



**PD WEEK** 2022

**SEMAINE DE PP** 2022

# Trust and Credibility in Complex Costing

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**National Defence**



# Agenda

- **What is Costing and Why Should We Care?**
- **Credibility**
  - Must know how much we *can* trust
  - Evolution of Cost Estimates
- **Trust in Public Spending**
  - Accountability, Planning, Value
- **Context: Canada's Defence Funding**
- **Case Study: NORAD Modernization**

# What is Costing?

## COSTING IS:

An emerging & growing  
**FINANCIAL MANAGEMENT  
DISCIPLINE** in the public sector

A **FUNCTION** that involves compiling  
cost information to serve a specific  
purpose

## IMPORTANCE

Cost information helps decision makers at all levels understand the financial impact of the decisions they make and the initiatives they propose



# Cost Estimation

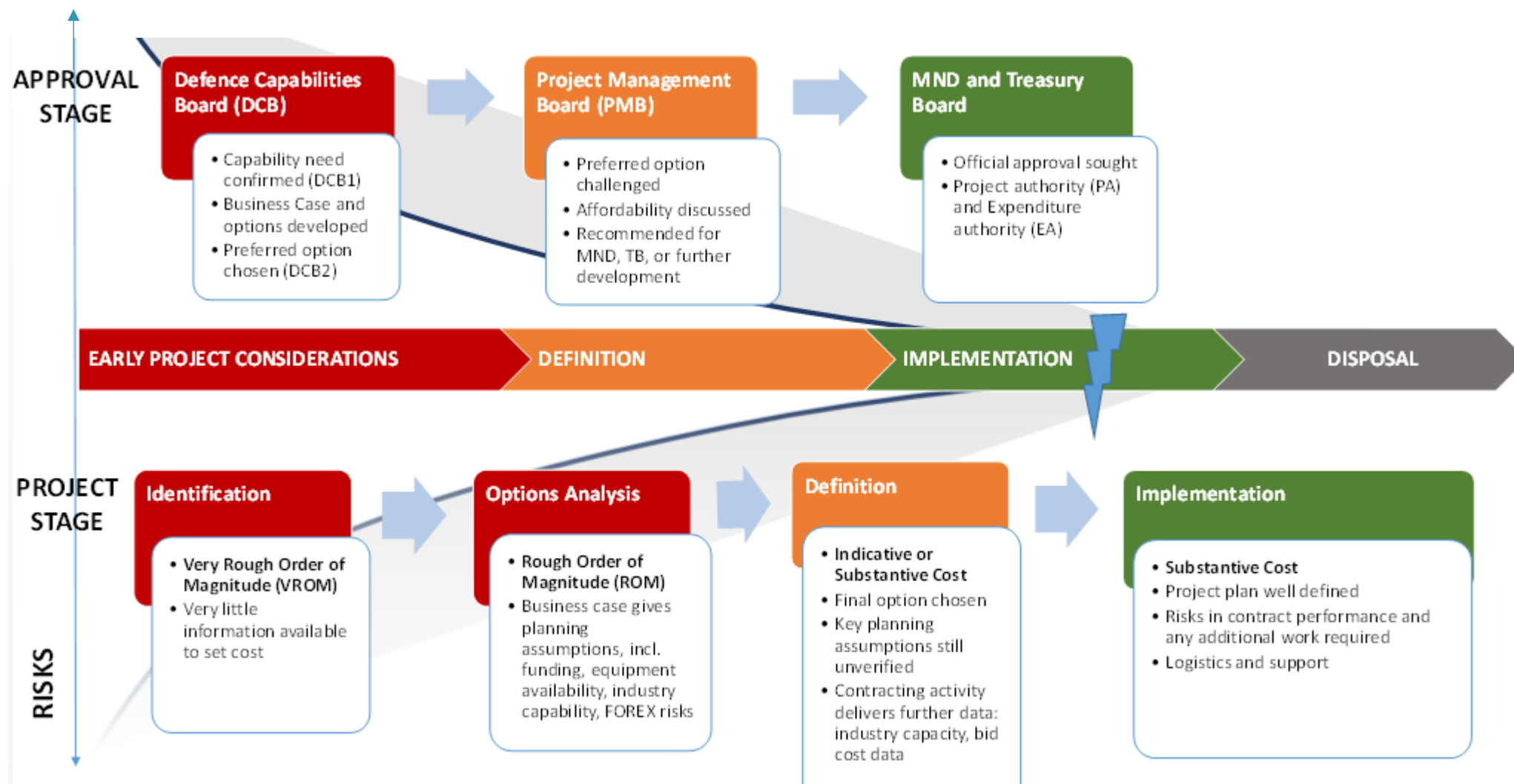
- Collection, analysis, and projection of financial information
- Programs – Operational, people-oriented
- Projects – Acquisitions
- Governed by financial principles, cost estimation body of knowledge, and TB Policies
- Uses a variety of inputs: Economic (inflation, exchange rate) and business data (RFPs, bids, historical cost data, international 'like' cost data)



