

Canadian Defence Spending – A Case Study of Mismanagement

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In 2010, the Harper Government announced the “Canada First Defence Strategy” whereby a list of required equipment was listed for our military. This included orders for support vehicles, search and rescue helicopters, a new fighter jet to replace the F-18 Hornet, support ships and Arctic patrol vessels plus a polar ice breaker for the Coast Guard. The replacement contract for the CH124 Sea King helicopter was already in the works with Sikorsky as the prime contractor.

In 2011, a report on military reform from Lieutenant-General Andrew Leslie suggested that the Department of National Defence’s (DND) needs required enhanced cyber-security and enhanced Arctic capabilities. He also recommended reducing the amount spent on consultants, contractors and professional services which rose to \$3.2 billion a year. As noted by one writer, there are a number of obstacles in executing the “Canada First” plan.¹

The first issue is the government’s commitment to balance the budget by 2015, which has led to spending cuts in all federal departments, including DND. The department has cut monies for operations and maintenance, reducing readiness, while at the same time hoping to preserve the level of 68,000 personnel.

¹ John Ibbitson, *Globe and Mail*, September 3, 2013.

The second difficulty, certainly from a military perspective, is the time lag between the commitment to purchase new equipment, and actually replacing it. The replacement for the 50 year old Sea King helicopter is a case in point. The National Shipbuilding Procurement Strategy is another. Ottawa initially committed \$38 billion over 30 years to replace and upgrade core naval assets. It has now been revealed by the government that the purchase price of the 15 surface-combat ships for the RCN is estimated to be \$26.2 billion with a new estimate of \$64 billion for 30 years of maintenance, operating and personnel costs bringing the total to around \$90 billion.² The six to eight Arctic offshore patrol ships are estimated to cost \$8.6 billion and the two support ships being built on the West Coast are estimated to cost \$7.1 billion. The new figures for the 25 RCN ships are now estimated to cost \$105 billion over three decades. It has recently been noted that the Auditor-General will report that the \$38 billion set aside by the Harper government will not be enough to cover the National Shipbuilding program for the RCN.³

The third problem is to assess the priorities of each of the services over the long term. What type of equipment is required to meet the strategic goals and objectives domestically and internationally? It is probably necessary for the Harper Government to plan developing a revised Defence Policy whereby the equipment acquired can meet the targets and objectives described in this document.

The purpose of this paper is to identify the state of the procurement processes for a list of identified equipment for DND. For the most part, it is a case study for mismanagement and inefficiencies, both at the political and bureaucratic levels.

CF-18 Maintenance Contract

In the 1980s, a bidding process was established for the CF-18 maintenance contract with criteria drawn up and civil servants set to work to look at the various bids. They reported that the winner was Bristol Aerospace of Winnipeg.

² *Globe and Mail*, November 13, 2013.

³ *Calgary Herald*, November 18, 2013.

The Mulroney government, anxious to curry favour in Québec, overruled the bureaucrats and awarded the contract to Canadair of Montreal.⁴

Contract for New Coast Guard Helicopter

A Conservative MP from Ontario sent a letter to the Federal Transport Minister questioning a decision of the government to award a sole source multi-million dollar contract for 21 new Coast Guard helicopters to a Québec firm, Bell Helicopters.⁵ The letter alleged the process was rigged so that the Québec company would win the contract. The two other firms competing for the contract, Eurocopter Canada and Augusta-Westland subsequently withdrew their bids before the June 3, 2013 closing date. The price tag could reach \$1 billion over a 20-year period when maintenance is also factored in.

