

*The Liberal Government and Canadian Defence Policy:
Three Critical Issues*

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The Liberal government of Justin Trudeau was elected in October 2015 with a strong Parliamentary majority. Candidate Trudeau campaigned on a platform of (modestly) increased government spending, a more active Canadian presence internationally, and running a more open and transparent government. Mr. Trudeau did not talk much about defence issues on the campaign trail, although that was hardly a surprise given that defence is rarely an election issue in Canada. Since forming the government, however, the Liberals have had to deal with several major defence issues that have demanded attention. These include (1) the on-going debate over Canadian defence spending, and the repeated calls from the US for it to increase; (2) the party's election pledge to complete a new Defence White Paper, which was released in June 2017; and (3) the continuing controversy over the CF-18 replacement aircraft, which has only grown worse in the nearly three years that the Liberals have been in office. The appearance of these issues suggests that while the government has not completely ignored the defence file, there is little indication that defence is a priority, and is more likely viewed as an inconvenience for a party that has traditionally preferred to emphasize Canada's soft power attributes. Indeed, the government's resistance to

increase defence spending -- despite the urgent needs of the military, pressure from allies, and the apparent pledge to do so in the White Paper -- and extensive political manoeuvring with regard to the CF-18 replacement demonstrate a preference for disingenuous policy pronouncements, a tendency to delay important decisions, and a belief that the defence status quo is largely acceptable, rather than a determination to address the core issues that have gradually weakened the Canadian Armed Forces (CAF). While admittedly not novel problems (one could argue that several previous governments have behaved similarly), the country's defence situation is approaching a critical point, and the military simply cannot afford the political gamesmanship that has been common for so long. As a result, Canada's defence prognosis is poor, and the military is likely to see its core capabilities diminish further in the near-to-medium term.

This paper will be divided into five parts. The first will set the stage by briefly examining the defence record of the prior Conservative government, the second will look at the Liberal defence spending record in their first three years in office, the third will look at the 2017 White Paper, while the fourth will focus on the CF-18 replacement program. The fifth part will discuss the paper's conclusions.

Part 1: The Conservative Defence Record, 2006-2015

When running for office in 2006, Stephen Harper made the military one of his priorities, an unusual position given that the defence community in Canada is small and the issue does not resonate widely with the public. Sure enough, through the government's first 5 years in office, defence spending rose at an average rate of 8 per cent a year (from about \$15 billion in 2006 to about \$21 billion in 2011), and the *Canada First Defence Strategy*, released in 2008, laid out a 20 year plan that included a new fiscal framework, identified a number of equipment projects, and established new personnel targets for the CAF.¹ The result was that for the first time in decades the Department of National Defence (DND) was able to plan for a future where the necessary funding would be available for capital projects.

¹ See Department of National Defence, *Canada First Defence Strategy*, (Ottawa: 2008).

By 2011, however, that enthusiasm began to fade, and in the government's last years in office defence was cut steadily as the Tories committed themselves to a balanced budget before the end of their mandate. Still, the scale of the reductions was surprising, especially considering that in his public comments Prime Minister Harper continued to speak about the military in largely favourable terms. But the numbers tell a different story, as spending fell from a high of about \$22 billion in 2012 to \$18.5 billion in 2015, a decline of 16 per cent.²

Perhaps even more concerning was the government's practise of stripping DND of funds for procurement projects, and pledging that the money would be returned at some unspecified future date (\$3.5 billion in 2012 and \$3.1 billion in 2014). While the government insisted that this was done because the department had not moved forward on some of the most badly needed equipment projects³ – a reflection of a deeply flawed procurement model that seems unable to supply the military with new equipment in a timely manner⁴ -- the promise was always dubious, as no government can ever say with confidence what funding will be available down the road.

Thus, while Prime Minister Harper initially approached the military with enthusiasm and strong political support, that support weakened over the course of his

² For reviews of Harper's defence policy, see David Perry, "The Evolution of the Harper Government's Defence Policy: Minority versus Majority or Surplus versus Deficit?," in Adam Chapnick and Christopher J. Kukucha (eds.), *The Harper Era in Canadian Foreign Policy: Parliament, Politics, and Canada's Global Posture*, (Vancouver: UBC Press, 2016), and Andrew Richter, "A Defence Renaissance? The Canadian Conservative Government and the Military," *The American Review of Canadian Studies* 43, issue 3 (Fall 2013).

