

# 2022 Minister's Transition Book 2: Core responsibility 1—Purchase of goods and services

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## Procurement services

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## Procurement Branch overview

## **Mandate**

Public Services and Procurement Canada (PSPC) supports the daily operations of the Government of Canada as its central purchasing agent. The department provides sound procurement stewardship through leading practices in procurement management, effective risk management, a robust policy framework and effective performance management. The department acts as the common service provider for over 100 government departments and agencies in procuring a full range of goods and services.

The federal procurement process is guided by the following core principles:

- fair, open, and transparent
- competitive
- sustainable
- value for money
- integrity
- acquiring the right goods and services

The department's Acquisitions Program has 2 branches that undertake procurement: the Procurement Branch and the Defence and Marine Procurement Branch (focused on military). Procurement professionals from these branches help federal departments and agencies navigate the complex web of legislative, regulatory, and policy requirements on their behalf. The Acquisitions Program plays a critical role in ensuring that procurement outcomes go beyond simply acquiring goods and services and help Canada achieve our socio-economic and environmental objectives.

## **Key activities**

In Canada, public procurement (federal, provincial, municipal) represents approximately \$200 billion (10% of Gross Domestic Product) in annual economic activity. The federal government spending in fiscal year 2021 to 2022 was approximately \$35 billion for goods, services, and construction in support of its operations and the provision of essential public functions, including defence. Out of this total \$25.7 billion in contracts awarded by PSPC (Public Services and Procurement Canada) as a common service provider and approximately \$10 billion in contracts awarded by other departments and agencies.

COVID-19 related procurement accounted for \$5.1 billion in contracts to support Canada's COVID-19 response (not including vaccines and therapeutics, which total \$9 billion over the course of the pandemic), and \$20.6 billion in non-COVID-19 contracting.

## **Authorities, trade agreements, and federal regulations**

- The *Department of Public Works and Government Services Act* gives the minister of Public Services and Procurement exclusive responsibility for the procurement of goods. In accordance with the act and in order to maximize efficiencies, the minister has delegated to other departments the authority to acquire goods under \$25,000, such that they are not required to engage with the department for approval. The minister also has the authority to

procure goods up to the applicable Treasury Board contracting limits (currently \$75 million for competitive processes)

- The *Defence Production Act* outlines the minister's specific responsibility for military procurement. The act indicates that the minister has the exclusive authority to purchase defence supplies and construct defence projects required by the Department of National Defence. The latter is mainly delivered through Defence Construction Canada, a Crown corporation whose mandate is to provide the environmental and infrastructure needs of National Defence. The act further provides the minister with the responsibility to examine, organize, and mobilize industry for the purpose of the defence of Canada
- The *Government Contract Regulations* under Treasury Board authority ensure that procurements are conducted competitively and provide some exceptions to this rule (that is, emergencies in the public interest, expenditures below certain thresholds, nature of the work is such that it would not be in the public interest to solicit bids, only 1 person is capable of performing the contract)
- Canada is party to several trade agreements which include government procurement obligations. These obligations include procedural rules based on non-discrimination, national treatment, transparency, and open competition. Each trade agreement specifies certain monetary thresholds; whereby, if a procurement is valued at or above these thresholds, the obligations of the agreement apply
- There are currently 25 modern treaties in effect and 22 contain economic measures with procurement obligations. These 25 modern treaties are located in Yukon (11), Northwest Territories (4), Nunavut (1), Quebec (4), Newfoundland and Labrador (1) and British Columbia (4). No 2 modern treaties are exactly the same, and therefore each treaty has to be read and understood individually to determine the applicable contracting procurement obligations. All federal departments and agencies are subject to modern treaties which can apply to the purchase of goods, services, construction and real property leasing, or any of the above depending on the agreement in question. All but 5 international treaties explicitly state that Canada can use any measures to promote Indigenous procurement

## **Partners and stakeholders**

The Government of Canada procurement environment involves a number of key players:

- Treasury Board of Canada Secretariat: establishes procurement regulatory and policy environment
- Public Services and Procurement Canada: provides common procurement services and tools to federal departments
- Shared Services Canada: provides common procurement services related to the delivery of email, data centre, network and workplace technology devices
- client departments: buy goods and services based on their own authorities or engage with Public Services and Procurement Canada /Shared Services Canada as common service providers
- suppliers: support delivery of federal programs through the provision of goods and services

## Key considerations

Currently, the program is focused on a number of major activities that include:

- continuing to support the Government of Canada's response to the COVID-19 pandemic with the procurement of critical goods and services
- continuing to implement procurement modernization goals and initiatives, including the electronic procurement solution to better serve our clients, suppliers and other federal departments
- increasing the participation of Indigenous businesses in federal procurement, including work with Indigenous Services Canada (ISC) and Treasury Board of Canada Secretariat (TBS) to award 5% of the value of federal contracts awarded to Indigenous businesses
- increasing ethical supply chains by addressing the risk of forced labour and human trafficking in federal procurement supply chains through efforts on the National Strategy to Combat Human Trafficking
- developing and implementing environmentally preferable procurement policy instruments, practices and tools to green federal operations and accelerate the transition to net-zero greenhouse gas emissions
- developing and implementing a supplier diversity program in order to leverage federal procurement to support government objectives and increase supplier diversity

## High Frequency Rail project

### Mandate

The Government of Canada has committed to modernizing passenger rail along the Toronto-Quebec City corridor. The High Frequency Rail (HFR) project is led by Transport Canada and will transform intercity travel in Canada through the implementation of a modern rail service between the major population centres of Québec City, Montréal, Ottawa, and Toronto.

Public Services and Procurement Canada is responsible for managing the procurement to select a private partner for the delivery of project.

### Key activities

The HFR (High Frequency Rail) Project is to be delivered using a Progressive Public-Private Partnership (Progressive P3) delivery model, employing a relatively novel method to engaging the private sector; the co-development model. This collaborative approach between the Government of Canada and the private sector will promote innovation, reduce risk and improve risk management, provide the best value to Canadians, and deliver a world-class service.

Canada is seeking strong competition from domestic and international companies to select the private developer partner who is best able to co-develop and optimize the design and scope of the HFR (High Frequency Rail) project and then execute the project on time and in a manner that demonstrates and ensures the best value for Canadians.

The procurement approach for this federally delivered initiative is very aggressive and utilizes several phases, which started with a request for expression of interest (RFEOI) issued in March 2022 to inform the industry and seek feedback on the project as well as obtain answers on specific topics related to the delivery strategy of the HFR (High Frequency Rail) project. The RFEOI (Request For Expressions Of Interest) closed on May 10 and PSPC (Public Services and Procurement Canada) has received over 50 responses from the entire spectrum of the rail services industry, project developers and private lenders and equity providers.

Based on feedback from industry, PSPC (Public Services and Procurement Canada) will be issuing an updated RFEOI (Request For Expressions Of Interest) in late September or early October 2022, with an updated schedule and a new approach to pre-qualifying consortia.

The formal procurement process will start with the issuance of a request for qualification (RFQ) in late fall 2022 that will seek to identify up to 3 qualified respondents to eventually compete to form the consortium responsible for the design and implementation of the HFR (High Frequency Rail) project.

Following the conclusion of the RFQ (Request for Qualifications), a request for proposals (RFP) will be issued in the spring of 2023 to the pre-qualified consortia and will result in the selection of a single consortium to be awarded a contract (the pre-development agreement) in 2024.

PSPC (Public Services and Procurement Canada) will ensure the procurement is fair, open and transparent and abides by the rules and regulations while adopting an agile and collaborative approach which allows for the successful implementation of the project and ensures value for money for Canadians.

## **Partners and stakeholders**

PSPC (Public Services and Procurement Canada) is the project authority for HFR (High Frequency Rail) and the client, Transport Canada, is the lead partner for the HFR (High Frequency Rail) project. Transport Canada is engaging with a large number of public and private stakeholders such as host railways (for example CN), local services (for example, Metrolinx, REM), different members of the industry (through PSPC (Public Services and Procurement Canada) during the procurement phase), other jurisdictions (municipalities, provinces), Indigenous and environmental stakeholders, etc. Another partner is the Canada Infrastructure Bank (CIB) who has an interest in the project as a potential equity provider as well as a mandate to seek to attract private sector investors. Infrastructure Canada and the Department of Justice are also providing expert support during the procurement phase.

At the point of the pre-development agreement, a new subsidiary of VIA Rail will take over as the project lead and sign the contract with the private consortium. The VIA Rail subsidiary will manage the co-development of the project for an anticipated 3 years and the final project agreement governing the design and construction of the project and a 30 to 50 years of operations of the new services and existing VIA Rail services in the Québec-Windsor corridor by the private partner.

## Key considerations

The RFEI (Request For Expressions Of Interest) findings and follow-up discussions with industry will inform the upcoming program design, as well as the next steps of the procurement process.

Budget 2022 proposes to provide \$396.8 million over 2 years, starting in 2022 to 2023, to Transport Canada and Infrastructure Canada for the planning and design steps in support of high frequency rail between Toronto and Quebec City, but it is too early to identify the costs of the project itself.

The minister of Transport has recently announced seeking an external advisor to analyse passenger demands and route options in Southwestern Ontario and the potential future integration to the HFRR (High Frequency Rail) project, for which PSPC (Public Services and Procurement Canada) will need to draft the contractual documentation to ensure an easy transition should the route be expanded.

## Commissionaires' right of first refusal

### Mandate

The Government of Canada continues to take action to ensure the safety and security of Canadians. Doing so requires a wide range of security guard services from basic building security to specialized large-scale events and highly skilled requirements. Public Services and Procurement Canada issues contracts and standing offers to support the Government of Canada security requirements while considering the Corps of Commissionaires' Right of First refusal in this field.

### Background

Established in 1945, the commissionaires' right of first refusal is one of the oldest social programs leveraging procurement to provide employment opportunities for veterans. It grants the Corps of Commissionaires a Right of First Refusal on most security requirements of the Canadian government. The policy has been approved through various Treasury Board submissions, most recently in March 2020, which extended policy approval by 3 years to March 31, 2023.

### Key activities

Public Services and Procurement Canada manages a national master standing offer (NMSO) as the primary method of supply with the corps of commissionaires that Government of Canada departments use to call-up the commissionaires' services across Canada. Total expenditures on the commissionaires standing offer represent approximately \$350M annually. Public Services and Procurement Canada also launched, in the fall of 2021, another regional master standing offer and supply arrangement open to all security firms to be used in the increasing circumstance where the commissionaires refuse the work or are unable to deliver. Multiple suppliers are qualified across 6 regions in Canada, as a back-up to the commissionaires' NMSO (National Master Standing Offer). There will be ongoing opportunity, on an annual basis, for new suppliers to qualify or update their offerings.

Veterans Affairs Canada is currently assessing the relevance of the policy and way ahead, considering the current expiry of the policy on March 31 2023 and its place in the global veteran employment strategy. [Redacted]

## Partners and stakeholders

While Veterans Affairs Canada is responsible for the *Commissionnaires' Right of First Refusal Policy*, the Treasury Board Secretariat, the Privy Council and Public Services and Procurement Canada also assist in the program's management.

## Key considerations

The corps has 15 divisions within Canada, operates as a not-for-profit organization, and employs over 4,300 veterans accounting for 20% of the corps' 22,000 employees. The corps has a social mandate "to provide meaningful employment that meets the needs of veterans of the Canadian Armed Forces, the Royal Canadian Mounted Police, their families and others who wish to contribute to the security and well-being of Canadians".

On the other hand, the commissionnaires's right of first refusal is increasingly contested. An organized industry consortium is lobbying to end the *Right of First Refusal Policy*, arguing it is unsustainable, inefficient, expensive, and even contesting its legitimacy under the trade agreements. [Redacted]

Given the upcoming expiry date and actions to be taken beforehand, whether the policy is renewed or not, or if another policy is approved, timely direction is required regarding this topic which will impact PSPC (Public Services and Procurement Canada) to ensure continued service delivery to its clients.

## Procurement modernization

### Mandate

Procurement modernization aims to achieve a world-class accessible procurement system that drives value for money while delivering better results for Canadians. Procurement modernization is an ongoing priority that seeks to transform procurement practices so that they are simpler, less administratively burdensome, deploy modern comptrollership, encourage greater competition and include practices that support government priorities.

### Key activities

Procurement is a key enabling activity for advancing government objectives and delivering essential services. Work is underway at the department to leverage opportunities to make federal procurement work better. Below are highlights of some of the initiatives.

**Contract modernization initiative:** The contract modernization initiative was established to address perceived inconsistency and complexity of government contracts from the supplier community and to pursue 2 objectives:

- modernize and improve consistency in use of contract terms and conditions to reduce complexity and to improve readability
- rethink and revise the structure of government contracts to achieve greater consistency and to align them with commercial best practices

The department is currently developing and testing a new contractual model that is focused on simplifying and restructuring contracts.

**Cost and Profit Assurance Program:** Canada has introduced changes to its pricing framework that continues to support the program's objectives to ensure integrity in pricing and payments. This program provides auditing and other assurance services on domestic and international contracts, primarily for high-risk defence contracts, to ensure that actual procurement costs and pricing are fair and reasonable. The program is also pivotal in discharging Canada's international obligations by providing services to the Canadian Commercial Corporation and in meeting international defence auditing requirements in the North Atlantic Treaty Organization agreement for allied partner nations (primarily the United States).

**Vendor performance management policy:** The department is developing this policy to establish a standardized approach for assessing vendor performance and informing future bid evaluations. The policy is expected to transform the federal procurement ecosystem and strengthen the relationship Canada has with its suppliers. The policy is being piloted on selected contracts and lessons learned will inform future policy iterations. The full implementation of the policy is expected within the next 2 to 4 years. For Canadians, these efforts will result in strengthened stewardship of resources.

**Electronic procurement solution:** This is an integrated approach to manage government spending and to provide clients with an easy and web-based access to procurement services. Once fully deployed, the Government of Canada will benefit from this approach through increased efficiency and access to better procurement data and be able to better manage procurement spending. The approach has demonstrated its value by supporting Canada's response to the COVID-19 pandemic through the procurement of personal protective equipment and other medical equipment.

