capacity-building across DND, Chief Professional Conduct and Culture (CPCC) developed learning products to strengthen the ability of DND and CAF personnel to integrate GBA Plus into their areas of work. These learning products include a DND-tailored GBA Plus training course developed for a broad audience; a GBA Plus course designed specific for leaders to equip them with the knowledge, awareness, and skills they need to ensure GBA Plus is conducted in a high-quality manner by the teams for whom they are responsible; and a GBA Plus toolkit designed to build foundational knowledge of GBA Plus, particularly for junior personnel across DND. These learning products will all be officially launched and available to DND and CAF personnel by the end of 2024.

In October 2023, the GBA Plus EA tasked each Branch Head, supported by CPCC, to develop their own GBA Plus Implementation Plans (GBA Plus IPs). Through their GBA Plus IP, the Materiel Group continues to advance the integration of GBA Plus into procurement processes, policies and tools like the RFP process and the Procurement Administration Manual while integrating GBA Plus into projects and capabilities' life cycles. This includes an audit function and development of internal training on GBA Plus procurement processes over the next 3 years. DND will leverage TBS and PSPC GBA Plus requirements and training updates to ensure a Whole-of-Government alignment to GBA Plus requirements in procurement.

Throughout 2023-2024, DND made investments in GBA Plus resources to guide and support the project management community and build a better understanding of the relationship between intersectional analysis and defence procurement. To further build capacity and knowledge in this area, DND engaged internationally with partner countries at a Gender Flagship Project Workshop on Gender-Responsive Public Procurement in April 2024. This Workshop was hosted in Paris and welcomed nine beneficiary European Union countries as well as Canada. DND and PSPC representatives were invited to present at the Workshop on the Canadian experience with gender-responsive public procurement.

Recommendation 21

That the Government of Canada make a greater effort to communicate major procurement projects in a transparent manner that articulates the risks of cost overruns and other issues.

DND and the CAF work closely with partners in other federal government departments such as PSPC and Innovation, Science and Economic Development, and defence industry experts, to procure the equipment and services the CAF requires and communicate procurement milestones. These milestones are highlighted using different mediums, such as news releases, social media, websites or ministerial events.

DND follows a rigorous project planning and procurement process that ensures the equipment procured meets CAF operational requirements, while ensuring financial value for Canadians and economic benefit for industry. DND is also moving toward sustained strategic partnerships with industry, engaging more regularly and, through regular four-year defence reviews identified in *ONSAF*, providing greater transparency and certainty about future investment plans.

For example, with the recent announcement of the start of construction on the production test module for the *River*-class destroyers, DND arranged technical briefings where industry stakeholders and media could listen to and question DND and PSPC on the procurement project. Questions ranged on various topics including cost and timeline. Another recent contract award was for the Future Aircrew Training Program that was announced by the Minister of National Defence at the biggest defence conference in Canada, CANSEC. Costs and timelines were provided in the accompanying suite of media products.

DND will continue to be proactive in its effort to communicate major procurement milestones in a transparent manner that articulates the risks of cost overruns and other issues.

Recommendation 22: DND should ensure the established electronic system accurately tracks, controls and reports on its contracting activities and ensures all contracts that are required to be proactively disclosed are.

This recommendation is the sixth of the OPO recommendations.

DND uses the Contract Data Management System (CDMS) to capture and report on contracting activity and facilitate proactive disclosure. Reporting guidelines are outlined in the Procurement Administration Manual (PAM).

All new goods and services contracts as well as their amendments, awarded by or on behalf of DND are reported immediately upon award or amendment. All contracts, including their amendments, with a value greater than or equal to \$10,000 are reported quarterly by fiscal year and contracts, including their amendments, with a value less than \$10,000 are reported annually by calendar year, and are proactively disclosed on Canada's Open Government Portal.

DND conducted a review of contracts previously published on Canada's Open Government Portal for completeness and accuracy. These contract files have been assessed and corrected on the portal. Going forward, proactively disclosed DND contract information will be maintained and monitored to ensure accuracy.