The Acquisition of Four British Submarines

History will likely show the purchase of four used conventional submarines from the UK by the Chrétien Government between 2000-2004 is a classic case of “buyer beware”. Since the purchase, the submarines have been plagued with a history of design, manufacturing and operational problems. The Canadian Government assumed they got a bargain at around \$845 million for the purchase of these vessels. Since then it has been estimated that by 2012, it has cost Canadian taxpayers \$3 billion for repairs and maintenance. In 2008, the Harper Government approved a 15-year \$1.5 billion support and refit contract for the submarines.⁶

Problems with the subs soon materialized on their arrival. High pressure welds had to be replaced and cracks were found in some of the valves. Steel piping also needed replacement as the submarines were placed in storage in the UK with water in

⁴ Jeffrey Simpson, *Globe and Mail*, October 26, 2013.

⁵ Jack Edmiston, John Ivison, *The National*, June 20, 2013.

⁶ CBC, *National News*, February 14, 2012.

their fuel tanks.⁷ In Canada, there have been significant delays in installing equipment, such as the weapons fire control and communications gear.

The Victoria-Class submarines have spent more time in port than operationally at sea. HMCS Chicoutimi was struck by a deadly fire in transit across the Atlantic and likely will not go to sea again. HMCS Windsor arrived in Nova Scotia in 2001 and underwent a five year refit. HMCS Victoria, based on the West Coast was the first sub to complete the refit after three years and successfully test fired its torpedoes in March 2012. HMCS Cornerbrook hit the ocean floor off the BC coast during a training accident in June 2011 and is not expected the return to service for several years.

Colin Kenny, the former chair of the Senate Defence Committee stated that Canada should get rid of its current fleet of submarines.⁸ Kenny argued that the four submarines as of 2011 had spent a total of 900 days at sea in the past 10 years. On February 27, 2013 Admiral Maddison, the outgoing commander of the RCN testified before the Senate Standing Committee on National Security that the Navy is conducting an analysis to see if the current submarines could be extended beyond their originally forecasted end of life to about 2030.⁹ This past summer the Canadian Centre for Policy Alternatives and the Rideau Institute argued that the government should scrap its existing submarine fleet or begin the process of replacing them.¹⁰

It would seem that the purchase of the four submarines has been less than stellar. The fitness of the boats at the time of purchase has to be flagged. The evidence over a decade is overwhelming that this capital expenditure program has been overshadowed by lengthy costly repairs and delays, resulting in very limited operational exposure for these vessels, which must affect crew training as well.

With a reduction of DND's budget, it will be interesting to see if the four submarines will survive the chopping block. From a business case perspective, it is fair to add that a lack of a thorough review, inspection and risk analysis was conducted by the government prior to the purchase of this equipment.

⁷ *Calgary Herald*, June 12, 2013.

⁸ *Calgary Herald*, November 14, 2011.

⁹ *Canadian Naval Review*, June 15, 2013.

¹⁰ Michael Buyers and Stewart Webb, *Calgary Herald*, June 12, 2013.

The Replacement of the Sea King Helicopter

As noted in an authoritative book on the procurement process for the replacement of the 50-year old Sea King helicopter, the author describes a case management business model that can only be described as pitiful.¹¹ It follows a trail of missteps and delays at both DND and PWGSC going back to 1977.

A report of the former Auditor-General for Canada, Sheila Fraser, stated that “National Defence did not adequately assess the developmental nature of the replacement aircraft and risks related to costs”.¹² She singled out the CH-148 Cyclone program for delays and cost overruns. The previous Defence Minister, Peter MacKay also noted that “the history how this contract has unfolded is a crying shame”.¹³

The following summary, based on Plamondon’s book, is an attempt to highlight the events which has led to the fact that the Cyclone has yet to become an operational asset for our Armed Forces. The first Sea Kings were received in 1963 with the last 14 delivered in 1969:

- The Sea King Replacement Program (SKR) was established as part of the Ship Replacement Program in December 1977. It was anticipated that the Sea Kings would be replaced by 1985;¹⁴
- As of January 1, 1981, the SKR Program was renamed the New Shipborne Aircraft Project (NSA);¹⁵
- In the summer of 1985, the decision was formally announced by DND to replace the Sea King helicopter;
- In 1986, “Solicitations of Interest” from industry were requested. Three contenders were singled out as a possible replacement for the Sea King: Sikorsky’s S-70 SeaHawk, Aerospatiale’s AS332 F Super Puma and Augusta

¹¹ A. Plamondon, *The Politics of Procurement – Military Acquisition in Canada and the Sea King Helicopter* (Vancouver: UBC Press, 2011).