**Policy suite reset:** The Treasury Board *Contracting Policy* was rescinded in May 2022. This initiative ensures Public Services and Procurement Canada is aligned with the new *Directive on the Management of Procurement* in conducting its procurement activities.

## **Partners and stakeholders**

Public Services and Procurement Canada maintains close collaboration and ongoing communication with the Treasury Board of Canada Secretariat, which provides directions and guidance.



The governance structure for ensuring effective collaboration and integration across Government of Canada departments includes the Deputy Ministers' Committee on Strategic Procurement and the Assistant Deputy Minister Procurement Modernization Committee.

Public Services and Procurement Canada ensures continuous engagement with Canadian suppliers, businesses, and industry associations to inform improvement of procurement operations, policies, and initiatives. It also undertakes outreach activities to provide guidance and support to increase the involvement of Canadian suppliers and businesses and in particular of underrepresented groups.

## **Key considerations**

Procurement modernization represents a significant change, such as adapting to modern, enabling technology while also incorporating new ways of working. This represents a shift for the professional procurement workforce in the capacity, skills and knowledge required to deliver procurement services. Resources and training will be required to support the procurement workforce in adapting to new processes and tools.

For vendor performance management, industry stakeholders may have concerns about fairness, particularly around the consistency of evaluations. This would be mitigated, however, through continued engagement with external stakeholders and by regularly reviewing evaluations for consistency.

## **Indigenous procurement strategy**

### **Mandate**

Federal procurement is an important lever for increasing socio-economic benefits for Indigenous businesses and peoples. The Indigenous business sector is also a key driver of wealth in Indigenous communities and in closing the socio-economic gaps between Indigenous peoples and other Canadians.

### **Key activities**

#### **Increasing Indigenous participation in government contracting**

Indigenous peoples in Canada comprise approximately 5% of the overall Canadian population; however, they are consistently awarded a disproportionately lower percentage of federal contracts.

In fiscal year 2021 to 2022, Public Services and Procurement Canada's Acquisitions Program awarded approximately \$25.7 billion in federal government contracts on behalf of its client departments. On average, during 2018 to 2019 to 2020 to 2021, the Acquisitions Program annually awarded a total of approximately \$623 million (about 2.9%) of contracts to Indigenous suppliers. This includes the award of contracts to Indigenous suppliers of approximately \$101 million annually (0.5%) via procurement set-asides through the Procurement Strategy for Aboriginal Business

Program and \$522 million annually (2.4%) to Indigenous suppliers outside of the program, to Indigenous suppliers who are self-identified when registering in the supplier registration information system.

So far this fiscal year Public Services and Procurement Canada has awarded 1.3% of the total value of its procurements to Indigenous suppliers registered on the Indigenous Business Directory (IBD) managed by Indigenous Services Canada. However, Public Services and Procurement Canada has awarded 8% of the total value of its procurements to self-identified Indigenous businesses. Work is underway to increase registration of self-identified businesses on their modern treaty business lists or the Indigenous Business Directory.

Together, Public Services and Procurement Canada, Indigenous Services Canada and the Treasury Board of Canada Secretariat are implementing new approaches to meet a target of having at least 5% of the value of government contracts go to Indigenous led or owned businesses. This work involves engaging and consulting with Indigenous partners and modern treaty and self-government agreement rights holders, as well as other government departments and agencies.

Most trade agreements allow for the use of any measures which does not remove trade agreement protection of the procurement. As such, Public Services and Procurement Canada is also exploring other innovative approaches to increase the participation of Indigenous businesses in the federal supply chain and deliver socio-economic benefits to Indigenous communities. For instance, the Indigenous participation plans incentivize bidders to submit a plan on how they will involve Indigenous-owned businesses as part of the bidding process. Public Services and Procurement Canada is able to establish bid criteria to increase the points awarded for Indigenous participation as well as outright limit bidding to Indigenous businesses instead of setting the procurement aside from trade agreements.

### **Implementing modern treaties**

There are currently 25 modern treaties, 22 of which contain procurement obligations. The department works with modern treaty partners to establish implementation plans and measures to implement those provisions. It also provides support to procurement officials involved in procurement projects subject to modern treaties and self-government agreements to help them meet these obligations.

### **Implementation of the Treasury Board Directive on government contracts, including real property leases, in the Nunavut Settlement Area**

The directive represents a major shift in Canada's contracting policy for procurement in the Nunavut Settlement Area. It imposes strong obligations on federal departments and agencies, with new mandatory procedural justification, documentation and reporting requirements.

From December 2019 to March 2021, the department delivered 7 training sessions to over 122 procurement officers from 4 departments. The department continues to leverage its role and expertise as the common service provider for procurement advice, guidance and training on the directive.

## **Identifying barriers to Indigenous participation**

The department is working to address barriers faced by Indigenous businesses in federal procurement, including access to financial resources, remote location and limited access to the internet, which can limit their access to procurement opportunities.

Similarly, the department has been working to decrease barriers faced by small and medium enterprises, including Indigenous businesses, when it comes to meeting contract security requirements.

## **Procurement strategy for Indigenous business**

The Procurement Strategy for Indigenous Business is an updated Indigenous Services Canada program, formerly known as the Procurement Strategy for Aboriginal Business. It is a Government of Canada program for setting aside contracts or portions of contracts for competition among Indigenous businesses and modern treaty beneficiaries exclusively. The department plays a supporting role in this program by providing guidance, publishing necessary solicitation and contract clauses in collaboration with Indigenous Services Canada, and giving advice to the departmental technical and contracting authorities.

## **Outreach and engagement**

The department's Procurement Assistance Canada (formerly the Office of Small- and Medium Enterprises) helps smaller businesses navigate the federal procurement process through its 6 regional offices, a national InfoLine and their community outreach. It is working to establish and grow partnerships for enhanced collaboration with Indigenous organizations representing the concerns of the Indigenous business community. In 2019 to 2020, they had 3,158 interactions with Indigenous businesses across 112 Indigenous-focused events.

## **Partners and stakeholders**

As the department works with Indigenous Services Canada and the Treasury Board of Canada Secretariat to implement the 5% mandatory target, it is consulting with numerous Indigenous organizations. Indigenous Services Canada leads these consultations, and below are some of the organizations that have been involved in the process:

- Assembly of First Nations
- Canadian Council of Aboriginal Business
- Council for the Advancement of Native Development Officers
- Inuit Tapiriit Kanatami
- National Aboriginal Capital Corporations Association
- National Indigenous Economic Development Board
- Métis National Council
- Corporate Canada

## **Key considerations**

Progress on government-wide efforts to achieve the 5% target of the value of federal contracts awarded to Indigenous businesses will depend on continued collaboration between TBS (Treasury Board of Canada Secretariat), Indigenous Services Canada (ISC) and PSPC (Public Services and Procurement Canada). As a key step forward, all 3 organizations worked together to establish a government-wide policy and reporting framework that was released by TBS (Treasury Board of Canada Secretariat) and came into effect on April 25, 2022.

To achieve the 5% target, PSPC (Public Services and Procurement Canada) is supporting the implementation of mechanisms to limit bidding for only Indigenous businesses certified through the Indigenous Business Directory or modern treaty area businesses. All Indigenous suppliers that are 51% owned and controlled by Indigenous persons are encouraged to register in the IBD (Indigenous Business Directory) to be eligible for this initiative. PSPC (Public Services and Procurement Canada) is developing new tools to support the procurement community and client departments to adopt strategies to achieve the 5% target across their procurements. PSPC (Public Services and Procurement Canada) will continue to engage with Indigenous partners in the development of these tools and guidance materials.

Given the importance of self-certification to measure progress towards these targets, PSPC (Public Services and Procurement Canada) is actively promoting registration through the IBD (Indigenous Business Directory), as well as the onboarding of suppliers on the electronic procurement solution (EPS). These activities will help ensure that better supplier data is available to help direct procurement activities based on market capacity.

## **Social procurement: Supplier diversity**

### **Mandate**

Public Services and Procurement Canada is delivering on the Government of Canada's commitments to increase the diversity of bidders on government contracts. In early 2022 the department launched a Supplier Diversity Action Plan to help build a more inclusive economy and boost the competitiveness and prosperity of Canadian businesses. The action plan outlines steps designed to increase the participation of businesses owned or led by underrepresented groups in federal procurement.

The plan stems from continued engagement with suppliers from underrepresented groups to better understand the barriers they face and their needs. It includes a *Policy on Social Procurement* to leverage government purchasing power to achieve socio-economic objectives and increase supplier diversity. The plan also includes enhanced services, delivered through Procurement Assistance Canada, to help underrepresented groups successfully participate in federal procurement.

Underrepresented groups include women, Indigenous peoples, Black persons and other visible minorities, persons with disabilities, and persons who identify as lesbian, gay, bisexual, transgender, queer, 2-spirit and others (LGBTQ2+).

## Key activities

**Work to advance social procurement:** In addition to several procurement pilot projects initiated since 2018, the department gathered information on entrepreneurs from underrepresented groups through a series of requests for information, including input from the Black owned business community which was publicly posted in June 2021. Requests for information, from businesses led by persons with disabilities, the LGBTQ2+ (Lesbian, Gay, Bisexual, Transgender, Queer and Two-Spirit Plus) community and women were also posted and enabled the department to gather preliminary information on the supplier base for these underrepresented groups.

**Policy on Social Procurement:** The policy, which came into effect on May 3, 2021, provides a clear statement of direction on the part of the department to leverage the government's purchasing power to achieve socio-economic objectives and increase supplier diversity. The policy also enables the collection of information—including personal information—on suppliers to develop baselines and effectively carry out social procurement. Finally, the policy permits the department to create programs on social procurement, which will articulate how socio-economic objectives can be incorporated into procurement practices.

**Social procurement and supplier diversity data collection:** As a result of the *Policy on Social Procurement*, the department is able to collect and analyze personal information on suppliers (that is, gender information, visible minority groups status, disability status, LGBTQ2 status, and Indigenous status), in accordance with the *Privacy Act*. These efforts have been progressed through additional questions on supplier diversity that are now on the electronic procurement system.

The department is developing a supplier diversity program, which will provide information, details, and standardized language and approaches on how the department will implement the *Policy on social procurement*. The program will outline:

- steps to integrate socio-economic criteria in procurements by commodity, procurement instrument or dollar value of procurements
- approaches and strategies for procurements that are directed, limited/targeted, or will use rated criteria for social procurement/social benefit criteria. The applicability of such approaches and strategies to standing offers and supply arrangements will also be defined
- approaches to promote direct benefits (such as where procurements are awarded to companies owned or managed by underrepresented groups) and indirect benefits (for example, through subcontracting opportunities or social benefit plans)

**Procurement Assistance Canada:** Formerly known as the Office of Small and Medium Enterprises, Procurement Assistance Canada has reviewed its organizational mandate to better enable the participation of Canadian business owners in federal procurement and to increase supplier diversity.

In addition to the Supplier Diversity Action Plan, Public Service and Procurement Canada's Accessible Procurement Resource Centre, which supports federal departments and agencies with integrating accessibility criteria into federal procurement, has developed a suite of guidance and tools to support procurement officers.

The centre also hosted over 25 awareness and engagement sessions with other government departments, provincial counterparts, non-profit organizations and the disability community. Building on these engagement activities, the centre is developing additional tools and guidance to mainstream accessible procurement practices across the Government of Canada and increase the participation of businesses owned by persons with disabilities in federal procurement.

## Partners and stakeholders

**Other government departments:** Other federal departments, such as the Treasury Board of Canada Secretariat, Innovation, Science and Economic Development Canada, and Women and Gender Equality Canada will play a key role as clients in seeking federal procurements and in providing technical expertise.

**Underrepresented groups:** The department's Supplier Diversity Action Plan will seek to bring a positive economic impact for thousands of Canadian small businesses, including those led by Indigenous peoples, Black and racialized Canadians, Women, LGBTQ2+ Canadians and other groups who are often underrepresented in federal procurement supply chains.

**Industry:** Throughout the development of the programs on social procurement, the department aims to maintain consistent engagement with representatives of various industries and to learn about the barriers that some businesses face in joining the federal supply chain.

## Key considerations

### Definition and certification

One of the key considerations to be addressed relates to the specific definitions of 'disadvantaged groups' and certification. Groups targeted currently include businesses owned or led by women, Indigenous peoples, Black persons and other visible minorities, persons with disabilities, and persons who identify as LGBTQ2+ (Lesbian, Gay, Bisexual, Transgender, Queer and Two-Spirit Plus).

Moving forward, a common federal approach to the definition and certification of underrepresented suppliers will be essential to mitigate the risk of fraud and ensure that contracts related to supplier diversity initiatives are awarded to the targeted groups. This will require collaboration across federal organizations. PSPC (Public Services and Procurement Canada) currently uses self-attestation to certify suppliers, including for Indigenous procurement, however some stakeholders have been advocating for third-party certification.

### Concrete actions

The supplier diversity program that is currently under development aims to bring concrete action to increasing supplier diversity through PSPC (Public Services and Procurement Canada) procurement activities. A range of approaches are being proposed to ensure that the department is both increasing awareness and maximizing opportunities for underrepresented suppliers through different procurement mechanisms.

# Electronic procurement solution and CanadaBuys

## Mandate

The electronic procurement solution project is a key enabler of the minister of Public Services and Procurement Canada and the president of the Treasury Board mandate commitments to

“modernize procurement practices so that they are simpler, less administratively burdensome, deploy modern comptrollership and include practices that support our economic goals, including green and social procurement.”

As a key component of its procurement modernization agenda, PSPC (Public Services and Procurement Canada) is implementing an electronic procurement solution, a world-class, accessible procurement solution to deliver better results for Canadians and make it easier for Canadian companies to do business with the government.

