

Department of Justice
 Canadian Firearms Program Review
 Business Case Assessment and Risk Analysis – Final Report
 Prepared by HLB Decision Economics Inc. – Ottawa, Ontario
 31 Jan 2003
 HLB Reference 6752

Table 2: Annual Results, Savings from Base Case Due to Streamlining Initiatives, and Expected Revenues (constant 2002 dollars - millions)

Option	02/03	03/04	04/05	05/06	06/07	07/08	Steady State	NPV (10 Yrs)
Base Case Costs	\$90+\$10	\$115.4	\$103.4	\$77.8	\$79.0	\$75.3	\$72.3	\$541.4
Streamlined Costs	\$90+\$10	\$111.4	\$92.7	\$72.6	\$67.9	\$65.6	\$63.4	\$488.0
Savings	\$0.0	\$4.0	\$10.7	\$5.2	\$11.1	\$9.7	\$8.9	\$53.4
Expected Revenues	\$12.5	\$16.3	\$23.5	\$35.2	\$34.7	\$33.5	\$35.1	\$196.6

Note: 2002/03 forecast includes a \$10M reserve for solution realization. This expense appears unlikely in 02/03.

It should be noted that the forecasts reported here do not account for a “contingent” cost associated with the eventual contractual treatment of approximately \$15 million in functional requirements presently under negotiation between the ASD provider (“Team Centra”) and the federal government.

Forecast expenditures in the next two years for the Canadian Firearms Program under the streamlined management option developed in this review are shown at Table 3. Note that expenditures for 2002/03 are less than 2003/04 due to spending limitations pending the program review. Expected revenues in this table were derived using the proposed fee schedule with no increases. The 5-year forecast for 2007/08 approaches steady state expenditure levels.

Table 2: Canadian Firearms Program Forecast Expenditures – Streamlined Management (constant 2002 dollars)

Program Element	Year-end Forecast 02/03	Forecast 03/04 (million \$)	Forecast 04/05 (million \$)	Forecast 07/08 (million \$)
Canadian Firearms Centre	74.6	58.5	29.3	26.6
ASD Solution Realization and Operations*	10.0	26.9	\$44.7	22.5
Other Planned Expenditures	0.0	5.4	3.0	2.4
Other Government Departments	15.4	20.7	15.7	14.0
Total Costs	100.0	111.4	92.7	65.6
Expected Revenues**	12.5	16.3	23.5	33.5
Net Program Costs	87.5	95.2	69.2	32.1

Note: *A \$10M contingency has been included in the 2002/03 forecast.

** Forecast revenues are based on the proposed fee schedule with no increase.

The above results represent expected values obtained from the life cycle cost analysis. When risk is taken into account, the above forecasts are expressed in terms of a range of values with associated probabilities. The probability of exceeding any given level of expenditure can be obtained from the risk profile depicted at Figure 16 below. For instance, there is a 10% chance that expenditures will exceed \$118 million in the base case unless appropriate actions are taken