

Uncover the Costs – Defence Edition

Executive Summary

The [Uncover the Costs Report](#) was produced by the Union of National Defence Employees and the Public Service Alliance of Canada in 2020. This report investigates questions of the value for money obtained through the ‘subcontracting out’ of Federal work to the Private Sector. Using the example of contracted out cleaning services on military bases across the country, the report raises issues of transparency, accountability, quality assurance, and oversight of the subcontracting that is occurring, and presents evidence that the increasing outsourcing of operations and sustainment in the Canadian Armed Forces is costing the Department of National Defence more while delivering substandard results.

Since publishing this report, the Union continues to uncover cases where the use of subcontractors has resulted in risks to the health and safety of employees, risks to national security, substantial financial waste amounting to poor stewardship of public funds, as well as legal and ethical violations.

A few examples, in brief, include: the use of toxic lead solder in the water piping in a newly constructed building, dangerous corners cut and concurrent lack of quality control in high-voltage electrical work endangering lives, a contractor’s total abandonment of a cleaning contract, contractors being hired to perform high security work they are unqualified to do causing risk to national security, contractors being permitted to define the scale and scope of projects they draw profit from, and the consistent absence of business case and value for money analysis to justify the subcontracting out of public service jobs.

The [2024 Federal Budget](#) (pg. 349) presented new commitments to strengthen integrity in the public service, which if respected, will result in a significant reinforcement of the transparency and accountability requirements in DND’s contract procurement processes.

These new commitments are as follows:

- Releasing updated procurement guidance for managers to reinforce the prudent use of public funds, including examining human resources and staffing strategies before procuring professional services, strict evaluation criteria when a supplier is selected, clear due diligence protocols to ensure no conflict of interest, and ensuring all contractual obligations are upheld by third-party vendors;
- Government-wide audits to ensure governance, decision-making, and controls associated with professional service contracts, including IT, uphold the highest ethical standards, with audit results expected by December 2024;
- A new Risk and Compliance Process to ensure government-wide trends, risks, and departmental performance meet the highest standards, and take corrective actions wherever necessary, as soon as possible;
- Strengthened accountability guidelines for managers when procuring professional services, including robust validation that a potential contractor is the optimal approach to meet operational requirements; and,

- A commitment to publish more detailed contracting information on the Open Data portal in a clear, accurate, and more user-friendly manner.

Adjustments to DND's contract procurement process are required in order to align with the above Federal commitments, and the modifications required will impact existing and planned FM contracts. It is imperative that management becomes familiar with its obligations with respect to contract procurement practices, in particular, given the serious risks certain existing subcontracting practices present.

The Union continues to work with management, and elected officials, and labour union counterparts to improve the processes surrounding the procurement and oversight of federal contracts. To this end, we believe more proactive and transparent communication with management specific to the issue of contracting out is required to address risks, gaps in oversight, and to work to remedy ongoing situations. The UNDE's position remains: Public Services should be provided by Public Servants and work should only be contracted out in specific situations where documented justification is provided. Official statements by the Department's own upper management have echoed this, but we have yet to see these statements reflected in the Department's policies and practices.

If you have questions or concerns, please contact the UNDE's Special Projects Officer, Privatization and Subcontracting:

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