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Procuring a Better Policy:

A Prudent Way Forward for Canada

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Problem Statement

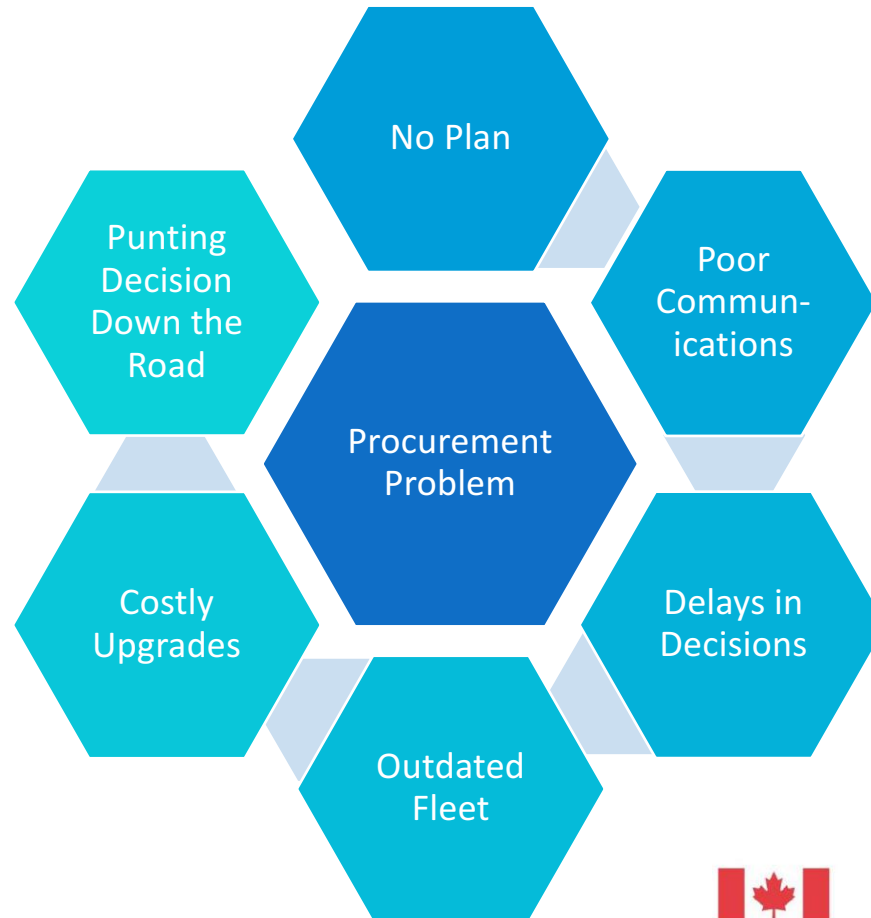


- For too long Canada has been devoid of a procurement strategy for the purchase of new fighter jets to replace its old aging fleet

Background

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Operational Analysis of Current Situation

Operational Analysis

CF-18 Hornets have exceeded their lifecycle and slated to be phased out between 2017-2023

It's only a matter of time before parts and upgrades are no longer available

Modernization of CF-18 fleet is projected at \$500 million

No general consensus within Military of their choice of fighter jets



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Political Analysis of Current Situation

Political Analysis

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graph TD; A[Political Analysis] --- B[Perception that Federal contracts are rigged to favour preferred bidder]; A --- C[Suppliers concerned about programs secrecy]; A --- D[Criticism from Media]; A --- E[The PM has signaled for a transparent procurement process];
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Perception that
Federal contracts
are rigged to favour
preferred bidder