¹² *Globe and Mail*, September 15, 2011.

¹³ *Globe and Mail*, May 29, 2011.

¹⁴ *Halifax Sunday Herald*, February 10, 2008.

¹⁵ Plamondon, footnote #11, p. 87.

Westland's EF-101. Sikorsky withdrew from the contest stating it could not comply with the specifications leaving two companies in the bidding process. Both companies agreed with the policy of linking foreign equipment purchases to Canadian industry, as described in the 1987 Defence White Paper;¹⁶

- In 1987 the Mulroney government announced the purchase of 35 EH-101 helicopters, indicating that "all the critical requirements" had been met, whereas the Super Puma did not, and the new acquisition was more favourable to Canadian industry.¹⁷
- A new Search and Rescue Helicopter Project (NSH) office was created by DND in 1988 to replace the ageing fleet of CH-113 SAR helicopters. The government merged the NSA and NSH projects, on the basis of economic benefits and reduced costs. Sikorsky showed no interest in competing for the SAR contract at the time. The program estimates were projected to be \$5.8 billion for 35 Sea King replacements and 15 SAR helicopters.¹⁸
- EHI was awarded a definition contract for a combined NSA/NSH acquisition in 1990 for 50 aircraft. The final proposals by EHI was accepted by the federal government in 1992, with a projected cost of \$4.4 billion.¹⁹
- In 1993 the new leader of the government, Kim Campbell announced the government was reducing the number of NSA helicopters from 35 to 28 machines on the grounds of savings costs. Jean Chrétien stated that terminating the NSA program was one of the top priorities of the Liberal election platform.
- In 1993 the EHI contract was cancelled by the Liberal government. The termination agreement with EHI cost taxpayers \$478.3 million.²⁰
- In 1995, the government split the NSA/NSH programs. Ottawa stated they were prepared to spend \$460 million to purchase 15 new SAR helicopters.

¹⁶ Ibid., footnote #11, p. 89.

¹⁷ Ibid., footnote #11, p. 95.

¹⁸ Ibid., footnote#11, p. 101.

¹⁹ Ibid., footnote #11, p. 149.

²⁰ Ibid., footnote #11, p. 104.

- In 1997, DND and PWGSC determined the winner of the NSH contract should be EHI and the new machine would be called the CH-149 “Cormorant”.
- In 1998, the government announces the purchase of 15 CH-149’s for \$593 million.²¹
- In 2000, Ottawa gives DND approval to find a replacement for the Sea King. It was to be called the Maritime Helicopter Project (MHP). The project was to be divided into two sections, with distinct airframe and integrated mission systems components. A “lowest cost-compliant” matrix was to be relied upon, which meant that if one company’s bid was a dollar less than the others, as long as it was deemed to be compliant, the bid would be chosen regardless of quality or value.²² Candidates for the MHP contract included the Sikorsky S-92 Superhawk, EH1 Industries NH-90 and the Augusta Westland’s EH-101.
- In December 2002, the new Minister of DND reversed the “two-part” approach for the MHP and decided to proceed with a single contract versus two. On December 17, 2003 tenders were issued for the selection of a Sea King replacement.
- On the 23 July 2004 Ottawa announced that the Sikorsky H-92 “Cyclone” had been selected for the MHP. The contract was for 28 H-92s to be delivered in 2008.²³ One of the terms of the contract was to slap penalties of \$3 million a month up to a total of \$36 million for delays in delivery of the new helicopter by Sikorsky. The contract was divided into two sections, \$1.8 billion for the helicopters and \$3.2 billion for a 20-year In-Service Support Program (ISS). General Dynamics of Canada was chosen as the “mission systems integrator”. Sikorsky was also promised \$4.5 billion in “Industrial and Regional Benefits” (IRBs).²⁴

²¹ Ibid., footnote #11, p. 152.

