



National Defence

Défense nationale

Deputy Minister

Sous-ministre

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Ottawa, Ontario
K1A 0K2

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JUN 25 2013

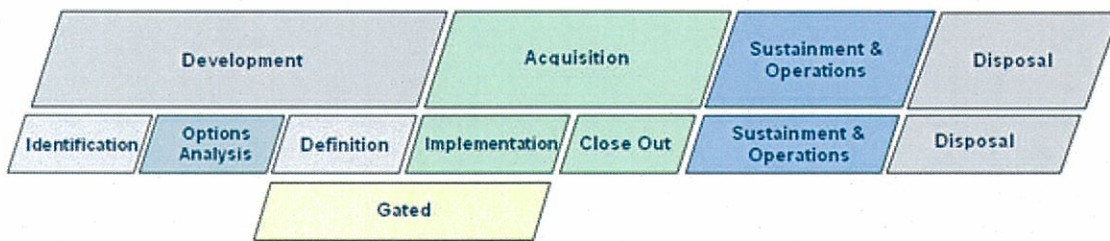
Ms. Sonia L'Heureux
Parliamentary Budget Officer (Interim)
Library of Parliament
Ottawa ON K1A 0A9



Dear Ms. L'Heureux,

Thank you for your information request of February 25, 2013, regarding the Arctic Offshore Patrol Ship project (AOPS).

When discussing major capital projects, it is crucial to understand the context of the project management cycle. The Department of National Defence project management cycle reflects standard practices derived from the *Project Management Body of Knowledge*¹. There are four project-approval phases: Project Identification, Options Analysis, Project Definition, and Project Implementation, which includes project closeout.



The diagram above depicts the relationship between program life-cycle phases and the project-management cycle. Life cycle costing is a method of determining the total cost of ownership by taking into account the costs of acquisition, operation, maintenance and disposal. As a minimum, departmental costing experts validate costs prior to definition and implementation approvals. The Project Leader is charged with maintaining cost, scope and schedule.

The AOPS is currently in the **definition phase** of the project. This includes the investigation of project management and risk-management strategies, and the

¹ Source: <http://www.forces.gc.ca/site/reports-rapports/ngfc-cng/index-eng.asp#3ii>

development of a project management team. During Project Definition, cost estimates become increasingly substantive. This status is updated annually in the Report on Plans and Priorities, which provides a Status Report on Transformation and Major Capital Projects. We therefore direct you to this document which is available on the Department of National Defence website: <http://www.vcds.forces.gc.ca/sites/internet-eng.aspx?page=15294>.

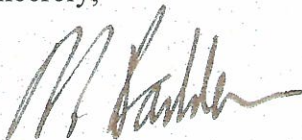
At the current phase of the project, the acquisition cost of AOPS is estimated at \$3.07B, excluding taxes. The Government of Canada allocation currently authorized is \$738M for the definition phase, which includes the Project Management Office and related activities, definition tasks related to the ship design, and the implementation of infrastructure for Esquimalt, Halifax, and Nanisivik. Additional funding will be allocated upon approval of the implementation phase of the project.

With regard to the Statement of Requirements, it is our view that this would constitute information that falls outside the scope of the mandate of the Parliamentary Budget Officer as defined by the *Parliament of Canada Act* and is therefore not being provided to your office.

The Department of National Defence does not have the information requested pertaining to contracts that have been entered into by Canada, nor information relating to Industrial Regional Benefits. This information is held by Public Works and Government Services Canada and Industry Canada, respectively. I have copied them on this letter so that they may assist you with the request.

If there are any other questions regarding this project, my department would be pleased to continue to assist.

Sincerely,



Richard B. Fadden

c.c.

Mr. John Knuble
Deputy Minister, Industry Canada

Ms. Michelle d'Auray
Deputy Minister, Public Works and Government Services Canada

Mr. Rick Stewart
Assistant Secretary to the Cabinet, Privy Council Office, Liaison Secretariat for
Macroeconomic Policy