



National Defence

Défense nationale

Deputy Minister

Sous-ministre

National Defence Headquarters  
Ottawa, Ontario  
K1A 0K2

Quartier général de la Défense nationale  
Ottawa, (Ontario)  
K1A 0K2

APR 30 2018

The Honourable Kevin Sorenson  
Chair, Standing Committee on Public Accounts  
House of Commons  
Ottawa, Ontario  
K1A 0A6

Dear Mr. Sorenson,

As promised in the Government Response to the Twenty-Ninth Report of the Standing Committee on Public Accounts, entitled *Report 7, Operating and Maintenance Support for Military Equipment – National Defence, of the Fall 2016 Reports of the Auditor General of Canada*, National Defence submits its response to Recommendations 4, 7 and 8, due 30 April 2018.

Sincerely,

Jody Thomas

Enclosures: 1

Canada 

## Operating and Maintenance Support for Military Equipment

As requested by the Standing Committee on Public Accounts in its *Report 7, Operating and Maintenance Support for the Military Equipment – National Defence, of the Fall 2016 Reports of the Auditor General of Canada*, National Defence submits its response to Recommendations 4, 7 and 8.

### **Recommendation 4**

National Defence provide the House of Commons Standing Committee on Public Accounts with a report detailing its Defence Team Human Resource Strategy, as well as the plan and schedule for its implementation.

In *Report 7, Operating and Maintenance Support for the Military Equipment – National Defence, of the Fall 2016 Reports of the Auditor General of Canada*, the Auditor General recommended that National Defence “better define and integrate resource requirements in the initial decision-making process for equipment approval and support. National Defence needs to monitor and manage equipment support risks in a comprehensive manner to ensure sufficient personnel and funds are aligned with operations and training requirements.”

National Defence agreed with the recommendation and noted that it was developing a comprehensive human resource strategy. Once signed and implemented, the strategy will provide the governance framework necessary to ensure the right mix of personnel – Regular Force, Reserve Force, civilian and contractor – is available to meet the Department’s requirements, including those relating to operating and maintenance support.

### **Defence Team Human Resources Strategy**

The Defence Team Human Resource (HR) Strategy was developed in tandem with, and is complementary to, the defence policy, *Strong Secure Engaged (SSE)*. The strategy articulates how Human Resources (HR) management planning across National Defence will be comprehensively integrated. It identifies tools required to address recruiting, attrition, retention, utilization and transition, and provides the methodologies for managing workplace and workforce issues arising between components of the Defence Team. It also incorporates senior executive guidance and is informed by the extant Corporate Risk Profile and Defence Priorities.

The Defence Team HR Strategy has four goals and will help National Defence become an integrated, diverse and agile workforce. The four goals are to:

1. Optimize the workforce (align the Defence Team size and composition in accordance with the Defence Policy);
2. Improve recruiting, attraction, staffing and retention (get to capacity);
3. Ensure a representative, inclusive and respectful workplace; and
4. Ensure the well-being of Canadian Armed Forces (CAF)/DND personnel and their families.

The Defence Team HR Strategy will ensure people are well-supported, diverse and resilient and that the human, capital and financial resources exist to execute the mandate and missions that National Defence is directed to accomplish.

National Defence has taken deliberate steps to become an employer of choice that attracts people with skills that will meet future requirements and who represent the diversity and excellence of Canada. As the Department looks to the future, this strategy will ensure the entire Defence Team continues to receive the care, services and support it requires. These things will be central to attracting and retaining the people needed to keep Canada strong, secure and engaged in the world. Investing in its people is the single most important commitment the Department can make.

### Action Plan and Schedule

A senior executive-level governance body called the Defence Team HR Committee has been stood up to ensure that all HR policies and programs are developed and implemented in an integrated and coordinated manner. Strong governance will enable decisions and aid progress toward an optimized, healthy, and effective multi-component workforce that is positioned to respond to present and future Defence challenges. The Committee is enabled by four sub-committees corresponding to the four goals of the strategy, which will provide it with detailed analysis and recommendations.

The Committee will be soliciting Deputy Minister and Chief of the Defence staff approval of the strategy and action plan this spring. Samples of action items by strategy goal are provided below:

Goals	Example action items
Optimize the workforce (alignment)	<ul style="list-style-type: none"> <li>○ Re-align CAF HR and Establishment to meet SSE commitment to conduct concurrent operations and meet operational requirements</li> </ul>
Improve recruiting, attraction, staffing and retention (get to capacity)	<ul style="list-style-type: none"> <li>○ Deliver an adaptive career path model</li> <li>○ Operationalize attraction and recruiting</li> <li>○ Provide continuous employment options for spouses</li> <li>○ Streamline HR processes</li> </ul>
Ensure a representative, inclusive and respectful workplace	<ul style="list-style-type: none"> <li>○ Develop Diversity &amp; Inclusiveness Governance Framework</li> <li>○ Take policy direction from outcomes of gender-based analysis (plus) (GBA+)</li> <li>○ Implement diversity and inclusiveness measures and performance measurement strategy</li> </ul>
Ensure the well-being of CAF/DND personnel and their families	<ul style="list-style-type: none"> <li>○ Implement Total Health and Wellness Strategy</li> <li>○ Act on CAF Suicide Prevention Action Plan</li> <li>○ Stand up Integrated Conflict and Complaint Management system</li> </ul>

Ongoing initiatives already in place are being enhanced as they progress. Mid-target and long-term initiatives will start in winter 2019, with a completion timeline date of 2023.