²² Ibid., footnote #11, p. 162.

²³ Ibid., footnote #11, p. 168.

²⁴ Ibid., footnote #11, pp. 171-172.

- Sikorsky announces in 2008 that it cannot meet its delivery deadline. The contract was amended to allow for the delivery of an “interim” or incomplete helicopter for 2010, with fully equipped helicopters arriving in 2012.
- Sikorsky admits to further delays of the “interim” helicopters citing problems in obtaining its airworthiness certificate. Ottawa is no longer imposing penalties for production or delivery delays by Sikorsky.²⁵
- In September 2013, RCAF engineers and flight certification officials noted they had serious concerns of the electronics on the CH-148 Cyclones. The federal government has refused to accept four test helicopters based at Shearwater Nova Scotia. There are also reported concerns over the flight systems and the flotation system on the aircraft which doesn’t allow the helicopter to fly over the water.²⁶
- In September 2013 the head of DND’s procurement section stated he didn’t know when the military could have a new Maritime helicopter if the federal government abandons the CH-148 Cyclone program. Rear Admiral Finn stated that the timeline is unclear if Ottawa is looking into other options to replace the Sea King. He described the new process as a “multi-track” one whereby the government is assessing other assets that “might better suit the military’s maritime needs while remaining in talks with Sikorsky”.²⁷

It would seem that the saga for replacing the Sea King is far from over after 35 years. The procurement process has been underway in Ottawa to purchase a new maritime helicopter for our military – and still there is no operational replacement for the 50-year old machine. This is both embarrassing to those who have to fly it and maintain this aircraft; both from a safety and operational perspective.

The Purchase of the F-35 Aircraft

To date, the F-35 Joint Strike Fighter Program being built by Lockheed Martin has been plagued by delays and cost overruns and is fast becoming the most expensive

²⁵ *Globe and Mail*, May 29, 2011.

²⁶ *Calgary Herald*, September 13, 2013.

²⁷ *Calgary Herald*, September 7, 2013.

military-industrial program in US history.²⁸ The initial aim of the program was to replace all of America's ageing tactical aircraft with one variant for the Air force, Navy and Marines. The original purchase order was for 2,443 aircraft over 25 years at a cost of \$382 billion. The original delivery date was for the year 2010.

One of the prime objectives for the stealth aircraft was affordability. Development costs would be shared with eight foreign partners, including Canada. Australia was planning to purchase 100, Japan 42 and Canada 65. According to Defence sources, the 65 acquisitions for this country was the "minimum" required to fulfill 24 hour air cover over four Canadian cities in the event of a 9/11 event.²⁹

In 2011, the then US Secretary of Defence "condemned the failure to get costs under control, which he blamed partly on the lack of financial discipline in the Defence Department and partly on execution failures by Lockheed Martin and its partners".³⁰ What followed next were cost estimates from the Government Accountability Office (GAO) concerning the F-35 Program. Their report to the Senate Armed Services Committee stated that the average price per aircraft had risen from \$69 million in 2001 to \$133 million in 2011. Adding in development costs, the price rises to \$156 million. In conclusion, the GAO reported that since 2007 the timetable had slipped by five years. After more than nine years in development and four in production, the agency reported that the ISF Program has not fully demonstrated that the aircraft design is stable, manufacturing processes are mature and their systems are reliable.

Senator John McCain criticized the Program when he addressed the Senate in December 2011. "The Joint Strike Fighter Program has been both a scandal and tragedy.³¹ We are saddled with a program that has little to show for itself after 10 years and \$56 billion in taxpayer investment that has produced less than 20 test and operational aircraft". In the same article, the Pentagon estimated the lifetime costs of the program over 5.5 years is topping \$1.5 trillion.

²⁸ *The Economist*, July 16, 2011.