## Key activities

The EPS (Electronic Procurement Solution) project is divided into 2 phases:

- deployment within PSPC (Public Services and Procurement Canada)—target completion date June 2023
- deployment to other government departments—date to be determined, and subject to Treasury Board Secretariat of Canada endorsement of EPS (Electronic Procurement Solution) for Government of Canada (GC)-wide deployment

EPS (Electronic Procurement Solution) is a commercial cloud based end-to-end SAP software-as-a-service (SaaS) solution that integrates with PSPC (Public Services and Procurement Canada)'s departmental financial management system. The solution delivers:

- a modern and accessible procurement platform that meets the Government of Canada accessibility standards (CanadaBuys, replacing the existing BuyandSell.gc.ca)
- a single window for suppliers to view procurement opportunities across federal, provincial, territorial, municipal, administrative, schools and hospitals
- a means for suppliers to voluntarily self-identify as part of underrepresented groups

Successfully launched at PSPC (Public Services and Procurement Canada) in 2021, phase 1 of the electronic procurement solution project is targeted to be completed by the end of June 2023. Key activities completed to-date include:

- implementing a comprehensive change management strategy
- enabling supplier registration
- launching contract management functionality (ability to source and award contracts in the SAP Ariba Cloud)

- establishing a service/help desk and integrating PSPC (Public Services and Procurement Canada) financial system to SAP Ariba

PSPC (Public Services and Procurement Canada) procurement officers are using EPS (Electronic Procurement Solution) to procure goods, service and construction and overall adoption of the solution is increasing with support from senior leadership.

CanadaBuys tendering functionality went live with a soft launch on August 8, 2022 and the platform is stable. Onboarding to CanadaBuys as a single point of access is underway and is on track to be completed by early September to meet trade agreement obligations.

Work to be completed under phase 1 includes activities to stabilize and enhance operations, advance planning on the decommissioning of legacy procurement systems and onboard remaining PSPC (Public Services and Procurement Canada) branches to EPS (Electronic Procurement Solution).

Results to-date showcase the transformative power and business value of EPS (Electronic Procurement Solution) with over 1000 contracts awarded (totaling \$1.1B) and over 17,000 supplier accounts; which are expected to grow exponentially over the coming years. EPS (Electronic Procurement Solution) also played a key role in supporting Government of Canada's COVID-19 response with the timely acquisition of personal protective equipment.

Phase 2 of EPS (Electronic Procurement Solution) (government-wide deployment) is under discussion with Treasury Board Secretariat, and the Office of the Comptroller General (OCG), who will lead this phase. PSPC (Public Services and Procurement Canada) must first complete EPS (Electronic Procurement Solution) phase 1 and obtain endorsement from TBS (Treasury Board of Canada Secretariat) before proceeding with phase 2. Alignment between EPS (Electronic Procurement Solution) and S/4HANA will be a key consideration going forward. A separate project will be launched by PSPC (Public Services and Procurement Canada) to prepare EPS (Electronic Procurement Solution) for S/4HANA by updating SAP Ariba, middleware components, and completing purchase to pay functionality.

Once fully deployed, the Government of Canada will benefit from this approach through increased efficiency and access to better procurement data and be able to better manage procurement spending.

## **Partners and stakeholders**

The EPS (Electronic Procurement Solution) project governance and oversight framework is supported by a robust stakeholder engagement framework where assistant deputy minister (ADM) and deputy minister (DM) level committees are co-chaired by PSPC (Public Services and Procurement Canada) and the Treasury Board Secretariat of Canada. Partnership with the Office of the Comptroller General, TBS (Treasury Board of Canada Secretariat), enables oversight and alignment with the TBS (Treasury Board of Canada Secretariat)'s policies and direction.



The integrated governance of the project is also structured to support appropriate consultations stakeholders such as Shared Services Canada. Also there is ongoing engagement with federal, provinces, territorial (FPT) stakeholders to support the launch of CanadaBuys as the single point access in September 2022 to meet trade agreement requirements.

Public Services and Procurement Canada ensures continuous engagement with Canadian suppliers, businesses, and industry associations to inform improvement of procurement operations, policies, and initiatives. It also undertakes outreach activities to provide guidance and support to increase the involvement of Canadian suppliers and businesses and in particular of underrepresented groups.

## **Key considerations**

Under the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), Canada has an obligation to develop and implement a single point of access that covers all central and sub-central government procurement throughout Canada. The deadline for the implementation of the single point of access is September 21, 2022. Onboarding to CanadaBuys (single point of access) started in August 2022 and is expected to be completed in early September 2022.

Infosys was awarded a contract on July 4, 2018 to develop, configure and implement a suite of EPS (Electronic Procurement Solution) tools and associated services. The contract's initial 5-year period ends on July 3, 2023 and at which point the build component of the project will have been completed. The contract includes options to extend the period of the contract by up to 7 additional years, in 1 or multi-year increments.

**[Redacted]**

## **Ethical procurement: Addressing forced labour in procurement supply chains**

### **Mandate**

In September 2019, the Government of Canada launched the National Strategy to Combat Human Trafficking (2019 to 2024), which includes a commitment for Public Services and Procurement Canada to address human trafficking and forced labour in government procurement.

Most recently, with the issuance of the mandate letter in December 2021, the Minister of Minister of Public Services and Procurement was tasked with the following commitments relating to ethical procurement:

- require suppliers of goods and services to apply the highest ethical and sustainability standards across their supply chains
- support the minister of Labour in introducing legislation to eradicate forced labour from Canadian supply chains operating abroad to ensure that they do not contribute to human rights abuses

In addition, Canada amended the *Customs Tariff* and the schedule to the *Customs Tariff* to include a prohibition on the importation of goods that are mined, manufactured or produced wholly or in part by forced labour in order to implement the *Canada–United States–Mexico Agreement Implementation Act*. Employment, Skills and Development Canada is responsible for identifying suppliers that may be producing goods using forced labour. Canada Border Services Agency is responsible for enforcing the prohibition at the border.

## **Key activities**

As part of the national strategy, Public Services and Procurement Canada is leading the following suite of initiatives:

- outlining requirements on human and labour rights for suppliers
- working with suppliers to develop and implement tools to help ensure compliance in their supply chains
- examining long-term approaches to address human trafficking for labour exploitation in federal procurement supply chains

The following results have been achieved to date.

## **Revised code of conduct for procurement**

A revised code of conduct for procurement was launched on August 13, 2021. The code aims to ensure that vendors of Public Services and Procurement Canada adhere to international human and labour rights. The updated code was informed by a consultation process which took place in January to February 2021 with industry, non-governmental organizations and experts, as well as internal and external stakeholders (including other government departments and like-minded countries).

## **Risk analysis**

A risk analysis of human trafficking, forced labour, and child labour in Public Services and Procurement Canada's supply chains was completed in May 2021. The risk analysis identified which goods purchased by the department are at the highest risk of having been produced using human trafficking, forced labour and child labour; and summarized the publicly reported efforts by suppliers of high-risk goods to address these risks.

## **Supplier engagement**

A series of engagement sessions with suppliers and industry associations is being planned with a focus on high-risk goods to discuss experiences and best practices in addressing forced labour in supply chains. In addition to increasing awareness, the sessions will seek input from the suppliers, establishing a 2-way relationship and a foundation for ongoing dialogue regarding human and labour rights.

## **Ongoing work to develop anti-forced labour contract clauses**

The department also developed anti-forced labour contract clauses that were incorporated in goods contracts as of November 2021. These clauses give Public Services and Procurement Canada the option to terminate a contract if a supplier has been engaged in forced labour and human trafficking.

The department has since begun work to expand the clauses in the context of goods-related bid solicitations, supply arrangements, and standing offers.

## **Public reporting**

The department contributes to annual reports on the progress of the national strategy which are posted on Public Safety Canada's website (national strategy lead).

## **Partners and stakeholders**

The department's work has involved and will continue to involve significant stakeholder engagement. At the federal level, other government departments, particularly partners of the national strategy, will continue to be key in advancing this work.

Federal government partners include:

- Public Safety Canada and members of the Human Trafficking Taskforce (over a dozen federal departments)
- Global Affairs Canada (responsible for international trade and foreign policy matters, and for addressing forced labour/human rights concerns through its new responsible business conduct strategy)
- Canada Border Services Agency (responsible for the administration and enforcement of the *Customs Tariff*, and the forced labour import ban prohibition)
- Employment and Social Development Canada (responsible for labour-related programs, including the implementation of the Canada–United States–Mexico Agreement labour obligations)

## **Five Eyes countries**

In 2018, the governments of Canada, Australia, New Zealand, the United Kingdom and the United States launched the [Principles to Guide Government Action to Combat Human Trafficking in Global Supply Chains](#). Representatives of the 5 countries meet regularly to share information, promote domestic measures, identify common challenges and assess progress against the principles. An ad-hoc Five Eyes Group was also created to address forced labour in medical supply chains (for example, nitrile gloves manufactured in Malaysia).

## **Industry**

Continued consultation and engagement with industry is required to build on awareness efforts and to develop and roll out the implementation of different measures.

## **Key considerations**

The challenges faced by the department when addressing human trafficking and forced labour in government procurement include a low level of vendor awareness of forced labour/human trafficking risks in their supply chains.

In keeping with the mandate letter commitment to support the minister of Labour in the development of new legislation targeting the eradication of forced labour from Canadian supply chains and ensuring that Canadian businesses operating abroad do not contribute to human rights abuses, Public Services and Procurement Canada officials have been working closely with colleagues at Employment and Social Development Canada in the analysis of supply chain legislation, including Bill S-211, *An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and amend the Customs Tariff*.

As previously noted, a risk analysis of human trafficking, forced labour, and child labour in Public Services and Procurement Canada's supply chains was completed in May 2021. The recommendations from the risk assessment have informed the department's current and planned activities, including supplier engagement sessions and the planned due diligence framework.

Further, the department has awarded a contract to map international due diligence obligations to address the risks of forced labour and human rights violations. This research will support risk identification and risk mitigation targets under the national strategy and will inform recommendations for a due diligence reporting template for PSPC (Public Services and Procurement Canada) suppliers, as well as a monitoring framework to assess supplier compliance.

## **Canadian Dental Care Plan**

### **Overview**

Budget 2022 committed \$5.3 billion over 5 years for Health Canada (HC) to provide dental care to an estimated 7 to 9 million Canadians who are unable to afford access to proper dental care. Interim support is planned to start December 2022 for children under 12-year-olds, and is expected to expand to under 18-year-olds, seniors, and persons living with a disability in 2023. Full implementation is expected by 2025. The program would be restricted to families with an income of less than \$90,000 annually, with no co-pays for those under \$70,000 annually in income.

### **Mandate**

The Canadian Dental Care Plan is led by Health Canada. The objective is to strengthen Canada's health care system with the introduction of a new dental care coverage for the estimated 7 to 9 million Canadians who are unable to access proper dental care. Public Services and Procurement Canada is responsible for managing the procurement to select private partners for the delivery of dental care programming. This involves engaging with industry, developing procurement documentation, conducting the procurement process and managing the resulting contract(s) associated with the program.

## Key activities

The procurement timeline for a new federally delivered option is very aggressive, [Redacted].

PSPC (Public Services and Procurement Canada) issued a request for information (RFI) on July 25, 2022. The RFI (Request for Information) closed on August 22, 2022, and 26 responses were received from various organizations within the dental care community. Information was received in response to 37 questions, which touched on a broad range of issues (for example, capacity of industry, delivery timelines, plan rules and coverage, risks, claims processing and payment, communications strategies, innovations, and procurement process). The feedback received will help guide the development of a long-term dental care program.

PSPC (Public Services and Procurement Canada) is reviewing the responses and will continue to work with HC (Health Canada) on the next steps, which include additional meetings with industry, preparing an analysis report and launching the procurement process (pending cabinet direction).

The next phase of procurement will be the invitation to qualify (October 2022 to December 2022). Pre-qualification of bidders is a best practice for complex procurements. There is general consensus that 3 pre-qualified bidders is optimal to balance competitive tension and maintains negotiation strength while also providing industry with acceptable odds of being chosen as the contractor. This creates enough of an incentive for a potential bidder to invest in the collaborative request for proposals process.

Following pre-qualification, there will be a request for proposals, phase [Redacted].

## Partners and stakeholders

As the department responsible for providing dental care coverage to Canadians, Health Canada is the program authority responsible for the Canadian Dental Care Plan initiative. Health Canada continues to engage and collaborate with stakeholders such as academic experts in oral health and oral public health, national professional organizations (such as the Canadian Dental Association), provinces and territories, dental care providers, insurance and claims processing industry, and others.

Health Canada has also engaged and collaborated with the Canada Revenue Agency (CRA) on the delivery of a dental benefit as an interim measure. As the delivery agent, CRA (Canadian Revenue Agency) will manage applications, set up a call centre, conduct compliance verifications, and issue benefit payments out of the Consolidated Revenue Fund. It is anticipated that collaboration with CRA (Canadian Revenue Agency) will continue with the long-term dental care program as well, mainly for the management of data necessary to determine the eligibility of Canadian Dental Care Plan members.

## Key considerations

The request for information findings and follow-up discussions with industry will inform upcoming policy work and program design, as well as the next steps of the procurement process. [Redacted]

In line with Budget 2022's commitment to enhance access to dental care for Canadians in a timely manner, there is significant pressure to move quickly whilst continuing to respect standard safeguards embedded in the government's procurement process. As such, Public Services and Procurement Canada is continuing to work to ensure the procurement remains fair, open and transparent and abides by the strict rules and regulations while adopting an agile and collaborative approach which allows for quick implementation of the program and ensures value for money for Canadians.

## Public Safety Canada's Buyback Program

### Overview

The Government of Canada committed to implementing a mandatory buyback program so that the assault-style firearms that became prohibited on May 1, 2020 are safely removed from our communities. Public Services and Procurement Canada's role is to provide procurement services to Public Safety Canada (PS) to support their implementation of the buyback program.

### Mandate

As of May 1, 2020, the Government of Canada has prohibited over 1,500 models of assault-style firearms (ASFs) and certain components of some newly-prohibited firearms. New maximum thresholds for muzzle energy and bore diameter are also in place. Any firearm that exceeds these is now prohibited. A *Criminal Code* amnesty period is currently in effect to October 30, 2023. The amnesty is designed to protect individuals or businesses who, at the time the prohibition came into force, were in lawful possession of a newly prohibited firearm from criminal liability while they take steps to comply with the law.

The primary intent of the buyback program would be to safely buyback these now prohibited firearms from society, while offering fair compensation to businesses and lawful owners impacted by the prohibition. PSPC (Public Services and Procurement Canada) is currently examining options for implementation of the buyback program, including the potential of contracting out specific activities.

