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CANADIAN FORCES COLLEGE / COLLÈGE DES FORCES CANADIENNES
NATIONAL SECURITY STUDIES COURSE 4/COURS DES ETUDES DE SECURITE
NATIONALE 4

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The Sea King Replacement Project – A Lesson In Failed Civil-Military Relations

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Abstract

The Sea King Replacement project has become one of the longest running projects in the history of the Department of National Defence. Conceived in the 1970's, the project has seen the Government pay out in excess of \$500M in penalties and yet is currently no closer to delivering a replacement helicopter than it was 25 years ago. Made a political issue in the election of 1993 by the then opposition Liberals, the project provides a case for the study of civil-military relations in Canada.

This paper examines the Sea King Replacement (SKR) Project. Having seen a project initiated more than 25 years ago, the expectations of Sea King aviators and many others within the Canadian Forces have been frustrated by a series of procurement delays and obstacles to the replacement of the Sea King. To date, the project has been subjected to severe political scrutiny and interference both internal and external to the Department, which in turn has effectively negated many of the benefits that could have accrued to the project.

The paper observes that, while there has been much activity and significant effort devoted to replacing the Sea King, little progress has been made. Core issues, within the project, have been identified as the statement of requirement and the procurement strategy. Also of note, it is seen that the Government's approach to the selection and the announcement of the Cormorant helicopter to replace the Labrador helicopters in the SAR role has influenced the Sea King replacement project.

Finally, it is noted that the Canadian Forces failed to convince the Liberal Government of the requirement and any urgency to replace the Sea King. In turn, the Government effectively placed the project on hold until such time as it could no longer avoid addressing the issue. Subsequently, the Government politicized the process to ensure the acceptability of the outcome. The paper concludes that the project is a study in the failure to effectively manage civil-military relations.

The Sea Replacement Project

A Lesson In Failed Civil-Military Relations

“Defence procurement is a vital component of Canadian defence policy. It is what puts the “arms” into the armed forces and, because of the many contracts and jobs involved, it is also “big business” in Canada.”¹

Middlemiss, 1995

Introduction

The project to replace the Sea King had its genesis in the 1970s in the midst of the Government’s decision to modernize Canada’s Navy. The initial Statement of Requirement (SOR) for the new Canadian Patrol Frigate (CPF) identified the requirement to replace the Sea King at the same time. Due to the high dollar values and complexity of the two projects, it was decided in 1978 to separate the helicopter replacement project from the CPF project.

Subsequently, the Department of National Defence initiated the Statement of Requirement Preliminary for the Sea King Replacement (SKR) Project and shortly thereafter the Program Planning Proposal (PPP) in 1979, thereby entering the project into the Departmental Long Term Plan (LTP) Equipment for the first time.

1. Middlemiss, Dan, “Defence Procurement in Canada,” in Dewitt and and Leyton-Brown eds., Canada’s

Today, the Sea Kings are no closer to being replaced today than they were 25 years ago. This is after one contract having been already awarded in 1992, then, subsequently cancelled by a Government that would rather have spent \$500M (Can) in penalties than proceed to replace a helicopter that has been described as “ancient”, “geriatric” and “venerable”². At the time of the cancellation, it was fully accepted within the Department of National Defence that this action was a consequence of the change of Government, given the Liberal campaign platform during the election which clearly called for the project’s cancellation without reference to Departmental or Canadian Forces advice. Not apparent was the full consequence of the cancellation, where the Air Force and the Department would be forced to wait for many years to come before being allowed to progress the project. Even, as the Auditor General’s 2001 Report observes that for the year past “the Sea King’s availability declined from about 42 percent to 29 percent”³.

This paper examines the Sea King Replacement (SKR) Project. Having seen a project initiated in 1977, the expectations of Sea King aviators and many others within the Canadian Forces have been frustrated by a series of procurement delays and obstacles to the replacement of the Sea King. To date, the project has been subjected to severe political scrutiny and interference both internal and external to the Department, which in turn has effectively negated

International Security Policy, 1995, 391.

2. O’Malley, Martin and Wood, Owen, “Requiem for the Sea King”, CBC Backgrounder, 6 April 2002, <http://cbc.ca/news/indepth/facts/seaking.html>

3. Auditor General of Canada Report to the House of Commons, December 2001, “National Defence: In Service Equipment”, 10-8.

many of the benefits that could have accrued to the project. Within the context of civil-military relations, the project has been an abject failure.

