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Compass and Calculator Still Needed for the New Canadian Defence Procurement Strategy

Par Yannick Quéau
Consultant indépendant et chercheur
associé à l'Observatoire de l'économie
politique de la défense.

In 2008, the Canadian government led by Harper published a defence policy entitled *Canada First Defense Strategy (CFDS)*. The document focuses on the preservation of national sovereignty (in the Arctic region, in particular) at a time when the Canadian Armed Forces (CAF) are involved in Afghanistan, their most important deployment since the Korean War. The CFDS' goal is also to present and promote a CAN 60 billion \$ ambitious defense procurement plan spanning 20 years. In several ways, the policy seems disconnected both from immediate concerns (operations overseas) and 21st century capabilities and how much they cost.

Indeed, the CFDS shopping list is impressive for a small defense country such as Canada. It includes, a new fleet of 65 multirole 5th generation aircrafts (F-35), strategic and tactical transport aircrafts (C-17 Globemaster, C-130J Hercules), 12 modern frigates, Arctic patrol ships and other supply ships, army logistics trucks, armored vehicles and maritime helicopters.

Six years later, what has been bought? Not much. Even if the government announced in January 2014 that it would proceed with the

replacement of seaboard helicopters with a variant of the Sikorsky S-92, most projects announced have stalled when they are not outright cancelled, like the close combat vehicle (after the industry was asked to bid 5 times).

Aware of the problem, Diane Finley, Minister of Public Works and Government Services (PWGS) and Robert Nicholson, Minister of National Defence, unveiled Canada's new Defence Procurement Strategy (DPS) on February 5th which aims to "*deliver the right equipment to the Canadian Armed Forces (CAF) and the Canadian Coast Guard in a timely manner, to leverage our purchases of defence equipment to create jobs and economic growth in Canada and to streamline defence procurement processes.*"

The DPS goals are not new, but the way to achieve them is. The document creates a secretariat dedicated to defense procurement under PWGS' guidance. Its task is to engage all the federal government and the industry's stakeholders at the early stages of the procurement decision making. The major thrust behind this seems to be the will to contain the CAF's influence in the process.

A few experts close to the Department of National Defence (DND), such as Granatstein, writing in the *Times Colonist*, object to this reorganization of Canadian Defence procurement arguing that the DPS, which includes the management of Canada's

offset policy, will ensure the CAF will not receive the best equipment available on the market. This posture suffers from several problems. First, it implies that coordinating procurement and involving stakeholders is counterproductive and that decisions should be largely left to the CAF. In this case, one can wonder about the record achieved before the DPS in terms of procurement. It does seem hard to do worse now than in the past 5 years, although anything is possible. The fact that industry reacted positively to the DPS tend to indicate it agrees with the new guidelines, which is not surprising considering major suppliers have been increasingly complaining in the past few years.

Second, presenting offsets as obstacles to buying what you want or need on the market is misleading. In fact, the Brazilians could argue the exact opposite. What is at stake is not the interference of offset demands, it is the amount of money a country is ready to pay for the weapons and the offsets. Since Canada faces no immediate threats and has the largest military power right next door, offsets can be seen by elected officials as a way to legitimate giving large amounts of taxpayers' money to foreign firms.

Although Ottawa now looks like it knows how it wants to handle its weapons acquisition, the question of how much it is willing to pay for it remains unanswered. The week after the DPS was presented, Ottawa discreetly announced a CAN 3 billion \$ cut in the defense budget, a move that may signal the start of a down cycle for the Canadian defense budget. If this is the case, the CAF shopping list would appear even more disconnected from the resources available.

But even at the time of the CFDS publication, serious reservations were voiced about whether the amount of money planned would be enough to cover it all, battleships, fighter aircrafts, arctic patrol ships, helicopters, land vehicles, etc. And that was before the total costs of the 65 F-35 reached close to CAN 45 billion \$ (including life cycle costs). Thus, the priority of the new procurement secretariat could be to reshape the fighter program in order to make it more affordable and ease the pressures on the whole procurement plan.

Like other countries, Canada has a long history of tragicomic soap operas when it comes to defense acquisition. From the search and rescue helicopter programs cancellations and resurrections (a 30 years long saga), to a F-35 program handed to Lockheed Martin without competition, through buying an inoperative upholder class submarines fleet of 4, sources of embarrassments for the federal government are numerous on this front and regularly make the headlines.

One of the reasons behind this situation is the lack of expertise in the country when it comes to defense procurement. Every modernization phase, Ottawa seems to have to relearn everything and loses time and money trying to adapt to the contemporary strategic, industrial and economic environment. Moreover, without a good understanding of major trends in military capabilities and their associated costs, the inability to anticipate problems puts the government in a defensive position which in turn, highlights its difficulties managing the process.

It may sound rude, but 6 years after the publication of the CAF's wish list, the Canadian government failed to set up a coherent, timely and efficient defense industrial policy supporting national ambitions at home and abroad. The creation

of an independent, defense analysis institute announced with the DPS might help, but it remains to be seen if Ottawa will make the financial commitment needed to fulfill the *Canada First* promises.