### Key activities

The program approach currently being considered by PS (Parliamentary Secretary) senior management envisages 2 phases, with a pilot in the first phase that would inform the national roll-out of the program:

- phase 1: commence in December 2022 and conclude at the end of the amnesty period. Primarily led by Royal Canadian Mounted Police (RCMP) with support from PS (Parliamentary Secretary) and other government departments. Prince Edward Island (PE) will be used as a pilot and will be the first point of collection based on the smaller number of firearms. As a result, lessons learned, gaps analysis and risk assessment would inform the phase 2 national roll-out

- phase 2: national roll-out is planned for spring 2023 once an information management/information technology (IM/IT) case management system is in place. It will be implemented in collaboration with other government departments, provincial, municipal and territorial governments and potential Industry partners

Public Services and Procurement posted a request for information on July 14, 2022 seeking feedback from industry on potential capacities to support delivery of the buyback program. It closed on August 31, 2022 and with very limited interest from the industry.

## **Partners and stakeholders**

The program owner is Public Safety Canada. They are responsible for the buyback planning and oversight.

Public Services and Procurement Canada has been supporting P.S. (Parliamentary Secretary) with the buyback program since August 2021 supporting the development of procurement strategies for the delivery of the various potential requirements such as:

- collection and transportation
- professional services
- tracking
- storage solutions
- package inspection
- destruction
- post-destruction recycling

Shared Services Canada will assist with procurement of information technology (IT) solutions and other required IT. (Information Technology) support, based on its mandate.

The RCMP. (Royal Canadian Mounted Police) will start collection of ASFs. (Assault-Style Firearms) in December 2022. They are also supporting the buyback program by providing a high level process map or written description of the programmatic phases.

Employment and Social Development Canada may support the buyback program with call-centres and payment solutions for the compensation.

Provincial, municipal and territorial governments are also being engaged to support the implementation and program delivery.

## **Key considerations**

The prohibition applies to all current and future firearm variants that meet the criteria—now, over 1,800 firearms. These firearms can no longer be legally used, sold, or imported.

Currently owners have the option to dispose of their firearm by surrendering it to police, deactivating through an approved business or exporting the firearm with a valid export permit, all without government compensation. The buyback program aims to offer fair compensation to affected

owners and businesses.

Work at the officials level is ongoing to develop, design and engage on the program. This includes public consultations on the government's price list, which was posted on July 28, 2022 on Public Safety's website and would be used to establish compensation levels for affected firearms.

## **Monkeypox**

### **Mandate**

Public Services and Procurement Canada procures pharmaceuticals on behalf of federal departments and agencies, and also provides procurement services to provinces and territories for vaccines as part of a Bulk Purchasing Program. On behalf of the Public Health Agency of Canada, Public Services and Procurement Canada routinely procures pharmaceuticals for the National Emergency Strategic Stockpile (NESS), as well as pharmaceuticals needed to respond to specific emergencies or other health or national priorities such as the current Monkeypox outbreak.

### **Key activities**

On behalf of the Public Health Agency of Canada, Public Services and Procurement Canada had procured various vaccines and treatments that may be effective against Monkeypox. Since the beginning of the Monkeypox outbreak, the department has completed a procurement for Imvamune by Bavarian Nordic, which is the only vaccine currently approved in Canada for Monkeypox. Additionally, the department has completed procurements for 4 other pharmaceuticals that are approved for Smallpox, but could potentially be used for Monkeypox if authorized by Health Canada:

- TPOXX by Meridian, an antiviral treatment
- VIG by Emergent, a treatment
- Tembexa by Chimerix, an antiviral treatment
- ACAM 2000 by Emergent, a vaccine

[Redacted].

### **Partners and stakeholders**

Public Services and Procurement Canada continues to work with a number of partners and stakeholders, including the Public Health Agency of Canada, Health Canada, the Department of National Defence, and pharmaceutical suppliers.

As the client department for requirements related to public health, the Public Health Agency of Canada is responsible for establishing requirements in collaboration with external stakeholders including the provinces and territories. The Department of National Defence is responsible for establishing requirements for the Canadian Armed Forces. Health Canada, as the regulatory authority for pharmaceuticals, may be involved in new requests for regulatory approvals that are made for drugs to prevent or treat Monkeypox.



## Key considerations

There is strong global competition for the limited supply of Imvamune as there is only 1 vaccine approved for Monkeypox and only 1 manufacturer. Public Services and Procurement Canada is working with the Public Health Agency of Canada to support procurement action as rapidly as possible in order to ensure timely delivery of vaccines to Canada, all the while remaining a fair global player.

## Pandemic response

### In this section

- [Procurement of personal protective equipment and supplies](#)
- [Vaccine procurement](#)
- [Border testing](#)
- [Testing](#)
- [Therapeutics and prophylactics procurement](#)

## Procurement of personal protective equipment and supplies

### Mandate

At the outset of the COVID-19 pandemic, the Government of Canada took an aggressive procurement approach to fulfil immediate, emerging and long-term medical supply requirements. Led by the Public Health Agency of Canada, this included collaboration with provinces and territories on an ongoing basis to identify their needs with respect to required equipment, supplies and services.

### Key activities

To procure personal protective equipment (PPE) in response to the pandemic, Public Services and Procurement Canada was called upon to leverage existing suppliers, work with Global Affairs Canada to identify international contacts, put out the call to Canadian companies and work with Innovation Science and Economic Development to stand up domestic capacity, and take a more proactive approach to logistics.

An urgent and accelerated timeline for contracting was required in many cases, and solicitation documents were not published on the Government of Canada's Buyandsell website. Public Services and Procurement Canada issued a 'call to industry' for all interested suppliers to submit their products for review. In addition, Deloitte Canada was hired to help access international markets. As

a result of this strategy, Public Services and Procurement Canada secured more than 2.7 billion articles of various personal protective equipment, awarding over 667 contracts (P.P.E. (Personal Protective Equipment)), supplies, and testing) for approximately \$11.3 billion.

### Items ordered and received (information as of August 31, 2022)

Item	Quantities ordered	Quantities received
Face shields	60,324,810	60,324,810
Gloves (pairs)	1,562,491,878	1,562,491,878
Gowns	153,087,049	153,087,049
Hand sanitizer (litres)	20,646,000	20,646,000
N95 respirators <sup>1</sup>	327,932,460	217,200,800
Non-medical masks: face coverings	72,896,584	72,896,584
Non-medical masks: cloth masks	11,020,782	11,020,782
Surgical masks <sup>1</sup>	482,186,370	459,065,270
Ventilators	27,706	27,706
<hr/>		
<sup>1</sup>	Long term contracts	
<hr/>		

The Government of Canada has returned to the use of competitive bidding processes to secure the goods and services required to meet Canada's evolving needs in response to COVID-19, where circumstances permit and the needs are not urgent. This approach is in line with the commitment of Public Services and Procurement Canada to open, fair and transparent procurement processes.

Public Services and Procurement Canada has now secured all the currently required personal protective equipment and is now primarily supporting the Public Health Agency of Canada to manage its stockpiles.

### Domestic production

As part of the procurement response, the department leveraged domestic supply chains wherever possible. The majority of the total value of contracts for personal protective equipment, medical equipment and supplies have been with Canadian companies that supply and distribute personal

protective equipment, accounting for approximately 87% of overall contractual expenditures, of which 21% are domestic production.

This approach helped to fulfill emergent and immediate as well as long-term medical supply requirements of which over 48 million face shields, 10.3 million litres of hand sanitizer, over 50 million gowns, over 152 million surgical masks and enough reagent kits to conduct 500,000 urgently needed COVID-19 tests per week were produced in Canada by domestic manufacturers.

In addition, based on the advice of a panel of experts, Government of Canada officials identified four made-in-Canada ventilators, and contracts were subsequently awarded for the purchase of more than 25,000 ventilators. Public Services and Procurement Canada, on behalf of the Government of Canada, has also awarded long term contracts with Canadian manufacturing firms Medicom and 3M for the domestic production of N95 masks, securing the supply of this key piece of protection into the future.

## **Essential Services Contingency Reserve**

In August 2020, the department established the Essential Services Contingency Reserve (ESCR) as a temporary measure to provide a backstop when PPE (Personal Protective Equipment) was unavailable in the marketplace. Originally, access to the ESCR (Essential Services Contingency Reserve) inventory was provided at cost to essential service sectors and at no cost to federal organizations, organizations serving Indigenous communities and social service sectors.

Given the low uptake, novel solutions were implemented in April 2022 in order to donate the entire ESCR (Essential Services Contingency Reserve) inventory before March 31, 2023. The ESCR (Essential Services Contingency Reserve) inventory was made available at no cost to the essential service sectors and to for-profit organizations. It was also made available on GCDonate's online platform listing the Government of Canada surplus assets for donation. Public Services and Procurement Canada also reached out to every charitable organization on record and multiple stakeholders. As a result, we have seen a significant increase in orders since April 2022 (over 200% increase).

## **Logistics**

At the beginning of the pandemic, there was an extremely high demand for global transportation logistics as the international market faced unprecedented demand for both air and sea transport capacity. Public Services and Procurement Canada promptly engaged services suppliers to provide air charter flights and sea freight shipping capacity from Asian countries to Canada. This strategy allowed Canada to deliver massive quantities of PPE (Personal Protective Equipment) in an expedited fashion.

The Public Health Agency of Canada's National Emergency Stockpile facilities and supporting resources were not adequate to receive, store and distribute the massive volumes of product arriving from suppliers. To address the immediate need for additional domestic storage and distribution capacity to provinces and territories, Public Services and Procurement Canada promptly

entered into a series of shorter-term warehousing and logistics services contracts. Subsequently, the department conducted an open, competitive procurement process that resulted in a longer-term and larger-scale contract for warehousing and logistics services on behalf of the Public Health Agency of Canada.

## **Key considerations**

Of the over 430 contracts put in place for PPE (Personal Protective Equipment) during the pandemic, there are currently issues with 5 contracts, from 3 suppliers, that are subject to ongoing litigation. **[Redacted]**

The department is continuing its efforts to divest the ESCR (Essential Services Contingency Reserve) and sunset the program by end of 2023.

The long-term and larger-scale contract for warehousing and logistics services that was competitively awarded in 2020, on behalf of the Public Health Agency of Canada (PHAC), is expiring at the end of September 2023. As PHAC (Public Health Agency of Canada) still requires a supplier to manage its oversupplied PPE (Personal Protective Equipment), PSPC (Public Services and Procurement Canada) is working with the agency to secure a warehousing and logistic services supplier before the expiration of the 2020 contract.

## **Vaccine procurement**

### **Mandate**

One of the major pandemic response responsibilities of Public Services and Procurement Canada has been to procure COVID-19 vaccines and provide procurement support for the development of domestic biomanufacturing capacity to respond to current and future health emergencies.

### **Key activities**

On behalf of the Public Health Agency of Canada and based on advice from Canada's COVID-19 Vaccine Task Force, Public Services and Procurement Canada finalized agreements with 7 COVID-19 vaccine suppliers. The department is actively managing contracts to ensure that vaccine deliveries are consistent with emerging requirements.

To date, the department has signed agreements for vaccines and vaccine candidates with Pfizer, Moderna, AstraZeneca, Johnson & Johnson (Janssen), Medicago, Novavax, and Sanofi-GSK. Currently, 6 of the 7 suppliers have vaccines approved by Health Canada to prevent COVID-19. The Sanofi vaccine is under review by Health Canada.

Public Services and Procurement Canada has continued to update and amend agreements with vaccine suppliers, ensuring sufficient doses for 2022 to 2024. This includes amendments to agreements with Pfizer and Moderna for a total of up to 290 million doses, including all options in

2022 to 2024. These agreements enable Canada to buy the latest COVID-19 vaccine adaptations offered by these suppliers against variants of concern, including boosters and pediatrics formulations currently under development once approved.

Canada opted into the COVID-19 Vaccines Global Access (COVAX) initiative to ensure global access to COVID-19 vaccines. Canada's agreements with vaccine suppliers allow for donations to be made when doses are deemed surplus in-country. Given Canada's robust COVID-19 vaccine supply, the department is working in cooperation with Global Affairs Canada and the Public Health Agency of Canada to manage the contractual obligations required to donate doses and ensure that Canada meets its commitment to the COVAX (COVID-19 Vaccine Global Access) initiative. To date, Canada has donated approximately 20.7 million doses through the COVAX (COVID-19 Vaccine Global Access) facility.

The department also continues to work with Innovation, Science and Economic Development Canada and the Public Health Agency of Canada to support the development of domestic biomanufacturing capacity to prepare for future health emergencies.

## **Partners and stakeholders**

Public Services and Procurement Canada continues to work with a number of partners and stakeholders, including the Public Health Agency of Canada, Health Canada, Innovation, Science and Economic Development Canada, Global Affairs Canada, the COVID-19 Vaccine Task Force, and vaccine suppliers.

As the lead client department, the Public Health Agency of Canada is responsible for establishing requirements guided by advice from the COVID-19 Vaccine Task Force and in collaboration with external stakeholders including the provinces and territories. Health Canada, as the regulatory authority for vaccines, must approve all COVID-19 vaccines before they can be used in Canada. Innovation, Science and Economic Development Canada is leading the negotiation for the development of domestic biomanufacturing capacity with vaccine suppliers.

## **Key considerations**

As the COVID-19 pandemic continues, supply chain volatility and uncertainty on how the global situation will evolve remains. Canada continues to maintain a portfolio of diverse vaccines to mitigate these risks, while making efforts to minimize wastage through proactive donations. In the longer term, establishing domestic production capacity will further diversify Canada's vaccine options and capabilities.

## **Border testing**

### **Mandate**

Public Services and Procurement Canada, as a common service provider for the government, continues to take unprecedented action by making sure Public Health Agency of Canada, Health Canada and other departments have the goods and services needed to protect the health and safety of Canadians.

## **Key activities**

PSPC (Public Services and Procurement Canada) has supported border testing since spring 2021. Initially, 3 competitive contracts were awarded in February 2021 for border testing services, on behalf of the Public Health Agency of Canada. These contracts are now expired.

