



# National Shipbuilding Procurement Strategy

**“NSPS - Charting the Course”  
Dalhousie University**

**6 June 2014**

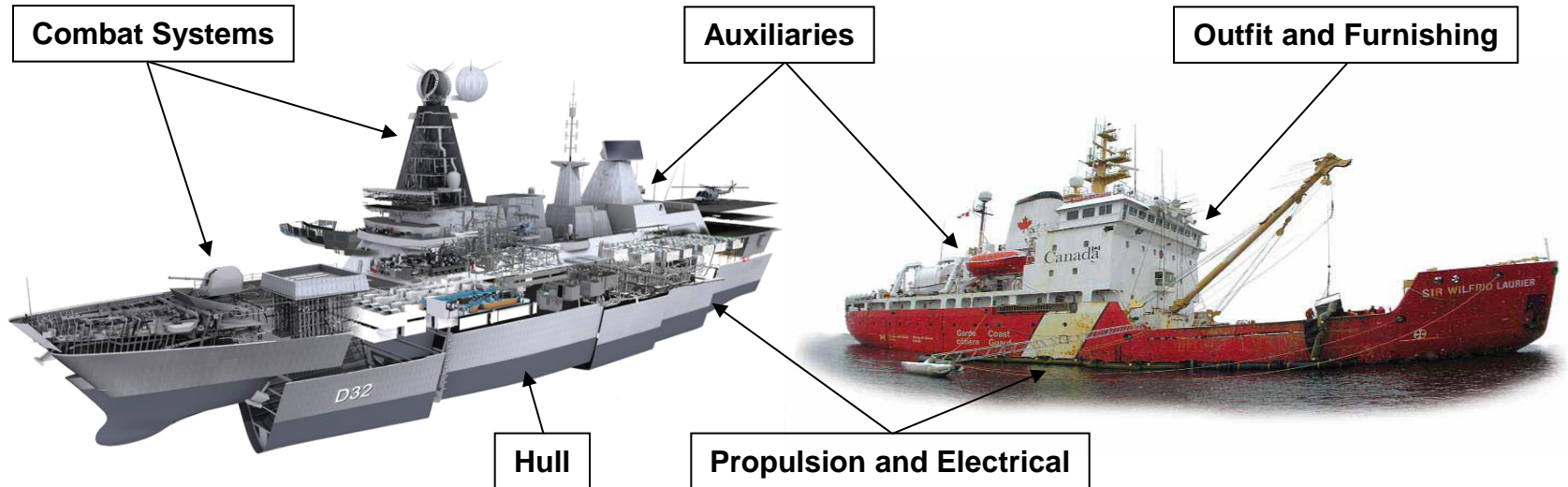


# Pillars of the Strategy



- Build a long-term, strategic relationship with 2 Canadian shipyards to build \$36B worth of ships
  - Irving Shipbuilding to build the Combat Vessels Package
    - Arctic / Offshore Patrol Ships, Canadian Surface Combatant
  - Seaspan to build the Non-Combat Vessels Package
    - Offshore Oceanographic Science Vessels, Offshore Fisheries Science Vessel, Joint Support Ships, Polar Icebreaker, Offshore Patrol Vessels, Medium Endurance Multi-Tasked Vessels
- \$2B worth of smaller vessels through competitions amongst other shipyards
- Repair, maintenance and refit – Business as usual

# Opportunities for Broader Marine Industry



- Ship construction provides work to a broad spectrum of the marine industry, much of it high tech
- Shipyards need to bring along partners / suppliers to increase the Canadian participation in projects
- Equipment represents a significant portion of the ship construction cost, thus suppliers will play an important role
- Elements of the work sourced offshore will be matched dollar for dollar by IRBs
- Shipyards committed to invest to enhance Canadian marine industry (Value Proposition)

# Attributes for Success

- **Engagement**

- Regular meetings with stakeholders
- Canada in “*lead, but listen*” mode
- Stakeholders contribute to development of RFPs, evaluation criteria and methodology and procurement schedule

- **Use of Reputable 3<sup>rd</sup> Parties**

- To validate processes and provide credibility

- **Leadership, Governance & Decision-Making**

- Arms-length from political considerations
- Dispute resolution process in place
- Timely, key decisions made openly and transparently by committee of DMs and communicated instantly on the website



