

*The Obfuscation of the Canadian Government Towards our
Military - Alleged Support but no Growth*

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“The Politician says there are no external dangers, that may be true, but if so, it is due to the fact we are strong; directly we become weak; external dangers will grow up like mushrooms.”

Admiral David Beatty - Royal Navy Commander of the British Grand Fleet
(1916)

The former Conservative government pretended that they were a strong advocate for our military. They pretended to expand the capability of our Forces to deal with both domestic and international events. In Canada’s 2008 First Defence Strategy, it called for an increase in troops to more than 100,000 and a 2 percent increase in defence spending every year, to address the on-going tasks assigned by Ottawa to meet such assignments determined by our politicians.

Instead, as noted by David Perry, a senior analyst for the Canadian Defence and Foreign Affairs Institute has mentioned that capital spending on military equipment has declined four years in a row. As a share of the defence budget, capital spending has dropped to the lowest level since 1977-78. As well, Perry stated that defence cuts

accounted for a quarter of the overall drop in government spending in the 2014 budget.¹ In addition, for whatever reasons, DND in 2014 was unable to spend \$2.3 billion allocated by Parliament to the Department.²

The government has promised to keep 68,000 full-time military members and 27,000 reservists in uniform, even though defence spending has been drastically reduced, and recognizing that approximately 50 percent of the defence budget goes towards personnel costs. Last year a Defence Department report tabled in the House of Commons showed a shortfall of nearly 900 regular force members and 4,500 part-time reservists at the end of March 2014, “due to higher than forecasted attrition and other factors, even as defence spending fell by \$5.5 billion since 2012.”³

As a result of the 2008 Defence Strategy, it pledged to modernize the Canadian Forces, largely through a significant procurement program of acquiring helicopters, support ships, fighter jets and army vehicles - with a price tag of \$49 billion over 20 years. In February 2013 a new Defence Procurement Strategy was announced to improve the way capital contracts for military equipment was acquired through the tendering process. This suggests that there was a recognition that there was a disconnect between the tendering of contracts and the letting of sole-source contracts with a lack of transparency in the process. While the impact of this new strategy has yet to be fully assessed, in the interval, these remain significant challenges. For example to be fair, to date, the acquisition of such capital equipment has not gone well. In addressing such programs, Allan Williams, a former ADM of Materials for the Federal government has noted:

This government’s management of defence procurement has been a disaster... Under its tenure, it has squandered an estimated \$3 billion dollars by unnecessarily relying on sole source contracts while simultaneously increasing the length of time to acquire goods and services by about 66%. It was revealed in a procurement cycle time study that it was taking on average 190 months - nearly 16 years from the time a procurement need was established until the goods or services were delivered. Sole-sourcing can increase the sticker-price up to 20% more

¹ Jeffery Simpson, *Globe and Mail*, June 28, 2014, p. F-2.

²G. Petrolehas and D. Perry, *National Post*, January 7, 2014.

³ L. Berthiaume, *Calgary Herald*, December 16, 2014, p. B-4.

than through a competition. But perhaps the biggest drawback to sole-sourcing is the fact that, without an open, fair and transparent competition, we can never be certain that we are providing the best product to our military. At the present time, the overlap and duplication between DND and PWGSC with regard to defence procurement guarantees that neither minister is solely accountable for its process.”⁴

Some examples of the problems encountered in obtaining capital equipment required by our Armed Forces, can be summarized as follows:

- The government’s National Shipbuilding Procurement Strategy, launched in 2011, selected two ship yards on both coasts to build new ships for the RCN. For over two decades, the Navy sought unsuccessfully to have new supply ships procured. Last summer, Canada’s two aged supply ships were retired after 40 years of service, leaving the RCN currently without an at-sea replenishment capability for fuel and other stores until at least 2020. This result will seriously jeopardize the RCN’s operational readiness and capability at sea for years to come. After more than three years of review, the ship design for these vessels has been chosen with the German navy, but the government to date has not entered into a contract to replace the two support ships. As noted by a former Vice-Admiral:⁵

“Estimates are that it will be years until steel is cut, and at least 2021 until Canada has a ship in operational service on both coasts. This represents a prolonged and serious gap in capabilities for a country with our vast ocean approaches.”

In any case, the Vancouver shipyard slated to build the two new supply ships and the new Coast Guard heavy icebreaker can only handle one project at a time. As a result, the government will have to spend an additional \$55 million to keep the existing CCGS Louis S. St. Laurent in the water until its projected replacement date of 2022. The 44 year old ship was due to be retired in 2017.⁶

⁴ *Frontline Defense*, Issue 2, 2014, p.12.

⁵ Drew Robertson, *National Post*, February 3, 2015, p. A-11.

⁶ L. Berthiaume, *Calgary Herald*, October 12, 2013, p. A-22.

Some pundits contend that the new supply ships may never be built due to cost overruns and the inability of the shipyard to actually fulfill the contract.