In October 2021, a second request for proposal was completed. This competitive process resulted in 5 contracts with the current 4 service providers offering end-to-end border testing services for the following regions:

- British Columbia, Saskatchewan and Yukon: LifeLabs for a contract value of \$100M
- Ontario: LifeLabs for a contract value of \$94.4M
- Alberta and Atlantic region: Switch Health for a contract value of \$22.2M
- Quebec: Biron Groupe Santé for a contract value of \$74.8M
- Manitoba and Quebec (temporary foreign workers only): Dynacare for a contract value of \$120M

Given the rapidly changing COVID-19 environment, the program is constantly and swiftly adapting to respond to novel constraints and testing capacity. Effective March 1, 2022, there was a shift from mitigating importation of cases to a surveillance approach for all vaccinated travellers. On June 11, 2022 mandatory randomized testing was temporarily suspended at the 4 major airports to minimize testing footprint and congestion at airports. Unvaccinated travellers were still subject to testing.

On June 30, 2022, test administration was moved from airports to a combination of pharmacies, storefronts, and test kits with the exception of temporary foreign workers and asylum seekers. This adjustment was made to accommodate the uptick in travel.

On July 18, 2022, mandatory randomized testing resumed. Travellers who require testing are being notified by email, and are directed to test providers to carry out testing.

In addition to the direct testing contracts, PSPC (Public Services and Procurement Canada) has awarded over 50 contracts to more than 40 suppliers in the amount of \$2 billion in support of Public Health Agency of Canada, Canadian Border Services Agency, Immigration, Refugees and Citizenship Canada and Employment and Social Development Canada to assist efforts in managing travellers crossing Canadian borders. These contracts include services related to testing, accommodations, guards, humanitarian support, transportation, IT (Information Technology) applications, and a call centre.

## **Partners and stakeholders**

The Public Health Agency of Canada is responsible for implementing national testing and screening strategies and new border measures.

Immigration, Refugees and Citizenship Canada is responsible for quarantine of refugees.

## **Key considerations**

Testing at the Canadian border is part of the Government of Canada surveillance program to track the COVID-19 virus into Canada. Mandatory randomized testing is now taking place outside of airports. The off-site model is expected to further decrease costs and decrease airport congestions.

**[Redacted]**. PSPC (Public Services and Procurement Canada) will work with the 4 service providers to meet the PHAC (Public Health Agency of Canada) border testing requirements by extending, amending or terminating contracts beyond September 2022.

## **Testing**

### **Mandate**

Public Services and Procurement Canada, as the central procurement provider of goods and services for federal departments and agencies, has been supporting the Public Health Agency of Canada and Health Canada in order to award contracts and secure access and distribution of approved point-of-care tests, rapid tests, and self-tests as COVID-19 testing technologies evolve.

### **Key activities**

Since March 2020, Public Services and Procurement Canada has awarded more than 100 contracts to support provincial laboratories with conventional laboratory testing across Canada. Contracts have been awarded to secure high-demand products including swabs, equipment, reagents, consumables and plastics with major suppliers such as Roche, BioMérieux, Life Technologies, Qiagen and Abbott. In addition, 4 mobile trucks have been purchased to increase testing capacity in hot spots.

Public Services and Procurement Canada, on behalf of Health Canada, has purchased over 703 million point-of-care and antigen rapid tests to increase COVID-19 testing capacity with authorized, proven and effective technologies, for which contracts total \$4.6 billion. Health Canada has approved the procurement of up to 153 million additional tests for September, October, and November 2022. Public Services and Procurement Canada has reached out to qualified suppliers to assess availability and has worked with Health Canada to select suppliers. **[Redacted]**

### **Partners and stakeholders**

Health Canada regulates the sale and import of medical devices, including commercial testing devices related to COVID-19. Health Canada reviews testing devices to assess their safety, effectiveness and quality before they are authorized for sale in Canada. For a test to be authorized

by Health Canada, it must be submitted for review by the manufacturer. To date, Health Canada has authorized 131 different COVID-19 tests.

The Public Health Agency of Canada distributes rapid tests to the provinces and territories, other government departments and remote, northern and Indigenous communities. The Public Health Agency of Canada is working with the provinces and territories to ensure that testing devices are allocated so as to have the most impact based on existing and future COVID-19 hotspots in Canada.

Innovation, Science and Economic Development Canada, through Innovative Solutions Canada, helps support the Government of Canada's fight against COVID-19 by funding research and development and testing prototypes in real-life settings that can help protect Canadians.

## **Key considerations**

In March 2021, PSPC (Public Services and Procurement Canada) established a competitive request for standing offer for COVID-19 antigen and molecular rapid tests on behalf of the Public Health Agency of Canada and Health Canada. The request for standing offer closed on August 31, 2022, and over 40 suppliers have been issued standing offers with staggered end dates until August 2024.

Responsibility of rapid test management was transferred from the Public Health Agency of Canada to Health Canada in June 2022. With ongoing procurements for fall 2022, which will replenish the stockpile, it is expected that Health Canada will not require additional rapid tests in the future, given established program inventory and concluded expenditure of allocated funding.

## **Therapeutics and prophylactics procurement**

### **Mandate**

One of the major COVID-19 pandemic response responsibilities of Public Services and Procurement Canada has been to procure therapeutic and prophylactic pharmaceuticals, based on requirements identified by the Public Health Agency of Canada.

### **Key activities**

On behalf of the Public Health Agency of Canada, Public Services and Procurement Canada has established contracts for different therapeutics and a prophylactic to help treat and prevent COVID-19. These therapeutics and prophylactic are deployed by the Public Health Agency of Canada to provinces and territories for use in their health care systems. While vaccination remains the best public health measure to protect the public from COVID-19, therapeutics and prophylactics provide additional options to health care providers.

The department is actively managing contracts for more than 2 million treatment courses for use in Canada of 8 therapeutics and one prophylactic for COVID-19:

- Paxlovid by Pfizer (antiviral)



- Sarilumab by Sanofi (monoclonal antibody)
- Molnupiravir by Merck (antiviral)
- Sotrovimab by GSK (monoclonal antibody)
- Ronapreve by Hoffman-LaRoche (monoclonal antibody)
- Remdesivir by Gilead/McKesson (antiviral)
- Tocilizumab by Hoffman-LaRoche (monoclonal antibody)
- Bamlanivimab by Eli Lilly (monoclonal antibody)
- Evusheld by AstraZeneca (monoclonal antibody, prophylactic)

Health Canada has not yet provided regulatory approval for Molnupiravir.

The department will continue to support the Public Health Agency of Canada with new or amended procurements for additional quantities, or for new products or adaptations developed by pharmaceutical suppliers, and as Health Canada approves or modifies regulatory approvals.

## **Partners and stakeholders**

Public Services and Procurement Canada continues to work with a number of partners and stakeholders, including the Public Health Agency of Canada, Health Canada, and pharmaceutical suppliers.

As the lead client department, the Public Health Agency of Canada is responsible for establishing requirements, provides recommendations on the procurement of COVID-19 therapeutic and prophylactic products, and continues to monitor the emerging evidence for potential COVID-19 treatments and in collaboration with external stakeholders including the provinces and territories. Health Canada, as the regulatory authority for drugs and vaccines, must approve all COVID-19 drug treatments before they can be used in Canada.

## **Key considerations**

Given strong global demand for some therapeutics and prophylactics, Public Services and Procurement Canada and the Public Health Agency of Canada have taken a very proactive approach in securing the products for use in Canada. Given that products and requirements will continue to evolve, the department needs to remain agile to be able to execute new procurements rapidly when requested by the Public Health Agency of Canada.

Therapeutics and prophylactics cost per treatment typically far exceeds the cost of vaccination, and vaccination remains the preferred public health measure. However, therapeutics and prophylactics will continue to play an important, complementary role to public health measures and Canada's successful COVID-19 vaccination strategy.

## **Defence and Marine Procurement Branch**

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## Defence and Marine Procurement Branch overview

### Mandate

The Defence and Marine Procurement Branch has approximately 475 staff members (full-time equivalent), including both procurement and policy professionals. The branch has a current budget of \$74.4 million, 77% of which comes from cost recovery and the rest from ongoing funding. It is organized to support marine procurement, defence procurement for land and aerospace, and defence and marine procurement interdepartmental governance, and National Shipbuilding Strategy program management. In addition, it supports operations in 2 international offices, 1 in Washington and the other in Geilenkirchen, Germany.

The branch has 3 accountabilities:

- **Contracting authority:** The *Department of Public Works and Government Services Act* gives the minister exclusive responsibility for the procurement of goods and outlines the minister's role in the procurement of services. The *Defence Production Act* outlines the minister's specific responsibility for military procurement. The branch conducts contracting in a manner that stands the test of public scrutiny and reflects fairness and sound stewardship in the spending of public funds relating to defence and marine procurements, respects the operational requirements of our strategic partners, and complies with the government's obligations under the trade agreements
- **National Shipbuilding Strategy program management:** The branch is responsible for the overall program management of the National Shipbuilding Strategy, including risk and performance management, communications, and management of interdepartmental governance with the shipyards
- **Marine and Defence Procurement Strategy governance:** The branch leads and coordinates governance committees and monitors performance for over 250 active procurements worth an approximate \$270 billion in total value

## Key activities

The overarching priority of the branch is to deliver timely and efficient support for the requirements of the Canadian Armed Forces and the Canadian Coast Guard.

The branch guides and coordinates defence and major Canadian Coast Guard procurements through the ongoing implementation of the Defence Procurement Strategy and supports the implementation of activities such as:

- the full renewal of the Canadian Coast Guard fleet and the renewal of the Royal Canadian Navy fleet
- the selection of a supplier and establishment of a contract to replace the Royal Canadian Air Force's existing fleet of CF-18 fighters
- the modernization of procurement practices so that they are simpler, efficient and support economic and social policy goals

The branch is undertaking numerous initiatives with the goal of:

- investing in people to deliver results in a workplace of choice through professional development, human resources planning and employee well-being
- fostering innovation by institutionalizing the sustainment initiative principles—a collaborative undertaking aimed at procuring tailored in-service support solutions for existing and new military equipment
- updating processes by reviewing the defence and marine policy suite, developing and implementing tools and training related to the pricing guide, reviewing practices related to indirect cost/overhead, and streamlining foreign military sales contracting authority

## Washington sector

Public Services and Procurement Canada has an office in Washington that was established in 1951 to act as the single window for Canadian purchases under the United States Foreign Military Sales Program. Foreign military sales, a United States Security Assistance Program, allows Canada and other allied foreign governments to acquire defence articles, services and training from the United States Department of Defense. Washington Sector is the only office with delegated authority to undertake procurements under the foreign military sales on behalf of Canada, as per the *Defence Production Act*. The office provides end-to-end management of over 340 government-to-government agreements, referred to as active cases, currently worth approximately USD (United States dollar) \$7.1 billion. This includes:

- developing a procurement strategy
- reviewing requirements
- initiating agreements
- managing cases
- managing funds
- directing payments
- exporting goods

- re-transferring defence articles and services

## Partners and stakeholders

Canada's defence policy: Strong, Secure, Engaged and the National Shipbuilding Strategy represent ambitious investments to equip the Canadian Armed Forces and the Canadian Coast Guard. The branch's key partners and stakeholders include:

- **the Department of National Defence:** as a key partner for Canada's defence policy, the branch supports and reviews the requirements for major projects and associated resource allocation, including for renewal of the Royal Canadian Navy fleet, and works with industry to ensure members of the Canadian Armed Forces are well equipped
- **Canadian Coast Guard:** the branch works with industry the Canadian Coast Guard and the country's marine industry on a Fleet Renewal Plan to ensure that the right combat and non-combat equipment is delivered
- **shipyards, including Vancouver Shipyards, Irving Shipyard and Davie Shipyard:** within the purview of the National Shipbuilding Strategy, the branch has procurement contracts with shipyards across Canada for the renewal of fleets, providing economic benefits to Canadians and rebuilding the country's shipbuilding industry

## Key considerations

The overarching priority for the branch is to delivery on Canada's defence policy and the National Shipbuilding Strategy for timely and efficient support of the Canadian Armed Forces and the Canadian Coast Guard requirements, including the replacement of Canada's CF-18 fighter aircraft fleet. The branch will continue to guide and coordinate defence and major Canadian Coast Guard procurements through ongoing implementation of the defence policy and support the implementation of government procurement priorities.

Equipping the Canadian Armed Forces and the Canadian Coast Guard represents a challenge of historic proportions for the defence and marine procurement community as business volumes and complexity are significantly increasing, requiring ongoing renewal and development of specialized skills within the workforce. For example, the Canadian surface combatant project is the largest and most complex procurement in Canadian history. In addition, the persistence of COVID-19 may result in difficulty in achieving timely project delivery. Opportunities exist for the branch to leverage the defined programs of work for defence and marine procurements to inform planning for procurement resource requirements and ensure long-term sustainability.

## National shipbuilding strategy

### National shipbuilding strategy overview

The National Shipbuilding Strategy is a long-term commitment to renew the vessel fleets of the Royal Canadian Navy and Canadian Coast Guard, to create a sustainable marine sector in Canada, and to generate economic benefits for Canadians. To date, 2 large vessels for the Department of National Defence and 3 large vessels for the Canadian Coast Guard have been delivered under the strategy and more are under construction.

## **Mandate**

The National Shipbuilding Strategy consists of 3 distinct pillars:

- large ship construction (more than 1,000 tonnes of displacement)
- small ship construction (less than 1,000 tonnes of displacement)
- ship repair, refit and maintenance

Four departments are central to achieving the defence and marine objectives set out under the strategy:

- Public Services and Procurement Canada: develops the procurement strategy, leads the solicitation process, and manages the resulting contract and vendor performance
- the Department of National Defence: defines requirements, conducts cost and options analysis of defence equipment, obtains Government of Canada policy approval, and manages projects and budgets
- Department of Fisheries and Oceans Canada (responsible for the Canadian Coast Guard), defines requirements, conducts cost and options analyses of equipment, obtains Government of Canada policy approval; and, manages projects and budgets
- Innovation, Science and Economic Development Canada: administers the *Industrial and Technological Benefits Policy* and determines evaluation criteria intended to leverage economic benefits from resulting contracts

## **Key activities**

As of December 31, 2021, Public Service and Procurement Canada has awarded over \$21.58 billion in National Shipbuilding Strategy-related contracts to businesses throughout the country. These contracts are estimated to contribute close to \$21.26 billion (\$1.93 billion annually) to Canada's gross domestic product between 2012 to 2022 and create or maintain 18,239 jobs annually.

