



National Defence

Défense nationale

Deputy Minister

Sous-ministre

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Ottawa, (Ontario)
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SEP 28 2021

Chair, Standing Committee on Public Accounts
House of Commons
Ottawa, Ontario
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Dear Chair,

As agreed upon in the Government Response to the 4th Report of the Standing Committee on Public Accounts entitled *Report 3, Supplying the Canadian Armed Forces – National Defence, of the 2020 Spring Reports of the Auditor General of Canada*, National Defence submits its update on Recommendation 1.

Sincerely,



Jody Thomas

Enclosure: 1

Canada 

**Response to the Standing Committee on Public Accounts'
Report 4, Supplying the Canadian Armed Forces, of the Spring 2020 Reports of the
Auditor General of Canada**

Recommendation 1

That, by 30 September 2021, National Defence provide the House of Commons Standing Committee on Public Accounts with a progress report with regard to: A) reviewing its materiel forecasting and positioning to ensure that sufficient stocks are maintained at the right locations; and B) reviewing its materiel availability measures at the warehouse and national levels and using these measures to monitor whether stock levels are met. A final report should be provided by 30 September 2022.

Background

In the spring 2020 report *Supplying the Canadian Armed Forces – National Defence*, the Auditor General recommended that National Defence review its materiel forecasting and positioning to ensure that sufficient stocks are maintained at the right locations, and that National Defence review its materiel availability measures at the warehouse and national levels and use these measures to monitor whether stock levels are met.

National Defence agreed with the recommendation, and in its 2020 Management Action Plan committed to improve its capability to forecast materiel requirements, position materiel, and measure materiel availability at the warehouse and national levels to better serve the Canadian Armed Forces (CAF). The Management Action Plan identified the specific actions and initiatives to deliver on these foundational aspects of a modern and effective Defence Supply Chain.

In its 2021 Government Response to the House Standing Committee on Public Accounts' report, submitted to the Committee on March 25, 2021, National Defence committed to undertake two relevant reviews. The first focuses on how National Defence materiel holdings are planned to ensure the right quantities of the right items are available for use and are stored in locations that result in an overall better level of service. The second review examines how National Defence measures materiel availability at the individual warehouse level, as well as across the national supply chain.

National Defence committed to providing the House Standing Committee on Public Accounts with an update on the progress made on the aforementioned reviews by September 30, 2021.

Update on Review #1: National Defence's materiel forecasting and positioning

National Defence continues to undertake a review of its materiel forecasting and positioning processes to ensure that sufficient stocks are maintained at the right locations. As part of this ongoing review, National Defence completed a materiel forecasting and positioning improvement pilot project in April 2021.

This pilot project focused on how National Defence's existing software tool and standardized processes could be leveraged and improved upon to deliver better forecasting and positioning decisions. The pilot project delivered focused support and coaching to a targeted group of practitioners, and confirmed the need for a common approach to generating materiel forecasts that is accessible to users and consistently used. The necessity to retain records of forecasting

and planning data in support of procurement decisions was also highlighted, so that improvements can be verified. Improvements to materiel positioning will also require increased practitioner knowledge of the materiel forecasting and planning discipline, in parallel to the acquisition of next-generation tools.

The findings from this pilot project will inform the performance improvement implementation plan for this review. National Defence remains on track to complete Review #1 by June 30, 2022.

Update on Review #2: National Defence's materiel availability measures

In July 2021, National Defence completed a review of its materiel availability measures.

The outcomes of this review resulted in the update of an existing inventory availability indicator to measure materiel at the national level, and the development of a new inventory availability indicator to measure materiel at the warehouse level. These approved indicators will identify the level of materiel that is not being positioned correctly, in relation to where it will be used. In keeping with best practices from allies and industry, National Defence's intent is to benchmark these results against prior performance and establish reasonable targets that deliver continuous improvement.

On June 23, 2021, prior to National Defence's Management Action Plan interim milestone of July 31, 2021, the Defence Supply Chain Oversight Committee (DSCOC), which monitors supply chain performance and is co-chaired by the Director of Staff – Strategic Joint Staff and the Assistant Deputy Minister (Materiel), approved the revised materiel availability indicators and began the formal monitoring process. These revised indicators will be reflected in the Departmental Results Framework, beginning in the 2022/2023 reporting year.

This committee of senior officials will formally monitor the materiel availability indicators and review staff analysis on a regular basis, confirming that materiel availability targets and delivery are on track, and whether there is a need to further refine existing metrics. These efforts ensure the most relevant information is provided and informs decision-making around how National Defence decides what materiel to procure and where to store it.

All levels of management in National Defence will continue to ensure CAF members are well-supplied and that materiel is routinely reviewed for efficiencies.

Future updates to the Committee

National Defence will provide a final report to the Committee by September 30, 2022, to identify the results and outcomes of Review #1, including the performance improvement implementation plan.