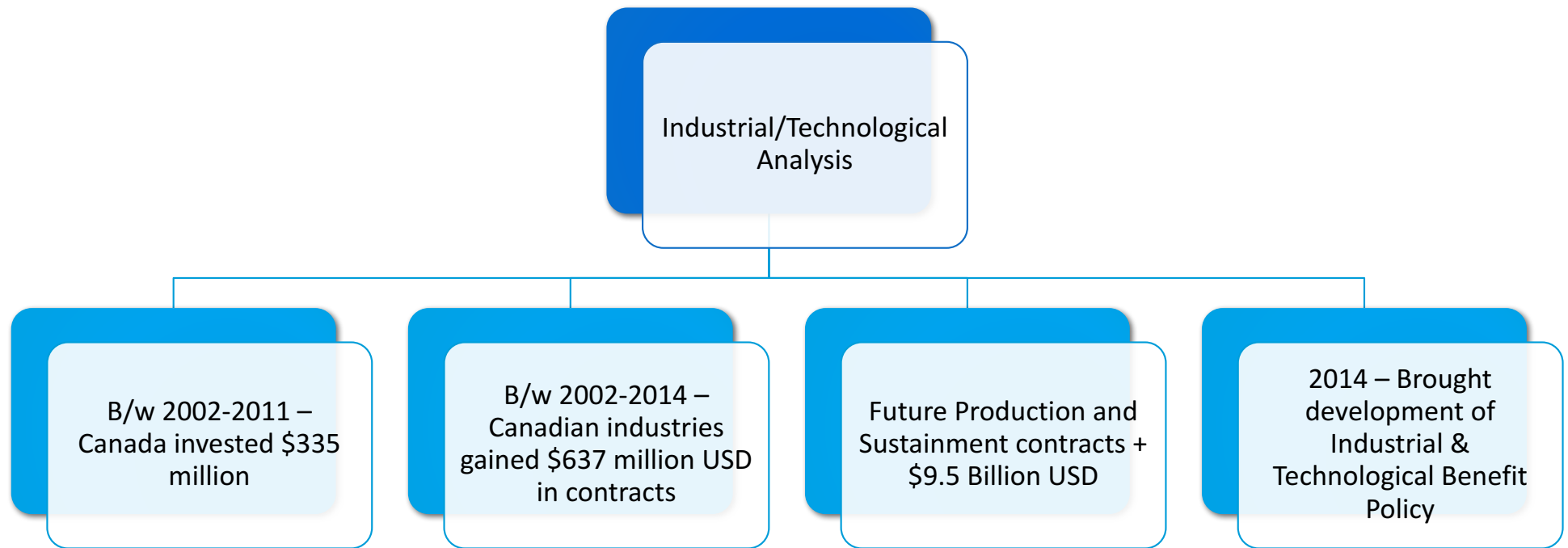
Suppliers concerned
about programs
secrecy

Criticism from
Media

The PM has signaled
for a transparent
procurement
process



Industrial/Technological Analysis of Current Situation





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The Government's Commitment

Meet Industrial and Technical Needs



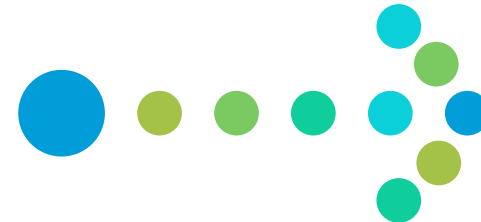
Good value for Taxpayer money



Operational Needs for Military



Transparent
and Evidence
Based
Procurement
Policy





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Option – Do Nothing



Benefits

- Delays need for procurement process
- Continued participation in JSF program
- Delays replacement need for fleet

Costs

- Cost will be greater in the long run
- Risk of outdated fleet that's not advanced enough
- Wasting money on interim maintenance and upgrades



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Easy Option – Sole Sourcing & Cost Spreading of F-18 Super Hornets



Benefits

- Avoids need for large, open procurement process
- Shows that government is taking action
- Costs are spread out over time
- Advanced operational capabilities, low acquisition and sustainment costs

Costs

- Cost will be greater in the long run
- Risk of outdated fleet
- Wastage of money on interim replacement and current fleet maintenance and upgrades
- Canadian companies not getting F-35 contracts anymore, hurts ON and QC based manufacturers
- Not in line with governments transparency goals