## **Third shipyard process**

On October 19, 2011, the government announced the results of the National Shipbuilding Procurement Strategy to build large vessels for Canada over the next 20 to 30 years. Irving Shipbuilding Inc. was the selected shipyard for the combat package and Seaspan's Vancouver Shipyards Co. Ltd was selected for the non-combat package.

To respond to evolving federal shipbuilding requirements, Public Services and Procurement Canada is carrying out a process to select a third strategic partner shipyard. On August 2, 2019, the government issued an invitation to qualify to establish a short list of shipyards that demonstrate they

meet the initial, defined requirements to build 6 program icebreakers for the Canadian Coast Guard. The entire process was overseen by an independent fairness monitor.

Chantier Davie has pre-qualified to be eligible to become the third strategic partner.

On June 8, 2022 the government announced the start of negotiations with Chantier Davie towards an umbrella agreement. Pending successful negotiations, an agreement is expected to be in place by the end of 2022.

Chantier Davie submitted a proposal as part of the request for proposal process for the selection of a third National Shipbuilding Strategy (NSS) shipyard. This included a third-party assessment of the shipyard's infrastructure; submission and evaluation of a formal proposal from the shipyard; and a due diligence process to ensure the shipyard is financially capable of performing the work and making any necessary upgrades to its infrastructure.

The assessment was similar to the process previously undertaken in 2011 to select Irving Shipbuilding Inc. and Seaspan's Vancouver Shipyards Co. Ltds as strategic partners under the NSS (National Shipbuilding Strategy).

## **Polar icebreaker**

Through the National Shipbuilding Strategy, work is underway to renew of the Canadian Coast Guard fleet through significant investment in new vessels that will bring a modern, flexible approach to Coast Guard program delivery. This investment includes the construction of 2 new polar icebreakers to ensure continued delivery of the Canadian Coast Guard's Arctic Program. In February 2020, the government issued a request for information, open to all Canadian shipyards, seeking information on domestic shipyard capability and capacity to construct and deliver a polar-class icebreaker. It closed in March 2020 and Public Services and Procurement Canada received 4 responses.

In May 2021, the government announced plans to move forward with the construction of 2 polar icebreakers. Seaspan's Vancouver Shipyards will engineer and construct 1 vessel while the other will be engineered and constructed at Chantier Davie, pending the successful completion of the ongoing selection process to select it as the third strategic partner for large ships construction under the National Shipbuilding Strategy.

## **Partners and stakeholders**

For large ship construction, Canada currently has strategic relationships with Irving Shipbuilding Inc. (Halifax) and Seaspan's Vancouver Shipyards. For smaller ship construction (1,000 tonnes or less), Canada sets aside the individual projects for competitive procurements amongst Canadian companies other than the shipyards selected to build the large ships. For ship repair, refit and maintenance, these requirements are met through publicly-announced requests for proposals.

## **Key considerations**

Shipbuilding is highly complex and challenging work. In a recent report on the National Shipbuilding Strategy, published in February 2021, the Auditor General noted this challenge and acknowledged that the Government of Canada continued to seek opportunities to improve the strategy. The report recommended that:

- the Canadian Coast Guard, National Defence, and Public Services and Procurement Canada implement mechanisms to obtain complete, current, and reliable schedules to support shipbuilding projects; and ensure that progress toward forecast targets and delivery timelines is monitored to enable timely decision making
- Public Services and Procurement Canada improve risk management tools at the National Shipbuilding Strategy's management level to enable thorough risk analysis; specific, time-bound, and measurable risk mitigation action plans; and better monitoring of the implementation of risk mitigation measures
- Public Services and Procurement Canada consider the experience of the first 2 shipyards in determining a schedule to achieve target state for the third shipyard

Public Services and Procurement Canada and other government departments welcomed the report and accepted all of its recommendations. Moving forward, the department will continue to work with shipyards and industry to address ongoing challenges, including costs, estimated timelines and productivity.

## **Infrastructure funding request**

Both Irving Shipbuilding Inc. and Seaspan's Vancouver Shipyards requested additional funding to increase their yards' infrastructure. Cabinet was consulted in the spring of 2022 and approval for funding requests was granted.

## **Canadian surface combatant**

### **Mandate**

As part of the National Shipbuilding Strategy, the Canadian surface combatant project is intended to replace the Royal Canadian Navy's Iroquois-class destroyers and Halifax-class multi-role patrol frigates with a single class of ship capable of meeting multiple threats on both the open ocean and the highly complex coastal environment. At an estimated cost of \$56 to 60 billion, the Canadian surface combatant project is Canada's largest and most complex shipbuilding initiative since the Second World War. Multiple government departments are implicated with a number of suppliers and foreign governments.

### **Key activities**

The Canadian surface combatant project is in the definition phase (the design phase of the project), the contract for which was awarded in February 2019. Requirements reconciliation, the phase of the design process during which the requirements for the starting point ship design were reconciled with Canada requirements, has been completed and the ship is currently in preliminary design, the first

of 3 design phases. Work on developing the implementation contract for ship construction continues, including the drafting of a clear statement of work in collaboration with Irving Shipbuilding Inc. The shipyard was successful in the competitive procurement to select the shipyard to build the combat package of ships under the National Shipbuilding Strategy.

The award of the construction contract is expected in 2023 to 2024 with construction of the first Canadian surface combatant vessel expected to begin in the mid-2020s. Delivery of the first ship is expected in the early 2030s.

### **Partners and stakeholders**

Public Services and Procurement Canada, the Department of National Defence, and Innovation, Science, and Economic Development are currently working together with Irving Shipbuilding Inc, Lockheed Martin Canada and BAE (the UK (United Kingdom) firm which is the warship design subcontractor to Lockheed Martin Canada) to develop the starting point design to meet Canada's requirements for combat ships.

### **Arctic and offshore patrol ships**

#### **Mandate**

The Arctic and offshore patrol ship project is part of the National Shipbuilding Strategy. It is intended to enhance the Royal Canadian Navy's ability to assert Canadian sovereignty in Arctic and coastal Canadian waters as well as support international operations, as needed. As part of an investment to renew the Canadian Coast Guard fleet, it was announced in May 2019 that 2 additional Arctic and offshore patrol ships (Coast Guard variants) will be constructed and dedicated to a range of critical missions. Among others, these ships will be deployed on Northwest Atlantic Fisheries Organization patrols, and to operate as the primary conservation and protection enforcement vessels on Canada's east coast. The Arctic and offshore patrol ship was the first project to begin construction under the National Shipbuilding Strategy combat vessel package of work.

#### **Key activities**

The project is in the implementation phase and has delivered the first 2 of 6 ships to the Royal Canadian Navy—the Her Majesty's Canadian Ship (HMCS) Harry DeWolf, in July 2020, and the future HMCS (Her Majesty's Canadian Ship) Margaret Brooke, in July 2021. The next 4 ships are currently in various stages of construction. The delivery of the third ship is expected September 2, 2022 and construction of the sixth began August 15, 2022.

The 2 Canadian Coast Guard variants are in the definition phase. An engineering design review contract was awarded in November 2019. Implementation project approval and subsequent construction contract award are expected in 2022. Construction is expected to begin in 2023.

### **Partners and stakeholders**

#### **Clients**



- Department of National Defence, Royal Canadian Navy, Department of Fisheries and Oceans, Canadian Coast Guard

### **Prime Contractor**

- Irving Shipbuilding Inc

### **Major subcontractors**

- Lockheed Martin Canada (command and surveillance systems integrator)
- GE (General Electric) Canada (integrated propulsion system integrator)
- Lloyd's Register Group (classification society)
- Fleetway Inc. (integrated logistic support provider)
- Gibbs & Cox (design agent—Royal Canadian Navy variant)
- DSEC (design agent—Canadian Coast Guard variant)

### **Partners**

- Innovation, Science and Economic Development Canada
- Justice Canada

### **Key considerations**

The COVID-19 pandemic crisis has impacted the project's schedule and budget, primarily due to effects on production efficiency and material cost escalation and availability. Construction at the Halifax Shipyard is continuing while the impacts related to the COVID-19 pandemic are being assessed and mitigation strategies developed in areas such as the global supply chain and production.

On-site assessments and inspections are also continuing through Halifax-based staff and virtual tools. An evaluation of project costs and timelines, in conjunction with negotiations pertaining to a revised basis of payment for the Department of National Defence (DND) ships and the incorporation of ships 7 and 8 into the implementation contract, has yielded an agreement between Irving Shipbuilding Inc. and Canada that addresses concerns over COVID-19 impacts seen to date.

### **Non-combat ships**

#### **Mandate**

As the lead department for the National Shipbuilding Strategy, Public Services and Procurement Canada contracts on behalf of the Department of National Defence and Fisheries and Oceans Canada for the construction of large ships in support of the renewal of their fleets. Under the National Shipbuilding Strategy, Seaspan's Vancouver Shipyards was selected to construct an initial work package of non-combat ships. Vancouver Shipyards' current work package consists of 3 offshore fisheries science vessels, an offshore oceanographic science vessel, up to 16 multi-purpose vessels, 1 Polar icebreaker for the Canadian Coast Guard and 2 joint support ships for the Royal Canadian Navy, with an approximate total project budget value of \$20 billion.

## **Key activities**

Offshore fisheries science vessels: as of October 2020, all 3 ships have been delivered to and accepted by the Canadian Coast Guard.

Joint support ships: both ships are under construction with deliveries currently scheduled for 2025 and 2027 respectively.

Offshore oceanographic science vessel: construction is underway with delivery currently scheduled for 2025.

Multi-purpose vessels: an initial ancillary contract is in place with Vancouver Shipyards under which the initial design for the ships will be developed. Requests for proposals for the construction engineering and material procurement contracts have been issued with proposals expected to be received in late-2022. The start of the construction of the first ship is not anticipated until the mid to late-2020s.

Polar icebreakers: In July 2021, an ancillary contract was awarded to Vancouver Shipyards for early design and engineering work for 1 Polar icebreaker. In August 2022, proposals for the construction engineering and long lead items procurement contracts were received by Canada and are currently under review.

## **Partners and stakeholders**

### **Clients**

- Department of National Defence—Royal Canadian Navy
- Fisheries and Oceans Canada—Canadian Coast Guard

### **Other partners**

- Innovation, Science and Economic Development Canada
- Justice Canada

### **Prime contractor**

- Seaspan's Vancouver Shipyards Company Limited

### **Major subcontractors**

- Thales Canada (systems integration)
- Lockheed Martin Canada (command management system integration)
- Bronswerk Marine (heating, ventilation and air conditioning)
- VARD (ship design)
- Genoa Design International (production design and 3D modelling)
- Gibbs & Cox (production design and 3D modelling)
- Heddle Shipyards (subassembly production)

## **Key considerations**

Joint support ships: The construction contract provides an opportunity for Vancouver Shipyards to propose a revised target cost for each ship at a certain point in the construction process. In this regard, the proposal for the first ship was received in December 2021. Canada, in consultations with third-party experts, provided a counter-proposal in March 2022. The contract contains a provision that, in the event of failure to reach an agreement, either party may submit the matter to arbitration.

**[Redacted]**

Offshore oceanographic science vessel: similar to the joint support ships project, the offshore oceanographic science vessel construction contract provides an opportunity for Vancouver Shipyards to propose a revised target cost for the ship. The proposal was received in November 2021 and an agreement on a revised target cost has recently been reached **[Redacted]**.

Multi-purpose vessels: this project provides Vancouver Shipyards with a long-run of ships and therefore an opportunity to achieve greater efficiencies than had been possible for its previous projects of short-runs, as well as to leverage the lessons learned from previous projects.

Polar icebreaker: through the National Shipbuilding Strategy, work is underway to renew of the Canadian Coast Guard fleet through significant investment in new vessels that will bring a modern, flexible approach to Coast Guard program delivery. This investment includes the construction of 2 new polar icebreakers to ensure continued delivery of the Canadian Coast Guard's Arctic Program. In February 2020, the government issued a request for information, open to all Canadian shipyards, seeking information on domestic shipyard capability and capacity to construct and deliver a polar-class icebreaker. It closed in March 2020 and Public Services and Procurement Canada received 4 responses. In May 2021, the government announced plans to move forward with the construction of 2 polar icebreakers. Seaspan's Vancouver Shipyards will engineer and construct 1 vessel while the other will be engineered and constructed at Chantier Davie, pending the successful completion of the ongoing selection process to select it as the third strategic partner for large ships construction under the National Shipbuilding Strategy.

## **Small vessel construction**

### **Mandate**

Small vessel construction fits under 1 of the 3 pillars of the National Shipbuilding Strategy. Smaller vessels represent those with less than 1,000 tonnes of displacement. For the construction of these ships, the government has set aside the individual projects for competitive procurements amongst shipyards other than the shipyards selected for large ship construction (Seaspan's Vancouver Shipyards and Irving Shipbuilding Inc.) and their affiliated companies that are building large vessels. Opportunities are therefore available for Canadian shipyards and businesses across the country for small ship construction.

### **Key activities**

Small vessel construction includes projects such as inflatable, rigid hull inflatable and small aluminum boats; multi-role boats; tugboats; smaller research and patrol vessels and search and rescue vessels.

### **Naval large tugs**

The naval large tug project is intended to replace the Royal Canadian Navy's 5 civilian-crewed glen-class large tugs and the 2 fire-class rescue boats. In April 2019, a contract was awarded to Ocean Industries in Ile aux Coudres, Quebec, for the construction of 4 naval large tugs at an estimated value of \$102 million.

Status:

- production started in November 2019. The delivery of the first 2 tugs is scheduled for winter 2023

### **Search and rescue vessels**

In 2017, 2 contracts were awarded to both Hike Metal Ltd. of Wheatly, Ontario, and Chantier Naval Forillon of Gaspé, Quebec, to build 20 search and rescue vessels for the Canadian Coast Guard (10 vessels to be built by each yard). These shore-stationed self-righting lifeboats will replace the Canadian Coast Guard's existing search and rescue vessels and provide key search and rescue services. The lifeboats are used to conduct searches on water, to respond to marine distress calls, and to provide assistance to disabled vessels. The estimated value of the contracts is \$160 million.

