



National Defence

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APR 13 2023

The Honourable John Williamson
Chair, Standing Committee on Public Accounts
House of Commons
Ottawa, Ontario
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Dear Mr. Williamson,

As agreed upon in the Government Response to the 4th Report of the Standing Committee on Public Accounts entitled *Report 3, Supplying the Canadian Armed Forces, of the 2020 Spring Reports of the Auditor General of Canada*, National Defence submits its final response to Recommendation 3.

Sincerely,

Bill Matthews

Enclosures: 1

Canada 

Response to the Standing Committee on Public Accounts' Report 4, Supplying the Canadian Armed Forces

Recommendation 3

That, by 30 April 2021, National Defence provide the House of Commons Standing Committee on Public Accounts with a progress report with regard to improving its oversight of high-priority requests. A final report should be provided by 30 April 2022.

Background

National Defence agreed with Recommendation 3 and provided the Committee with two updates, in April 2021 and April 2022, regarding its progress.

More specifically, National Defence committed to improving oversight of high-priority requests, acknowledging that this is crucial to reducing unnecessary costs and optimizing the use of resources. National Defence completed a review of the process and subsequently issued direction to all Defence Team members on February 22, 2021, that reinforced policy and direction, including how to properly prioritize requests.

In its April 2022 update, National Defence identified interconnected initiatives which seek to improve management and oversight of high-priority requests and the overall requisition/order-fulfillment process. These interconnected initiatives are outlined below and include the **Distribution and Materiel Inventory Network Optimization (DMINO)**, and the **Modernization and Integration of Sustainment and Logistics (MISL)** projects.

Final Progress Update

Distribution and Materiel Inventory Network Optimization (DMINO)

The DMINO project is on-track to improve the efficiency and effectiveness of material transportation operations in the Canadian Armed Forces (CAF) by establishing a new Ground Distribution Network. Progress to date has included the development of a new Scheduled Military Distribution structure and schedule, which was completed in August 2022.

In terms of next steps, the final phase of DMINO will determine the best mix of National Defence assets and commercial transportation, combining the new Scheduled Military Distribution and Scheduled Commercial Distribution networks. This will result in a revised Ground Distribution Network that will decrease variability in delivery schedules to 1-2 days, versus up to 21 days using the existing network. The new Ground Distribution Network will also include an automatic default to the lowest cost option to meet delivery requirements, which will require specific intervention to override. This work will be completed by December 2023.

Modernization and Integration of Sustainment and Logistics (MISL)

The CAF's Modernization and Integration of Sustainment and Logistics (MISL) project will introduce a new transportation module within the National Defence Enterprise Resource Planning (ERP) system. This new software will merge Driver and Fleet management with Transportation management platforms, allowing for real-time tracking of material moving through the transportation cycle and streamlining financial oversight. Training material is actively

being created to ensure a smooth transition for National Defence employees as they adjust to this platform upgrade.

Upon completion, MISL will improve the efficiency and effectiveness of National Defence's material distribution network to enhance the Defence Supply Chain. This integrated logistics platform will be more intuitive, transparent, and efficient in enabling the smooth operation of National Defence's transportation activities. MISL will provide Standing Offer visibility to highlight low-cost shipping methods, alongside the ability to forecast and consolidate routes for increased efficiency. This will address how financial authorities are exercised in the selection of standard or premium service levels and is also being informed by the outcomes of the DMINO project.

The new transportation module is currently being implemented and is on schedule to be added to the ERP system by summer 2024 and go live by December 2024. The DMINO and MISL projects will continue to be fully aligned with incremental changes made since 2020 until the completion of this Defence Supply Chain overhaul by December 2024.

These interconnected initiatives will improve defence supply chain performance over the longer term. Overall, by improving customer confidence on the freight delivery service of the Defence Supply Chain, combined with greater materiel visibility and greater certainty of on-time delivery performance, there will be a reduced requirement to over-prioritize requests and select more costly options for transportation. The improved integration of National Defence's legacy supply chain systems will also increase materiel visibility, materiel accountability and materiel readiness, further contributing to reduced reliance for high priority requests.

Continuous Improvement to the Defence Supply Chain

National Defence is providing this final update to the House Standing Committee on Public Accounts, as agreed to in the Government Response to Recommendation 3. The MISL and DMINO projects will deliver a fully integrated logistics platform by the end of 2024. The improved Ground Transportation Network will significantly reduce delivery time variability, reducing the need for high-priority requests, while the new Transportation Module will direct users towards the lowest cost option and allow for the consolidation of routes.

These initiatives are collectively and continuously improving the communication of transportation costs, guiding better transportation decisions throughout National Defence, and ensuring greater financial tracking and transparency throughout the Defence Supply Chain.