

## **Risk-bound rewards: Canada's defence industry**

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After decades of existing on a starvation diet of infrequent and limited contracts from the Canadian Forces, the Canadian defence industry is reaping the benefits of a government committed to operations in Afghanistan and ensuring the security of North America. The industry's future is far from assured, however.

Certainly, the key ingredients for success are there. Prime Minister Stephen Harper's Conservative government intends to invest CAD50 billion (USD43 billion) in new equipment over the next 20 years and has already awarded major contracts for four C-17 and 17 C-130J transport aircraft, 100 Leopard 2A4 and 2A6 main battle tanks (MBTs), M777 155 mm howitzers, mine-protected vehicles, heavy logistics trucks, upgrades of the 12 Halifax-class frigates and the lease of Heron unmanned aerial vehicles (UAVs).

In addition, the Conservative government's planned acquisitions include 16 CH-47 helicopters, more UAVs, three Joint Support Ships (JSS), six to eight Polar Class 5 Arctic/Offshore Patrol Vessels (A/OPVs) and 2,300 medium support vehicles.

The government's Canada First Defence Strategy (CFDS) also outlines longer-term plans to buy 15 new surface combatants, 17 fixed-wing search-and-rescue aircraft, 65 next-generation fighter aircraft, 10-12 maritime patrol aircraft and a new family of land combat vehicles.

The CFDS provides the Department of National Defence (DND) with a long-term funding commitment, promising to increase the defence budget by two per cent per year starting in 2011-12. The government promises that the CFDS "will be implemented in concert with a new long-term procurement strategy designed to benefit Canadian industry while building commercial capacity in relevant knowledge and technology industries".

Also, the military is increasing its reliance on private industry by contracting out non-core military jobs, which has not only provided companies with much needed stability between major procurement contracts but has also expanded the industry by bringing new players into the mix. For example, Cascade Aerospace in Abbotsford, British Columbia, won a six-year CAD423.4 million contract for in-service support (ISS) of the CC-130 Hercules fleet: a contract that for the previous 45 years had gone to L-3 Spar and its predecessor companies.

### **Expanding operations**

In response, Canadian-based companies are expanding their operations. General Dynamics Land Systems (GDLS) in London, Ontario, has opened up a new facility in Edmonton for the repair and refit of the army's Light Armoured Vehicles (LAVs). Raytheon, which already has three plants in Ontario and one in Alberta, is opening a new facility in Halifax, Nova Scotia, to handle a long-term support contract for the navy's SPS-49 long-range surveillance radar. General Dynamics Canada, which is the mission systems integrator for the new CH-148 Cyclone maritime helicopter being acquired from Sikorsky, is also opening a new facility in Halifax to provide in-service support to that aircraft.

At the same time, takeovers by major international corporations have resulted in greater stability and new market opportunities in foreign markets. In the last five years, many of Canada's major defence companies have been acquired by US-based corporations. L-3 Communications has taken over Spar Aerospace, Bombardier's Military Aviation Services (MAS), CAE's Marine Controls unit and Wescam, while Colt Defense bought small-arms manufacturer Diemaco. General Dynamics bought General Motors Defense; Curtiss-Wright took over Indal Technologies, the maker of shipboard helicopter landing systems; Esterline bought CMC Electronics; and CoorsTek bought DEW Engineering and Development.

All of these developments have contributed to growth in the Canadian defence industry.