Outline

• AEPM Overview
• DPS Update
• Strategic Change Program
• Defence Policy Review
• Questions
Aerospace Equipment Program Management Division

Mission:

We deliver and sustain aerospace equipment that meets RCAF requirements.
Defence Procurement Strategy Update

- Objectives
- Governance
- Independent Review Panel for Defence Acquisition
- Increased Contracting Authority for DND
Principles and Objectives

DPS is based on a whole-of-government approach to defence procurement through the application of early and continuous engagement, and timely and effective decision-making to guide and coordinate defence and major military procurements while ensuring that purchases of defence equipment create economic opportunities for Canadians.

DPS has three main objectives:

• Delivering the right equipment to the Canadian Armed Forces and the Canadian Coast Guard in a timely manner
• Leveraging our purchases of defence equipment to create jobs and economic growth in Canada
• Streamlining Defence Procurement Processes
Governance

• Interdepartmental committees coordinated & chaired by PSPC
  ✓ Minister’s Working Group (MinWG) - to reflect guidance from new government
  ✓ Deputy Minister Governance Committee (DMGC) - Selected procurements
  ✓ Assistant Deputy Minister Committee (ADMC) - Selected procurements
  ✓ Director General-level Committees - Procurements > $100M
  ✓ Director-level Committees - Procurements from $20M to $100M
  ✓ Procurement Review Committee - Procurements <$20M

• DPS Secretariat (DPSS):
  ✓ Permanent structure and resourcing in development
  ✓ Provides administrative support to ADMC and above
  ✓ Brings together the perspective of departments to ensure streamlined decision-making and issue resolution
  ✓ Provides strategic oversight, policy and procurement analysis and advice
  ✓ Provides advice, tools, templates to the DG and Dir committees
Independent Review Panel for Defence Acquisition (IRPDA)

- Two mandatory engagement points
  - following project Identification
  - following Options Analysis
- Between these two points, the IRPDA will engage as necessary to ensure that issues raised by the panel are addressed and resolved
Increased Goods Contracting Authority

- On 1 June 2015, the Minister of Public Services and Procurement released a new Request and Authorization instrument providing the Minister of National Defence with the authority to contract for goods up to $5M.
- On 11 February 2016, the Minister of National Defence signed the Delegation of Authority increasing ADM (Mat) authority from $25K to the following goods contract entry and aggregate amendment limits.

<table>
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<th>Electronic Bidding</th>
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<th>Non-Competitive</th>
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- On 1 April 2016, we commenced utilizing these authorities
- In 2017, we will request Treasury Board approval to contract for goods and services valued up to $5M to be implemented in a phased manner.
DR 2.3 Maintenance Program Design

- Sustainment Initiative (ISS Procurement)
- Maintenance Program Rationalization
- Professional Development
- Engineering Flight Test Rationalization
In-Service Support Contracting Framework (ISSCF)
A Sustainment Case for Action
Why Change?

• Allied experience (Australia, UK, USA)
• Office of the Auditor General 2011 Recommendations
• In-house experience with OWSM and ISSCF
• Price Waterhouse Coopers Review of Canada’s Contract Cost Principles and Profit Policy
• KPMG Business Transformation Strategy Report
Sustainment Initiative
Tailored Solutions Based on Four Principles

Interdepartmental Collaboration

- DND
- PSPC
- CAF
- ISED
Sustainment Initiative
A Tailored Interdepartmental Approach for Developing Sustainment Solutions

Interdepartmental SBCA Teams

- DND TA
- PSPC CA
- ISEDC

4 Sustainment Principles
Value for Money, Economic Benefits, Equipment performance, Flexibility

A/L/M Teams
Training Guiding Coaching

Interdepartmental CoE

SUSTAINMENT REQUIREMENT

GOVERNANCE

OPTIONS

SUSTAINMENT BUSINESS CASE ANALYSIS
PROCESS

Policy & Procedures
Guides & Tools
Professional Development

Smart Organization

DECISION

RECOMMENDATION

TAILORED SUSTAINMENT APPROACH

ISEDC
DND
TA
PSPC
CA
ISEDC

Interdepartmental CoE

A/L/M Teams
Where We Are

Case for Action → Concept → Strategy → Develop SBCA process → Roll-Out SBCA Process

Pilots

Today

Mid-2016

Sustainment Initiative Steering Committee (SISC)

**INDUSTRY**
Representatives from CADSI and AIAC

**DND**
DGAEPM
DGLEPM
DGMEPM
DGMSSC
DGMPD(S)
DGMPD(A&L)
DG Proc Svcs
DGIIP

**PSPC**
DGDMPS
DGMS
DGL&AS
DGPRISMS

**ISED C**
DGITB
SBCA Rollout – What will Change

• All sustainment contracts over $20M will be required to engage DPS Governance Committees for determination of alignment with four principles and requirement for detailed SBCA.

