

FOLLOW ON COMMENTS TO THE MAY 29, 2022 OGGO COMMITTEE MEETING

As you requested, I am providing additional information that, due to time constraints, was not provided at the Committee hearing on May. 29.

Specifically, while responding to a question from Mr. Paul-Hus, I was about to discuss procurement timeframes when his allotted time expired. This information also directly addresses Mr. Housefather's comments later in the session that, "There's a desire to do things fast but the faster you do things, the greater the risk you don't do things competently and coherently and go through a rigorous assessment process. There's a desire to do things cheaply but if you do things cheaply then you can't be insisting on Canadian content and Canadian jobs being created and doing things here when you could buy something off the shelves from abroad more cheaply."

As I will demonstrate, we have done things fast, competently and simultaneously obtained high levels of Canadian content and jobs as well as received great value for the military and the Canadian taxpayers. If we know what we are doing, we need not make any compromises.

I have attached an article specifying that during the period 1998-2004 the timeframes to undertake defence procurement declined by 40%. I have also attached a colour slide that makes this point more clearly. Unfortunately, the article notes that by 2011 the timeframes had again risen such that they now exceeded those in 1998.

I am also attaching an English and French version of a briefing note that I sent to the chairman of the Standing Committee on National Defence in 2010 dealing with sole-sourcing. This issue is critical to Canadian content because sole-sourcing not only typically raises bid prices (up to 20%), but also often exempts the supplier from meeting the Canadian content requirements that would be mandatory in a competitive procurement.

You will note that by 2004, sole sourcing had been reduced to the point where only 8.8% of contracts over \$25,000 were not competed. Again, as with the timeframes, the percentage of sole sourcing exploded upward in the following years.

The net result is clear. During the period 2000-2005, the military, Canadian industry and the Canadian taxpayer were the beneficiaries of an efficient and cost-effective defence procurement process. Understanding how these improvements were made and why they have not been sustainable may be worthy of the Committee's investigation.

I would like to make two other points.

First, during the discussion, I pointed to the efficient procurement process conducted by the U.S. Navy in contracting for its Constellation Class FFG-62 frigates. While the U.S. Navy took three years to select a winning bidder, Canada took eight years. After making these comments, Mr. Perry said "that it's important to keep in mind that American program is still just at the theoretical or intent stage and it hasn't actually delivered anything yet." And that "With respect to the American Navy, its track record on delivering large surface ships on time and on budget isn't

great unless they've already made three or four or five dozen of them first, which is the case with the Arleigh Burke class destroyers.” His comments may be true but he and I are discussing totally separate matters. I am discussing the procurement process leading to contract award. He is discussing the follow-on implementation.

Second, I want to thank Mr. Lobb for providing me with the necessary time to refute Mr. Leuprecht’s attack on my integrity. As I made clear, I am unequivocally not in any conflict of interest. For Mr. Leuprecht to suggest so, is indefensible

Thank you.

Alan Williams

Delays in purchasing for Canadian military at record levels under Conservatives

BY DAVID PUGLIESE, OTTAWA CITIZEN FEBRUARY 17, 2013 9:04 PM



Undated handout photo of the Lockheed Martin F-35 Lightning II, Also known as Joint Strike Fighter (JSF) in flight.

Photograph by: Canada - Wire

Delays in the purchasing of military equipment have reached record levels under the Conservative government, according to a newly released Defence Department analysis.

It now takes, on average, 199 months — more than 16 years — from start to finish for military acquisitions, the examination of 55 equipment projects found. It was written in 2011, but there has been no improvement in the meantime, say Defence Department sources.

The analysis, obtained by the Citizen, throws into question the claims by Conservative ministers that their government has significantly reduced the amount of time to buy military equipment.

Public Works Minister Rona Ambrose told the Commons last week that “since 2006, our government had reduced the average major military procurement process to 48 months. This is five years faster than under the former Liberal government.”

However, the DND analysis found that in 1998 under the Liberal government the average acquisition time for equipment was 190 months. But several years later, after initiatives to improve the situation were brought in by Alan Williams, then assistant deputy minister at the Defence Department in charge of procurement, the figure dropped to 96 months and then to 89 months.

Those reductions were made under Liberal prime ministers Jean Chrétien and Paul Martin.

The DND analysis shows that by 2010-11 the time it took to buy equipment had climbed to 199 months.