Civil-Military Relations

The issue of civil-military relations is critical in understanding the role of militaries in western democracies. In fact, the most fundamental issue of civil – military relations is how civilian authorities control the military. Discussed in a number of literary works, it was in Huntington’s 1957 classical work on civil military relations, *The Soldier and the State: The Theory and Politics of Civil-Military Relations*, and Morris Janowitz’s work in 1960, *The Professional Soldier: A Social and Political Portrait*, the civil-military relationship that the issue first received significant debate. Huntington presented the problem as being the relationship between the minister and the military expert. He made the point that ministers have an obligation to the military advisors yet these same experts are always in conflict of interest due to their institutional preferences.⁴

More recently and adding to the discussion, Dr Bland in *A Unified Theory of Civil Military Relations* has presented the case that “civil control of the military is managed and maintained through the sharing of responsibility for control between civilian leaders and military

4. Huntington, Samuel. "The Soldier and the State: The Theory and Politics of Civil-Military Relations". Cambridge, MA: Belknap Press, 1964, 95.

officers.”⁵ Each group agrees to assume certain responsibilities and accountabilities within a formalized regime of understandings. This responsibility regime should allow each a measure of independence but ultimately the civilian authority reserves the right to make the final decision. National regimes based on principles, norms, rules and expectations influence the civil-military relationship and allocation of responsibilities. As threats, values, issues, interests, and personalities change so will the regime and the resultant civil-military relationship. His research indicates that changes to rules and decision-making procedures form part of the dynamic relationship that is managed with minimum conflict. However alterations to norms and principles within the regime, though at times necessary, may lead to conflict.⁶

In the end it is still the civilian authority who must determine the value the people will attach to different issue outcomes in a democratic society⁷. Therefore in the arrangement of responsibilities, the military expert identifies the threat and the appropriate responses for a given level of risk, but the civilian authority sets the acceptable risk for a given society. The military can describe the nature of the threat to a nation but only the civilian authority can decide whether to feel threatened and how to respond both in armament procurement and force structure. “The military quantifies the risk, the civilian judges it. Regardless of how superior the military view of a situation may be, the civilian view trumps it. Civilians should get what they ask for, even if it is

5. Douglas Bland. “A Unified Theory of Civil Military Relations.” *Armed Forces & Society*. 26, 1 (Fall 1999) 9.

6. *Ibid*, 15 – 17.

7. Peter D. Feaver. “The Civil-Military Problematique: Huntington, Janowitz, and the Question of Civilian Control.” *Armed Forces & Society*. 23, 2 (Winter 1996) 154.

not what they really want. In other words, civilians have a right to be wrong.”⁸ The question arises then, was and is the Sea King Replacement as it is currently known, right or wrong for the Canadian Forces. To have an appreciation, one must examine the history of the project.

Project History - The Conservative Chapter

As mentioned earlier, the Sea King Replacement project was initiated in the late 1970s as part of a Government decision to modernize Canada’s Navy. One of the pacing items in the project was to ensure that Canadian industry had the opportunity to participate. Concurrently, the Government had implemented a policy to develop Canadian Centres of Excellence. Therefore, as part of the project development phase in the early 1980s, the Department and the Canadian Government opted to proceed with research and development (R&D) investments in Canadian industry, concurrent with advancing the replacement of the Sea King.⁹ Starting in 1983, a number of Canadian companies had been provided contracts and were working on individual projects for avionics and mission system equipments required for the new helicopter. CAE Industries had been awarded a contract for development of an Advanced Integrated Magnetic Anomaly Detection (MAD) system. Honeywell Canada (Phase I) and Canadian Marconi (Phase II) were awarded a contract to develop the Helicopter Integrated Navigational System (HINS). Computing Devices of Canada won a contract for approximately \$10M (Can) to develop a

8. Feaver 154.

9. For an overview of the R&D investments in Canadian industry see: Lynch, Thomas, “Stuffing NSA: DND and

Helicopter Acoustic Processing System (HAPS). Lastly, there was a consortium of Computing Devices of Canada, Litton Systems of Canada and Canadian Marconi who were awarded a contract of \$32M (Can) to develop a Helicopter Integrated Processing and Display System (HINPADS). In total, nearly \$50M (Can) was invested in Canadian industry to pave the way for Canadian participation in the implementation of the Sea King replacement. In turn, the schedule for Sea King Replacement was then predicated upon the Government's wish to ensure that the R&D initiatives were leveraged in the project.

In 1985, the SKR Project was renamed the New Shipborne Aircraft (NSA) Project. With Governmental approval to proceed with the preliminary work necessary to seek formal approval for Project Definition, a Solicitation of Interest (SOI) for the NSA was issued in April of 1986.¹⁰ The initial response was almost overwhelming with over 60 companies indicating an interest. However, the area of greatest interest to the project staff was the response by the helicopter manufacturers. Initial indications were that there would be three manufacturers responding: Sikorsky, with the SH-60 Sea Hawk which was forming the backbone of the USN shipborne rotary wing fleet or even possibly a substantially improved derivative; European Helicopter Industries (EHI), formed by GKN Westland and Augusta S.p.A., with the EH-101, already being

Canadian Industry Gear Up to Provide Comprehensive Mission Suite", Canada's Navy (Annual, 1987-88), 102-104 10. There is an excellent overview of the project provided by Aaron Plamondon in a paper presented to the Conference of Defence Associations Institute's Fourth Annual Graduate Student Symposium, 2-3 November 2001. See Aaron Plamondon, "Political Parrying and Parsimony: The Sea King Helicopter and the Evolution of the Maritime Helicopter Project", 4.

considered by the RN to replace its Sea Kings; and Aerospatiale's SA 332F1 a maritized Super Puma.

