



July 16, 2013

Mr. Richard Fadden
Deputy Minister
National Defence
101 Colonel By Drive
Ottawa, Ontario K1A 0K2

**Re: Follow up to your letters of June 25, 2013 related to AOPS
*PBO Information Requests IR0107 and IR0119***

Dear Mr. Fadden:

This letter relates to the letters that you sent me on June 25, 2013 concerning the Arctic Offshore Patrol Ship project.

As I understand it, the statement of requirement will not be provided because I cannot legally compel its production under s. 79.3 of the *Parliament of Canada Act*, and the other information I requested will not be provided as it falls within a Cabinet confidence.

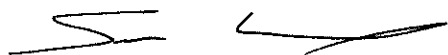
As you will be aware, a parliamentarian has asked that I undertake an independent cost estimate of the project. In order to carry out this work, I require data. Given the sensitivities around providing the information above, I would like to ask that you help me in preparing my estimate by providing non-sensitive, non-cost, technical data.

Attached is a spreadsheet outlining the information that we need to undertake one form of costing. It contains what we expect are the major subsystems of the ship. I would ask that you provide current estimates for the weight of the subsystem structures and electronics, their volume, the per cent of new design effort required for the structure and electronics, and the quantity of subcomponents necessary for the assembly. If there are any subsystems that are not included, I would be grateful if you could include them, along with the relevant input details found in the columns.

As is our normal practice, we attempt to establish a cost estimate relying on a number of different methods in order to increase reliability. By providing this data to us, which can be obtained from the design teams and shipyards, you would be greatly aiding us in establishing a more accurate and comprehensive estimate.

Also, pursuant to s. 79.4, I can receive confidential information, and I promise you that any information so received will be treated as confidential. As always, my staff remain at your disposal to discuss this matter and provide clarification where needed.

Yours truly,

A handwritten signature in black ink, appearing to be 'Sonia L'Heureux', written in a cursive style.

Sonia L'Heureux
Parliamentary Budget Officer (Interim)

Attach.

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

Object Name

Weight of Structure

Weight of Electronics

Volume

Percent New Structure

Percent New Electronics

Quantity per next higher assembly

Outfit and furnishings	X	X	X	X	X
Ship Fittings					
Hull Compartmentation					
Preservatives and Coverings					
Living Spaces					
Service Spaces					
Stowage Spaces					
Special Purpose Systems					
Work Spaces					
Assembly_Armaments	X	X	X	X	X
Guns and Ammo					
Missiles and Rockets					
Small Arms and Pyro					
Cargo					
Special Purpose Systems					



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Sous-ministre

National Defence Headquarters
Ottawa, Ontario
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Quartier général de la Défense nationale
Ottawa, (Ontario)
K1A 0K2

JUN 25 2013

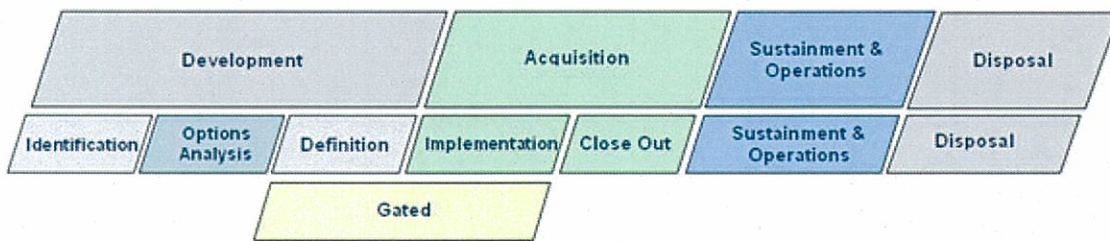
Ms. Sonia L'Heureux
Parliamentary Budget Officer (Interim)
Library of Parliament
Ottawa ON K1A 0A9



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>.

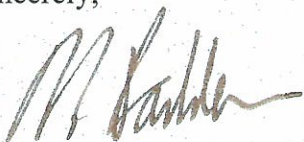
At the current phase of the project, the acquisition cost of AOPS is estimated at \$3.07B, excluding taxes. The Government of Canada allocation currently authorized is \$738M for the definition phase, which includes the Project Management Office and related activities, definition tasks related to the 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



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K1A 0K2

JUN 25 2013

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



Dear Ms. L'Heureux,

I am writing to you in response to the May 23, 2013 Request for Information IR0119, regarding contract clarification of the Arctic Offshore Patrol Ship (AOPS) project.

The requested financial and economic data on progress relative to the task authorizations on the AOPS definition contract with Irving Shipbuilding Inc. are contained in a confidence of the Queen's Privy Council for Canada described in subsection 69(1) of the *Access to Information Act*. As such, in accordance with subsection 79.3 (2) of the *Parliament of Canada Act*, we are not in a position to provide this data.

I would like to take this opportunity to reaffirm the Department of National Defence's commitment to providing you with access to the data to which you are entitled to under the *Parliament of Canada Act*.

Sincerely,

Richard B. Fadden

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

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



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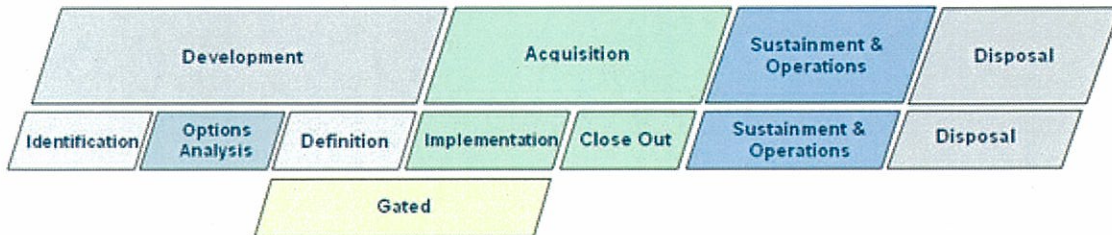
JUN 25 2013

Ms. Sonia L'Heureux
Parliamentary Budget Officer (Interim)
Library of Parliament
Ottawa ON K1A OA9

Dear Ms. L'Heureux,

Thank you for your information request of February 25, 2013, regarding the Canadian Surface Combatant Project (CSC).

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.

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

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

The requested financial and economic data on cost estimates of the project are contained in a confidence of the Queen's Privy Council for Canada described in subsection 69(1) of the *Access to Information Act*. In accordance with subsection 79.3 (2) of the *Parliament of Canada Act*, you are not entitled to access this data.

The Government of Canada allocation currently authorized is \$52.0M, excluding taxes for the first phase of the definition phase. Additional funding will be allocated for the second phase of the definition and 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

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Mr. John Knuble
Deputy Minister, Industry Canada

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Assistant Secretary to the Cabinet, Privy Council Office, Liaison Secretariat for
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