Enhancing Collaboration and Partnerships

In an increasingly interconnected and complex global environment, collaboration among government, industry, and academia personnel is critical to enhancing the effectiveness of defence procurement. This theme highlights the importance of building and nurturing strong relationships across sectors to improve procurement outcomes. The Government is committed to fostering strategic partnerships, promoting early engagement, and developing mutually beneficial joint initiatives. By leveraging shared knowledge and expertise, these collaborative efforts will contribute to a more resilient and innovative defence industrial base, ultimately strengthening Canada's defence capabilities.

Recommendation 25

That the Government of Canada create a framework for the establishment of a long-term National Aerospace Strategy that centers around collaboration between the government and industry to plan for and position Canada and the aerospace industry for the defence requirements of the future.

The Government acknowledges the recommendation and is continuing to work on the development of an Aerospace Strategy for Canada across departments and with the aerospace industry.

To ensure Canada's aerospace industry maintains its global leadership position, the Government, led by the Minister of Innovation, Science and Industry, is undertaking work on an Aerospace Strategy for Canada. ISED is leading the coordination of this work with significant input from other implicated departments, and ongoing engagement with key stakeholders. The Aerospace Strategy for Canada will reflect several priority areas identified by industry including defence. With regards to defence, the strategy will be informed by ongoing work led by DND and PSPC. This work includes: DND implementing *ONSAF* and PSPC reviewing the defence procurement system announced in *ONSAF*, with support from DND and ISED. As part of this defence work, PSPC, DND and ISED officials are working towards a more strategic approach to collaborating with Canada's defence industrial base, which includes input from stakeholders from the entire sector.

Canada's world-leading aerospace industry has historically been recognized as a sector of national strategic importance because of its contribution to the country's economy, sovereignty, and national security. The aerospace industry promotes technological innovation within Canada, and Canada is one of the few jurisdictions in the world with the capability to design, develop, certify and manufacture aircraft. Notably, Canada is the only country that ranks in the top five for civil flight simulators (first), civil engine production (third), and civil aircraft production (fourth).

In 2023, the Canadian aerospace industry contributed \$28.9 billion to GDP and 218,000 jobs to the Canadian economy. The Canadian aerospace industry also maintained its top research and development (R&D) ranking among Canadian manufacturing industries in 2023 and had a R&D intensity 3.6 times higher than the manufacturing average. In 2023, the Canadian aerospace manufacturing industry exported over \$19 billion and actively participated in global supply chains. The aerospace industry is a key part of Canada's defence sector, with the air and space

systems domain representing 38% of the defence industry's revenues, and also representing 44% of defence R&D spending, and 49% of defence exports in 2022.

The Government has a long history of supporting innovation and competitiveness in the Canadian aerospace industry using a variety of tools, including aircraft certification, direct and indirect funding support for innovation, workforce development, and procurement. Globally, the aerospace industry is experiencing rapid and transformative change as the industry seeks to adopt innovative sustainable aviation products and processes in order to meet net zero objectives. To assist the industry in developing the green technologies of the future, ISED has provided funding to key industry-led projects. Most recently, in June 2022, the Minister of Innovation, Science and Industry announced \$350 million to support the Initiative for Sustainable Aviation Technology of Canada (INSAT) to help drive and accelerate the green transformation of Canada's aerospace industry.

At the same time as the industry is undergoing this green shift, geopolitical tensions are resulting in increased global government spending in the defence sector, including on defence aerospace products and services. In summer 2024, NATO members endorsed a new NATO Industrial Capacity Expansion (NICE) pledge which aims to increase and accelerate allied defence industrial capacity to deliver critical capabilities.

Recommendation 29

That the Government of Canada support the domestic defence industry by increasing communication outside of specific procurement projects, assisting with international sales opportunities, and providing annual forecasts of what defence procurements will be needed in the short-, medium- and long-term.

The Government agrees with this recommendation and is exploring options to improve communications and expand the range of services and supports that are provided to Canadian defence industries.

ONSAF identifies that Canada needs to do more to ensure the security, relevance, and effectiveness of Canada's defence industrial base. *ONSAF* commits to a renewed relationship with Canada's defence industry and emphasizes the importance of transparent and regular communications, including updates on defence priorities and projects.