²⁹ *Calgary Herald*, February 17, 2012, p. A-10.

³⁰ *Calgary Herald*, September 7, 2013.

³¹ *Los Angeles Times*, April 19, 2012.

On April 3, 2012, Auditor-General Michael Ferguson reported that National Defense officials had twisted government rules, misled ministers and the Canadian Parliament and whitewashed cost overruns and delays in a determined effort to ensure Canada purchased the F-35 aircraft.³² There was also the question raised by critics that the overall cost of the purchase would be \$15 billion or \$25 billion over a 20-year or 36-year period.³³ Another disclosure pegged the overall costs at closer to \$45 billion - \$9 billion for the actual purchase of the 65 aircraft and 36 billion for development, maintenance, operating costs and disposal when the machines reached their end of life cycle.³⁴

As a result of the auditor-general's scathing report of the F-35 acquisition process, the Conservative government backtracked on its purchase plan for the F-35s. A National Fighter Procurement Secretariat was established under the Minister of Public Works.³⁵ A four member panel of independent reviewers was established to oversee that the selection process was impartial. Potential contenders now included the French Dassault Rafale, the Eurofighter Typhoon, the Swedish Saab Gripen, the Boeing Super Hornet and the F-35.³⁶ Each of the companies are to complete questionnaires of their aircraft capabilities, costs and potential industrial benefits to Canada's economy. The Secretariat is anticipated to forward their recommendations to Cabinet by the end of the year.

There are concerns from the new players, that Lockheed Martin already has a perceived advantage. Dassault argued that "you can't expect four manufacturers who are asked some questions within 3 months when compared with another manufacturer (Lockheed Martin) who has had seven years to fine tune its proposal". Eurofighter also stated it would be helpful to know what exactly the military requires so they can provide the best and most relevant information.³⁷ "We can only satisfy his demands if we know his operational requirements from A to Z". There was a general sense from the other four companies that the only fair process to award the aircraft contract was for an open

³² *Calgary Herald*, June 26 2013, p. A-21.

³³ *Globe and Mail*, May 10, 2012, p. A-6.

³⁴ *Calgary Herald*, August 23, 2013.

³⁵ *Calgary Herald*, May 30, 2013.

³⁶ *Calgary Herald*, May 31, 2013.

³⁷ *Calgary Herald*, May 30, 2013.

competition amongst all the aircraft based on the operational specifications outlined by DND.

In making its recommendations to Cabinet, it is likely that the Secretariat will have to consider the following issues:

- The fewer planes that are ordered by the US government and other foreign countries, the more each aircraft will cost;
- At the present time the design of the F-35 appears to keep changing;
- When could the F-35 be actually delivered to Canadian squadrons, if selected?
- What are the actual operational requirements of the new replacement fighter aircraft? Do we require a “stealth fighter” configuration, similar to the operational requirements of the US Forces?
- It has been reported that the F-35 is not compatible with our current refueling aircraft.³⁸ If this is indeed a fact, does this restrict the operational capability of this aircraft?
- What is the anticipated life-cycle of the F-35?
- It has been projected that 65 F-35 meet our “minimum” requirements to meet our operational needs. Australia is planning to purchase 100 of the same aircraft. Based on the attrition of the CF-18 over the years, is that number reasonable over the project life of the F-35?
- Is it effective to buy an aircraft off the shelf which will meet our needs, than continue to wait for a new aircraft which is still under development and years away from arriving in our squadrons?

³⁸ *Calgary Herald*, December 21, 2012, p. A-10.

Ship Building for the Royal Canadian Navy and the Canadian Coast Guard

Unlike other past DND procurement projects, the National Shipbuilding Procurement Strategy followed the usual bidding process for capital projects. Ottawa committed \$35 billion over a 30-year period to refurbish the RCN and the Coast Guard with new ships. The federal government tasked a qualified group of civil servants to assess Canadian shipyards interested in bidding on the various contracts and even hired an international firm to check on their evaluation process.