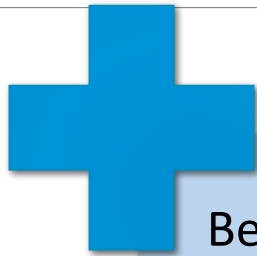
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Radical Option – Create “Made In” Canadian Fighter Jet



Benefits

- Reinvest costs from buying another jet to building our own
- Will create Canadian jobs throughout the planning, development and construction phases; this can offset losses incurred from Industrial Benefits from F-35 or F/A-18
- Customized “Made for” Canadian needs approach

Costs

- Risk that jet may not be developed in time to replace outdated CF-18 fleet
- Will take a great deal of time and project may face cost overruns, delays, etc. similar to how F-35 has faced
- May strain Canadian – US relations
- Market is saturated with established competitors, making exports difficult



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Prudent Option: Open and Transparent Procurement Process



Benefits

- Process offers an ability for more information and better sense of risks and options
- Shows that government is taking action and will make a decision following the process
- Process is congruent with the PM's previous statements

Costs

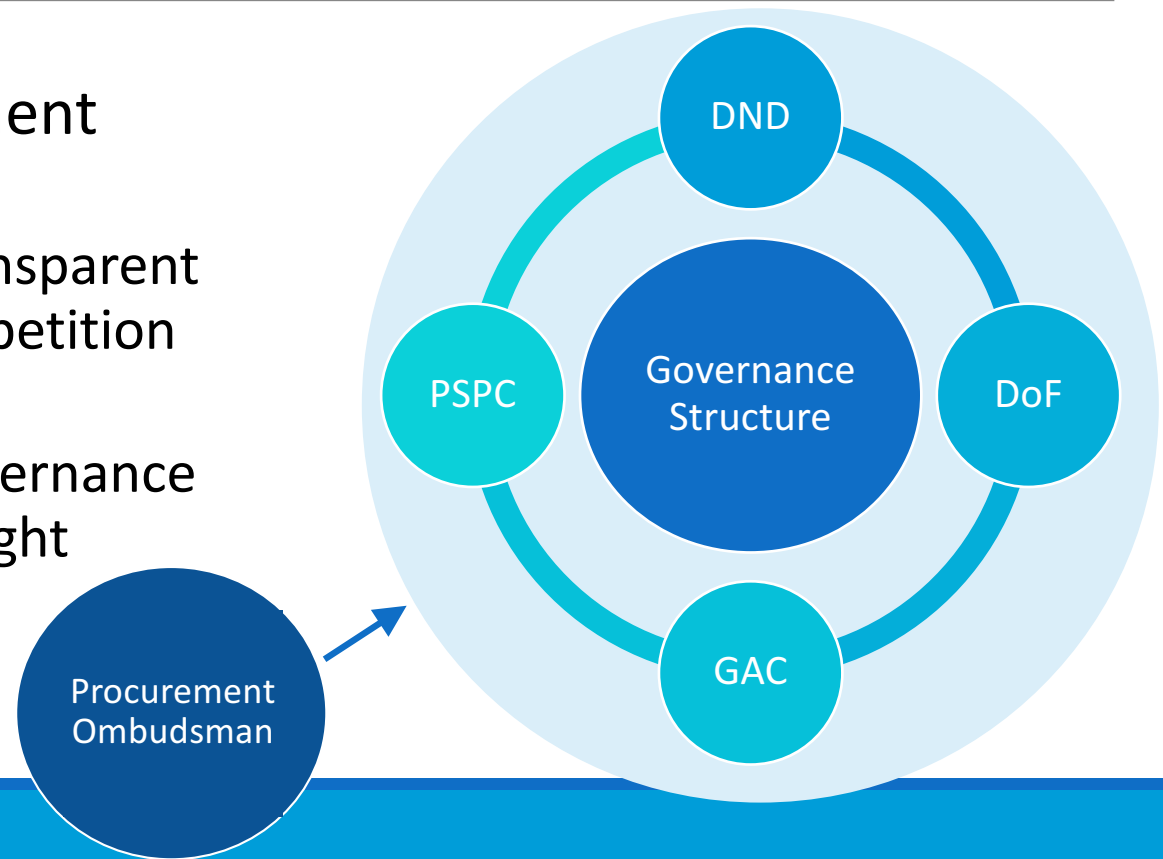
- Shortage of time and the jet fleet needs renewal
- If transparent process reveals the winner to be a European fighter than supply chains will have to be matched with capability
- May strain Canada – US relations