# NSPS Governance Structure

## NSPS Secretariat

*Lead:*

PWGSC

*Members:*

DFO, DND,  
IC

Governance  
Secretariat,  
management  
of the  
strategy, and  
the long-term  
shipyard  
strategic  
relationships

## Ministers' Working Group

*Chair:* Minister PWGSC; *Members:* Ministers of DND, DFO, IC, TB, Fin  
Established by PM in Dec 2012

Oversight to ensure timely advancement of NSPS

## DM Governance Committee

*Chair:* DM PWGSC; *Members:* DMs of DFO, DND, IC;  
*Ex-officio:* TBS, Fin, PCO, AANDC

Decision Making Body for NSPS

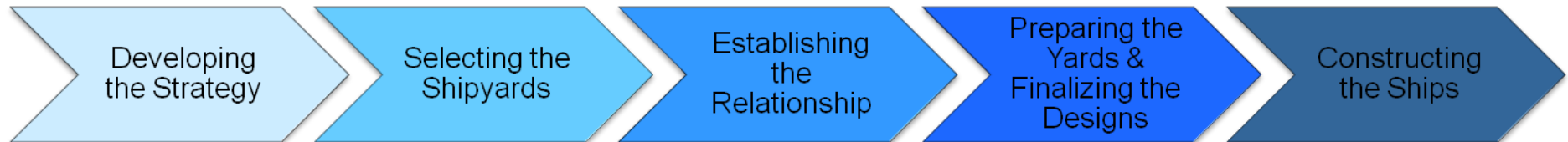
## ADM Interdepartmental Steering Committee

Ongoing oversight of implementation of the decisions of the  
Governance Committee

## Project Offices

Manage individual Projects

# Large Ship Program - The Steps



## **The Context:**

- Canada needs to renew the Federal Fleets
- Shipbuilding Policy states that vessels will be procured, repaired and refitted in Canada
- Need for the elimination of project-by-project management resulting in inefficient “boom” and “bust” cycles

## **The Benefits**

- Recognizes the strategic importance of a strong domestic shipbuilding industry
- Supports sustainable development through a long-term approach to federal procurement
- Seeks long-term benefits over short-term fixes
- Delivers value for money for taxpayers

# Establishing the Relationships

- Long-term nature of the strategic relationships demanded a strong foundation
- Canada and the two selected shipyards signed Umbrella Agreements in February 2012
  - Long-term strategic sourcing agreements that contain the framework for business and relationship management
  - Capture the obligations (the “what”) of both parties as well as the means (the “how”) those obligations are to be fulfilled
  - Are not contracts
  - Set up the process and pre-conditions for future contracts
  - Make no commitments for future work



# A Phased Approach to Shipbuilding

- The Design-then-Build approach ensures that the design work is completed before proceeding to construction
- Contracting to build ships will generally take place in three phases:
  - **Ancillary contracts** – understand the requirement and the initial design
  - **Construction Engineering / Definition contracts** – mature the design so it is ready to be built
  - **Construction / Build contracts** to build the ships
- The establishment of the timelines for the phases is part of the negotiations with the shipyards
- This phased approach lowers cost and schedule risks and will improve the efficiency of the shipbuilding process





# Where We Are

- In order to build the ships efficiently the shipyards are modernizing their infrastructure
  - An independent 3<sup>rd</sup> party expert has defined a future Target State requirement for each shipyard and will assess the shipyards' progress in attaining it
  - Infrastructure upgrades are being done at no cost to the Government of Canada
- The first projects in both Combat and Non-Combat packages have designs that are being finalized for production of the vessels
- The readiness of the shipyards and the completion of the designs will move us to start cutting steel over the next year

# Large Ship Work Packages

Combat Vessel Package		
Ship Class	Number Vessels Announced	Forecasted Cut Steel Dates
Arctic Offshore Patrol Ships	6 to 8	2015
Canadian Surface Combatants	Up to 15	2020
<b>Total Combat vessel package</b>	Up to 23	

Non-Combat Vessel Package		
Ship Class	Number Vessels Announced	Forecasted Cut Steel Dates
Offshore Fisheries Science Vessels	3	2014
Offshore Oceanographic Science Vessel	1	2015
Joint Support Ships (DND)	2	2016
Polar Icebreaker	1	2018
Offshore Patrol Vessels	Up to 5	TBD
Medium Endurance Multi-Tasked Vessels	Up to 5	TBD
<b>Total Non-Combat vessel package</b>	Up to 17	