On 5 August 1986, the Canadian government approved the project definition phase of the NSA and the Request for Proposal (RFP) was subsequently released. The RFP, the eleven volume document that outlined what Canada needed in a maritime helicopter, was extremely demanding of industry. Of significance, as reported by Lynch, "The government's - Canada's first - policy in acquisition was written into the NSA Request for Proposal and nowhere is this more evident than in the field of avionics and sensors"¹¹ With an extremely ambitious schedule, no government funding to the companies to offset the companies' efforts and significant demands placed upon industry to prove compliance, the responses to the RFP were received. From a project management perspective, the project had become increasingly complicated as the potential for controversy grew. Until this juncture, the Government had normally proceeded with a funded competition by the finalists in order to select the best value for Canada. In this instance, Sikorsky had opted not to respond to the RFP. A corporate decision within Sikorsky, one of the reasons given was that Sikorsky had decided not to compete against itself after recently acquiring seven percent share of Westland. Hence, the issue quickly became one of competition, or lack thereof. There were now only two proposals under consideration: European Helicopter's (EH) 101 and Aerospatiale's Super Puma. The Aerospatiale bid was subsequently found non-

11. Lynch, Thomas, "Stuffing NSA: DND and Canadian Industry Gear Up to Provide Comprehensive Mission Suite", Canada's Navy (Annual, 1987-88), 102.

compliant and on 5 August 1987, Perrin Beatty, the Minister of Defence, announced that the Canadian government had made a decision. The EH 101 was announced the winner.

Although EHI was a consortium of two international companies, Augusta of Italy and Westlands of the United Kingdom, Canadian industrial involvement and technology were clear objectives of the project. Towards that end, EHI had teamed with a number of Canadian companies including Bell Helicopters Canada, Canadian Marconi, IMP Group and Paramax Electronics. Given the arrangements made on the manufacturing side and that the Canadian avionics industry was designing some of the most advanced ASW systems available, maximizing Canadian content in that area, the project had tremendous potential for stimulating the Canadian aerospace industry.¹² As a result, NSA was to deliver a Canadian product, involving Canadian industry, capable of meeting the military's requirements.

Canada proceeded with a \$67M funded project definition in 1988. The project definition phase served a number of purposes beyond simply defining the statement of work and contract. As outlined by Middlemiss¹³, project definition allowed the Government to leverage the projected future value and more of the project. Having gained significant experience through the Aurora long range patrol aircraft project, the New Fighter Aircraft and the new Canadian Patrol

12. Lynch, Thomas, "New Shipborne Helicopter Program," Canada's Navy (Annual, 1987-88), 98-101 and idem., "Canada's NSA Program: And Then There was One," Canada's Navy (Annual, 1988-89), 116. For specific Canadian avionics, such as signal processors, used by the EH-101 see Lynch, "Canada's NSA Program," 117-18.

13. There is an excellent explanation of the process and benefits of Defence Procurement in Canada provided by Dan Middlemiss in "Defence Procurement in Canada," in Dewitt and Leyton-Brown eds., Canada's International Security Policy, 1995, 391-412.

Frigate, the Sea King Replacement project afforded the government the next opportunity to leverage significant benefits. Subsequently, the project was merged, in 1991, with the Canadian forces requirement for new search and rescue helicopters. The combined NSA/New Search and Rescue Helicopter (NSH) project, which initially called for 35 shipborne and 15 search and rescue helicopters, was presented as a cost-saving measure to lower both the per unit production and life cycle costs of the separate projects by acquiring a single helicopter model type. Project costs were initially estimated at \$5.8B (Can). The project was later reduced to 43 helicopters and reduced by almost \$1B (Can) in order to remain affordable within the departmental budget. In 1992 a contract was signed jointly with Montreal-based Paramax Systems Ltd. and the British-Italian company, EH Industries Limited, to supply 43 newly-developed EH-101 helicopters at a total projected cost of \$4.7 billion.

By 1992, the NSA program was only just started and a forthcoming Canadian federal election threatened the entire venture. Moreover, there was a fear within the Department that Marcel Masse, the new Defence Minister, might have been unwilling to defend the program within the Conservative Government as ways were sought to reduce the deficit. Despite the serious fiscal restraint that followed, the NSA was spared, as evidence by David Godfrey's thoughts in Canada's Navy 1991-1992 Annual Review.