Jeffrey Simpson of the *Globe and Mail* noted, “the shipbuilding contract broke with a long Canadian tradition, produced a rational, fact-based decision, bullet-proofed the government from any charge of potential interference and gives Canada a chance to build a more streamlined, efficient industry”.³⁹

RCN Resupply Ships

The program to replace the RCN replenishment ships, HMCS Preserver and HMCS Protecteur was first proposed by the Chrétien government in 1994, but the order for the replacements did not commence until 10 years later.⁴⁰

The Harper government set aside \$2.6 billion in 2010 to construct at least two new support ships to replace the 50-year old current ones. It wasn't clear initially whether two or three ships could be built for that price. The original plan from the RCN was to have the new ships act as a floating supply base for both the navy and army, acting as an offshore command centre and hospital for humanitarian missions.⁴¹ The project got whittled down because of budgetary constraints. The Conservatives in 2008 stated that the bids on the table for the proposed ships were not compliant and were too expensive. In June 2013, DND officials then stated the ships “would provide a home base for maintenance and operations of helicopters, a limited sealift capability, and support to forces deployed ashore”.⁴²

³⁹ *Calgary Herald*, December 21, 2012, p. A-10; See also, *Globe and Mail*, October 25, 2011, p. A-15.

⁴⁰ *Globe and Mail*, March 2, 2013.

⁴¹ *Globe and Mail*, June 3, 2013, p. A-5.

⁴² *Calgary Herald*, December 21, 2012, p. A-10; See also, *Globe and Mail*, October 25, 2011, p. A-15.

In March 2013, the budget watchdog Kevin Page stated that it would cost as much as \$4.13 billion to replace the resupply ships, and not \$2.6 billion costs as projected by the government to build these ship at the Vancouver shipyard.⁴³

Seaspan Marine was awarded the contract to construct both the new supply ships for the RCN and a new icebreaker for the Coast Guard. The problem logistically is the Vancouver shipyard can only handle one project at a time. In October 2013 the government announced the resupply ships will be built first and the construction of the icebreaker will be pushed back several years.⁴⁴ As a result, Ottawa will have to spend an additional \$55 million to keep the heavy icebreaker, the CCGS Louis St. Laurent, in the water until at least 2022.

At the present construction schedule, it is anticipated that the two new resupply ships will not be ready until 2019, while HMCS Protecteur and Preserver are due to be retired in 2017. The RCN will likely be forced to rely on its allies to refuel its fleet for at least two years. In October 2013, Defence Minister Nicholson announced the two new supply ships would be named “HMCS Queenston” and “HMCS Chateauguay” after two battles from the War of 1812.

This past summer the federal government announced they had picked an existing design for the new supply ships.⁴⁵ ThyssenKrupp Marine Systems has built similar ships for the German Navy based on the Berlin-class supply ships. It was estimated that relying on an existing design could result in a saving of 15% over designing a new ship from scratch.⁴⁶

Recognizing that the supply ships, one for each coast, are “integral” to the RCN carrying out its operational responsibilities, this fact was brought home recently when the destroyer HMCS Algonquin and the supply vessel HMCS Protecteur collided during a training exercise in the Pacific, damaging both ships. Until the Protecteur’s

⁴³ *Calgary Herald*, March 1, 2013, p. A-7.

⁴⁴ *Calgary Herald*, October 12, 2013.

⁴⁵ *Globe and Mail*, June 3, 2013, p. A-5.

⁴⁶ *National Post*, June 9, 2013.

bow is repaired, the Pacific fleet has no refuelling capability and must rely on other countries to refuel its fleet.⁴⁷

The Arctic Offshore Patrol Ships

Irving Shipyard this summer has started to modernize its Halifax Shipyard in order to build the Arctic Offshore Patrol Ships and later the Canadian Surface Combatant Ships.⁴⁸

Ottawa had initially indicated that six to eight patrol vessels would be built. The \$25 billion agreement in 2011 was to build a total of 21 combat vessels. Since then the government signed a contract with Irving in March 2012 to design the Arctic patrol ships, which are divided into seven bidding phases.