# The Other Components of NSPS

- **Small Ships** – For Other Shipyards (Irving and Seaspan cannot bid)
  - CCG announcement of \$488M for small vessels and lifeboats
    - Industry consultations underway for CCG lifeboats
  - DND Large Tugs - Build contract scheduled 2016 – 2018 with deliveries expected 2018 - 2022
- **Vessel Life Extensions & Refits** – Open to all Shipyards
  - CCG \$360M vessel life extensions and mid-life modernizations announced in Feb 2013
  - Most of DND refit work is under contract with the exception of HCMS Algonquin whose refit is scheduled for 2015
  - Industry engagement launch for \$5B In-Service support contract for AOPS and JSS targeting an RFP in 2015 with Contract Award in 2017

# NSPS Challenges Ahead

- Ships are really-really expensive and attract huge attention
- NSPS has created significant expectations
- Managing a program in an ever evolving environment with mounting demands for insight
- “Boom & bust” has left few experts in Canada
- The affordability enquiry – how many platforms, with what capability, at what cost
- Projects have big aspirations and are setting requirements for 50 years
- Schedule matters
- International opportunities to build ships are few

# OAG Audit – Nov 2013

- Departments are managing the acquisitions of ships in timely and affordable manner
- The NSPS design was supported by analyses and should help sustain shipbuilding capacity
- The selection of shipyards was efficient and successful
- The selection process was carried out in an open and transparent manner
- Public Works and Government Services Canada (PWGSC) should consider using the National Shipbuilding Procurement Strategy (NSPS) approach in future procurements
- The Department of National Defence (DND) and PWGSC are managing key project risks



# What is Target State

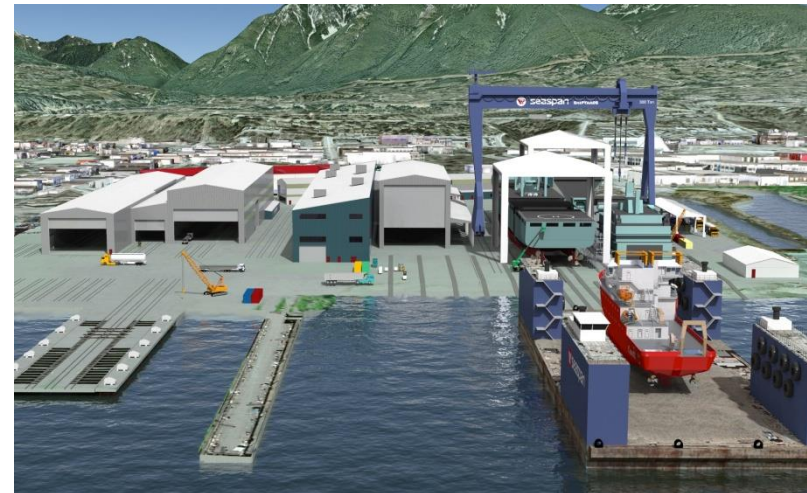
- A tool developed by a Third Party Expertise firm designed to assess shipyards against an international benchmark
- Confirmation that the shipyards have:
  - The capability (processes); and,
  - Technology
- A tool that covers every aspect of shipyard operations

# Vancouver Shipyards Modernization

- Estimated at \$200M
- On track for completion in October 2014
- All production shops and equipment will be commissioned and ready for efficient OFSV construction in late 2014



**Pre-NSPS Facility**



**Facility Post Modernization**



# Irving Shipyards Modernization

- Estimated at \$300M
- Upgrades will be complete to coincide with the Arctic Offshore Patrol Ships cut steel date of 2015
- Improvement plan over two sites: Halifax shipyard and Dartmouth Steel Manufacturing Facility



# Conclusion

- Much has been accomplished through the first few kilometers of this marathon
- The shipbuilding program is very complex:
  - Need to get designs and production details right before cutting steel
  - Need to work with shipyards to ensure they are ready to build ships efficiently
  - Ship delivery dates have to be managed to avoid boom and bust
  - Expectations are BIG
- We're on track to start cutting steel and replace Canada's fleet of large ships