

A new model for defence procurement

Ian Brodie, National Post | 17/09/13

As the Harper government sets its sights on a new session of Parliament, and beyond the next federal election, one pressing political problem it faces is the growing backlog of equipment purchases for the Canadian Forces. Over the summer, the key players in defence procurement — the National Defence, Public Works and Industry ministers — all changed. The new ministers come to the issue with fresh perspectives.

And this fresh perspective is badly needed. The Harper government had early success in defence procurement — the C-17 transport aircraft Canada bought in 2007 proved useful during this year's French campaign in Mali. But now the effort to buy new fighter jets is bogged down in [seven point plans](#) and external reviews. [Arctic ships](#) the Prime Minister promised in 2006 are not even under construction yet.

The most pressing need is for new at-sea resupply ships. Efforts to buy new resupply ships have been underway for [at least a decade](#). As the projected costs have risen, the number of ships to be bought has been cut from four to three, and now to two.

The Royal Canadian Navy's current at-sea resupply vessels are 40 years old. HMCS Protecteur, assigned to the West Coast, recently collided with one of our destroyers during a training operation, and is currently out of service. Without resupply ships, the Navy cannot operate for long without the

support of other navies.

The federal government recently chose a [design](#) for the new ships, but construction is now being held up until a Canadian shipyard is ready to build these massive vessels. The government has promised, under its [National Shipbuilding Procurement Strategy](#) (NSPS), to build every part of every new navy ship in Canada. This is a major hurdle since no Canadian shipyard has produced a complex naval ship in almost 20 years. Insisting on 100% Canadian construction will drive up costs and slow down deliveries.

The Canadian government plans to spend \$60-billion on defence equipment in the next 20 years, and those dollars will inevitably have to serve both economic and defence policy objectives. There is nothing new about that. For decades, major defence equipment has either been built in Canada or built abroad on the condition that the contractor makes offsetting purchases from Canadian firms in other parts of its business. “Industrial Regional Benefits” keep many Canadian firms busy.

Given Canada’s integration into the global economy, it is time to reconsider how defence procurement serves economic policy. One way to do that is to link defence procurement to Canada’s international trade and investment efforts.

Since 2006, the Harper government launched and restarted free trade negotiations with many key trading partners. But few of those efforts have borne fruit. Perhaps the resupply ship procurement could serve as an experiment to try to conclude some of those negotiations.

The Harper government could, for example, announce it will take bids from any shipyard in a country that has a free trade agreement with Canada as of April 1, 2014. American and

Norwegian shipyards would immediately be eligible to bid, and both the EU and South Korea might find it valuable to ensure their shipyards were also eligible.

The economic benefits to Canada of concluding the Canada-EU and Canada-Korea trade two agreements are much larger than the benefits of building the ships in Canada. The federal government projects the entire NSPS — which involves more than just the resupply ships — will create about [\\$2-billion in economic benefits](#) per year. But similar projections predict the Canada-EU trade deal would benefit Canada to the tune of [\\$12-billion](#) per year. and the Canada-Korea agreement, a further [\\$1.6-billion](#) per year.

Linking the resupply ship procurement to Canada's trade and investment policies will reduce the cost of the ships and get them delivered sooner. If it also helped wrap up the Canada-EU and Canada-South Korea negotiations, Canadians would benefit immediately from freer trade and more secure investment rules with these partners. That would be a much bigger win than building those ships in Canada at some point in the distant future.