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RUNNING POLITICAL INTERFERENCE ON MILITARY PROCUREMENT

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JCSP 40

Exercise Solo Flight

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EXERCISE *SOLO FLIGHT* – EXERCICE *SOLO FLIGHT*

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Word Count: 3097

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RUNNING POLITICAL INTERFERENCE ON MILITARY PROCUREMENT

The defence of Canada and capital military procurement projects should be a streamlined bipartisan activity without political interference. All political parties and departments should work together in successive governments to ensure that Canada's overall interests are represented and achieved for the betterment of Canada as a nation. Unfortunately if there was ever a wicked problem for the Government of Canada, capital military procurement has all the characteristics. Military procurement has a high degree of complexity, is immune to simple and clear solutions, is dynamic, involves changing the minds as well as the behaviour of government and possibly industry, is laden with unforeseen consequences, and is often characterized by chronic policy failure.¹ Military procurement is overly complicated, where political parties battle over ideology and where successive governments implement policies that do not represent the best interest in the Department of National Defence or Canada overall.

The Government of Canada has a solid history over the last several decades of rendering outdated strategic guidance, not investing in the guidance they provide, and having politicians and bureaucrats continually interfere with and delay military procurement projects. The Department of National Defence and the Canadian Armed Forces has borne the brunt of this neglect with antiquated equipment that is not able to perform the missions and tasks assigned by the government. The only thing both the Liberals and Conservatives have both done equally well is provide political interference in the defence program that has and continues to cause significant disruption in resources, assets, and morale.

¹ Foresight Canada. <http://www.foresightcanada.ca/what-wicked-problem>.

In this paper, I will discuss how politicians and the Government of Canada have failed the military through direct and indirect political interference. I will show how elected politicians provide little strategic direction to Defence, how governments have chronically under invested in the Defence program to balance budgets, and how governments have allowed the creation of a procurement process that stagnates procurement ultimately at the expense of national security capabilities. I will provide specific examples of political interference have derailed a variety of key defence procurements and how the overall impact of political interference and neglect has impacted the Canadian Armed Forces. I will make recommendations on areas for improvement for the Government of Canada to strengthen Defence.

One of the first key enablers for a stable defence program would be accurate, timely and clear guidance on defence policy from the government. In recent decades, the federal governments policy on national security was provided through a document called the White Paper. Since the Cold War era, it has been argued that Parliament has shown a general disinterest in national security policy and foreign affairs² and when they do generate defence policy it quickly out dates or becomes unaffordable due to other political agendas or priorities. There are numerous examples of gaps in defence policy for the Canadian Armed Forces but I will indicate two cases in particular as they are a critical financial junctures as they relate to government priorities. Between 1971 and 1987 there was a sixteen year gap between the White Paper in 1971 and the White Paper in 1987. Within two years of the White Paper in 1987 being released, the budget of 1989

² Rempel, Roy and Bland, Douglas. "A Vigilant Parliament: Building Competence for Effective Parliamentary Oversight of National Defence." <http://irpp.org/research-studies/policy-matters-vol5-no1/>

effectively revoked the defence plan stated in the White Paper.³ You can effectively see the same or similar writing on the wall with the current Canada First Defence Strategy (CFDS) that was released in 2006 by the Conservative government. Four years after the CFDS was deemed unaffordable, the Federal Government still cannot provide a timeline on when a new and affordable strategy will be provided.⁴

One of the second enablers of a stable Defence program would be a reasonable level of stable and predictable funding. Stable funding would allow the department to develop an investment program in conjunction with the government on investing in the right capabilities to support the policy direction provided by the government. Currently there is no definitive answer to what a nation should spend on defence but NATO has set a long standing target of 2% of Gross Domestic Product (GDP) that it has asked its partners to achieve as a goal.

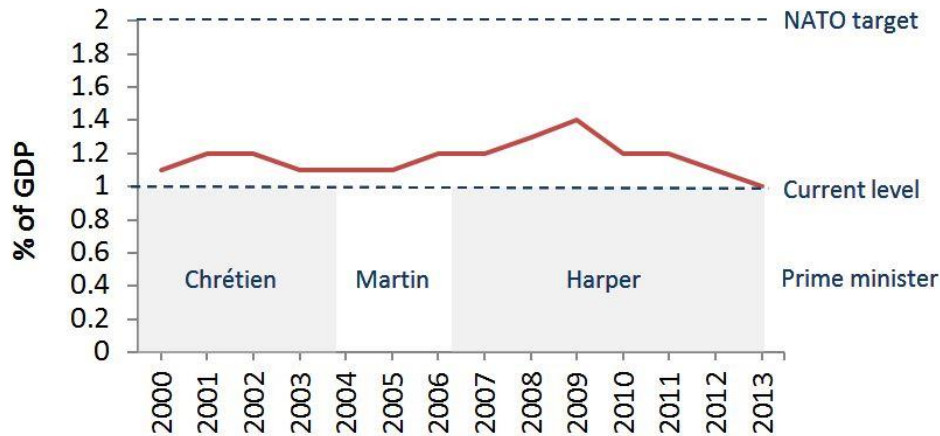
If the percentage of GDP is a reasonable measure, and I would argue it is, then Canada has failed to achieve that target for many years and in particular over the last decade (see table below). Current defence spending is even lower as a percentage of GDP the Department of National Defence spent from 1993-2004 that was commonly know as the “decade of darkness.”⁵