³ As Finance Minister Jim Flaherty explained in 2014, "there is no point in having money...if [DND] can't spend it. So [the government] is pushing it forward, not taking it back." See "Federal Budget Sends Canadian Military's Equipment Buying Plan into Limbo: New Fighter Jets Likely Off the Table," *The National Post*, 11 February 2014.

⁴ There have been several studies published on this issue in the past few years. See, for example, Kim Richard Nossal, *Charlie Foxtrot: Fixing Defence Procurement in Canada*, (Toronto: Dundurn Press, 2016); David Perry, "Putting the 'Armed' into the Canadian Armed Forces: Improving Defence Procurement in Canada," *Vimy Paper*, (Ottawa: CDA Institute and the Macdonald-Laurier Institute, 2015); and Elinor Sloan, *Something has to Give: Why Delays are the New Reality of Canada's Defence Procurement Strategy*, (Ottawa: Canadian Defence and Foreign Affairs Institute and the University of Calgary, 2014).

term.⁵ Indeed, by the end of his tenure, Harper had become like most other holders of the office in not taking the country's defences seriously – a charge that can be supported by citing just one telling statistic; by 2013 defence spending as a percentage of Gross Domestic Product (GDP) had fallen to less than one per cent, the lowest such figure since the end of World War Two and less than half the NATO target of 2 per cent.⁶ Simply put, the number is completely insufficient to fund a military that remains committed to fielding “multi-purpose, combat-capable” forces (as initially called for in the 1994 *Defence White Paper*, and reaffirmed many times since).⁷ And it underlines how difficult the task of re-building this country's armed forces will be, a task that has now fallen to the Liberals. Having established Prime Minister Harper's defence spending record in his 10 years in office, attention can now turn to the Liberal approach.

Part 2: The Liberal Record on Defence Spending, 2015-2018

As noted, during the 2015 election campaign candidate Trudeau did not talk much about defence, but what he did say gave cause for initial optimism. In the party's election platform, *Real Change*, the Liberals said that they would “not let Canada's Armed Forces be short-changed,” and the document further noted that a Liberal government would “reinvest in building a leaner, more agile, better-equipped military, including adequate support systems for military personnel and their families.”⁸ While the term “leaner” may have given cause for concern (as it suggested a smaller total defence force), the platform recognized that the military required new equipment to

⁵ See Richter, “A Defence Renaissance?” Writing in 2012, historian J.L. Granatstein summed up the Harper tenure by noting that “the government has no defence policy...[there is] no indication that there is a policy in the works and nothing so much as the sense that the government wishes that it had never made defence such a large part of its party program.” See “Ottawa Needs a Defence Policy, Conservative or Otherwise,” *The National Post*, 7 December 2012. It might also be noted that the end of combat operations in Afghanistan in 2011 may have created an additional incentive to reduce defence spending.

⁶ NATO has estimated that Canadian defence spending fell from 1.23 per cent of GDP in 2011, to 1.10 per cent in 2012, and to .99 per cent in 2013. See “Defence Expenditures of NATO Countries (2009-2016),” NATO Public Diplomacy Division, Press Release, 4 July 2016, Communiqué PR/CP (2016) #116, (www.nato.int/nato_static_fl2014/assets/pdf/). As for the alliance spending target, it was re-confirmed as recently as 2014, although it was termed “aspirational” rather than mandatory. See “Canada Agrees to Defence Spending ‘Compromise’,” *The Globe and Mail*, 2 September 2014.

⁷ See Department of National Defence, *1994 White Paper on Defence*, (Ottawa: 1994).