# Credibility

- Costing supports planning and decision making
- Good cost estimation frames the uncertainty inherent in estimates...
  - Available information
  - Economic and business environment
  - Specific solutions to identifiable requirements
- ...and accounts for plans to mitigate or contain that uncertainty
- Contingency, off ramps, cabinet discussion
- Cost estimators present estimates and a context
- Forms an important basis for understanding government decisions and planning

# The Evolution of Cost Estimate





# Trust

- Credibility is a foundation stone for trust in public spending
- Transparency permits the communication of decision-making process and outcome
- This drives accountability at all levels of government
- Also permits broader planning and coordination across government and with industry
- Ultimately, drives value for money



# Canada's Defence Policy – *Strong, Secure, Engaged*

## STRONG at home



- Steadfast defence of Canada
- Rapid disaster response
- Effective search and rescue
- Enhanced presence in the Arctic
- Innovative defence sector

## SECURE in North America



- Continuous watch over Canadian air and sea approaches
- Modern and effective NORAD
- Strong defence relationship with the U.S.
- Cutting-edge defence research

## ENGAGED in the world



- Robust commitment to NATO, UN and Coalitions
- Support to Canadian interests and humanitarian assistance
- Improved early warning
- Integrated capacity building with partners

**STRONG  
SECURE  
ENGAGED**

CANADA'S DEFENCE POLICY



# Canada's Defence Policy

**Budget 2022:** A total of **\$8 billion in new funding** over five years—on top of planned increases associated with Strong, Secure, Engaged

**NORAD modernization:** **\$3.0 billion** for the first six years and **\$38.6 billion** over 20 years on an accrual basis

**Defence Policy Review:** Budget 2022 announced a review to allow Canada to update its existing defence policy

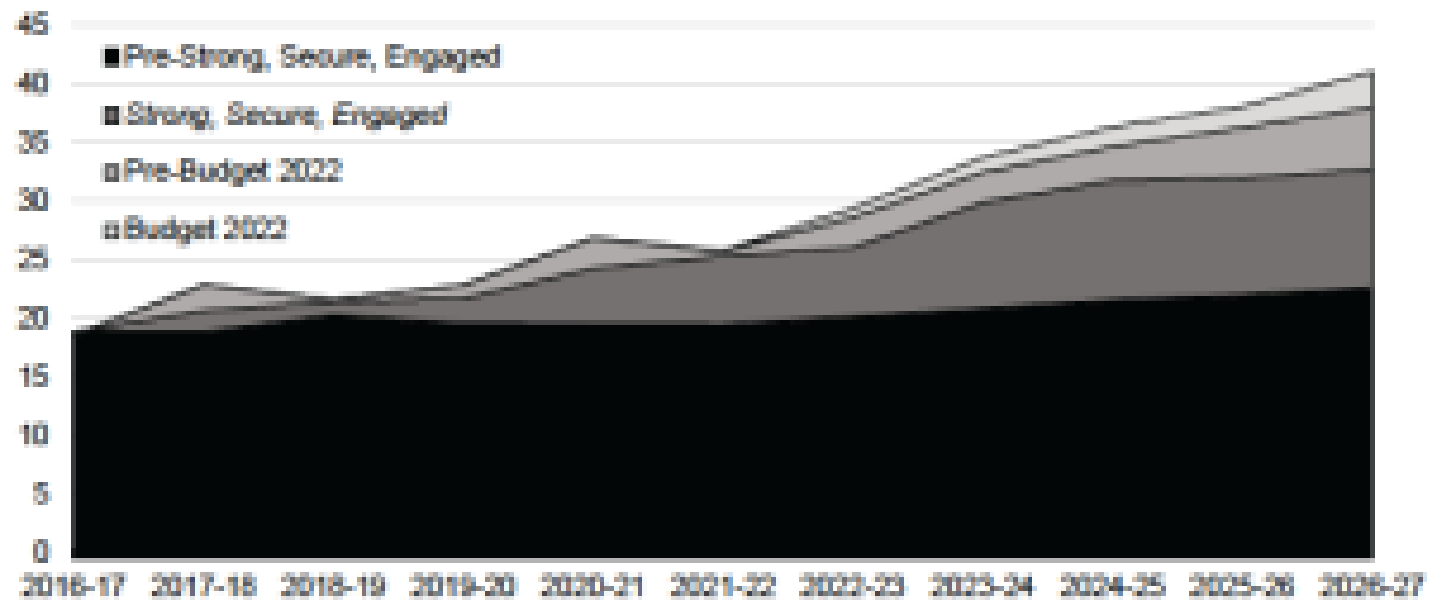


# Canada's Defence Policy

Chart 5.1

## Funding for the Department of National Defence

billions of dollars, cash basis



Sources: Strong, Secure, Engaged, Public Accounts of Canada, and the Department of National Defence. 2016-17 through 2020-21 reflect actual expenditures. 2021-22 and later reflect estimated expenditures.