Recommendation – Prudent Procurement Plan

- Prudent Procurement Process

- Open and fair transparent procurement competition process
- Collaborative Governance with ethical oversight





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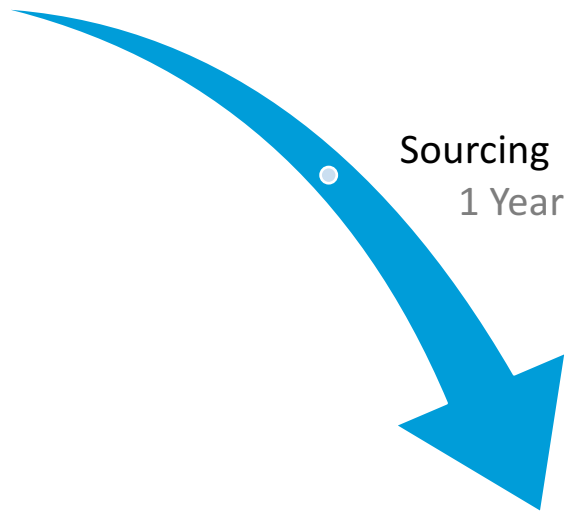
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Implementation Plan – 3 Phases

Planning
Complete



Sourcing
1 Year

Managing
2-4 Years

Overall Objectives

1. Open and Transparent Process
2. Ethical Decision-Making
3. Good Value for Money



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Implementation Phase 1 - Planning

Goal	Strategy	Timeline
Needs Assessment	Reviewed and synthesized internal government documents to determine needs (See Annex for full details)	January, 2002
Market Assessment	Performed financial analyses of different fighter jet options (See Annex for full details) Performed operational analysis for different fighter jet options (See Annex for full details)	
Finalize Procurement Plan	•Developed open and competitive process in line with current Canadian policies and best practices	February 18, 2017



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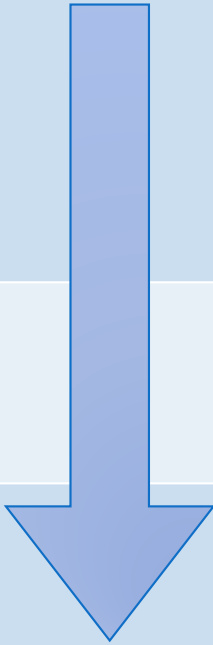
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Implementation Phase 2 - Sourcing

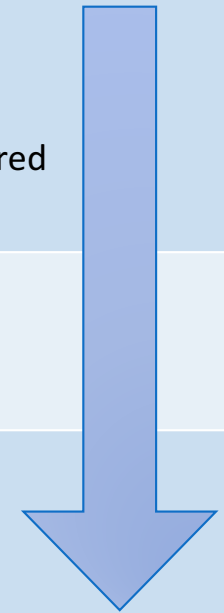
Goal	Strategy	Projected Timeline
Start open and competitive bidding process	<ul style="list-style-type: none"> Distribute simplified procurement criteria to manufacturers (See Annex for details) Update Progress Metre as bids are received 	April, 2017
Contract Selected Based on Best Practices	<ul style="list-style-type: none"> Bids are assessed against extensive procurement criteria (See Annex for full details) 	September, 2017
Negotiate and Award Contract	<ul style="list-style-type: none"> Negotiate Group Buy between top two bidders Public Consultation Online Portal <ul style="list-style-type: none"> 45 day open invitation to participate in process beginning mid-January 	March, 2018