Once approved in 2018 and implemented, the Defence Team HR Strategy will help National Defence ensure that it has the right balance of personnel (Regular Force, Reserve Force, civilian, and contractor)

to carry out its core responsibilities effectively and in a timely fashion. The HR Strategy will help the Department become an integrated, diverse and agile workforce, and the action plan it has prepared will guide its implementation. National Defence is confident the new strategy will aid in staffing the positions it needs to provide more reliable operating and maintenance support and oversight of contracted support performance.

### **Recommendation 7**

That, by 30 April 2018, National Defence provide the Committee with a report detailing the progress regarding the streamlining of internal governance processes to align with the Treasury Board Policy Suite Reset.

In *Report 7, Operating and Maintenance Support for Military Equipment – National Defence, of the Fall 2016 Reports of the Auditor General of Canada*, the Auditor General recommended that National Defence “take action to streamline governance processes and better integrate resource planning for equipment support.”

National Defence agreed with the recommendation and committed (1) to streamlining internal processes to align with the Treasury Board Policy Suite Reset and (2) to proceed with the implementation of the Project Approval Process Renewal (PAPR).

### **Streamlining internal processes to align with the Treasury Board Policy Suite Reset**

Ahead of the report from the Auditor General, National Defence had recognized it needed to improve its internal procurement processes to enable effective program governance and discipline. More specifically, it needed to re-align its internal governance and streamline its decision-making to safeguard accountability and policy compliance on the part of all its decision-makers. The Department worked to design and implement the necessary process reforms in consultation with the Treasury Board Secretariat, which was, in parallel, developing new guidelines as to how departments should manage their operations. A key aim of this Treasury Board effort, known as the Policy Suite Reset, was to shift the public service’s focus away from a culture of following rules and processes meant to insulate against all risk and encourage reasonable risk-taking in the interest of greater operational efficiency and effectiveness.<sup>1</sup>

### *Changes to the Project Management Board and Investment Resources Management Committee*

Between 2015 and 2017, with the Policy Suite Reset in mind, the terms of reference for National Defence’s two major program governing bodies – the Program Management Board (PMB) and Investment Resources Management Committee (IRMC) – were reviewed in order to ensure their focuses were complementary to each other. As a result, their mandates were re-aligned such that the primary focus of the PMB became to support the IRMC.

As of 2017, the PMB is co-chaired by the Vice Chief of the Defence Staff, Senior Associate Deputy Minister and Chief Financial Officer, which will ensure more effective and comprehensive oversight of affordability, achievability, prioritization, and synchronization across all of the Department’s lines of activity, not least procurement. The PMB has also been granted delegated authority up to \$50 million for lower-risk and lower-complexity projects. Specifically, as proposed by the Treasury Board Secretariat, the PMB has been delegated responsibility for the assessment of new Vote 5 investment proposals valued at between \$5 million and \$50 million and new Vote 1 proposals valued at between \$20 million and \$50 million. Lastly, the PMB has been given decision-making authority over these categories of

---

<sup>1</sup> At time of writing, 16 April 2018, the Policy Suite Reset has not been published. It is in consultation and is expected to be published by the end of June 2018.

projects as well, meaning that it is now empowered to rule on whether they should go forward as proposed or be amended.

The IRMC retains its strategic-level challenge function with respect to (1) new investment proposals and (2) changes to previously-approved investments in the Investment Plan. The delegation of authorities to the PMB, as described, is giving the IRMC better capacity to focus on higher levels of risk and complexity (i.e. projects valued at more than \$50 million).

#### *Enhancing National Defence's contracting authority*

Through active engagement with the Treasury Board Secretariat and Public Services and Procurement Canada, National Defence continues to pursue an increase in its contracting authority to \$5 million – as per initiative 95 of *Strong, Secure, Engaged*. The process involves three phases. Phase 2 has now been implemented, increasing the Department's contracting authority from \$400,000 to \$1 million. The final phase, culminating in the increase to \$5 million, is on schedule to be implemented in 2019. This change will allow for more than 80 percent of defence procurement contracts to be managed by the Department directly, without requiring it to engage Public Services and Procurement Canada, greatly streamlining the procurement process for contracts.