Status:

- Hike Metal Ltd. has delivered 6 search and rescue vessels, with the remaining 4 to be delivered by fall 2024
- Chantier Naval Forillon has delivered 6 search and rescue vessels, with the remaining 4 to be delivered by fall 2024

### **Multi-role boats**

In 2020, a contract valued at \$35 million was awarded to Zodiac Hurricane Technologies of Delta, British Columbia, for the acquisition of 30 new multi-role boats. These new boats will replace the rigid hull inflatable boats currently used on the Royal Canadian Navy's fleet of Halifax-class frigates with a more modern and operationally flexible design.

Status:

- design review and acceptance complete. Zodiac Hurricane Technologies has delivered 2 multi-role boats, with the remaining 28 to be delivered by fall 2025

### **Key considerations**

There are no major challenges to report. However, routine project issues, such as technical design, manufacturing, and project management affect implementation. Production impacts associated with the pandemic are still being assessed.

## Sustainment pillar

### Mandate

Ship repair, refit and maintenance capability is one of the 3 pillars of the National Shipbuilding Strategy and is critical in supporting federal fleets. This pillar, known as the sustainment pillar, supports the activities that are required for the maintenance of ships from their inception into service until their disposal, including repair, maintenance, engineering studies, parts acquisition, and technical investigation studies. The contract management and administration for the in-service support contracts for all of the new fleets being constructed under the National Shipbuilding Strategy (both large and small build) are part of the sustainment pillar, as well as the legacy vessels that are being replaced.

### Key activities

#### Halifax class work period contracts

The government awarded contracts to Seaspan's Victoria Shipyards Limited (British Columbia), Irving Shipbuilding Inc. (Nova Scotia) and Chantier Davie (Quebec) initially totaling \$1.5 billion to carry out the maintenance work of Canada's Halifax-class frigates over the next 5 years. These initial contracts guarantee a minimum of 3 frigates for each shipyard. These contracts are expected to result in up to 400 jobs at the shipyard plus hundreds of related jobs for marine sector suppliers and subcontractors across the country.

#### Victoria class submarine in-service support contract

The Victoria in-service support contract is a comprehensive, complex service delivery contract to address the maintenance, repair and overhaul, documentation and management of 4 Victoria class submarines. The prime contractor is Babcock Canada Inc., and principal subcontractor is Victoria Shipyards Limited, part of the Seaspan group of companies, and work is being conducted in the Esquimalt Graving Dock in Victoria, British Columbia. The current Victoria in-service support contract is set to expire in June 2023.

Status:

- Canada is working with the prime contractor to optimize scheduling of docking and undocking of HMCS (Her Majesty's Canadian Ship) Corner Brook and HMCS (Her Majesty's Canadian Ship) Chicoutimi
- [Redacted]

#### Victoria in-service support contract II

The current Victoria in-service support contract is set to expire on June 30, 2023. An invitation to qualify in 2019 resulted in 5 pre-qualified bidders. Engagements took place with the pre-qualified bidders in 2020.

Status:

- next steps will be one-on-one sessions with the pre-qualified bidders regarding specific Victoria in-service support contract II requirements expected to take place in late 2022
- [Redacted]

### **Arctic offshore patrol ships and joint support ships in-service support**

In July 2017, the government awarded a contract to Thales Canada to provide in-service support, including refit, repair and maintenance, and training for both the Arctic offshore patrol ships and joint support ships. The contract is for an initial 8 years, with options to extend services up to 35 years. The initial 8-year contract is valued at \$800 million, with an overall estimate of \$5.2 billion over 35 years.

Status:

- the HMCS (Her Majesty's Canadian Ship) Harry DeWolf Arctic Offshore Patrol Ship was delivered in July 2020 and completed its first post-delivery short docking work period before it started its Arctic deployment in August 2021
- the HMCS (Her Majesty's Canadian Ship) Margaret Brooke Arctic Offshore Patrol Ship was delivered in July 2021 and is currently undertaking its first post-delivery short docking work period

### **Minor warships auxiliary vessels**

The minor warship and auxiliary vessel in-service support contract provides long-term in-service support for minor warships and auxiliary vessels including:

- the Kingston class
- Orca training vessels
- tugs
- dive, research, range, and auxiliary support barges and vessels

Status:

- the minor warship and auxiliary vessel in-service support contract continues to provide support for the aforementioned vessels

A competition has been initiated for the renewal of the contract and is in the request for proposal stage with bids anticipated by the end of 2022.

### **Vessel Life Extension Program**

Support for the Canadian Coast Guard's (CCGs) Vessel Life Extension (VLE) Program, a \$2B, 20 year initiative that works to extend the life of up to 80 CCG (Canadian Coast Guard) vessels of various sizes and complexity. The CCG (Canadian Coast Guard) Vessel Life Extension Program maintains vessels in operation while waiting for replacement vessels to be built by Vancouver Shipyards under the large non-combat ship build programs.

Status:

- continue to develop tailored procurement strategies for CCG (Canadian Coast Guard)'s portfolio of vessels

## **Partners and stakeholders**

Partner departments for repair, refit and maintenance are primarily the Royal Canadian Navy and the Canadian Coast Guard, but also Transport Canada, the Royal Canadian Mounted Police, Parks Canada and the Canada Border Services Agency.

Ship repair, refit and maintenance requirements are met through publicly-announced requests for proposals. Unlike large ship construction where select yards conduct the various build programs, suppliers are primarily selected via competition. Opportunities are available for Canadian shipyards and businesses across the country for maintenance repair and refit, including in-service support of federal fleets.

## **Key considerations**

- Sustainment and materiel management for in-service fleets, as they continue to age, are very challenging and difficult to accurately forecast
- The COVID-19 pandemic has caused further disruption to the supply chain: the movement of goods to some extent and the movement of technical personnel to a great extent have been significantly impacted
- Cost increases and schedule delays for unforecasted work due to corrosion (only fully apparent at drydock) and other factors such as high levels of inflation, are impacting the cost to repair and maintain all federal fleets significantly

## **Future fighter capability project**

### **Mandate**

Under the future fighter capability project an open and transparent competitive procurement process has been launched for the acquisition of 88 advanced jets and associated equipment and weapons as well as training and sustainment services.

### **Key activities**

On December 12, 2017, the government launched an open and transparent competition to replace Canada's fighter fleet with 88 advanced jets. The government also announced that the evaluation process would include an assessment of bidder's impact on Canada's economic interest. Officials engaged extensively with the eligible suppliers to seek their feedback on Canadian requirements and to maximize competition by creating a level playing field.

In fall 2018, a preliminary security document was shared with the eligible suppliers to provide them insight into some of Canada's security and interoperability requirements. Canada also released a draft request for proposal and continued its engagement with the suppliers soliciting their input on

the draft bid solicitation documents.

On July 23, 2019, the final request for proposal was released and Canada continued to work with the eligible suppliers by assessing and providing feedback on their preliminary security offers, which they submitted as part of the process. The feedback helped suppliers understand the scope of information required to meet Canada's security requirement and positioned them to submit competitive proposals by the bid closing date.

On July 31, 2020, the bid solicitation phase closed; proposals were received from all 3 remaining eligible suppliers and the process entered the bid evaluation phase.

On December 1, 2021, Canada announced that, following evaluation of the proposals, 2 bidders—Swedish Government and SAAB AB; and the United States Government and Lockheed Martin Corporation with Pratt and Whitney—remain eligible under the future fighter capability project competitive procurement process and that it would be finalizing its selection for the next step of the process, which could involve proceeding to negotiations with the top-ranked bidder or entering into a competitive dialogue with both remaining bidders.

On March 28, 2022, following a rigorous evaluation of the 2 remaining eligible proposals, Canada announced it would enter into the finalization phase of the procurement process with the top-ranked bidder, the United States Government and Lockheed Martin Corporation with Pratt and Whitney.

During the finalization phase, the top-ranked bidder must successfully demonstrate that a resulting contract would meet all of Canada's requirements and outcomes, including value for money, flexibility, protection against risks, and performance and delivery assurances, as well as high value economic benefits for Canada's aerospace and defence industry.

The Government of Canada continues to work towards a contract award in 2022, with the timeframe for deliveries to be confirmed following completion of the finalization phase.

## **Partners and stakeholders**

Public Services and Procurement Canada works with the Department of National Defence, the Royal Canada Air Force and Innovation, Science and Economic Development Canada to fulfill this mandate. National Defence is the technical authority and manages the project, the Royal Canada Air Force is responsible for the requirements of the future fighter and Innovation, Science and Economic Development Canada leads the implementation of the *Industrial and Technological Benefits Policy*.

## **Future aircrew training program**

### **Mandate**

A procurement process is underway to establish the future aircrew training program, which will deliver a modernized, agile, and flexible aircrew training system to produce pilots, air combat systems officers, and airborne electronic sensor operators for the Royal Canadian Air Force to meet



defence policy tasks.

## **Key activities**

Following an invitation to qualify process in late 2018, Canada completed a 3-year engagement process with qualified suppliers to support finalization of the documentation for the solicitation process such as the evaluation and selection criteria, the basis of payment and the method of payment. The qualified suppliers are:

- SkyAlyne (joint venture between CAE (Canadian Aviation Electronics) and KF Aerospace)
- Babcock-Leonardo Canadian Aircrew Training (joint venture between Babcock Canada and Leonardo Canada)

Canada released the request for proposal to the qualified suppliers in February 2022 and bids are expected in late 2022.

Canada conducted an Industry Day with non-qualified suppliers in October 2021 to further support the value proposition and Canadian industry participation. Indigenous engagement with the Métis and First Nations of Manitoba and Saskatchewan is ongoing. The future aircrew training program includes a requirement for an Indigenous Participation Plan. As a result, the Indigenous content of the new contract will be the equivalent of 5% of the total contract value minus the price of the assets.

## **Partners and stakeholders**

Public Services and Procurement Canada works with the Department of National Defence, the Royal Canadian Air Force, and Innovation, Science and Economic Development Canada on the program. The Royal Canadian Air Force is responsible for the program, the Department of National Defence provides technical support, and Innovation, Science and Economic Development Canada leads the implementation of the economic impact assessment and *Industrial and Technological Benefits Policy*.

## **Key considerations**

Public Services and Procurement Canada plans to begin the bid evaluation process in late 2022 to ensure the program launches on schedule.

## **Strategic tanker transport capability project**

### **Mandate**

The strategic tanker transport capability project will replace the Canadian Armed Forces' CC150 Polaris aircraft and increase the capability that the current Royal Canadian Air Force fleet provides to include strategic airlift, air-to-air refueling, aeromedical evacuations and strategic Government of Canada transport.

## **Key activities**

In spring 2021, Public Services and Procurement Canada issued an invitation to qualify for the project. The invitation to qualify, which is the first phase in this procurement process, was used to qualify respondents to participate in subsequent phases of the aircraft procurement process. Airbus Defence and Space SA (Supply Arrangements) became the sole qualified supplier.

Public Services and Procurement Canada hosted a virtual industry engagement session last June. Presentations from Airbus and 3 departments—Innovation, Science and Economic Development Canada, Department of National Defence, and Public Services and Procurement Canada—provided information to Canadian industry and other stakeholders on the project.

The government released the request for proposal in spring 2022 to establish a contract with Airbus for the acquisition of the tanker transport capability, which includes 5 or 6 aircraft, training devices, support services, engineering support and publications. The project is currently evaluating the costed proposal received from Airbus on July 28, 2022. Concurrently, the acquisition of 2 used aircraft have been contracted and announced through a Department of National Defence news release on July 14. These procurements will accelerate implementation of the replacement fleet with an initial transport capability and the aircraft will eventually be modified to provide the full capability under the contract with Airbus..

## **Partners and stakeholders**

The Department of National Defence and the Royal Canadian Air Force are the key stakeholders. National Defence is the technical authority and manages the project while the Royal Canadian Air Force defines the requirements.

In addition, Innovation, Science and Economic Development Canada oversees the applicability of the *Industrial and Technological Benefits Policy* and value proposition for the project.

## **Fixed wing search and rescue project**

### **Mandate**

The fixed wing search and rescue aircraft replacement project is replacing the fixed-wing search and rescue capability of the Royal Canadian Air Force. The new fleet will replace the CC-115 Buffalo and CC-130H Hercules fleets and provide the Royal Canadian Air Force with the capability to conduct effective search and rescue response missions.

### **Key activities**

Following a competitive process, the government awarded a contract to Airbus Defence and Space for a value of \$2.4 billion. Airbus was selected on a best value approach, based on capability, cost and economic benefits to Canadians. The contractor will deliver:

- 16 CC-295 aircraft

- a full training package including a training center in Comox, British Columbia, equipped with simulators
- in-service support for an initial 5-year period

The new training center will be known as the Canadian Forces School of Search and Rescue.

As part of the request for proposal, Airbus was required to team up with Canadian companies and reinvest 100% of the contract value in Canada, consistent with the government's *Industrial and Technological Benefits Policy*. Consequently, Airbus has partnered with Canadian in-service support integrator PAL Aerospace of St-John's, Newfoundland.

The aircraft will be based in Comox (British Columbia), Winnipeg (Manitoba), Trenton (Ontario), and Greenwood (Nova Scotia). Five aircraft will be based at 19 Wing Comox, 2 of which will be allocated to the Canadian Forces School of Search and Rescue. Three will be based at 17 Wing Winnipeg, 3 at 8 Wing Trenton, and another 3 will operate out of 14 Wing Greenwood. The remaining 2 aircraft will be rotated through the four bases to cover periods when aircraft undergo maintenance.

These aircraft will be equipped with a state-of-the-art sensor suite that is expected to reduce search times by making searches more effective in all weather conditions, day and night, and at longer range. The aircraft will also increase interoperability with other search and rescue assets.