Implementation Phase 3 - Managing

Goal	Strategy	Projected Timeline
Implement Contract	<ul style="list-style-type: none"> Have a contract management team who communicate with the contractor Have a contract management plan incorporate and started during the procurement planning stage 	<p>April, 2018</p> <p>April, 2020 -1/3 of Fleet Procured</p>
Manage Contract	<ul style="list-style-type: none"> Have a regular progress review meetings to assess production capacities, ensuring cost efficiencies, mitigating potential delays, etc. 	<p>April, 2023 -Full Fleet Procured</p>
Evaluate Contract	<ul style="list-style-type: none"> Longer-term review and audits should be conducted to ensure both financial and ethical objectives are met 	<p>April, 2018 - 2023</p>





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Risk Management and Mitigation Strategies



Budgetary Risk

- Fluctuations on budget priorities over time



Political Risk

- If plan doesn't go "according to plan", government will receive criticism



Procedural Risk

- Changing supply chain management policies



Economic Risk

- Canadian firms will face difficulties in uncertain times



International Risk

- Strain in US – Canadian relations



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Communications Plan (External)

International Companies

- Distribute procurement criteria and invitation to new competitive and ethical procurement process

Canadian Industries

- Provide reassurances of job stability through promotion of Industrial & Technological Benefit Policy

Public Reassurance

- Highlight value for money being attained by a competitive bidding process

Transparent Information

- Promote use of Procurement Progress Metre and Procurement Register



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Open Invitation Procurement Register

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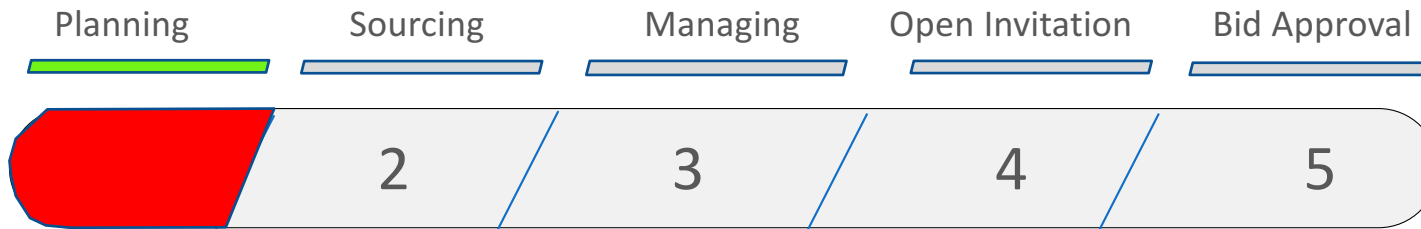
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Procurement Progress Metre

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Communications Plan (Internal)

Change Management

- Demonstrate and communicate quick success to develop internal support

Timing

- Distribute major announcement internally 1 hour before public release to ensure knowledge sharing

