

Great Expectations: A Breakthrough in Major Defence Projects

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Anticipation is high as the Government makes announcements on some major defence procurements over the course of this week. As the Minister of National Defence wends his way across Canada with the good news, expectations are growing that the Government is truly committed to investing in core military capabilities.

And rightly so. While defence is not one of the established five priorities for the new Conservative Government, it is clearly emerging as a sixth area of concern. There is an urgent need to address crucial military deficiencies. This Government has promised to provide the funding to re-equip the Canadian Forces -- all the signals are positive, and the time to deliver on those promises is now. Certainly the operational environment in Afghanistan serves to reinforce the need to ensure that CF members are properly equipped.

In all, there are five major projects in the Conservatives' current 'package' of anticipated announcements.

- Supply Ships. This project, known as the Joint Support Ship, is desperately needed to replace the navy's resupply capability, which is now 36 years old. One of the three ships operated by the navy has already been 'paid off', or retired, due to the high cost of keeping it going. With only two ships available -- one on each coast -- it has been difficult to sustain a meaningful capability. The new ships will have the ability to replenish other ships at sea, but will also be able to support deployed operations with on-board helicopters, a medical facility, and a modest command and control capability, in addition to the sealift of equipment and supplies. If we are serious about going anywhere beyond our own domestic area of operation, these ships are vital. Fortunately, much of the preliminary study is already completed and the project staff are ready to issue a request for proposal to get things underway. Even so, it will take several years before the new fleet is complete and the existing ships will have to perform well beyond their 40th year.
- Army Trucks. The 'Medium Support Vehicle System' project is intended to replace the fleet of five-ton trucks, which are well beyond their 'best before' date of 15 years of service, having been acquired in the early 80's. The existing vehicles have served the army well, but have become increasingly unreliable and expensive to maintain. Who among us would keep pouring money into a 24-year old vehicle if we could buy a new one? Moreover, logistics concepts have changed over the past two decades. New trucks will have the ability to carry specialized containers, offload them in an operational area, and recover them later. This will be a flexible and more efficient use of the basic vehicle. Also, newer vehicles must be able to carry the necessary

armour to protect personnel in areas like Afghanistan where there is a threat of roadside bombs or enemy fire. This rugged, multi-terrain vehicle will be a major modernization of logistics support to army operations. In addition, the trailers and special-purpose kits also included in the project will further enhance the overall capability.

- Medium-Heavy Lift Helicopters. This project addresses a new capability for the Canadian Forces for air mobility of personnel and equipment, most notably in support of field operations. The anticipated requirement of this project will specify a need to accommodate a platoon of soldiers with their equipment. The helicopter will also have to be able to carry a slung load of at least 10,000 pounds if it is to be able to move essential pieces of equipment. And it will have to do this in a 'high and hot' environment – like Afghanistan -- where the air is thinner and engines produce less thrust. The common view is that the Boeing Chinook helicopter is the only one in production which can perform the required task and that some 16 of them will be needed to meet the requirement. It will be costly to purchase the aircraft themselves, and more so to maintain them during their operational life, but they will provide a practical mode of airlift that is now not available to the Canadian Forces other than by hitching a ride with an allied force.
- Tactical Transport Aircraft. This project addresses replacements for C130 Hercules aircraft, which provide medium-lift, medium-range airlift for the Canadian Forces. These aircraft, of which there are 32 in the Canadian inventory, are often referred to the workhorse of the air force because they have been so heavily used – some for four decades! They are the aircraft which deliver humanitarian aid, provide equipment and provisions to isolated posts, search for victims of air or shipping accidents, and fly our troops into and out of Afghanistan. They can operate from short airstrips and with minimal ground support. Air force technicians have maintained the fleet with dedication over the years, to the point where Canada is the owner of the Hercules with the all-time highest number of flying hours – some 45,000. Two aircraft have been removed from service as 'beyond economical repair' and the retirement rate is expected to accelerate, further reducing the availability of an already-stressed fleet. The Government proposes to purchase 17 new aircraft to rejuvenate this capability. The obvious contender is the modern version of the Hercules, the Lockheed Martin C130J-30, but there is at least one other bidder who would hope to compete, the EADS A400M.
- Strategic Transport Aircraft. This project refers to large transport aircraft capable of carrying heavy, 'outsized' loads, such as armoured vehicles, over long distances. The Conservatives committed in their election platform to purchasing strategic airlifters, generally assumed to be the Boeing C17 aircraft, in order to guarantee availability in response to military requirements or civil disasters. Over the past 18 months, for example, they could have been used for the disaster relief missions to Sri Lanka and Pakistan. American C17s were chartered for moving critical

equipment within Canada during the 1998 ice storm. It is expected that the Government will purchase four of these aircraft, at considerable expense. Furthermore, the support and operating costs will be significant, but they will provide an airlift capability never before owned by the Canadian Forces. For the Government, this constitutes an issue of sovereignty, that is the ability to decide and act as an independent nation.