³ Wu, Terry and Fetterly, Russ. “Canadian Defence Policy: An Analysis” June 1990. <http://qed.econ.queensu.ca/pub/cpp/June1990/WuFetterly.pdf>

⁴ Berthiaume, Lee. “No new defence strategy, four years after original declared unaffordable.”, Ottawa Citizen, March 16, 2015.

⁵ Berthiaume, Lee. “Canadian Military Spending by the Numbers.” Ottawa Citizen, published 3 Sept 2014. <http://ottawacitizen.com/news/national/canadian-military-spending-by-the-numbers>.

Canadian military spending (% of GDP)



Source: Stockholm International Peace Research Institute, military expenditure database.

In 2013, Canada spent approximately 1% of its GDP on national defence which was lower than all other G7 countries; Canada ranked 21st out of 28 NATO members in military expenditures as a % of GDP.⁶ Not only was Canada ranked 21st in military expenditures as a % of GDP but defence spending was reduced by 7.6% as our GDP grew by 1.7%.⁷

Although the % of military expenditures versus GDP is only an indicator, it clearly demonstrates that Canada in comparison with its peers and allies is not only not meeting the NATO standard but that we are also at the bottom of the scale in relation to our G7 counterparts and near the bottom with our NATO partners many who were struggling with recession economies.

⁶ Ibid.

⁷ Ibid.

DND's operational and maintenance funds have largely been seen as discretionary funding by the way they are appropriated in the federal budget and therefore they are often easy targets for reduction when politicians are looking for funds for other priorities. Once financial pressure begins to impact the government, strategic policy on Defence is often abandoned.

The first deviation from the CFDS was not to honour the pledge to provide the DND with additional funds as needed, to compensate its budget for the impact of negotiated wage increases for defence civil servants and members of the Canadian Armed Forces.⁸ Then the government deviated from the initial intent of the Strategic Review to examine the bottom 5-10% of priorities of DND for consideration for re-investment to higher priorities and removed the funding to off set federal deficit pressures. This was immediately followed by the Deficit Reduction Action Plan (DRAP) which also removed another \$1.12 Billion.⁹ These reductions had a significant impact on not only the affordability of the defence program but more importantly on the personnel required to support the capital procurement programs.

Another enabler to defence procurement is capacity. To effectively manage large complex defence procurement files requires capacity amongst all the government departments involved. Capacity across the federal government has been reduced since the 90's but procurement and material management within DND has been hit significantly hard. In the 90's ADM(Mat) had approximately 9,000 individuals working in roles that it still performs today. Those numbers had dwindled down to around 4,200 in 2003/4 and

⁸ Perry, Dave. "A Primer on the Recent Canadian Defence Budget Trends and the Implications" SPP Research Papers Vol 8 Issue 15 April 2015.

⁹ Ibid.

were only 4,355 in 2009.¹⁰ Not only has the number of individuals within the department managing the greater number of more complex projects been significantly reduced; workload of the governance surrounding those projects has increased by over 50%.¹¹

As we have previously set the stage for strategic policy direction and funding as key enablers for defence procurement, the next issue is defence procurement procedure and policy. Defence procurement is a five stage process but four stages must be complete before the decision is made. Within the five stage process we have the Department of National Defence, Treasury Board, Public Works Government Services Canada, and Industry Canada as well as the Prime Minister's Office. Several of these steps are overlapping and each of the individual government departments has different political roles and agendas.

There is also a fundamental cultural and communication issue between the military and the rest of the bureaucracy. For instance, the military does not believe that the operational imperatives that drive its requirements are understood. On the other hand, many in the rest of the procurement system believe that DND's requirements ask for more capability than necessary, exceed the available funding and are designed to deliver preferred platforms.¹²

Below are the steps in project approval as identified in the Defence Acquisition Guide 2014, "Project Approval Process" (2014).¹³

¹⁰ Perry, Dave. "Putting the Armed back into the Canadian 'Armed' Forces" CDA Institute January 2015.

¹¹ Ibid.

¹² Ibid.

¹³ Defence Acquisition Guide 2014, "Project Approval Process" (2014).