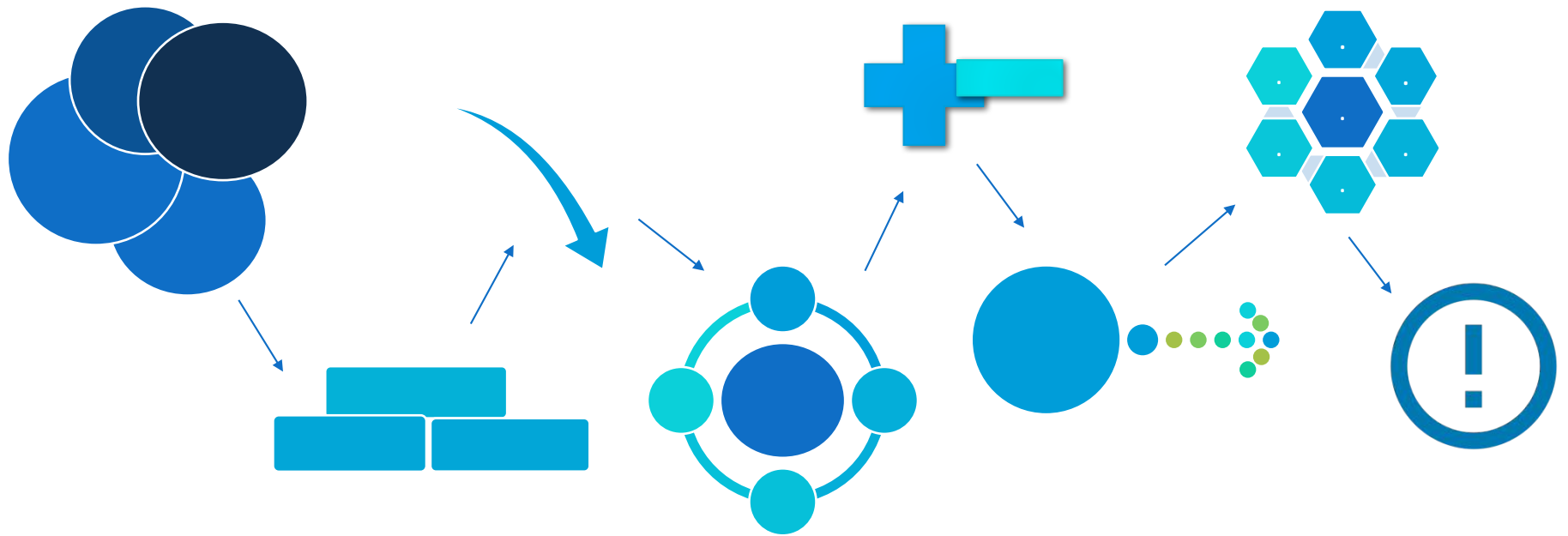
Communications Vehicles

- Utilize existing vehicles that are most often used within department (e.g. intranet, newsletters, emails, etc.)

Clear Vision

- Distribute clear and concise communications that accurately depict the vision of the prudent procurement process

Final Re-Cap





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ANNEXES










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Financial and Operational Comparison Matrix

	Saab Gripen JAS 39E/F 	Eurofighter Typhoon 	Dassault Rafale 	F-35 Lightning II 	F-18 Super Hornet 
Cost per Unit	Green	Red	Red	Yellow	Yellow
Usage and Maintenance Costs	Green	Yellow	Yellow	Green	Yellow
Transition Costs	Yellow	Yellow	Red	Yellow	Green
Defensive Capabilities	Yellow	Green	Red	Yellow	Yellow
Real-World Deployment	Green	Green	Red	Red	Green
Arctic Capabilities	Green	Red	Green	Yellow	Green



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Procurement Criteria¹



- Strategic
- Economic
- Industrial Benefits
- Operational

¹Adapted from the Danes



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Operational Criteria



Survivability

- Survivability – how well the fighter aircraft is capable of protecting itself against enemy weapons systems to minimize risk of loss of aircraft or crew



Mission Effectiveness

- Mission Effectiveness – how well fighter aircraft performs the task assigned (i.e. guarding arctic)



Future Development

- Future Development – evaluates extent to which the fighter aircraft are expected to constitute a relevant operational and technically applicable fighter aircraft capability throughout the entire 30 year lifespan of the aircraft



Candidate Risk

- Candidate Risk – considers the risks that cannot be quantified economically like the risks associated with the procurement and implementation of the aircraft



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Economic Criteria: Total Lifecycle Costs



Procurement Costs

- Includes the Procurement price per Aircraft



On Going Operations and Sustainment

- Maintenance Costs per Flight Hour
- Flight Instruction Hours and Training (whether 2 seater plane or 1)
- Cost estimates per flight hour



Quantifiable Risks





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Strategic Criteria

Defense and Security Policy Implications

- Potential for promoting Canadian interests in terms of security policy and military strategy