#### **Implementation of the Project Approval Process Renewal initiative**

The Project Approval Process Renewal (PAPR) initiative was launched in 2012, in response to widespread dissatisfaction with the Department's project approval process and the perception that it often prevented the on-time, on-scope and on-budget delivery of capital acquisitions and critical infrastructure capabilities. The PAPR final report concluded that there was a lack of departmental program prioritization and synchronization. Its recommendations were favourably received, served as a springboard to several positive changes in streamlining process, and have helped National Defence address areas that concerned the Auditor General.

The Department launched the first phase of the initiative in February 2017. Ministerial approval of a project about to enter Definition phase can now be accompanied by conditional approvals for the project to continue through the Implementation phase, provided its budget remains within +/- 20% of its planned overall cost. In other words, all ministerial approvals subsequent to initial approval have been delegated to the PMB and IRMC, conditional upon a project's sound stewardship of its allocated financial resources. This means that projects can advance more smoothly and quickly than when they required the recurring approval of the Minister himself.

The initiative – in conjunction with a range of other measures the Department took – also made it possible for National Defence to collect the evidence necessary to demonstrate its high level of program management ability. As a result, it earned an Organizational Project Management Capacity (OPMCA) rating of 3 from Treasury Board. The OPMCA ratings, ranging from 1 to 4, indicate what level of project risk and complexity a department has the ability to handle. The higher the rating, the larger the share of its programming a department can approve "in-house" – via a minister or delegated committees. National Defence is one of the few departments to have been granted level 3, which means that it has the authority to approve 93% of its programming without requiring Treasury Board's go-ahead. Improvements to the way the Department processes complexity and risk assessments for its projects – flowing from its engagement with Treasury Board Secretariat under the PAPR initiative – could save up to 3,000 working days per year.

The initiative has also improved National Defence's ability to manage operating and maintenance support. For one, funding approved for the initiative's implementation made possible the establishment of the costing centre of excellence which, in turn, has enabled more comprehensive life-cycle costing of projects. Secondly, the Capital Investment Program Plan Review, triggered by the initiative, has contributed to ensuring the long-term affordability of projects within the overall defence portfolio, and also put in place better checks and balances on, among other things, operating and maintenance contracts.

National Defence has taken effective steps to streamline its internal governance processes and align them with Treasury Board guidance. These steps have involved redefining the role and responsibilities of the PMB, which has in turn allowed the IRMC to function more efficiently. It has also meant streamlining a range of approval processes to save time throughout the project development cycle. The Department will work with the Treasury Board Secretariat to implement further streamlining measures once the Policy Suite Reset is promulgated in June.

### **Recommendation 8**

That, by 30 April 2018, National Defence provide the Committee with a report detailing the progress of the Departmental Results Framework – including the rationale for selecting key performance indicators regarding equipment support and availability – as well as how internal results are being reported to Parliament and to Canadians.

In *Report 7, Operating and Maintenance Support for Military Equipment – National Defence, of the Auditor General's Fall 2016 Reports*, the Auditor General recommended that “National Defence should implement a process to measure and report on equipment availability and apply it in a consistent manner for internal and public reporting purposes.” The Auditor General’s report also noted that, while National Defence has performance measures in support contracts with the private sector, similar measures do not exist for maintenance that National Defence itself performs. The report recommended that National Defence rectify this situation.

National Defence agreed with this recommendation and indicated that its new Departmental Results Framework would contain performance measures across all of the Department’s core responsibilities, as well as capture indicators relating to serviceability and availability of military equipment.

### **Departmental Results Framework**

Following Treasury Board approval on 29 January 2018, the Departmental Results Framework was integrated into National Defence’s Departmental Plan for FY2018-19. Performance indicators were implemented by 1 April to enable National Defence to monitor, collect and report on results for the upcoming fiscal year.

The Departmental Results Framework consists of Core Responsibilities, Departmental Results and Departmental Result Indicators. Collectively, they provide National Defence, Parliament and the public with a clear and reliable understanding of both the Department’s chain of activities and the expected results. National Defence is committed to continuing to improve its Departmental Results and program indicators to deliver accessible explanations of how National Defence functions and how its indicators speak to its ability to deliver on its mandate.

### **Core Responsibilities**

The Core Responsibilities are the enduring functions and roles the Department performs, which reflect the Department’s mandate. National Defence has five Core Responsibilities with an equipment dimension:

- Future Force Design: A force that can conduct a defined suite of concurrent operations is designed;
- Defence Team: The right military forces to train and prepare for operations are found and developed;
- Procurement of Capabilities: The right equipment for use in training and readiness activities is obtained and kept available;
- Ready Forces: Canada’s forces are readied to conduct operations; and
- Operations: Operations are conducted.