Stage 1 - Project Identification. This stage includes an investment proposal based on an identified capability deficiency or gap, in which the desired outcome, strategic fit and results of the preliminary options analysis are established for entry into the Defence Services Program.

Stage 2 - Options Analysis. Analyze options to determine the optimal method to fill the capability gap. Department of National Defence Senior Leadership will determine the option to proceed with based on the project business case analysis.

Stage 3 - Definition. This marks the transition from determining what should be done to mitigate a deficiency, to determining how the preferred option will be implemented. This work includes standing up a dedicated project management team, determining substantive requirement, cost and schedule estimates and investigating and mitigating risk. Funding is assigned for final consultations with industry and placement of an RFP.

Stage 4 - Implementation. Implementation approval enables the Department of National Defence to have the contract awarded through Public Works and Government Services Canada.

Stage 5 - Close-Out. When a project reaches its full operational capability, it becomes a managed capability and no longer a project. The project approving authority will receive a final report during the Close-Out of each project.

Due to political interference, a relatively simple five stage or six step process has been difficult for the Department of National Defence to execute and manage over the last few decades, to ensure that major crown projects get delivered on time and within the

costs initially identified. According to a 2003 Report of the Minister's Advisory Committee on Administrative Efficiency, it takes on average almost 16 years for capital projects to work through the steps.¹⁴ Key areas that slow the process down are risk aversion, accountability, over governance, and political interference.

Step	WHAT HAPPENS	Typical Duration
1	Military identifies the need, move to preliminary approval	3 years and 8 months
2	Move from preliminary approval to effective approval	4 years and 1 month
3	From effective approval to contract award	1 year and 2 months
4	From contract award to initial delivery	1 year
5	From initial delivery to full operating capability	4 years and 10 months
6	From full operating capability to closeout	1 year
	TOTAL	15 years and 9 months

Risk aversion in the public service has been a persistent problem, often leading to the perception that legal concerns and the integrity of the contracting processes have often outweighed the desire for successful delivery of military equipment and to the cancellation of problematic procurements as a default approach.¹⁵

The uniquely Canadian procurement process that separates procurement and contracting authorities has frequently been cited as a source of unnecessary duplication of effort, additional costs, and a key impediment to the creation of a single point of accountability for projects, which in turn inhibits performance review. Historically there have been three federal departments involved in military procurement and none with overriding authority. A major procurement could and did — in the case of the Medium-

¹⁴ Wounded: Canada's military and the Legacy of Neglect. Interim Report by the Senate Committee on National Defence and Security September 2005.

¹⁵ Canadian Association of Defence and Security Industries. Canada's Defence Industry. Ottawa: 2009.

Support Vehicle System (MSVS) and the close-combat vehicle (CCV), for example go through all steps and still be cancelled by the government, with no one held “responsible” for the project going off track.¹⁶

In the 2005 Interim Senate report even government identified that political interference impacts military contracting. Governments can, and do, undermine Canada’s military capacities for political reasons. But so do individual politicians. Most, if not all, of these people are well-meaning in terms of providing jobs and spin-offs for people benefiting from military bases in various communities across Canada, but the truth of the matter is that some of these bases should not exist.¹⁷

In the end, these politicians are *faux* friends of the military, because they prevent honest debate about the utility of facilities and they perpetuate the spending with no military purpose. Sometimes these *faux* friends are from the governing party; sometimes from the opposition. Sometimes the pressure is simply applied relentlessly over time, and sometimes it’s a commitment dragged in the heat of an election campaign to help win one more seat in the House of Commons. This is how remote military runways get paved even though use of the airfield has gone into steep decline.¹⁸

Political interference into government contracting is both a Conservative and a Liberal issue. If you examine the case of the \$1.4 Billion 20 year CF-18 maintenance contract awarded by former Conservative Prime Minister Brian Mulroney to Canadair

¹⁶ Sloan, Elinor. “Something Has to Give: Why Delays Are the New Reality of Canada’s Defence Procurement Strategy.” Canadian Defence and Foreign Affairs Institute. October 2014.

¹⁷ Wounded: Canada’s military and the Legacy of Neglect. Interim Report by the Senate Committee on National Defence and Security September 2005.