The government accepted the first CC-295 on December 18, 2019, and to date, a total of 13 aircraft have been accepted. The final 3 aircraft are expected to be delivered in 2022. On May 4, 2022, the Department of National Defence announced delays in the fixed-wing search and rescue project. The CC295 Kingfisher fleet of aircraft still require significant work, tests, and trials before entering into Royal Canadian Air Force service. As a result, initial operational capability has been delayed from 2022 to 2025 to 2026.

While operationalization of the aircraft will take more time than originally anticipated, Canada expects to remain within the project's approved budget. The contract is performance-based, therefore payments are made only when equipment and services are delivered, and accepted by Canada.

## **Partners and stakeholders**

The Department of National Defence and the Royal Canadian Air Force are the key stakeholders for the project. National Defence is the technical authority and manages the project, while the Royal Canadian Air Force is the operator of the capability.

In addition, Innovation, Science and Economic Development Canada oversees the applicability of the *Industrial and Technological Benefits Policy* and value proposition for the project.

## **Remotely piloted aircraft system**

### **Mandate**

The remotely piloted aircraft system project will acquire new aircraft, along with ground control stations, in-service support for 25 years, and infrastructure. This will be integrated into a network of intelligence, surveillance and reconnaissance systems to enable near real-time flow of information essential to Canadian Armed Forces operations. The aircraft will be piloted by certified pilots from remote locations and will be capable of carrying and launching precision-guided munitions.

## **Key activities**

The government launched the procurement process on May 2, 2019 with an invitation to qualify which resulted in 2 qualified suppliers: L3 Technologies MAS Inc., and the United States Government with General Atomics Aeronautical Systems, Inc.

The government engaged the qualified suppliers to obtain feedback as well as to review and refine the requirements. A draft request for proposal was issued to the qualified suppliers for review on November 16, 2020 and the final request for proposal was released on February 11, 2022.

## **[Redacted]**

A proposal was received from the remaining qualified supplier on August 8, 2022 and this is presently under evaluation.

## **Partners and stakeholders**

The Department of National Defence and the Royal Canadian Air Force are the key stakeholders. National Defence is the technical authority and manages the project, while the Royal Canadian Air Force defines the requirements.

In addition, Innovation, Science and Economic Development Canada oversees the applicability of the *Industrial and Technological Benefits Policy* and value proposition for the project.

## **Logistics vehicle modernization**

### **Mandate**

The logistics vehicle modernization project will acquire new fleets of light and heavy logistics vehicles, trailers, vehicle modules, and armour protection kits. These vehicles are used by the Canadian Armed Forces to transport personnel, equipment, and supplies in support of operations at home and abroad. They will also transport modules that can be used for cargo, troop lift, ambulances, workshops, and command posts.

### **Key activities**

The government launched the procurement process on April 29, 2019 with an invitation to qualify and over the subsequent 3 years the qualified suppliers were engaged to develop the final request for proposal which was released on December 9, 2021.

The project is currently evaluating 2 bids that were received on May 31. As well as conducting a paper evaluation, physical testing of the vehicle performance characteristics is currently being conducted at the Nevada Automotive Test Center in Carson City, Nevada.

The project plans to award an acquisition contract and a 20 year in-service support contract in early 2024.

## **Partners and stakeholders**

The Department of National Defence and the Canadian Army are the key stakeholders. National Defence is the technical authority and manages the project, while the Canadian Army, which requires the replacement of the existing logistics fleet, defines the requirements.

In addition, Innovation, Science and Economic Development Canada oversees the applicability of the *Industrial and Technological Benefits Policy* and value proposition for the project.

## **Armoured combat support vehicles**

### **Mandate**

The armoured combat support vehicle project involves the purchase of a fleet of 360 armoured combat support vehicles. This new fleet will replace the current aging fleet of vehicles that have exceeded their original life expectancy.

### **Key activities**

On September 5, 2019, a \$2 billion contract was awarded to General Dynamics Lands Systems-Canada based in London, Ontario. The budget covers the purchase of 360 armoured combat support vehicles, initial spare parts, technical manuals and training. This contract will deliver 8 variants as follows:

- Troop/Cargo—41 units
- Ambulance—49 units
- Command post—97 units
- Electronic Warfare – 18 units
- Engineering—19 units
- Fitter/Cargo—13 units
- Mobile Repair Team—70 units
- Maintenance recovery—53 units

To date, a total of 103 vehicles (41 Troop/Cargo, 49 Ambulance and 13 Command post) have received factory acceptance in accordance with the schedule in the contract.

Recently, Canada decided to donate to Ukraine 39 of the 103 vehicles produced to date. Such vehicles will be replaced at a later date under the existing contract.

Production and delivery of the vehicles will continue until July 2025 with final deliveries of logistic and support kits and close-out activities continuing until June 2026.

## **Partners and stakeholders**

The Department of National Defense and the Canadian Armed Force are the key stakeholders. National Defence is the technical authority and manages the project, while the Canadian Armed Force defines the requirements.

In addition, Innovation, Science and Economic Development Canada oversees the applicability of the *Industrial and Technological Benefits Policy* and value proposition for the project.

## **North Warning System sustainment**

### **Mandate**

The North Warning System is a chain of remotely operated radar stations within the Arctic that provides aerospace surveillance of Canadian and United States northern approaches. There are 47 radar sites (11 long range radar and 36 short range radar) in Canada extending from the western part of Yukon to the southern coast of Labrador through 3 comprehensive land claim agreement areas. An additional 3 radar sites are located in Alaska and are managed and operated by the U.S. (United States) Government.

### **Key activities**

On January 31 2022, on behalf of the Department of National Defence, Public Services and Procurement Canada awarded a contract to Nasittuq Corporation, an Inuit owned company, through an open, fair, transparent and competitive process to operate and maintain the 47 radar sites.

The contract is for an initial period of 7 years, and is valued at \$592 million. The contract also includes 4 2-year option periods, which if exercised will bring the total contract value to \$1.3 billion. A transition period between the previous contractor, Raytheon Canada Limited, and Nasittuq Corporation began on April 1, 2022 and will be completed on September 30, 2022.

Prior to re-tendering, formal and significant engagements with 3 designated land claim authorities were held from April 2018 to February 2021. The 3 land claims are:

- Inuvialuit Final Agreement
- Nunavut Land Claims Agreement
- Labrador Inuit Land Claims Agreement

Engagement with industry and Inuit suppliers also took place.

The procurement approach was developed to ensure compliance on a wide array of Inuit and Government of Canada obligations. These include the specific legal obligations stemming from the 3 affected comprehensive land claim agreements, and where possible, the policy considerations

resulting from the application of the *Directive on Government Contracts*, including Real Property leases in the Nunavut settlement area.

The solicitation included the highest ever Inuit-benefits mandatory requirements for the operation and maintenance of the North Warning System which required companies to attain ratios for Inuit salary and wages, spending directed towards Inuit-owned companies, and Inuit participation in supervisory and management positions.

## **Partners and stakeholders**

The procurement approach was developed through close cooperation among the following departments and institutions:

- Department of National Defence
- Public Services and Procurement Canada
- Justice Canada
- Crown-Indigenous Relations and Northern Affairs Canada
- Indigenous Services Canada
- Innovation, Science and Economic Development Canada
- Treasury Board of Canada Secretariat
- Inuk partners and designated land claim authorities from each of the 3 affected comprehensive land claim agreements

## **Submarines**

### **Mandate**

The Royal Canadian Navy currently operates a fleet of 4 Victoria class submarines. These submarines were purchased used from the United Kingdom in 1998, and their maintenance, repair and modernization activities fall under the National Shipbuilding Strategy.

### **Key activities**

In 2008, the government awarded the current Victoria class submarines in-service support contract to Babcock Canada Inc. following a competitive process. The contract period was initially set at 15 years (ending in June 2023). In March 2022, Public Services Procurement Canada, on behalf of the Department of National Defence, amended the Victoria-class in-service support contract (VISSC). The amendment extended the contract period by 2 years from June 30, 2023 to June 30 2025, with 2 additional 1-year option periods. The total value of the amendment is \$264M, increasing the current contract ceiling from \$1.7B to \$2B (including applicable taxes). If all option periods are exercised by Canada, the VISSC (Victoria-class in-service Support Contract) will expire on June 30, 2027.

Through an open and transparent process, the government began the activities leading up to the renewal of the in-service support contract. An invitation to qualify closed in January 2020 and resulted in 5 prequalified bidders:

- BAE Systems (Canada) Inc
- Babcock Canada Inc
- Serco Inc. and Chantier Davie Canada Inc. in a joint venture carrying on business as the Canadian Submarine Alliance
- Naval Group
- Thales Canada Inc. and Thales Australia Ltd. in a joint venture

These prequalified bidders participated in an industry day in September 2020. The next step will be one-on-one sessions with the prequalified bidders regarding specific project requirements and are expected to take place in September 2022. The renewal of the in-service support contract will extend and sustain the operational life of the Victoria class submarines through to the mid-2030s.

## **Partners and stakeholders**

Public Services and Procurement Canada is responsible for the procurement strategy of the projects, while Innovation, Science and Economic Development Canada manages, analyzes and reports on the economic benefits of these projects.

Babcock Canada Incorporated is the current prime contractor of the contract that expires in June 2027 (if all option periods are exercised).

## **Key considerations**

The Victoria class submarines are a unique class of vessels that are only in service in Canada. The age of the submarines as well as their limited quantity presents unique challenges when it comes to the availability of the required supply chain.

# **COVID-19 impact on the defence and marine procurement portfolio**

## **Mandate**

Public Services and Procurement Canada acquires defence goods and services, including ships, aircraft and supporting services on behalf of the Canadian Armed Forces, the Canadian Coast Guard and other government departments. The department works with government and industry partners to ensure that Canadian Armed Forces and Canadian Coast Guard members have the equipment they need to carry out their important work, while leveraging economic benefits for all Canadians.

## **Key activities**



Despite the unprecedented disruption and dislocation of government and industry operations caused by the multiple COVID-19 waves, Public Services and Procurement Canada worked with partners to ensure that a “business as usual” approach was maintained in defence and marine procurement as much as possible. Despite timeline delays, procurements progressed, goods and services were delivered, new contracts were signed and new requests for proposal were released.

As the lead organization for the government’s defence procurement governance, Public Services and Procurement Canada adapted nimbly to the evolving situation to ensure that interdepartmental decision makers could continue to meet safely at all levels. A key adjustment was the mainstreaming of virtual meeting tools. The department also actively supported the Defence Industry Advisory Group, a joint Canada-Industry forum. As a core member of the group, the department worked with partners to temporarily accelerate the meeting schedule, from quarterly to weekly and then monthly, to ensure that the defence procurement community received common and timely information on the government’s response to the pandemic. These meetings gave industry a platform for presenting needs and concerns to senior officials across the core defence procurement departments. The department also endorsed the expansion of the number of industry participants at the advisory group meetings to expand their opportunity to communicate with public officials.

The department heeded the concerns of supplier community members on cash flow and sought ways to support them. For example, the department took steps to review the standard payment period. In accordance with the *Directive on Payments*, a 30-day payment term is normally used but, where possible, invoices were processed in fewer than 30 days to ensure payments reached suppliers quickly, while ensuring financial stewardship.

Where appropriate, the department also modified the basis of payment for contracts in place by changing how the payments are distributed. For example, instead of paying amounts at a later stage (end of critical design completion, first article testing), interim progress milestones against closer deliverables were introduced (critical design review or technical information for specific equipment) to allow for faster cash flow.

The department also considered on a case-by-case basis renegotiating rates on an interim basis in contracts that have a basis of payment that uses rates negotiated annually based on the cost of production. This helped suppliers to cover their monthly, indirect expenses. These interim rates would be finalized at the end of the appropriate fiscal period when the suppliers’ financial results would be received and reviewed by the department in accordance with the terms and conditions of each of the applicable contracts.

Additionally, most of Canada’s contracts contain standard “excusable delay” provisions. These are for exceptional and unforeseeable events that prevent the contractor from being able to deliver on time. Such a provision provides a mechanism for the contracting parties to address situations such as COVID-19 and was invoked by multiple suppliers and accepted by the department, across a variety of defence and marine procurements.

Despite the challenges posed by COVID-19, over the past 30 months, the government has awarded a number of defence and marine contracts and key defence and marine procurement milestones have been met. Some highlights include:

- significant progress made under the National Shipbuilding Strategy with the completion of the first full class of large vessels upon the delivery of the third offshore fisheries science vessel by Vancouver Shipyards in October 2020, and the delivery of the first 2 large combat ships (Arctic and offshore patrol ships) by Irving Shipbuilding Inc
- the production of armoured combat support vehicles started at General Dynamics Land Systems in May 2020
- the request for proposals was released for the logistics vehicle modernization project in December 2021 and 2 proposals have been received
- the request for proposals was released for the Future Aircrew Training Program in February 2022
- the finalization phase of the procurement process was entered into with the United States Government and Lockheed Martin in March 2022 for Canada's future fighter capability
- a contract was awarded for the delivery of 2 used aircraft for the early implementation phase of the strategic transport tanker capability in June 2022

## **Partners and stakeholders**

The Department of National Defence defines requirements, conducts cost and options analysis of defence equipment, obtains government policy approval, and manages projects and budgets.

Fisheries and Oceans Canada and the Canadian Coast Guard defines requirements, conducts cost and options analyses of equipment, obtains government policy approval, and manages projects and budgets.

Innovation, Science and Economic Development Canada administers the *Industrial and Technological Benefits Policy* and determines evaluation criteria intended to leverage economic benefits from resulting contracts.

Canadian Association of Defence and Security Industries is the largest industry association for the Canadian defence and security sector representing over 900 companies.

Aerospace Industries Association of Canada is a national organization that promotes and facilitates Canadian competitiveness in the global aerospace industry.

## **Key considerations**

Key considerations related to the impact of COVID-19 on defence and marine procurement include the following:

- progress delays on workforces throughout the defence and marine industrial base have contributed to schedule delays on multiple projects
- schedule delays are contributing to upward pressure on project budgets

- modifications to worksites to comply with COVID-19 health and safety requirements have imposed additional direct and indirect costs on suppliers
- work stoppages and delays on complex projects have in some cases led to losses of efficiency and challenges in recruitment and retention of workers
- international supply chains have experienced significant dislocation since the beginning of the pandemic, resulting in delays, stoppages and increased costs

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