

Canada First Defence Strategy

The release of the Canada First Defence Strategy (CFDS) on May 12, 2008 sparked significant confusion as to what was old, what was new, what it would cost, and whether it met the stated requirements of the Canadian Forces.

The Old

Most of the strategy—which in its publicly released form amounts to a 900 word speech by each of Prime Minister Steven Harper and Defence Minister Peter MacKay—is not new. The Prime Minister outlined the strategy's overall priorities as being to defend Canada and protect its citizens, to meet commitments for continental security, and to contribute to global security. These three priorities are the right ones for Canada and indeed have been the basis of almost every defence white paper since 1947.

The Defence Minister followed with the details, noting that Canada has bought strategic airlift, and has “contracted to purchase” tactical airlift, battlefield helicopters, main battle tanks, arctic offshore patrol vessels and joint support ships. These things, too, are not new, although one could contest the wording. Broadly speaking, there are five stages to the defence procurement process, which can take more than ten years from start to finish: (1) the CF defines the requirement; (2) a request for proposals (RFP) goes out to companies; (3) companies submit their proposals; (4) the government awards the contract, including timelines; and (5) the equipment arrives. All four C-17s have arrived, as have many of the main battle tanks. A contract has been awarded for tactical airlift and these aircraft will begin arriving in 2010. The battlefield helicopters and the joint support ships are both at the RFP stage. A contract for the helicopters is likely to be awarded by the end of the year, but serious concerns have been raised as to whether industry can even submit proposals for the joint support ship given the current funding allocation. The patrol vessels are still undergoing a definition of requirement.

The New

The Minister also highlighted a number of new commitments. The government will invest in 15 ships to replace the navy's destroyers and frigates, 10 to 12 maritime patrol aircraft, 65 next generation fighter aircraft, and a family of land combat vehicles. The services have been defining the requirements for these projects for some years, but this was the first time there had been a public statement of political support from the government—all the more notable because specific numbers have been assigned. Like the arctic offshore patrol vessels, these new projects are all at stage one of the procurement process.

The Cost

How much will this cost? Various press accounts and government statements give the following numbers as straight purchase price: \$3.2 billion for tactical airlift; \$2.7 billion for battlefield helicopters; \$120 million for main battle tanks; \$3.1 for arctic offshore patrol vessels; \$2.1 billion for joint support ships; \$8.5 billion for the destroyer/frigate replacement; \$2.5 billion for maritime patrol aircraft; and \$3 billion for next generation fighters. No figure could be found for the new family of land combat vehicles, but \$1.5 billion may be reasonable. These numbers add up to just over \$18 billion, but they do not account for several billion dollars that have already been committed for buying new army trucks, upgrading the current frigates, keeping a portion of our maritime patrol aircraft flying, and buying new maritime helicopters. Nor do they account for other critical projects identified in the April 2008 Departmental Report on Plans and Priorities, including fixed wing search and rescue aircraft, uninhabited aerial vehicles, and an integrated command and control system for the CF. And they do not account for already identified shortfalls, such as in the joint support ship project which is likely to need an additional \$1 billion

if three ships are to be built. Finally, and significantly, these figures do not account for the cost of maintaining new equipment over a 20 year period, which conservatively adds about 50% to the overall cost.

The Funds Available

A centrepiece of the defence strategy announcement was the government's commitment to long term and stable funding over the life of the CFDS, intended as a twenty-year plan. When the Harper government came to power in early 2006, the annual defence budget was about \$14.5 billion. In its defence budget of May 2006 the new government stated it would "increase the National Defence budget base by \$5.3 billion over 5 years." This meant that in FY 2011/12 the defence budget would be about \$20 billion. The federal budget of February 2008 subsequently stated that beginning in FY 2011/12 the automatic annual increase in defence spending would be 2 percent per year out until 2028. Applied to the original \$20 billion, a rough calculation indicates that in FY 2027/28 the defence budget will be around \$28 billion, although the figure Prime Minister Harper gave following his CFDS speech was \$30 billion.

Not all of this money can be used for equipment—far from it. Every year the annual defence budget is divided into three components: personnel costs, operations and maintenance, and capital acquisitions. The latter includes the whole range of things from ships, aircraft and tanks to military satellite communications and advanced technologies for command and control. In any given year, personnel costs take up well over half the defence budget. After that, there are significant expenditures on operations and maintenance, particularly if the CF is engaged extensively in overseas operations as it has been now for almost two decades. The remaining portion is allocated to capital expenditures. As a guideline, NATO countries strive to allocate between 20 and 25 percent of their defence budgets to capital expenditures, but this can be difficult. If the cost of a military operation goes above the original allocation then the capital expenditure budget is the first to be "raided." In recent years, the Department of National Defence has struggled to allocate 10 percent of its annual budget to capital acquisitions.