## **Departmental Results**

The second key part of the Framework is the Departmental Results – the objectives National Defence must meet to deliver on its mandate. Defining National Defence’s objectives in terms of Core Responsibilities and Departmental Results not only enhances transparency concerning its activities, but also helps illustrate the many steps involved in getting from force planning to delivering forces ready for operations.

## **Departmental Result Indicators**

Finally, the Departmental Result Indicators are measurements that indicate whether a Departmental Result has been achieved. More granular indicators that complement the Framework’s strategic-level indicators can be found in National Defence’s Program Inventory, which lists the suite of overarching Programs through which National Defence delivers on its mandate and achieves its outcomes.

## **Rationale for selecting Departmental Result Indicators**

Several of the indicators in National Defence’s Departmental Results Framework relate directly to the acquisition and maintenance of military equipment – the Departmental Result Indicators measuring availability and serviceability.

These indicators are measured against the assigned “readiness state” that the Chief of the Defence Staff (CDS) sets for the Canadian Army (CA), Royal Canadian Air Force (RCAF), Royal Canadian Navy (RCN) and Canadian Special Operations Forces Command (CANSOFCOM). Readiness refers to the capability of forces to execute their assigned missions and corresponds to each type of mission on which they may be deployed. The types of missions the armed forces prepare for determine the equipment they require, and thus the number of key equipment fleets that must be maintained.

## **Availability indicators**

Because equipment must first be provided and available for use in training, the Departmental Results Framework measures National Defence’s delivery of equipment. The “Procurement of Capabilities” Core Responsibility offers indicators that determine whether projects and services contracts are awarded within established performance targets. They also measure National Defence’s performance in meeting project development and approval timelines. These indicators, along with three others on the acquisition of equipment (on scope, on time, and within approved expenditure authority), measure how effectively equipment is delivered, with a focus on major capital projects.

Equipment will not always be available, particularly when undergoing major maintenance or upgrades. For example, a ship may go into dry dock for major maintenance to its hull. This type of maintenance is largely planned based on a strict and predictable schedule, thereby allowing military services to build these activities into their training and readiness plans. Availability is thus concerned with whether key equipment is available for use as planned.

## **Serviceability indicators**

Equipment must be kept serviceable to train and ready the forces, which means it must undergo regular maintenance and minor repairs. Equipment is deemed serviceable if it is in a state that allows for

effective use in training and readiness activities. Under the Core Responsibility "Ready Forces," the Departmental Results Framework offers an indicator for the CA, RCAF and RCN that speaks to the level of serviceability of available military equipment.

Criteria for determining whether a piece of equipment is serviceable differ from fleet-to-fleet. The CA, RCAF and RCN must determine whether a piece of equipment is serviceable in a way that reflects both its uniqueness and its use with reference to the requirements for each type of mission.

For Canadian Army fleets, according to Land Equipment Maintenance policy, a vehicle is considered serviceable when it can be operated by a soldier without restriction. It must therefore not be undergoing any type of maintenance and all of its sub-systems must be safe and mechanically sound. Even though a tank may be safe to drive, it will not be considered serviceable unless its fire control system and communication equipment are operating normally.

The serviceability assessment is different for the Royal Canadian Navy. Given the complex set of systems and types of interactions that ships offer, the assessment of serviceability must consider what a ship is still able to contribute even if some systems are not functional. For example, a ship lacking fully functioning combat systems may be considered fully "serviceable" if it can still undertake assigned tasks.

#### *Serviceability: considerations*

Serviceability targets reflect the reality that a portion of any fleet will be always subject to maintenance and repairs. As a result, a target calling for 100% equipment serviceability at all times would be unrealistic. A healthy fleet is one in which a small proportion of the fleet is unserviceable and an appropriate level of training and readiness is still achievable. Since the proportion of unserviceable equipment grows as more system failures occur, indicators granular enough to capture minor maintenance requirements offer an accurate picture of a fleet's health.

The serviceability indicator is also important because it helps express the amount of risk shouldered by the forces: the forces may train enough to be ready, but if serviceability constraints prevent them from training on the necessary equipment often enough, they take on a greater amount of risk on operations.

#### **How internal results are being reported to Parliament and Canadians**

The development of the Departmental Results Framework continues as National Defence concludes the development of its first set of program indicators. As part of this process, the Department will continue to work on indicators that clarify and speak to the serviceability and availability of military equipment, for both public and internal consumption. It will also continue developing more internal management-level indicators to better track and use performance information in making decisions around the need and allocation of resources.

As new data, systems and performance measures are developed, National Defence will look for more opportunities to report publicly on its performance in delivering its programs on "GC InfoBase," the Government of Canada's public internet portal for reporting on results for all federal departments. It will also continue to report on specific analyses in the Departmental Results Report to better frame its activities for Canadians and Parliamentarians.