“As to the unthinkable alternative of canceling the NSA program, apart from the loss of money already spent or committed plus cancellation charges, it must be recognized that the new frigates are reckoned to be only about 60 percent effective without helicopters.

Apart from this, the NSA is still regarded by DND as a sacrosanct program that it is essential to carry through."¹⁴

Project History - The Liberal Chapter

In 1993, the Liberals were elected and subsequently formed the Government. Having made the EH 101 an election issue and having frequently referred to the helicopter as "a Cadillac-type helicopter that is not needed because it is not based on the new reality of the Cold War being over"¹⁵, Chretien announced the cancellation of the project, immediately upon assuming power. From an operational perspective, the new Canadian Patrol Frigates had been designed with the planned acquisition of new helicopters complete with state of the art systems including data-link and complementary mission systems. By canceling the new helicopters, The Prime Minister had effectively negated many of the advantages that the new frigates would bring to the Canadian Forces. From a procurement perspective, Chretien having accused the Conservative government of Brian Mulroney of wasting taxpayers' money, his new Liberal government had effectively discarded approximately nine years of work and investment. It also paid a penalty of close to half a billion dollars to cancel the contract.¹⁶ This action ran very much in contrast to the need to provide for stability in government budgeting as highlighted by Edgar

14. Godfrey, David, "Procuring Canada's New Helicopters: Still Firmly on the Rails, the Canadian Navy's New Shipborne Aircraft Program has Survived Severe Cutbacks in Defence Spending," *Canada's Navy* (Annual, 1991-2), 38.

15. Underhill, Brian, "Chrétien Downs Helicopters," *HalifaxChronicle-Herald*, 5 November 1993.

16. Joseph T. Jockel, *The Canadian Forces: Hard Choices, Soft Power* (Toronto: The Canadian Institute of

and Haglund. In their discussion of the dilemmas of procurement policy in the 1990s, it is observed that “stable and predictable budget guidelines for future capital procurement and for R&D would offer both DND and defence manufacturers a valuable basis upon which to establish plans, whether for re-equipment programs or for investment in plant and technology improvements”.¹⁷ Further echoed in an assessment of the requirements of defence spending post the end of the Cold war, Treddenick states “stability and predictability in funding are certainly desirable attributes in any defence management environment”¹⁸. Regrettably, it became readily apparent that this would not be the case for DND and the Canadian aerospace industry.

The new Government then opted to split the previous omnibus NSA/NSH project into two separate helicopter projects. In the 1994 White Paper, the Government outlined the support for the new SAR helicopter by stating that “the Labrador search and rescue helicopters will be replaced as soon as possible”¹⁹. After considerable delay, rumoured to be due to government resistance to the military’s preferred choice, Defence Minister Art Eggleton announced in January 1998 that the department would purchase 15 "Cormorant" search and rescue helicopters at a projected cost of \$790 million. The Cormorants, variants of the cancelled EH-101, are being taken receipt of as this paper is being written. In terms of MHP, there was an equally strong commitment to replacing the Sea King.

The White Paper states:

Strategic Studies, 1999), 75.

17. Edgar, Alastair, and Haglund, David, The Canadian Defence Industry in the New Global Environment. McGill-Queen’s University Press, 1995, 118-119.

18. Treddenick, John, “Distributing the Defence Budget: Choosing Between Capital and Manpower” in Douglas Bland, ed., *Issues in Defence Management*, 1998, 74.

19. *1994 Defence White Paper*, Canada, Department of National Defence (Ottawa: Canada Communication Group, 1994), 47.

“there is an urgent need for robust and capable new shipborne helicopters. The Sea Kings are rapidly approaching the end of their operational life. Work will, therefore, begin immediately to identify options and plans to put into service new affordable replacement helicopters by the end of the decade.”²⁰

A full six years later, the Government took its first steps towards replacing the Sea King. The Honourable Art Eggleton, Minister of National Defence, and the Honourable Alfonso Gagliano, Minister of Public Works and Government Services Canada, announced with tremendous fanfare that “the Government has given the Department of National Defence (DND) approval to proceed with acquiring a suitable replacement for the Sea King helicopter”.²¹ Minister Eggleton further added that: "This decision now enables us to release the Statement of Requirement (SOR) to industry, which effectively launches the process to acquire 28 new maritime helicopters," and "The acquisition of the helicopters, complete with mission systems, is expected to cost up to \$2.9 billion, spread over approximately 8 years."²²

Two separate competitions were announced: the first for the basic helicopter (airframe), and a second for the mission system and system integration. Furthermore, the selection process is to be based upon the principle of lowest cost compliance as recorded in the project’s Letter of Interest (LOI).

20. *1994 Defence White Paper*, Canada, Department of National Defence (Ottawa: Canada Communication Group, 1994), 46.

