

**Standing Committee on Public Accounts – Request For Addition Information
Response from Public Services and Procurement Canada**

Question 1 – Regarding Recommendation 1 – the government stated that it has modified various business practices to better design, oversee, and assess scheduling. Have these new systems and practices led to improved scheduling and shipbuilding progress?

Response:

A key tool in monitoring schedule performance on build contracts is Earned Value Management (EVM). As reported previously, all existing build contracts contain the requirement for the shipyard to provide EVM data. In addition, Canada enlists the support of third party expert consultants to assist in the analysis of this data.

Seaspan's Vancouver Shipyards Co. Ltd.

Of note, in recent years the quality of Seaspan's Vancouver Shipyards Co. Ltd. (VSY)'s EVM reporting has improved due to: (1) a comprehensive review and adjustment of contracts to ensure the inclusion of EVM and schedule-related obligations and deliverables; and (2) focused governance reviews of integrated schedule information at the Assistant Deputy Minister Committee and the Deputy Minister Governance Committee. With the production effects of the COVID-19 pandemic largely passed, Canada expects the EVM data to start reflecting better productivity moving forward.

As a lesson learned for future contracts, the provision of more detailed data by the shipyard would enable even more comprehensive monitoring of schedule performance. The current contracts do not require the provision of such data and, to date, the third party experts have been able to perform their analysis without it.

VSY is currently revising schedules for its builds under the process contemplated in the contracts wherein it retained the opportunity to revise the target costs for each ship at a point when the design was more complete and construction underway. Once these revisions are complete in spring 2023, it is expected that EVM reporting will be more accurate. In the interim, VSY presents cost and schedule information at monthly governance meetings at the Director General and Assistant Deputy Minister levels which at least reveal trends.

For future build contracts for VSY, the Polar Icebreaker and Multi-Purpose Vessels, in accordance with the Management Action Plan tabled with the Committee, lessons learned from previous contracts will be leveraged to ensure that adequate obligations and deliverables are incorporated into the contracts.

Irving Shipbuilding Inc.

With COVID-19 constraints lifting, as well as moves to mitigate both expert labour shortfalls and supply chain challenges, Irving Shipbuilding Inc. (ISI) is beginning to experience its full production potential for the Arctic and Offshore Patrol Ships (AOPS), and improvements to the schedule and shipbuilding progress are beginning to be seen. As example, the launch of AOPS 4 was advanced from January 28, 2023, to November 27, 2022, and the expected delivery of AOPS 4 has also been advanced from October 2023 to September 2023. Ship-over-ship improvements have been noted and are expected to continue over the remaining five builds.

Question 2 - Regarding Recommendation 3 – the government is using updated systems and third-party assessments to help achieve target state. Have these new practices, in fact, led to improvements in achieving target state? Please provide a response for each shipyard.

Response:

The National Shipbuilding Strategy (NSS) shipyard selection process included the requirement for the selected shipyards to achieve "target state", which is defined as the capability and technologies required to build the specific work package at a reasonable level of economy and efficiency. On behalf of Canada, a third-party expert, First Marine International (FMI), conducted initial assessments of all potential shipyards and is measuring the selected shipyards' progress towards achieving target state through an interim and final target state assessment.

At this time, both VSY and ISI have had their interim and final target state assessment, and it was determined that there were a number of elements related to target state that had not yet been achieved. As a result of this, each shipyard is required to develop a Corrective Action Plan (CAP) which would identify the means by which the shipyard would undertake necessary efforts to close any identified gap coming from the assessment process.

VSY developed a CAP that was reviewed and accepted by Canada, and is currently in the final stages of the process consisting of verifying implementation of specific items. ISI, having only completed its final assessment late in 2021, is currently developing a CAP for review by Canada prior to subsequent review and implementation. The assessment of progress against the required Target State is undertaken by First Marine International (FMI), Canada's third party expert.

To ensure a consistent approach, the solicitation process for the third NSS shipyard included the requirement for the selected yard to achieve target state. The third shipyard will be subject to the same process for target state validation, including the use of FMI.

The 2021 Office of the Auditor General of Canada audit of the NSS recommended that, "Public Services and Procurement Canada should consider the experience of the first two shipyards in determining a schedule to achieve target state for the third shipyard". In response to this recommendation, Public Services and Procurement Canada is executing a number of key activities:

- Review of current approaches with regards to timing and expected results of target state assessments, including a milestone-based assessment approach;
- Identification of the specific linkages between target state and shipyards' ability to build the ships within their programme of work;
- Extraction of best practices and development of alternative methodology for the NSS third shipyard target state assessment process;
- Usage of interim assessment efforts to provide supportive direction to the shipyard so it can receive feedback on processes/efforts that they are undertaking to help support final Target State attainment; and
- Provision of a comprehensive guide regarding the target state assessment process, including roles and responsibilities and associated timelines.