- In 2004 Ottawa signed a contract with Sikorsky for new maritime helicopters to replace the 50 year old Sea-Kings. Delivery of the new 28 machines, at a cost of \$5.7 billion, was due to commence in 2008. After several contract extensions to the earlier contract delivery dates, it is anticipated that the “Cyclone” should be delivered for operations this year. “Cyclones” were actually delivered in June 2015, although critics have argued these machines are unable to fulfill the operations they were designed for.
- To date, the F-35 Joint Strike Fighter program built by Lockheed Martin has been plagued by delays and cost overruns. On April 3, 2012, Auditor-General Michael Ferguson reported that National Defence 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.⁷

As a result of the Auditor-General’s report, the government backtracked on its purchase of the F-35. A National Fighter Procurement Secretariat was established under the Minister of Public Works.⁸ A four member panel of independent reviewers was established to oversee an impartial selection process with potential contenders from five manufactures. To date, the government has still not announced the successful candidate. In the meantime, the CF-18 is undergoing a modernization program so they can supposedly operate until 2025.

- The RCN recently retired two of its three destroyers as a result of old age. However, 12 frigates are undergoing refits that are part of a \$4.2 billion upgrade.⁹ HMCS Calgary and HMCS Fredericton have just completed these refits and are fully operational, incorporating a new command and control combat system.

⁷ *Calgary Herald*, June 26, 2013, p. A-21.

⁸ *Calgary Herald*, May 30, 2013.

⁹ M. Fisher, *Calgary Herald*, July 29, 2014.

- With respect to the procurement strategy for the Canadian Surface Combatant, it was recently announced that Irving Shipbuilding in Halifax was awarded the designation as prime contractor on the \$26 billion sole-source contract to build up to 15 new ships.¹⁰ Irving had already won the right to build the ships in its Halifax yard, but the job of prime contractor on the design phase could be very lucrative, since up to 70 percent of the value of vessels are in the complex combat systems. Critics argue that based on the projected time to build these ships, is it likely that the costs will result in only seven ships being built, instead of fifteen.
- It is also interesting to note a recent announcement concerning operational restrictions in the face of funding cuts for the RCN. It has sent its frigates out on international missions with instructions to the crews not to use its ships sensors in order to cut back on maintenance bills.¹¹ Not only do these instructions restrict the operational capability of our ships, but can you imagine attempting to explain such action with other foreign ships in company with ours? How embarrassing!
- It has been seven years since Prime Minister Harper announced the construction of the Arctic Offshore Patrol Ships (AOPS) in the Irving Halifax Shipyard. Originally the first ship was to be delivered in 2013. The initial plan was \$3.1 billion to build and \$4.3 billion to maintain six to eight ships over their 25 year life cycle. Instead a \$3.5 billion contract was signed in January 2015 with Irving for the construction of five ships, with incentives for the yard to deliver six.¹² With the AOPS design finalized and the first steel set to be cut for September 2015, the first ship is now scheduled to be launched in 2018, with the rest anticipated to follow in nine month intervals. The 103 metre ship will have a complement of 65 crew and will be capable of operating in first-year ice up to one metre in thickness allowing the ship to operate within large areas of Canada's Arctic Ocean.¹³

¹⁰ J. Iverson, *National Post*, January 23, 2015,

¹¹ D. Pugliese, *Calgary Herald*, January 24, 2015.

¹² *National Post*, October 21, 2014.

¹³ *National Post*, October 29, 2014.

- In 2010 Ottawa approved a \$258 million plan to establish a docking and refuelling station for the RCN at Nanisivik on Baffin Island in the Arctic. The original cost in 2007 was \$100 million. The budget now for the base has been reset for \$116 million, with significant changes to the infrastructure.¹⁴ The original plans called for offices, workshop buildings as well as major improvements to the wharf. The base would be staffed year round and there would be accommodations for 15 personnel. The new plans now call for minor upgrades to the jetty, an unheated warehouse and a smaller tank farm that can store one year's supply of fuel instead of two. Trailers will house up to six people in summer months only.
- Canada's current fleet of four "Victoria" class submarines, for the first time in many years, has three operational boats in service since being acquired from Britain in 2000. Based on fleet status reports from the RCN, the four submarines managed to spend only around 1,300 days at sea over a ten year period from 2003-2013.¹⁵ Treasury Board approved in 2008 an expenditure of \$1.5 billion for fifteen-years for the in-service support for the submarines. The RCN then sought an additional \$19 million for maintenance and operating costs up to the spring of 2016.¹⁶
- DND's long quest to buy unnamed aerial vehicles has been delayed because of the issue whether the RCAF needs one or two different fleets of drones.¹⁷ Based on the original requirements, questions were raised whether more than one type of drone was required, and therefore military planners were forced back to their drawing boards. The drones are expected to provide surveillance at home, such as the Arctic and coastal waters, and also abroad. It is also the intention that the drones would carry Hellfire missiles. The original documents show the government was prepared to spend \$3.4 billion to buy and service drones for over 20 years, beginning in 2019-20.

¹⁴ *Times Colonist*, September 9, 2014.

¹⁵ J.J Anderson, *U.S Naval War College Review* 68, no. 1 (Winter 2015): p. 20.

¹⁶ *Edmonton Journal*, September 26, 2014, p. A-14.

¹⁷ *Calgary Herald*, August 18, 2014.