The ships, first announced in 2007 were projected to cost \$3.1 billion to build and \$4.3 billion to maintain over their 25 life cycle. In a revised schedule, it was anticipated the first ship would be in the water by 2015, two years behind schedule.⁴⁹ The new delivery date for the first Offshore Patrol Ship looks like closer to 2018, although it is not known because of budgetary constraints, how many of these ships will actually be built. It was reported in October 2013 that DND won't be signing a long-term service contract with Irving until the ships are well into construction.⁵⁰

Work on the frigate and destroyer replacements was also reportedly proceeding at a snail's pace because of uncertainty over what the Navy wants to build into the new ships.⁵¹ Critics argue that the current destroyers are due to retire before replacements come online. Any delay in replacement reduces the government's purchasing power because of ever-increasing material costs and inflation; possibly resulting in fewer ships or capabilities. The 40-year old destroyers will begin retiring in 2017 and likely the delay in building the Arctic vessels could push back the timeline on replacing the destroyers and frigates as well.

⁴⁷ J. Ibbitson, *Globe and Mail*, September 3, 2013.

⁴⁸ *Globe and Mail*, August 22, 2013.

⁴⁹ *Calgary Herald*, October 18, 2012.

⁵⁰ *Calgary Herald*, October 18, 2013.

⁵¹ *Calgary Herald*, December 15, 2012.

Coast Guard Icebreaker

An integral part of the Harper Government's "Canada First" strategy was the replacement of the 44-year old icebreaker the "CCGS Louis S. St. Laurent" by the "CCGS John G. Diefenbaker". The heavy icebreaker was due to be decommissioned in 2017. The initial cost for the new conventionally-powered vessels to be built at the Vancouver Shipyard was for \$720 million but the project has been delayed as noted earlier. The new estimate for the ship launch is in 2022.

The Canadian Coast Guard has encountered significant problems with its icebreaker fleet over the past several years. The only other heavy ice-breaker in the fleet, "CCGS Terry Fox" is scheduled for decommissioning in 2020.⁵² In 2012, the "CCGS Amundsen" was docked with four of its six engines "non-operational".⁵³ In 2011, the "St Laurent" was marooned off the Nunavut coast for weeks because of a loose propeller nut. One of the "Amundsen's" sister ships had all its engines replaced in 2009 as part of a retrofit that cost \$9.5 million.⁵⁴

Close Combat Vehicles for the Army

Recently Michael Byers, a University of British Columbia professor and researcher Stewart Webb argue that there is no need for Ottawa to purchase 108 new close combat vehicles that it is preparing to buy for close to \$2 billion.⁵⁵

The authors maintain that the medium-armoured vehicles were initially proposed for working alongside tanks on the battlefield, and not for counter-insurgency operations occurring for today's missions. The military responded stating that close combat vehicles are still required for armour-piercing weapons and homemade bombs that are still a major threat, and the new machine will help protect soldiers.

Buyers and Webb take the position that DND has just spent \$1 billion to upgrade more than 550 LAV III's, and now intend to purchase similar type vehicles which add

⁵² *The Calgary Sun*, November 4, 2012, p. 8.

⁵³ *Calgary Herald*, January 30, 2012, p. A-21.

⁵⁴ *The Calgary Sun*, November 4, 2012, p. 8.

⁵⁵ *Globe and Mail*, September 19, 2013.

little in terms of capability. Other critics inside the Army also support the claim that the new vehicles are not required and are too expensive to operate.

Conclusion

In August 2003, the Advisory Committee on Administrative Efficiency reported to the Minister of National Defense: “Procurement is universally viewed in the Department as being a slow and cumbersome process that does not fully respond to DND’s needs”.⁵⁶ The report also pointed out that the average time period for a major capital equipment program was 17 years and that DND did not have an effective approach to risk management.