⁸ See 2015 Liberal Party Platform, *Real Change*, (www.liberal.ca/realchange).

replace dated and obsolete weapons systems. In addition, the comments about “adequate support systems” were most welcome, as there had been growing awareness of the challenges that military veterans and their families faced, particularly in light of the long Afghanistan mission (which had finally ended in 2011) and the hundreds of soldiers who had returned home with both physical and emotional injuries.⁹ Lastly, the party promised that it would complete a full-scale defence review should it win power (which would be the first such undertaking since 1994).¹⁰

Those initial words of optimism, however, were largely undone by the government’s first budget released in March 2016, at which time the Liberals approached defence very much like the Conservatives had toward the end of their mandate; ie., it figured very little in the document, there were few specifics provided, and what was there was not particularly reassuring. While no specific defence spending figure was offered (a practise that has become common in recent years), documents tabled the week before the budget was released revealed that spending would decline by \$400 million, to about \$18 billion.¹¹ But even more concerning was that the Liberals, much like the Conservatives before them, stripped an additional \$3.7 billion in planned procurement spending, and said that the money would be “re-profiled” at some unspecified date.¹² While the government did follow through on its promise to help veterans, the overall impression was that defence was simply not a priority for the new government, which was made clear by the fact that in a budget

⁹ Statistics released in 2014 revealed that 160 Canadian veterans committed suicide over the previous decade. See “Suicide Claims More Soldiers than those Killed by Afghan Combat,” *The Toronto Star*, 16 September 2014.

¹⁰ Neither the 2008 or 2005 defence reviews are officially considered White Papers. For the former, see *Canada First Defence Strategy*, while for the latter, see Department of National Defence, *Canada’s International Policy Statement: A Role of Pride and Influence in the World*, (Ottawa: 2005).

¹¹ See “Defence Spending Expected to Drop \$400 M – Despite Liberal Pledge to Keep up with Tories: Sources,” *The National Post*, 8 March 2016.

¹² See “Military Left Waiting on Big Ticket Items as Liberals Shrink Funding in Budget,” *The Globe and Mail*, 22 March 2016. As Finance Minister Bill Morneau explained, “when [DND] needs the money, the money will be in the fiscal framework.”

document 271 pages long, only three pages were dedicated to a discussion of defence issues.¹³

Through the remainder of 2016, the subject of Canadian defence spending began to attract increased attention, not only because as a percentage of GDP it remained below 1 per cent (.98 per cent to be exact¹⁴), but also because of political developments in the US. Even before winning the presidency that November, Republican nominee Donald Trump warned NATO members that under a Trump administration they could not count on American military support if they did not meet the alliance spending target.¹⁵ In response, Defence Minister Harjit Sajjan questioned the value of measuring spending in strict financial terms, while at the same time implying that Canada's lengthy involvement in Afghanistan should count as a contribution to Western defence.¹⁶ While not an unreasonable position, the government surely realized that the spending issue was unlikely to go away, especially after the President-elect re-iterated his belief just days before taking office, saying that unless alliance members increased their defence spending the US would have to reconsider its security guarantees.¹⁷ About a month later Prime Minister Trudeau publicly entered the fray, saying in February 2017 that "there are many ways of evaluating [a country's] contribution to NATO," and that Canada has always been "among the strongest actors in NATO," all the while making no mention of the alliance spending target or offering any specifics of where the defence budget was headed.¹⁸

¹³ See Minister of Finance, *Budget 2016: Growing the Middle Class*, (www.budget.gc.ca/2016). Also see Andrew Richter, "The Liberal Government of Justin Trudeau and Canadian Defence Policy," *CDA Institute Analysis*, November 2016, (www.cdainstitute.ca/wp-content).

¹⁴ See "Canada Ranks 23 out of 28 NATO Countries on Defence Spending," *CBC News*, 4 July 2016.

¹⁵ In April 2016, Trump said that "the countries we are defending must pay for the cost of this defence, and if not, the US must be prepared to let these countries defend themselves." See "A Trump Presidency Could Add Pressure on Canada's Defence Spending," *CBC News*, 27 April 2016.

¹⁶ See "Harjit Sajjan says NATO Spending doesn't Measure Canada's True Contribution," *CBC News*, 9 July 2016.

¹⁷ Trump also repeated his assertion that NATO was "obsolete" at this time, a charge first made the previous April. See "Trump Criticizes NATO and Hopes for 'Good Deals' With Russia," *The New York Times*, 15 January 2017.