Although the conservative government has guaranteed a certain level of defence spending for the next 20 years, these guarantees could just as easily be over turned by the next government. Nonetheless, if this commitment were to remain in place, and if 10 percent of each year's defence budget were to be allocated to capital acquisitions, then over the next 20 years DND would have, again by rough calculation, about \$45 billion to spend on capital acquisitions.

The Requirement

This long-term funding formula does not meet the needs of the Canadian Forces. While the overall dollar figure of about \$45 billion for recapitalization over the next 20 years is probably about right, more—much more—of the money needs to be allocated at the beginning of the twenty year period. Reduced investments in defence in the 1990s have led to a situation in which a whole range of major military platforms—supply ships, destroyers, maritime patrol aircraft, fighters, battlefield helicopters, light armoured vehicles—must be replaced within the same five year window of about 2012 to 2017. The CF needs approximately \$30 billion for capital acquisitions over the next 5 years to begin the procurement process. After that, the CF will need about \$15 billion over the period to 2028 to maintain the equipment. A total of \$45 billion, yes, but two thirds of that is required sooner rather than later.

The necessity of more "up front" funding is made apparent by the strategic assessments conducted by each of the three services earlier this year. The Navy's destroyers and supply vessels date to 1970 and will simply no longer be sea worthy within the next few years. The supply vessels must be replaced early next decade, making it critical that the joint support ship

project go to contract by the end of this year. Absent a resupply vessel, Canada's naval task groups cannot operate at sea without the assistance of other nations. The destroyers will pass their useful point of operational service around 2015. Without the air defence and command capabilities these ships provide "Canada will not be able to safely operate a Task Group in contested waters—the key capability that provides to Canada the capacity for sovereign and independent action at sea." Meanwhile, climate change and the melting polar ice cap will not wait for Canada to launch its arctic offshore patrol vessel.

As for the Air Force, the fighter aircraft that will replace Canada's CF-18s must be in the air by about 2017, after which the CF-18 airframes will no longer be air worthy. Fighter aircraft are necessary both to fulfill Canada's obligations under NORAD to help defend North America and to provide close air support for soldiers in missions abroad. Meanwhile, Canada's maritime patrol aircraft, overworked and almost 30 years old, must soon be replaced if Canada is to be able to conduct surveillance and sovereignty missions along its 3 ocean coasts. In his assessment, the Chief of the Air Staff notes that the current Aurora fleet is already unable to meet its established commitments in support of maritime operations. Finally, it perhaps goes without saying that a contract for battlefield helicopters, critical for reducing Canadian casualties in land operations, needs to be awarded as soon as possible.

For the Army, current operations in Afghanistan have revealed a critical requirement for a future combat vehicle that combines increased armoured protection with battlefield mobility. But the Army's biggest concern lies in the area of people. Since 2005 the size of the Army has actually decreased in size, despite a large and continuous commitment to Afghanistan, and despite needing to find forces to fill newly created CF units and command structures. The combination of these factors means that the Army "is now stretched almost to the breaking point." At the same time, the air force has pointed out that the lack of crew availability is impacting its ability to carry out its commitments, and the navy has stressed it has the equivalent of a full ship's company of vacant positions on each coast.

A notable shortfall of the CFDS announcement is that it did not address these personnel concerns. In his speech Minister Mackay stated that the size of the regular force would increase to 70,000 over the course of the twenty-year plan. The government had previously announced a 75,000 person goal over a much shorter time frame, but reports had already emerged months ago that the goal and the timeframe had slipped. A force level of 70,000 is at least 10,000 people short of what is necessary for the CF to be able to do all that it is being asked to do, particularly considering the Prime Minister's own admission that "if a country wants to be taken seriously in the world, it must have the capacity to act." More immediately, the CFDS should have addressed the issue of retention. Because the CF can only recruit and train new service members so fast, the most obvious short term answer to the force size problem is to stem the attrition rate. The Army assessment points out that our allies have been using financial incentives to encourage soldiers to stay, with some degree of success.

The release of the CFDS in an abbreviated form left many wondering about the purpose of the announcement. The equipment and force size had already been announced or anticipated; the new budget formula was released in February. The equipment list is right but it needs to materialize, the force size is too small, and the funding formula is not sufficient for addressing the CF's looming equipment and existing personnel shortfalls.

Perhaps the biggest change is the context. Canada's military forces have not seen such a level of public support in decades, perhaps not since World War Two. Today Canadians recognize the good work of the CF and see defence as a necessary expenditure. The Canadian military

has been neglected in the recent past and these decisions have coalesced into a perfect storm of shortfalls in personnel levels today, and equipment capabilities early next decade. The Canadian government should seize, not squander, the opportunity to make the necessary investments.