In 2005, Madam Justice P.E. Bellamy wrote a report for the City of Toronto concerning the Computer Leasing Inquiry. Under the heading of “Procurement” in her recommendations, she noted:⁵⁷

- “Para 129: City Council should establish a fair, transparent, and objective procurement processes. These processes should be structured so that they are and clearly appear to be completely free from political interference or influence;
- Para 130: Councillors should separate themselves from the procurement process. They should have no involvement whatsoever in specific procurements. They have the strongest ethical obligation to refrain from seeking to be involved in any way.”

These recommendations could certainly apply to the procurement processes for DND. Unfortunately historically this has not been the norm in the acquisition of new capital equipment for the Department. Many critics would argue that, based on prior procurement programs, poor results have been caused directly by political interference, conflicts of interest, bias, sole-source contracting without tendering, a lack of a level playing field for contractors or rigged requirements for a specific contractor. In many

⁵⁶ Plamondon, footnote #11, p. 168.

⁵⁷ The Honourable Justice Denise E. Bellamy, ‘Executive Summary’, *Report on the Toronto Computer Leasing Inquiry-Toronto External Contracts Inquiry*, (Toronto: 2005), p. 97.

cases, it appears that the requirements or specifications for the equipment are not clearly identified by the government.

As noted by Plamondon, in the acquisition process for new helicopters, the government abandoned the “best value” methodology for the “lowest cost matrix”, which eventually proved unworkable and ineffective.

There were other examples where military purchases were selected on the priorities for regional individual industrial spin-offs instead of the equipment needed by the military to carry out their operational commitments.

The National Shipbuilding Procurement Strategy is a significant change to the way DND and Public Works in undertaking their major capital acquisition programs. Now the evaluation is supposed to be clear, transparent and arm’s length from potential interference. The requirements and specifications are intended to be clearly enunciated for all potential bidders, in order that a fair evaluation can proceed. Public Works Minister Ambroise announced in May 2013 that the federal government is revamping its military procurement system to put a premium on “value” as opposed to the “best price.”⁵⁸ Ottawa will now be putting a major focus on long-term economic benefits for the country as part of the process for awarding the estimated \$490 billion the federal government is planning to spend for the Canadian Forces over the next 20 years.

As a result of the Auditor-General’s negative report to the F-35 aircraft purchase, the government has moved away from a sole-sourcing contract to an evaluation by the National Fighter Procurement Secretariat to oversee the selection process. As noted earlier, each of the five competitors has to complete questionnaires about the aircraft they think should be chosen by the Canadian Government within three months.

Several of the foreign companies argue that the competition was unfair, since Lockheed-Martin had many years head start in anticipating DND’s needs, thus a significant advantage over the other late additions to the competition. The other significant complaint coming from the other foreign competitors was that the roles and requirements for a specific aircraft were never clearly enunciated by Ottawa as to what type of machine they were looking for.

⁵⁸ *Calgary Herald*, May 30, 2013, p. A-10.

Even with a transparent tendering process in place, the fact remains that many of the newly announced capital projects are delayed for years before they became operational for use by our military. The Sea Kings have been flying for over 50-years. Their replacement planning goes back to 1977. The replacements for our Supply ships were announced as far back as 2004. It is likely they won't be going in service at the earliest until 2019.

As the Harper Government has committed to balancing the budget by 2015, this has led to spending cuts to all departments; including DND. It is likely that such reductions will impact and delay new equipment acquisitions for our military. Unfortunately such action will also reduce the operational readiness and capability of our Forces down the road.

As the current military equipment, which in many cases has already exceeded their projected life cycles, comes to an end, it is imperative such machines be replaced sooner than later. A prime example is the Sea King helicopter which has been operating for 50-years in our squadrons. Many observers would argue that we are putting our aircrew at risk by operating an outdated piece of equipment to land on the deck of a warship at night in poor weather conditions in the North Atlantic. Such delays in the acquisition of new military capital for the Canadian Forces and the Canadian Coast Guard is unacceptable.