21. Government of Canada Media Release, “Government of Canada To Proceed With Acquiring New Maritime Helicopters”, 17 August 2000, http://www.dnd.ca/eng/archive/2000/aug00/16flash_n_e.htm

“The lowest priced compliant bid to Canada will be recommended to Government for approval and contract award, provided that contractual terms and conditions, delivery, industrial and regional benefits (IRBs), and overall project risks are acceptable. For the purpose of evaluating bids, the lowest priced compliant bid to Canada will be the aggregate price of the helicopter, related ship alterations, and long-term in service support (ISS).”²³

Factoring long-term in-service support into each competition, Minister Gagliano then proceeded to advise that "This procurement strategy has been developed to ensure that Canada gets both the helicopter and mission system that meet its needs at the best possible price," and "The acquisition will be based on a fair, open and transparent competitive process"²⁴. Lastly, the announcement advises that

“A procurement strategy will be implemented to allow for contract award for the basic helicopter as soon as possible in 2001, followed as quickly as possible by the second contract for the mission system and system integration. Delivery of the first fully integrated helicopter is planned for 2005.”²⁵

Notwithstanding the Government’s words, the process²⁶ is significantly more complicated than the press releases would indicate. Firstly there is the issuance of the LOI that required industry to provide a response indicating the individual companies’ intentions. Then each competition is divided into two phases: a pre-qualification evaluation and a proposal evaluation phase. On completion, the helicopter (titled Basic Vehicle) and the mission system (titled Maritime Helicopter Integrated Mission System) bids will be reviewed based upon

22. Ibid.

23. Appendix A to Letter of Interest for the Canadian Maritime Helicopter Project for the Department of National Defence, 20 August 2000, 5.

24. Ibid.

25. Ibid.

26. An excellent overview and critical review of the Government’s announced strategy is provided by Col(Ret’d)

compliance but selected based upon LCC. A complex process, both “split and staggered”²⁷, the Government’s preference to avoid a more simple and proven single prime contractor is clearly evident. Furthermore, in a review of the helicopter procurement strategy, Col(Ret’d) Lee Myrhaugen has observed that

“Experience has shown that a single acquisition with a single prime contractor responsible and accountable for all aspects of the end product is a superior way to contain and minimize cost, schedule risks and all other associated project risks for a complex crown acquisition of this nature. No explanation is offered as to why the government elected a process containing built-in hazards that risk cost and schedule overruns as well as integration nightmares down stream.”²⁸

The issue then becomes one of why such a complex strategy? Firstly, one could observe that the advantage associated with this approach is that the Government does not have to rely solely on the recommendations of the Department of National Defence. This is understandable given the circumstances that surrounded the winning bid by EHI for the NSH contract. Having cancelled the original contract in 1993, it was with great difficulty that the Government then had to announce the Cormorant a winner in 1998. Secondly, with a multiple path, multiple review process at the various stages of the project, the Government could intervene at each level to ensure that the Prime Minister would not be required to make a decision if the recommendations of the Department ran contrary to his personal preferences. This process would allow the Government to avoid the situation, once again of the NSH making, where the results of the completed RFP process had been already tabulated before the opportunity was afforded for

Lee Myrhaugen at “Maritime Helicopter Procurement Process”, Maritime Affairs, 1999.

27. Myrhaugen, Lee, “Maritime Helicopter Procurement Process”, Maritime Affairs, 1999, 4

28. Ibid.

political intervention. Thirdly, one could offer that by splitting the contracts that Canadian industry and limiting the value of the BV contract, Canadian industry would not be dominated by the foreign helicopter manufacturers during the production and in service support of the maritime helicopter. The third point is of questionable logic given the history of the project. The reality is that the Department had already achieved this objective under the previous Government's approach to progressing the NSA project. If this were truly a priority, there were and are other avenues to ensure a Canadian role in the project. Therefore, one must focus on the first two points, both of which involve political intervention. Hence, a more detailed examination of the evolution of the project is required in order to understand what was transpiring.

An Examination of Events

A revisit of the events reveals that replacing the Sea King was destined to be a challenge for the Department and the Government after the Liberals had made it an issue during the 1993 election. That is to say, the cancellation immediately post the election was expected. It was also expected that the new Government would review the Canadian Forces mission and situation, including the capital equipment program within the Department and proceed with a White Paper. True to form, the defence review was initiated, with the subsequent release of the White Paper the following year. However, with regards to replacing the Sea King specifically, there may have been an indication of things to come as to what the future direction would be. In an address to the newly promoted General Officers (Commodores and Brigadier Generals) during the fall

1993, Deputy Minister Fowler advised those in attendance that he (DM Fowler) viewed the “Red Book”²⁹ as the new Liberal Government’s direction in matters of government policy.³⁰ Of note, while the Liberal’s Red Book had highlighted the cancellation of the EH 101, it did not highlight the need to immediately replace the Sea King.