Potential for Strategic Co-Operation

- Cooperation benefit with allies



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Industrial Criteria

Support Safeguarding Essential Canadian Security Interests

- Assessing jet fighter manufacturers' proposals for industrial cooperation with the Canadian defense industry



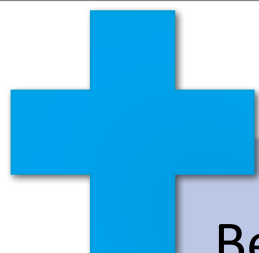
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IF Trade War: Sole sourced buys of European Jets



Benefits

- Avoid being captured by US Government policy, allows Canada to make their own decisions
- Will show government taking action
- European jets may be cheaper than American

Costs

- No Canadian industrial benefits for European jets; they will need to be developed
- Equipment will likely not align with US military



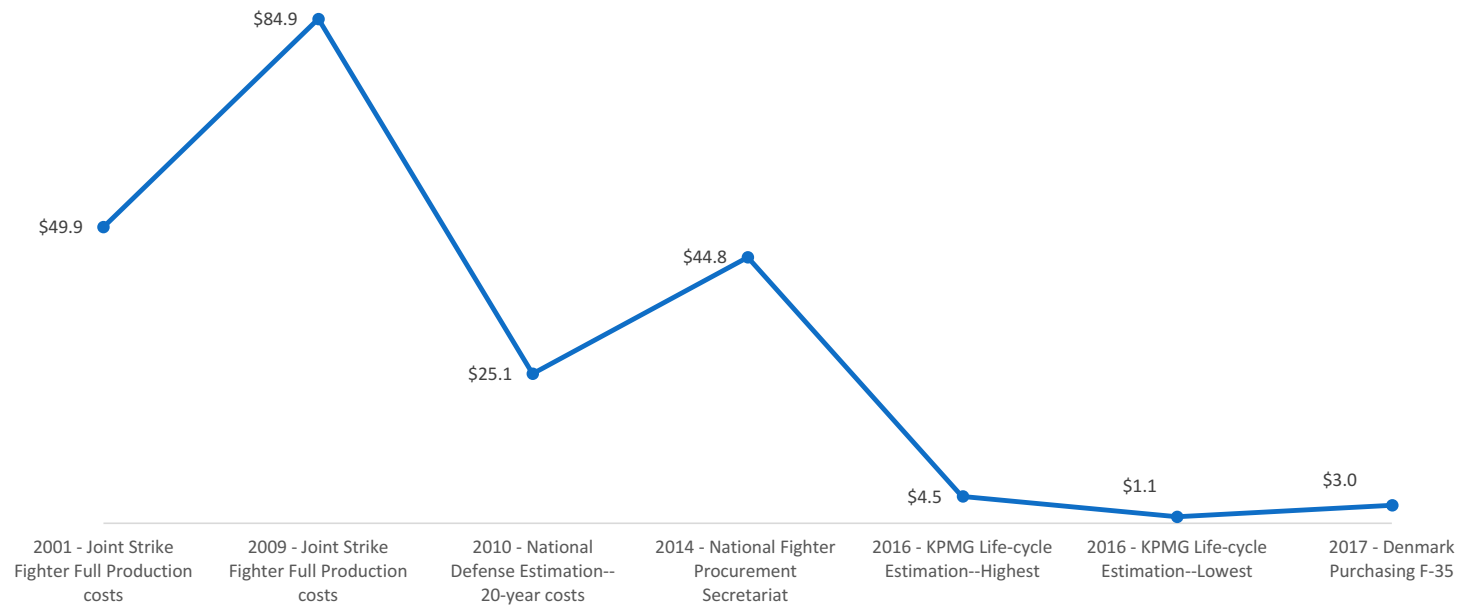
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Estimated Costs on F-35 (CAD in Billion) for Denmark





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Price per Unit for Fighter Jets in CAD in Billion