The increase could be caused by a larger number of equipment projects on the go, a lack of skills among staff, or the complexity of the procurement system, the analysis suggests.

But it added: “It is impossible to pinpoint what is delaying the cycle time, further in-depth analysis needs to be conducted to review the whole acquisition process. Progress has not been made in reducing the overall acquisition cycle time.”

Ambrose has noted that under the Conservative government, successful procurement programs included the C-130J aircraft, tactical armoured vehicles, and the upgrade of armoured vehicles. And on the weekend, government officials said Public Works stands by its claim that procurement times on major equipment projects have improved.

Defence procurement, however, has become a political albatross for the government, which has spent billions of dollars on new equipment, purchasing helicopters and transport planes as well as tanks and armoured vehicles.

But Canadian-based defence firms have complained they have little to show for the government’s multi-billion dollar re-equipment program as the bulk of the work has gone to U.S. companies.

Last week, a report from the government’s special adviser on procurement, Tom Jenkins, pointed out that DND procurement policies brought in four years ago have actually hindered Canadian firms from bidding on some Canadian contracts.

A number of major equipment programs have also bogged down. The program to purchase new supply ships went off the rails in 2008, with ships now not expected until 2017.

Last summer, the government took the unprecedented step of intervening and putting a temporary halt to the purchase of military trucks after it was discovered the Defence Department tried to spend more than \$300 million extra on the program without permission.

The purchase of new search-and-rescue aircraft, started in 2004, has floundered and the planes are not expected for another two to three years. The army's plan to buy a close combat vehicle had to be restarted at least twice because of problems.

The government's decision to buy the F-35 fighter jet bogged down after Auditor General Michael Ferguson issued a report that concluded Defence Department officials withheld key information from Parliament about the purchase, underestimated costs and didn't follow proper procurement rules. The government has now said it is open to looking at other fighter jets.

The DND analysis pointed to a number of challenges procurement staff are facing, including government cutbacks, the rapid pace of technological change, the increasing need to consider political and economic factors and a "high level of Auditor General and media scrutiny."

Over the last four years, the Defence Department has gained a reputation in some government circles of playing fast and loose with procurement rules.

Former DND procurement chief Williams, who left the public service in 2005, said it is disappointing that procurement times are increasing.

"We had made fairly dramatic improvements in getting the times down" in 2003 and 2004, he said, "but all that progress has been reversed."

Williams said he believes the problems can be traced to the Conservative government's decision to make a number of large purchases without competition.

"When you start doing sole-source procurements you give the upper hand to the company," he said. "That's why it drags on and on because you have no leverage in contract negotiations."

Other issues raised in the DND analysis include a lack of staff to manage the equipment projects and inadequate training for procurement officials.

That undercuts statements made by DND's public affairs officials to the Citizen in 2008. They claimed the department was successful in dealing with recruiting and training enough procurement staff.

The analysis recommends the DND procurement staff look at improving how they figure out costs and the approval and delivery schedules for equipment programs.