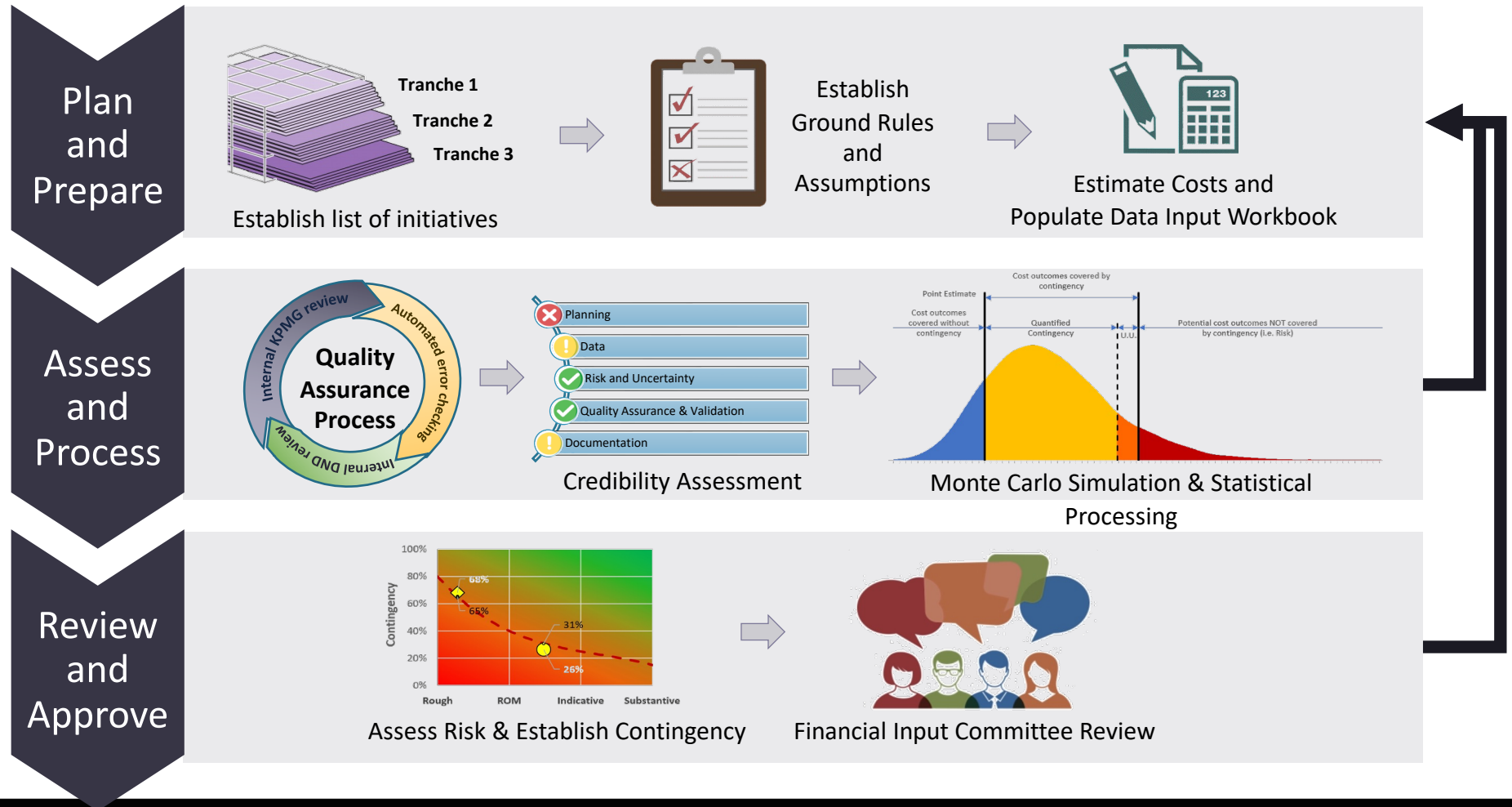
# Department of National Defence (DND) Experience

## NORAD Modernization Memorandum to Cabinet

- Unprecedented Continental Defence MC proposal consisting of DND/CAF capability and infrastructure investments for the next 50 years, positioning NORAD to adapt to future requirements
- Strategic alliances and working relationships at all levels, across DND and central agencies
- Foundational document for the CAF/DND and Government of Canada to obtain approval to realize the goal of moving towards a more agile, responsive and modern force
- Intended to amplify *Strong, Secure, Engaged* advantages and position NORAD to adapt to future requirements

# Department of National Defence (DND) Experience

## NORAD Modernization Costing Process



# Questions?

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