¹⁸ See "Canada's NATO Contribution Goes Beyond Spending, Trudeau Says After Meeting with Merkel," *The Toronto Star*, 17 February 2017.

In the 2017 budget, defence was once again a virtual afterthought, receiving just a few paragraphs of space (not including the chapter devoted to improving care for veterans).¹⁹ As in 2016, no specific funding figure was provided, although in the government spending estimates for 2017-18, defence expenditures of \$18.6 billion were identified (thus suggesting a rise of 3 per cent over the 2016 figure).²⁰ Once again, the document did not comment at all about future spending, nor did it make any mention of the alliance spending target.

It might also be noted that while DND's budget was largely stagnating during the new government's first two years in office, total program spending was soaring by almost 15 per cent, and thus the fiscal discipline that was being asked of the military was certainly *not* extended to other government departments.²¹ Indeed, between the 2015 and 2017 budgets, a total of almost \$60 billion in new debt was rung up, as the government opened the spending taps in a manner not seen in decades. Thus, DND's budgetary restraint was a notable exception for a government that was aggressively utilizing Keynesian deficit financing.

With no indication that defence spending was about to increase, the government took the opportunity of the budget to talk up the upcoming Defence White Paper, saying "the government will soon release a new defence policy for Canada....it will be more rigorously costed than any previous defence policy. It will commit the level of investment required to restore the Canadian Armed Forces to a sustainable footing with respect to finances, capital and people, and equip the Forces to meet the challenges of the coming decades." Clearly, the government was attempting to signal that while it may not have done much in terms of spending in its first two years in office, that was about to change.

However, those words of optimism could not deflect attention away from a massive reallocation of spending, an enormous \$8.4 billion. And unlike prior years, this time the budget revealed when the money would hopefully be returned – 2035! Equally

¹⁹ See Minister of Finance, *Budget 2017: Building A Strong Middle Class*, (www.budget.gc.ca /2017).

²⁰ See Government of Canada, *2017-18 Estimates: Parts I and II – The Government Expenditure Plan and Main Estimates*, (Ottawa: 2017), (www.canada.ca).

²¹ See "Don't Blame the Economy for Trudeau's Deep Deficits," *The National Post*, 28 March 2016. Also see Jason Clemens and Milagros Palacios, "Prime Ministers and Government Spending: A Retrospective," *Fraser Institute Research Bulletin*, May 2017, (www.fraserinstitute.org).

concerning was the budget's explanation of the deferral, which to put it kindly, was largely incoherent.²² Finance Minister Bill Morneau made little attempt to justify the move, and instead repeated in his budget press conference that the upcoming White Paper would "show [the government's] level of ambition....[in] making sure [that Canada] play[s] our part internationally."²³ Essentially recognizing that there was no way to put a positive spin on the deferral, the Finance Minister instead attempted to shift attention toward a document that had not yet been released.

At the NATO summit just one week later, Canada faced fresh pressure to increase spending, as US Secretary of State Rex Tillerson asked member states not currently meeting the 2 per cent target to draw up plans to do so. In response, Prime Minister Trudeau again stated that "Canada has always been one of a handful of countries that has always been ready and capable of stepping up on important missions....and of punching well above their weight."²⁴ However, at virtually the same time, a new Senate defence report was released that revealed that spending had hit a new post-war low, .88 per cent of GDP, which it warned was putting the CAF at risk of "catastrophic failure."²⁵

An additional report in November 2017 by the Parliamentary Budget Office (PBO) indicated that, as a percentage of GDP, Canadian defence spending was likely to decline even further in the medium-to-long term. The report concluded that, based on current projections, defence spending in 2024 will likely be marginally higher than what

²² Specifically, the budget said that "the reallocation....is required to accommodate two key capital projects: the procurement of fixed-wing search and rescue aircraft, and the modernization of light armoured vehicles that were originally scheduled to receive only partial upgrades. While there is sufficient funding available for these projects, the expected profile of large-scale capital funding does not align with the timing of expenditures associated with these projects."

²³ See "Federal Budget Features More Money for Affordable Housing, Child Care," *The Toronto Star*, 22 March 2017.