Since the release of *SSE*, DND has had a more proactive communications approach. This includes the Defence Capabilities Blueprint (DCB) which is available online and lists all DND major capital equipment, information technology, and infrastructure funded projects and contracting opportunities for projects over \$10 million over a 20-year period. As the DCB provides information solely on funded projects that are in the Option Analysis phase or beyond, DND is exploring options for the inclusion of unfunded initiatives and projects in the initial developmental phases in the DCB with the aim of providing information about future requirements and opportunities to suppliers earlier. To provide better functionality, increase automation, and leverage existing databases, DND is modernizing the DCP website. This is expected to take place within the next three to five years. In addition to the DCB, the defence procurement review is examining long-term horizon CAF portfolio level road mapping as an approach to facilitate strategic programming and prioritization for capability delivery. This may also serve the purpose of enhancing communications with industry at large outside of specific procurement projects.

The defence industry landscape is changing. The Standing Committee on National Defence's First Report, *An Interim Report on the Defence of Canada in a Rapidly Changing Threat Environment* (June 2022) identified that there were opportunities to partner with Inuit and Indigenous companies in the north and Arctic. An example of this is PSPC and DND supported by Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada, engaging, consulting and including Inuit firms throughout the competitive process for the operations and maintenance of the North Warning System (NWS) contract. Following a fair, transparent process, an Inuit-owned company, Nasittuq Corporation (Ottawa, Ontario), was awarded the 7-year operations and maintenance contract.

In 2018, to find innovative solutions to defence and security challenges, and assist innovators develop solutions to defence technology needs, DND established a 20-year Innovation for Defence Excellence and Security (IDEaS) program. The IDEaS program has launched over 75 challenges and spent over \$370 million to support innovators across Canada. The IDEaS program continues to launch challenges and provides regular information to Canadian innovators on upcoming opportunities.

Recommendation 30

That the Government of Canada proactively collaborate with industry and universities early on to determine current capabilities and to come up with a made-in-Canada solution by leveraging our innovation and industrial strengths to meet our growing defence and security needs and to work collaboratively towards developing the tools and technology that will be needed by the Canadian Armed Forces in the years to come.

The Government agrees with this recommendation. The Government values the knowledge and expertise that industry, academia, and researchers bring to the identification of capability requirements and, potentially, the development of timely, affordable, and made-in-Canada solutions to meet the growing defence and security needs of DND and DFO/CCG.

As reinforced in *ONSAF*, the Government is committed to strengthening its strategic partnerships with Canada's defence industrial base, innovators, and researchers to increase transparency regarding the government's plans for future investments.

Unique, made-in-Canada solutions and innovations can experience what is sometimes called the "valley of death" where innovators may have challenges with production without confirmed purchases and funding agreements. As part of the Defence Procurement Review, the Government is evaluating how innovation programs can support defence needs.

Recommendation 31

That the Government of Canada build strong strategic relationships with industry and academia through ongoing and sustained engagement to enhance government procurement capacity through collaborative training and skills development by developing mechanisms for sharing skills, talent and risk management approaches.

The Government agrees that there is merit to building strong strategic relationships with industry and academia to increase procurement capacity through collaborative training and skills development, and sharing skill, talent and risk management approaches.

The Government acknowledges the challenges of capacity and procurement-related expertise across the CAF and the federal public service, the need to hire additional skilled personnel to support defence procurement personnel, and continuously invest in their professionalization so they become and remain smart customers of defence capability.

PSPC is exploring approaches to enhance the skills development in its procurement officers, including through interchange opportunities that could facilitate exchanges between public service procurement officers and industry to better understand the procurement process from each other's perspectives and engage in practical collaborative training.

Recommendation 32

That the Government of Canada undertake comprehensive measures to integrate industry and academia into the procurement process

The Government agrees to integrate industry and academia in the procurement process, where it is applicable and practical. As reinforced in *ONSAF*, the Government is committed to developing stronger relationships with Canada's defence industrial base, innovators, and researchers. To strengthen these strategic partnerships, the Government will engage more frequently with industry, innovation, and research partners, and will increase transparency regarding the Government's plans for future investments.