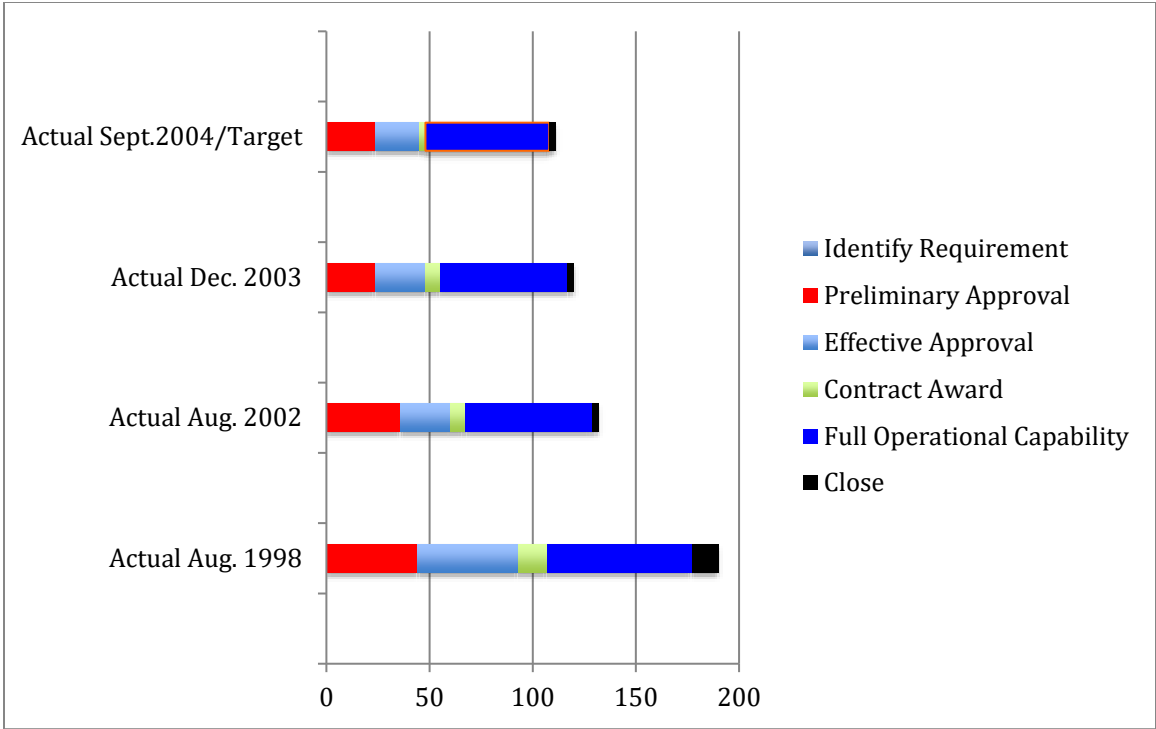
In an email Public Works stated: "The difference in these figures can be explained by the different phases for actual projects of military equipment by the respective departments. The procurement metric used by Public Works reflects a timeline from government decision to contract award."

The email added: "The project metric used by DND reflects a timeline from project initiation to equipment delivery which is clearly a longer process. In fact, in some cases, the process goes beyond

equipment delivery to include Full Operational Capability and finally to project closeout.”

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Alan Williams
691 Golden Ave.
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Oct. 12, 2010

The Honourable Maxime Bernier, M.P.
Chairman, Standing Committee on National Defence
Sixth Floor, 131 Queen St.
House of Commons
Ottawa, On. K1A 0A6

Dear Mr. Bernier,

First, let me express my sincere appreciation for the very open and constructive discussion at the committee last Thursday, Oct. 7.

Second, during the question and answer period, the Honourable Laurie Hawn, raised the topic of the number of sole source contracts issued during my tenure as Assistant Deputy Minister (Materiel) at DND. Accordingly, using the Treasury Board and Contracts Canada web sites I extracted the same information for the 5-year period 2000-2004 (the 5 full years when I was ADM Materiel at DND), as well as for the subsequent 5-year period 2005-2009. Table 1 below presents these findings.

TIMEFRAME	NUMBER OF NON-COMPETITIVE CONTRACTS \$25,000 AND ABOVE	VALUE OF NON-COMPETITIVE CONTRACTS \$25,000 AND ABOVE	AVERAGE % OF NON-COMPETITIVE CONTRACT VALUES \$25,000 AND ABOVE
2000-2004	2274	4.76 BILLION	17.4%
2005-2009	5983	8.98 BILLION	27.4%
DIFFERENCE (%)	+163%	+88%	+57%

TABLE 1

As is quite apparent, there is a dramatic increase in all aspects from 2000-2004 to 2005-2009. Furthermore, while the average percentage increase is large at 57%, it becomes even more alarming when the trend over the 10 years is examined. Table 2 below shows these figures for each year.

YEAR	AVERAGE % OF NON-COMPETITIVE CONTRACT VALUES OVER \$25,000
2000	15.5%
2001	30.1%
2002	28.9%
2003	11.5%
2004	8.8%
2005	14.6%
2006	27.3%
2007	31.9%
2008	25.6%
2009	42.0%

TABLE 2

As you can see the trend is essentially “V” shaped – a sharp decline, especially from 2001 through 2004, with an equally sharp rise from 2005 through 2009. For example, in 2004 for each dollar contracted, 8.8 cents were contracted non-competitively and 91.2 cents were contracted competitively. In 2009, for every dollar contracted, 42 cents were contracted non-competitively and 58 cents were contracted competitively. **This represents nearly a 5-fold percentage increase in the value of non-competitive contracts issued between 2004 and 2009.**

Finally, it is important to note that it is Public Works and Government Services Canada, not ADM(MAT) or DND that is accountable for these contracts.

Naturally, I am prepared to discuss these matters more fully with the committee.

Sincerely,

Alan Williams