Therefore, post the change of the Government, starting with the cancellation of NSA/NSH, the Department concentrated on the “big four” departmental major capital priorities: the armoured personnel carriers, the Labrador replacement, the submarines and the Sea King replacement. All these projects had been highlighted in the 1994 White Paper. This was consistent with the Forces expectations. However, only three of the four projects were eventually presented to Cabinet in the fall of 1995, the exception being the MHP. As the other three projects continued to progress, the requirements for replacing the Sea King, now titled the Maritime Helicopter Project (MHP) were being reviewed within the Department. This raises the question, based upon the actions and also the earlier Deputy Minister’s observation, as to how serious was the need to replace the Sea King viewed by the Government and also by the senior bureaucrats within the Department.

During this period, post the cancellation of NSA in 1993, the requirement for the Sea King replacement had already been subjected to numerous reviews and significant staff effort.

29. Liberal Foreign Policy Handbook, May 25, 1993.

30. As advised by Commodore (Ret’d) Hendel, a member in attendance, at the fall 1993 session of newly promoted

Beginning with an informal review of the requirements which had been issued in support of the NSA project, confirmation was sought from the operational community as to the validity of the requirements as outlined in the NSA SOR. The initial view from the operational community was that the SOR as previously written continued to reflect the needs of the Canadian Forces.

Notwithstanding, there were serious reservations by the senior leadership of the Canadian Forces that the Liberal government would not accept the same statement of requirement that led to the selection of the EH 101. Therefore, the Air Force, Navy and Canadian Forces Maritime Warfare Centre were engaged to examine the naval requirements. By 1997, with direction provided by the Commanders of the Air Force and Navy and the VCDS, a full-scale review and rewrite of the SOR was underway. At the same time, the VCDS had introduced into the capital planning process the eleven defence scenarios and it was imperative that the project and the requirements for a replacement helicopter fit within the framework. During that period from the numerous briefs given, it is apparent that significant effort was devoted to ensuring that the SOR, as drafted, would ensure that a competition resulted.

From an operational performance perspective, there are areas of critical helicopter performance that provide for a safe and credible operation. Although there are many important factors relating to safety and flying extended distances over water, the four most important areas for naval aviators deal with reliability, mission capability (both for flying in adverse weather conditions and conduct of the mission), range and endurance. Of note, these are also the factors

that largely determine the cost of the helicopter. Hence, if the driver to the project is financial, invariably it will be the capability that must be reduced to fit within the financial envelope if inadequate funding is provided or if the project funding is utilized for non-requirements driven needs. However, if the project is requirements driven then there is a finite investment that must be made to provide a safe and credible operation. Therefore to the operators, the SOR is critical to ensure that safety and credibility are not to be sacrificed in the name of economy and efficiency.

From the start of the requirements review during the Liberal administration, there was tremendous reluctance to reduce the NSA requirement from that proven by a host of studies and the MH community's experience post the Gulf War, Operation Sharpguard (Adriatic deployments), Somalia and a host of other operational deployments and exercises. Yet it became apparent within the community that the stating of those requirements had to be tempered with the need maintain a competitive environment. Notwithstanding the direction having been given by senior staffs within the Department, the process culminated with the rewritten SOR being signed 14 July 1999. Having finally approved the SOR, there was an expectation within the senior leadership that the issues surrounding the revised requirements were finished. However, it was not that simple and the issue once again came to a head when the requirement to translate the requirement into specifications demonstrated that a significant risk to a safe and credible operation was being introduced by the revised SOR. The document no longer specified operations to ISA+20 (flying in temperatures up to 35 degrees centigrade) as a parameter for

selecting the new helicopter but rather specified operations at ISA (flying at 15 degrees centigrade). Therefore the conditions were now set for selection of a helicopter, given the procurement strategy, that would not be capable of operating to a level comparative to the current Sea King.³¹ Doubts that the SOR as currently written accurately reflects the actual requirement persist even today within the operational community.

Of possibly greater importance from a civil-military perspective, the work on procurement strategy was proceeding within the Department concurrently with the requirements review. Noticeable at the start of 1998³², it was mid to late 1998 that the work intensified which culminated in a briefing to Ministers in December 1998. Of note, this activity is co-incident with the NSH announcement. Early 1999, an ad hoc Cabinet Committee was established to oversee all aspects of the MH Project. Although difficult to confirm, it would appear that the members were: Ministers' Gray, Robillard, Eggleton, and Gagliano. Shortly thereafter, following directions provided by Mr. Gagliano, PWGSC began work in earnest on a recommended process. Throughout 1999, numerous briefings, meetings and position papers on the MH Procurement Strategy were held or published. The overriding theme in all of these is difficult to determine as no formal record has been released. However, all indications are that by early 2000, DND's recommendation had solidified upon a single-RFP competition based upon a capabilities and cost compliance methodology. Therefore the procurement strategy evolved rapidly during the