Through long-term partnerships, the Government may be able to pursue an expanded set of goals in defence procurement, including the rapid onboarding of new technologies, and deeper integration with allied supply chains and innovation networks, and securing reliable supply from Canadian industry.

The Government of Canada is investigating opportunities to increase the acquisition of defence and dual-use innovations. Through these, there could be adjustments to processes that would include the integration of industry and academia earlier in the innovation acquisition process to be beneficial for the CAF and domestic defence industry participants, including private, academia, non-profits, and small and medium enterprises.

Acronyms

ACRONYM	MEANING	ACRONYM	MEANING
ADM (Mat)	Assistant Deputy Minister (Materiel)	ADM (RS)	Assistant Deputy Minister (Review Services)
AG	Auditor General	AP	Acquisitions Program
BQ	Bloc Québécois	CADSI	Canadian Association of Defence and Security Industries
CAF	Canadian Armed Forces	CCC	Canadian Commercial Corporation
CCG	Canadian Coast Guard	CCS	Continuous Capability Sustainment
CDA	Canadian Defence Attaché	CDMS	Contract Data Management System
CITT	Canadian International Trade Tribunal	CMI	Contract Modernization Initiative
CPC	Conservative Party of Canada	CPPC	Chief Professional Conduct and Culture
CSC	Canadian Surface Combatant	DCB	Defence Capabilities Blueprint
DFO	Department of Fisheries and Oceans Canada, and the Canadian Coast Guard	DIAG	Defence Industrial Advisory Group
DIANA	Defence Innovation Accelerator for the North Atlantic	DND	Department of National Defence
DMPB	Defence and Marine Procurement Branch	DPS	Defence Procurement Strategy
DPRO	Defence Procurement Review Office	EPS	Electronic Procurement System
DRDC	Defence Research and Development Canada	GAC	Global Affairs Canada
EVM	Earned Value Management	GC	Government of Canada
GBA Plus	Gender Based Analysis Plus	HLMR	High Level Mandatory Requirements
GDP	Gross Domestic Product	INSAT	Initiative for Sustainable Aviation Technology of Canada
IDEaS	Innovation for Defence Excellence and Security	ISED	Innovation, Science, and Economic Development Canada
IRPDA	Independent Review Panel for Defence Procurement	ITB	Industrial and Technological Benefits Policy
ISED-ISC	Innovation, Science, and Economic Development Canada -	LSU	Legal Services Unit
KIC	Key Industrial Capability	MP	Member of Parliament
LOE	Lines of Enquiry	NDDN	Standing Committee on National Defence
NATO	North Atlantic Treaty Organization	NICE	NATO Industrial Capacity Expansion
NDP	New Democratic Party	NSE	National Security Exception
NORAD	North American Aerospace Defence Command	NSS	National Shipbuilding Strategy
NSPA	NATO Supply and Procurement Agency	OAG	Office of the Auditor General
NWS	North Warning System	OPO	Office of the Procurement Ombud
ONSAF	Our North, Strong and Free (2024 Defence Policy Update)	PACP	Standing Committee on Public Accounts

OSIC	Office of Supplier Integrity and Compliance	PBCP	Phased Bid Compliance Process
PAM	Procurement Administration Manual	PCO	Privy Council Office
PBO	Parliamentary Budget Officer	PG CMO	Procurement and Supply Community Management Office
PG	Procurement and Supply	R&D	Research and Development
PSPC	Public Services and Procurement Canada	RCN	Royal Canadian Navy
RBA	Risk Based Approach to Contract Approval	RFP	Request for Proposal
RFI	Request for Information	SPS	Strategic Policy Sector
SPORT	Strategic Planning Operational Research Team	SSPG	Specialized Services for Procurement Group
SSE	Strong, Secure, Engaged (Canada's 2017 Defence Policy)	TCS	Trade Commissioner Service
TBS	Treasury Board of Canada Secretariat		