• DPS Governance Committees will have well-defined responsibilities for sustainment procurements which will lead to consistent decision-making.

• Technical and Contract Authorities will be required to add discipline to the development of sustainment solutions and incorporate best practices where they make sense – as opposed to pre-defined templates.

• Centers of Excellence (A/L/M Teams) will coach, guide and mentor TAs and CAs and cross-pollinate best-practices.
T56/F404 Pilot – An SBCA Example

• T56 and F404 Propulsion System
• Sustainment Support has been traditional Third Line Maintenance under transactional contracts.
• Project Objectives
  • ISS solution for the T56 & F404 Propulsion Group
    • Performance
    • Value for Money
    • Flexibility
    • Economic Benefits
  • Validation of the SBCA process
• RFP released 22 March
The *Perpetual Competitive Environment Concept*

- **Performance Based**
- **Ongoing competitive basis**
- **SPMs (Perf, $, Behaviour, ITBs)**
- **Preserved Performance Elements**

- **Contract Award**
- **Initial Contract Term**
Pilot Project - Conclusion

• Tailored approach = more effective and flexible solutions
• Consideration of the four principles = consistency of approach
• Greater degree of alignment throughout the Enterprise = realized efficiencies
• With Industry’s support we can deliver greater capability to the Air Force
• Your Patience and Support is appreciated
DR 2.3 Maintenance Program Design

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## Re-Investment Opportunities: An Example

**CH146 Griffon Rotor Mast Replacement Initiative**

Extend Rotor Mast replacement from every 5,000 hours to every 7,500 (10,000 hours under consideration, used in industry)

- **Investment:** none
- **Reduced Rotor Mast replacements by up to $628K per year**
- **Respecting Airworthiness Requirements**
- **Repeatable Success Story**
DR 2.3 Maintenance Program Design

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Professional Development

• A suite of professional development courses are under development to improve the quality of sustainment analyses moving forward. Examples include:
  • Case for Action and Way Ahead
    • Winning hearts and minds
  • Performance Based Contracting
    • Introductory course, re-inforced by A/L/M team engagement
    • Consulting CADSI on PBC practices to improve content
  • Best practices
    • BP’s are under development as part of the sustainment toolkit for practitioners, will include formal training.
  • Informal training
    • Sustainment principles and their use will be re-inforced though lunch bag sessions, seminars, townhalls.
DR 2.3 Maintenance Program
Design

- Sustainment Initiative (ISS Procurement)
- Maintenance Program Rationalization
- Professional Development
- Engineering Flight Test Rationalization
Engineering Flight Test Rationalization Initiative (EFTR)

- Objective:
  - To create a lean and efficient organization that can generate savings to be internally reinvested in military capabilities and readiness.
  - Is a means to ensure that engineering test and evaluation services, currently delivered by the Aerospace Engineering Test Establishment (AETE) from their Cold Lake location, are delivered:
    - Effectively;
    - Efficiently; and
    - Sustainably (15+ years).
EFTR Case for Action

- Location of flight testing has moved away from AETE in Cold Lake, Alberta to Operational Wings, Original Equipment Manufacturer (OEM) facilities and Allied military facilities
- Shift towards Combined Test Force concept (prime contractor / OEM and DND) to conduct mix of Engineering Test & Evaluation (T&E) and Operational T&E
  - Eg. Medium/Heavy Lift Helicopter and Maritime Helicopter projects have DND test personnel assigned to CTF, and linked to AETE
- Recruiting and retention challenges in Cold Lake
- Current AETE aircraft fleets (CT114 Tutor & CH146 Griffon) provide limited value for aircrew proficiency
EFTR Option Areas

- Significant opportunities exist for efficiencies with potentially substantial financial and HR savings while preserving essential Flight Test capability.
- Analysis will consider options from three distinct areas:

1. **Capability Rationalization**
   - Military/Civilian ratio
   - Fleet Management
   - Synergy with other DND agencies
   - Partnering with OGD, Allies & Industry
   - Divestment of some capability

2. **Location**
   - Cold Lake (status quo)
   - National Capital Region
   - Aerospace Industry hubs
   - Co-location with regional Airports

3. **Outsourcing**
   - Some degree of current capabilities
   - Aircraft for flight test proficiency
   - Aircraft maintenance
   - Range operations
   - Others?
Defence Policy Review

- Minister Sajjan has launched public consultations to inform the development of a new defence policy for Canada
- Until 31 July, can contribute online and in writing
- Defence procurement is part of the review

www.canada.ca/defence-consultations
Questions?