31. DND Internal Memo, 11500-2 (MAC(P)) 2 May 2001 MHP Delivery and Specifications, DND Internal Briefing Note, 11500-2 (12 Wg MHP) 23 April 2001 OEI Issues Associated with the MHP SOR, SOI and BVRS

32. Briefing Notes prepared by Col R.Drummond, PM MHP, approved by Mr P. Lagueux Adm Mat, for the DND

first four months of 2000. Up until mid-April 2000, it seemed that it would be a single-RFP competition based upon best value methodology. During the remainder of May and into early June, the recommended process can best be described as being in turmoil. Ministers were briefed on several split processes and in addition, that there were significant cost, schedule and technical risks associated with splitting the procurement. From the end of April through to August, it is extremely difficult to ascertain what specifically was transpiring in defining the procurement strategy. However, with the MHP announcement of the procurement strategy as outlined previously on the 17th August 2000, it is clear that the civil component of the civil-military relation had over ridden the military component, effectively negating any influence that the military could hope for in the outcome the project.

As mentioned earlier, the risks associated with the split procurement had been highlighted on various occasions. Project risk had become an increasingly important topic within the project and the government since the Auditor General's 1998 Report where the Department had been notified that the "documentation of risk management is deficient" and "failure to fully assess risks reduces the effectiveness of project management"³³ In the project documentation, the project team had worked upon the project profile and risk assessment throughout the year 2000. In the ATI documents³⁴, the consequence of the procurement strategy is described as "Two

Deputy Minister and the Minister dated 19 January 1998 and 5 March 1998 respectively.

33. Auditor General of Canada Report to the House of Commons, April 1998, "Buying Major Capital Equipment", 4-25.

34. The evolution of the procurement strategy and the risk associated with the project can be viewed by following the preparation of the Project Profile and Risk Assessment drafts with eventual sign-off within the Department by ADM (Mat), Mr Allan Williams 5 Feb 01. See Departmental Correspondence: A0016851-1-000000 Project Profile

contracts present the risk that the merging of the separate contractual deliverables will not produce the intended total outcome. To mitigate this risk the government must establish higher levels of contingency to cover the potential cost of rectifying these problems.”³⁵ The situation is then reflected in the more formal Project Profile and Risk Assessment where the risk is assessed at “medium” and the purchase cost risk is caveated with “It assumes that that rigorous risk management will successfully mitigate potential problems. While every effort will be made to do so, should this not be the case, and normal contingency requirements prevail, the project could need as much as \$400,000,000 in additional funds. These funds are not available within the current DND allocation”.³⁶ Hence the situation that the project now found itself in was extremely difficult.

An Assessment of the Situation

The review of the events and the circumstances highlight a number of significant events and issues. Firstly, post the election of 1993 while the MHP project was being initially debated within the Department and in terms of reviewing the requirement, there is no documented

and Risk Assessment, 00002680 Maritime Helicopter, draft dated 17 August 2000 and final dated 29 January 2001. Also of significance an attachment titled Maritime Helicopter Project Procurement Strategy Risk Mitigation Options to an e-mail between Mr Labrosse, Project Manager and Col R Drummond (Deputy PM) and Mr Michel Lapointe (PWGSC)

35. DND Internal Correspondence A0016847-3-000000 Attachment to e-mail titled Maritime Helicopter Project Procurement Strategy Risk Mitigation Options dated 4 December 2000 from Mr Labrosse, Project Manager to Col R Drummond (Deputy PM) and Mr Michel Lapointe (PWGSC)

36. DND Internal Correspondence A0016851-1-000000 Project Profile and Risk Assessment, 00002680 Maritime Helicopter, dated 29 January 2001.

indication of direct political involvement in MHP save for the initial clearly partisan political decision to cancel the NSA project. However with regards to replacing the Labrador helicopters, as the work of the Department comes to fruition, there is unease on the political side with regards to the developments as the project unfolds. The selection of the Cormorant as the replacement for the Labradors, based largely upon the recommendations of DND and PWGSC, placed the Government in the awkward position of now procuring virtually the same aircraft that had been cancelled previously, at great cost. After seeking legal opinions, the Government opted to proceed with the purchase and announced the decision on 5 January 1998. With regards to the situation, post the announcement of the Cormorant as the new SAR helicopter, a very interesting observation is offered in the David Pugliese article of 20 April 2002.