In conclusion, it is imperative that the Liberal government increase the budget of DND to address the political commitments made by Ottawa on the international and domestic fronts. Because of the budget cutbacks on the department, training and operational impacts are affecting our three services. Major assets need to be replaced sooner than later. The government cannot keep deferring these important projects as outdated military equipment could affect the lives of our service personnel. These delays affect the ability to maintain operational readiness by reducing the RCN's sea days, aircraft flying hours and the soldiers training programs. In addition, these budget restrictions impact the recruitment drives which directly affect the ability of the Forces to fulfill their operational obligations as directed by the government.

DND's military procurement policy seems to still need a review, based on the lack of decision from government to replace the CF-18 aircraft and recent decision to award the sole source contract to Irving Shipbuilding to build the new fleet of warships for the RCN.

Many pundits could not understand the Harper government's rhetoric in its commitment to an assertive military approach internationally, while at the same time decreasing the budget of DND? Domestically, his annual visits to the Arctic have not resulted in any significant enhancement for the RCN to operate in our Arctic waters. Years ago he promised to build up to eight Arctic Offshore Patrol ships in the Halifax shipyards. Only now is the first cut of steel set to be cut at the Irving Shipyard for September 2015. The old Naviswork mining site on Baffin Island was supposed to be refurbished and operational for the fleet on an annual basis. It has since been scaled back dramatically to include summertime use only. Even the "Rangers" are not expected to have their old Lee-Enfield rifles replaced for the time being, as a result of costs.

As noted by Jeffery Simpson, "It is still easier politically, and less costly financially, to be in love with illusions about the military and its past glories than with the hard realities of today's military requirements".¹⁸ For the past several years, time goes by with respect to the acquisition of new equipment for our military without getting the approval to spend for these important capital purchases.

¹⁸ Ibid. Footnote 1.

Instead of ad hoc decisions emanating from Ottawa concerning the deployment of our military forces internationally, critics are saying that our 2008 First Defence Strategy (CFDS) needs an update.¹⁹ This document was drafted during the Afghanistan intervention. Globally, many changes have occurred since then and possibly now is the appropriate time, for example, to review the current strategy and align it with such matters as budget constraints, manpower, equipment, sovereignty, search and rescue, and participation within NORAD and NATO.

Some critics argue that instead of a new CFDS, we should be drafting a White Paper, instead which provides for a clearly defined policy while leaving room for evaluation and engagement with the public.²⁰ The author notes that Australia recently published a Defence White Paper that “clearly defines the country’s risks, objectives and strategic outlook in a shifting international arena.”

If it is determined that a new White Paper is needed, the procurement policy of long-term equipment platforms typically has to match the strategic operational requirements and objectives of what the military is expected to accomplish over the medium and long-term. In light of recent events in the Ukraine, long-term policy and related procurement strategies have to determine if the Canadian Forces is going to focus on traditional conventional warfare or small arms (asymmetric warfare a la Afghanistan/Somalia) or both.

NATO sees the military spending of 2 percent of GDP as the appropriate standard for countries within the Alliance. In a recent article for 2013, it showed that the U.S. spent 3.8 percent of GDP, Britain 2.3 percent, India 2.5 percent and Russia 4.1 percent.²¹ Canada’s contribution currently is either 1.1 percent according to the NATO standard or 1.3 percent by the Department of Finance.²²

As a result of the recent Federal budget on April 21, 2015, the previous Finance Minister Joe Oliver announced in the House of Commons that “Government has no greater responsibility than protecting the lives of its peoples,” by announcing a budget

¹⁹ Vice Admiral R. Buck (Ret) “Defence Strategy” *Frontline Defence*, 2, (2014): p.10.

²⁰ J. Harris, M.P. *Frontline*, 21, Issue 4, p. 28.

²¹ *The Economist*, April 4, 2015, p. 54.

²² D. Perry, via email, April 12, 2015.

increase for the Canadian Forces from 2 to 3 per cent.²³ The problem with this statement is the fact that this new infusion of dollars will not start taking place until 2017-18, and will begin only with a small injection of only \$184 million.

DND has continued to suffer billions of dollars in the reduction of its budget, ongoing freezes to its operating ability and continued postponements to its capital spending projects. It will take a number of years for a new influx of dollars to reach the budget levels determined four years ago.

Although this paper has focused primarily on the difficulties with the implementation of DND capital projects and personnel issues, it is also fair to conclude that budget restrictions will impact the training component for all three levels of the military, from time at sea and training time in the air and on land. Militaries are required constantly to effectively train for a number of scenarios to meet the needs of the political masters in Ottawa both domestically and in the international arena. Such budget restrictions are impacting the training requirements of our three services, which could result in a decline of our DND's operational capabilities.

It is suggested the new Liberal government must step up to the plate and provide the three services with a reasonable budget to perform the operations which Ottawa deems is necessary to fulfill DND's mandate and strategic direction. Currently it is clear that DND is unable to effectively carry out its existing roles and responsibilities, let alone new challenges, without the federal government significantly increasing funding for our Armed Forces.

²³ S. Chase, *Globe and Mail*, April 22, 2015, p. A- 10.