These announcements are very positive for the Canadian Forces – and should be good news for all Canadians. They signal a commitment by the Government to address long-standing deficiencies in Canadian military capabilities. Even the casual observer will note that all five of these procurements address some aspect of mobility – mobility to get the necessary people, equipment and supplies to where they are needed, in Canada or elsewhere. All of these initiatives will contribute to capability essential for the support of an effective military force. But these announcements are just a first step to seeing the equipment in service.

Capabilities such as these cannot be acquired by simply buying the equipment. It is critical to ensure that resources are also provided for a complete and balanced capability. There is no point in buying a shiny new aircraft if the wherewithal to operate it is not available. This includes the obvious everyday expenditures, but also the establishment of the means for longer term support. We would never think of buying a new car if we couldn't afford gas to run it or the licensing fee.

Fortunately, this has not been overlooked in the Government's calculation. The \$15 billion dollars cited as the cost for these projects is not only for the actual purchase of equipment, but will be spent over the next two decades and more. For example, the high \$3 billion cost of the strategic airlift project includes longer-term support. In addition to arranging this, DND will also have to ensure that training can be provided and that the required infrastructure is in place. All elements of a capability must be accounted for and funded if it is to be effective.

Furthermore, the Government must do its part to avoid delays in the approval process, as has been the case from time to time in the past. For example, the Liberal Government announced and funded the Fixed-Wing Search and Rescue Aircraft project in its budget of February 2004. Yet no request for proposal has even been issued and no contract has been signed. Aircraft could have been available for delivery over the next year (2007) if aggressive procurement action had been taken, but no progress has been made since the announcement.

This sort of thing should not be allowed to recur. Political leadership is needed to ensure that projects proceed quickly and substantively, with expeditious approval through to contracting. Funding for these acquisitions has been quantified and can be accommodated in the defence budget with the increases provided in the last two federal budgets.

Where options exist, most would agree that fair and open competition is the most appropriate means of getting the best value for the taxpayers' dollar. Some of these projects will be actively competed and a winning bidder chosen to be contracted accordingly. However, where there is a single solution to a validated requirement, it makes sense to 'sole source' the procurement

without a competition. The development of DND requirements is far from a simple or casual process, but rather one which involves careful, rigorous consideration of detailed criteria and their relative essentiality. Primordially, it ensures that the end product meets Canada's defence objectives and the needs of Canada's men and women in uniform. Conducting a competition where there is really only one viable contender who can meet the requirement is a waste of time and public funds. Creating the appearance of a competition where there really is no operationally acceptable alternative is worse. In such a case where sole sourcing is clearly applicable, the Government should enter directly into negotiation with the supplier for the best possible value and earliest delivery.

Regardless of whether a project is competed or sole-sourced, there will be substantial benefit for Canadian industry. Foreign providers of products and services are required to ensure that domestic contractors receive direct or indirect business equal to 100% of the contract value. These projects will, therefore, generate considerable opportunity in Canada which will ultimately benefit Canadians in the form of jobs, established capabilities and future business.

These industrial benefits are important but must never be allowed to inordinately delay an operational military project or to trump mandatory requirements. In the end, the provision of the capabilities represented by this large investment will be a win-win arrangement for the Canadian Forces and for the Canadian economy.

But these announcements are not a panacea. Throughout this period of rejuvenation, we need to keep in mind that the Canadian Forces are still struggling with long-term sustainment issues. They have gone for years with inadequate funding, and the deficiencies with which they have been living cannot be resolved overnight.

Difficulties in sustainability are perhaps most evident for older systems where the investment remains high but the capability being delivered is atrophying. Funding shortfalls have affected the availability of spare parts, the frequency of major maintenance work on weapons systems (and therefore their availability for operations), the upkeep of infrastructure, and the ability to take on new initiatives which would alleviate the situation. For some equipment, this has become a vicious circle where costs are increasing, capability decreasing, and there is no available funding to break the downward 'death spiral'. Unfortunately, even with this injection of Government support, the spiral will continue for the fleets being addressed until new deliveries are made, some years from now.

Finally, even though \$15 billion is a huge figure, it must be kept in perspective. The money will not all be spent right away, but over the next few decades. Also, these five projects will not address all of the shortfalls that affect our armed forces now and in the future. Nor will they provide the full range of capabilities promised by the new Government. There will have to be more announcements to meet these needs and more effort placed on faltering capabilities. One of these is the previously mentioned replacement for a search and rescue aircraft – a requirement which should be considered important to all Canadians because it will save lives at home. Another is the accelerating need for unmanned aerial vehicles for surveillance, at home and abroad.

This week's announcements have indeed created great expectations, and ones which must be met if the Canadian Forces are to continue to perform the missions demanded of them. The world is rife with conflict and Canada is a highly regarded player in providing security and stability for those affected. These five projects will assist the Canadian Forces internationally, and will provide a more robust capability to respond to domestic attacks, crises, and national disasters.

This Government is delivering on some key commitments. These initiatives are responsible and appropriate, but will need careful tending to ensure they materialize into the capabilities needed. Timely follow-through on these five projects, and future ones to address other shortfalls, will provide Canada's military the depth and breadth necessary to perform its role.

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