“Now the Liberals faced the even greater and more humiliating problem of having to make a second, larger purchase to replace the Sea Kings. There was a major stumbling block, according to aerospace industry insiders. The EH-101/Cormorant was among the strongest, if not the strongest, competitors for the Sea King contract. The large helicopter has three engines, as opposed to the standard two, and can fly faster and longer than most choppers on the market. If the EH-101/Cormorant were to be selected again, Mr. Chretien's decision to scuttle the original deal -- which cost taxpayers \$478 million in cancellation fees -- would not only be enormously embarrassing but also fiscally irresponsible.”³⁷

Therefore, even as the MHP requirement was continuing to be defined within the Department, the Government's increasing interest in the procurement strategy was becoming readily apparent. Distrustful of the Department's intentions to state requirements that would not favour the Cormorant, the Government saw the opportunity to control the MHP competition by

37. Pugliese, David, “What's Riding On The Chopper”, The Ottawa Citizen, 20 April 2002.

applying a procurement strategy that would effectively remove Departmental influence from the process. The importance of the procurement strategy to the project was clear as evidenced by the e-mail quoted in the Pugliese article between Mr Lagueux, Adm Material responsible for DND procurement and VAdm Garnett, the senior officer responsible for Departmental definition of project requirements: "Given what we experienced with (the search-and-rescue program), we better have our ducks in order if we hope to move this project successfully through the approval process," and "Timing and choice of procurement approach, as well as definition of operational requirements, will be key."³⁸ In fact, the introduction of the Gray Committee ensured that the Government had intervention into the process at the Departmental level thereby ensuring that the choice of procurement strategy and the definition of requirements would no longer fall within the purview of the Department. The military component of the relation was effectively neutralized.

As one would expect, there are many issues relating to civil-military relations, that are worthy of discussion. In this instance, communications, or the lack thereof, rises above many of the other issues. In terms of the project, there was a total failure in communications. On one hand, the political component failed to communicate the Government's imperatives to the Department. By allowing the Department to continue to define and refine the requirements from 1994 through 1998, the Government fed Departmental expectations that the Government was seriously considering replacing the Sea King. By not providing direction to the Department, as to the Government's intentions as evidenced later by the selected procurement strategy, until after

seven years had passed from the initial announcement to proceed with the project, the Government was effectively misleading the Canadian Forces. The consequence of this miscommunication was to effectively delay the project and to avoid necessity of addressing the Sea King Replacement as an issue. On the other hand, with regards to communications, the Department failed as well. Not recognizing the significance of the Liberal Government's decision to make the project a national issue in the election of 1993, the department was content to work the project, internally to the Department. For over six years, the Department worked on the project without seeking formal Government direction. It is only in 2000 that the Department received the direction which subsequently negates much of the earlier departmental work. By all indications, political intervention and a failure of communications, the project was destined for failure.

Concluding Remarks

The Maritime Helicopter Project has become one of the longest running capital projects in the history of the Department and the Government. It is a project that was conceived with tremendous promise. It was to be a replacement for an existing Canadian Forces capability, while concurrently fulfilling the promises of a modernized Canadian naval fleet. It was to be an investment in Canadian industry. However, along the way, it was made a political issue in the

38. Ibid.

election of 1993 by our current Prime Minister and was then effectively made to mark time in order to avoid the risk of re-emerging as an issue during his mandate.

In terms of the project, many factors have been at play since the 1993 election and highly significant amongst those factors has been the civil-military relationship. There was a failure of the military to convince the politicians of the urgency of the situation which in turn meant that the project could be left to rest on the books. Therefore, from the Government perspective, the project need not be advanced with any sense of immediacy. While the Department debated the requirement, the Government was able to avoid any and all actions to directly address this long-standing deficiency. It is only when the new SAR helicopter process was fully engaged that the Government realized the magnitude of the problem associated with the MHP that was approaching. Having been placed in an extremely awkward position, with significant potential embarrassment to the Prime Minister, by the requirement and procurement strategy of the SAR project, the Government invoked a new process that directly involved a political component. So notwithstanding the works of Huntingdon, where the military has an obligation and right to define the threat and appropriate response (in this case the requirement and recommend an option), the Government opted to intervene before the departmental process was complete. With respect to Bland, the Government's actions effectively removed any sharing of responsibility for the project. Unable to trust the Canadian Forces based upon the SAR helicopter project experience, the Canadian Forces was effectively removed from the process. With the establishment of the Gray committee, political intervention was now directly linked into the

departmental process. By promulgating the procurement strategy as described earlier, the actions of the Government effectively removed the military from the decision making process.

In retrospect, there may have been little likelihood that the Department would have been successful in advancing the project. The Prime Minister had set the stage, by announcing the cancellation of the EH 101 project and by providing nil direction to the departmental project staff for a period in excess of six years, the Government was de facto placing the project on indefinite hold. In terms of civil-military relations, the project was made a political issue by the new Government and subsequently viewed as a political liability. With a Government distrustful of the military's intentions and stated requirements, the Government has steadfastly maintained a political hand in the management of the project both within the Department and most recently by employment of the Gray Commission and external to the Department by putting on hold the release of the RFP. Based upon the evidence to date and the failure of civil-military relations in this instance, there is little chance of the project providing for the needs of the Canadian Forces.

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Briefing Notes prepared by Col R. Drummond, PM MHP, approved by Mr P. Lagueux ADM Mat, for the DND Deputy Minister and the Minister dated 19 January 1998 and 5 March 1998 respectively.