¹⁸ Ibid.

over Bristol Aerospace. Bristol's bid was more cost effective and technically superior.¹⁹ Giving the contract to Canadair was entirely a political move -- Quebec government and union leaders were demanding the work, and their province had more seats at stake in the House of Commons. Canadair was a Crown corporation up for sale in 1986. One of the documents notes if Canadair weren't given the contract, the government would have to bail it out.²⁰

The government also knew Bristol was in a precarious situation, as another memo from Tellier to Mulroney warns Bristol might seek financial compensation for the costs it put into the bid because without the CF-18 work, Bristol's "future would be uncertain."²¹ When the former premier of Manitoba Howard Pawley questioned the former Prime Minister he denied any knowledge or involvement in the contracting process and stated a decision had not been made. Documents would later prove that he had knowledge for months in advance of the issues.²²

The contract was awarded with political interference. The impact was that the interference undermined the trust and credibility of the government in both the contracting process and how it dealt with the Western people and politicians. It fractured the right in Canada and spawned the Reform party. It had a significantly negative impact on the economy and jobs in the Western region and in particular the struggling Bristol Aerospace company. It possibly impacted the results of the next election through the "purchase of votes" in Quebec and more importantly it continued to pave the way for

¹⁹ Rabson, Mia. "Brian Really was Lying." Winnipeg Free Press. August 14, 2010.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

future political interference in government dealings.

Another contract rife with political interference was the Liberal government's cancellation of the EH101 which was the Sea King replacement helicopter. Liberal leader Jean Chretien turned the military procurement into a political issue and cancelled what was the best choice for the Government of Canada and the Canadian Forces for a timely and proven replacement. It has been referred to as "the worst debacle in Canadian procurement history."²³

The impact of that decision was nullifying nine years of government contracting work, a \$478.3M dollar penalty, enormous maintenance costs to keep the current sea kings operational, an inferior Cyclone helicopter that has plagued with delays, and most importantly seven personnel and 14 Sea Kings have been lost in accidents, and the risk of another fatal accident increases each time one of the aged aircraft flies.²⁴

Canadians, politicians, and the Canadian Armed Forces should express a desire to see their soldiers outfitted more expeditiously, but doing so would come at a political cost. When tensions inevitably arise between equipping our forces properly, in a timely fashion, and ensuring there are industrial benefits to Canada, with political influence the latter priority is destined to come out ahead.²⁵ Buying equipment off the shelf is always easier, faster and almost certainly cheaper, but the government wants Canadian industry

²³ CBC News "Sea Kings' possible replacement familiar to Canadians. September 6th, 2013. <http://www.cbc.ca/news/politics/sea-kings-possible-replacement-familiar-to-canadians-1.1700833>

²⁴ Byers, Michael. "Canada could have obtained world class helicopters at bargain process, but the Conservatives weren't interested" The National Post. January 8th, 2014.

²⁵ Sloan, Elinor. "Something Has to Give: Why Delays Are the New Reality of Canada's Defence Procurement Strategy." Canadian Defence and Foreign Affairs Institute. October 2014.

to receive some share of benefit from investing their tax dollars on defence.²⁶ By forcing Canadian industry into the equation, the government is really only increasing the opportunity for political interference.

The true impact of political interference on Defence contracting is that projects will cost Canadians more to deliver as we try to develop a Canadian Defence Industry. As the regional industrial benefits program comes with no additional funding, the Canadian Forces can expect to get less advanced equipment, lower quantities, with longer delays. We can expect continued political influence which will impact which companies win the contracts and not necessarily the best ones. The Canadian Forces will then continue experience the further erosion and loss of capabilities.

A prime example of the regional procurement strategy is the lack of an AOR replacement that leaves the Navy with no viable refueling capability for extended operations. By tendering this out to Canadian companies, Canada will pay more for a replacement and be forced to reduce the number of ships they can afford to build.

Another example is the delayed contracting of the C2 Platform. With the decommissioning of the IROQUOIS class, it has forced the Navy to switch Command and Control to the ill-fitted Canadian Patrol Frigates. This type of delay leaves the Canadian Forces in a position where it has to mortgage its future by reducing capabilities because the number of significant capital projects and the project cost increases all must fit into an affordable investment plan for the government.

²⁶ Ibid.

If the politicians were serious about supporting defence they could take a variety of steps that would have a significant impact on the success of both the military and its procurement system. The government should establish parliamentary committees with representatives for all parties that want to develop and support defence policy. The government should provide an annual policy review on a White Paper on strategic direction. The government should ensure dedicated stable funding as a percentage of GDP. Although 2% of GDP is an unlikely target, Canada should be able to strive to 1.5% of GDP to be somewhere in the middle of the pack with our G7 allies. The government should establish a procurement directorate within DND for capital projects that have employees from other government departments embedded within. This would ensure that the focus is on the delivery of military capability and not on regional benefits or the perception of legal or the integrity of the contracting process.

Any competition that creates winners and losers has the ability to become highly political and Canadian regionalism will only complicate the situation. Canadian political party influence in military procurement has both directly and indirectly left the Department of Defence in a severely weakened state with unstable policy direction and funding. As Albert Einstein once said “The definition of insanity is doing the same thing over and over again and expecting different results.” This has been the situation within the Department of National Defence for large procurement projects. Successive politicians continue to let their political priorities overshadow their responsibility to manage defence as a bipartisan responsibility and the impact weakens Canada’s national security. This will continue to happen until the politicians buy into the change.

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