²⁴ See "Trudeau Holds Firm on Defence Spending Amid New US Pressure on NATO Allies," *The Toronto Star*, 31 March 2017.

²⁵ See Standing Senate Committee on National Security and Defence, *Military Underfunded: The Walk Must Match the Talk*, (Ottawa: 2017). The report called for defence spending to reach the 2 per cent alliance spending goal by 2028.

it is today, up to 1.1 per cent, but by 2035 it will be significantly lower, at .69 per cent.²⁶ The report did little to quell the growing unease within the defence community that under the Trudeau government, defence spending was likely to remain a very low priority.

The government's third budget *Equity + Growth*, was released in February 2018, and again the document was largely silent on defence issues, perhaps not surprising given its focus on gender-based budgeting and income inequality. That said, the document revealed that the government intended to improve the country's capabilities in cyber security, and \$750 million in new spending was dedicated to this task. The budget also allocated an additional \$225 million to help improve the capabilities of the Communications Security Establishment (CSE).²⁷ That aside, the budget contained no discussion about future spending plans, or whether DND would receive the required funding to complete several outstanding procurement projects. And not surprisingly, no specific budgetary figure was provided. However, according to the *2018-19 Main Government Estimates*, defence spending for the year was set at \$19.2 billion, an increase of 3 per cent from 2017.²⁸ Thus, with three budgets now in the books, defence spending under the Liberals has largely stagnated, rising by a cumulative 6 per cent over that period, or essentially matching the total rate of inflation.

In May 2018, at an event intended to highlight the government's defence capital spending plans, attention instead focused on the fact that out of a very modest capital budget of \$6.2 billion in 2017, DND had actually managed to spend only \$3.9 billion, thus leaving a shortfall of \$2.3 billion, or almost 40 per cent.²⁹ Critics suggested that the gap virtually guarantees that critical decisions on procurement projects will now be

²⁶ See "Defence Spending as a Share of Economy Set to Shrink as Economy Booms," *CBC News*, 21 November 2017. For the actual report, see Office of the Parliamentary Budget Officer, *Supplementary Estimates (B) 2017-18 (revised)*, 7 November 2017, (www.pbo-dpb.gc.ca).

²⁷ See Minister of Finance, *Budget 2018: Equality + Growth for a Strong Middle Class*, (www.fin.gc.ca). Also see "Federal Budget Shores up Cyber Defences but is Silent on New Jets and Warships," *CBC News*, 27 February 2018.

²⁸ See Government of Canada, *2018-19 Main Estimates*, (www.canada.ca/en/treasury-board-secretariat). According to the 2018-19 DND Department Plan, spending for 2018 is projected to be \$20.3 billion, and that figure is projected to remain virtually unchanged for the next two years. See Minister of National Defence, *2018-19 Departmental Plan*, ([www.forces.gc.ca/assets/](http://www.forces.gc.ca/assets/FORCES_Internet) FORCES_Internet).

²⁹ See "DND Unable to Spend Billions in Equipment Funds, Pushing Projects Beyond Next Election," *CBC News*, 30 May 2018.

pushed back beyond the anticipated October 2019 federal election, as there is simply insufficient time to make much headway in the final year remaining in the government's current mandate. The story again focussed attention on the country's procurement challenges, in this case the fact that DND occasionally has difficulty spending the money it has been allocated, a bewildering outcome given its needs.

In June 2018, in the midst of a very tense period in Canada-US relations -- highlighted by the continuing impasse on NAFTA negotiations, the imposition of steel and aluminum tariffs on Canadian exports, and an extraordinary personal insult directed at the Prime Minister from President Trump following the G7 Summit in Quebec -- the US indicated that Canada's low defence spending remained a major irritant. In a letter to Prime Minister Trudeau, the President said that there was "growing frustration" in the US with NATO allies that are not living up to their defence spending commitments.³⁰ As the President noted, "the United States is increasingly unwilling to ignore this alliance's failure to meet shared security challenges." While the President did say that the US appreciated Canada's defence contributions around the world, those contributions do not "excuse" low defence spending, and he further said that such low expenditures "provides validation for other allies that are also not meeting their defence spending commitments." In response, a spokesperson for Defence Minister Sajjan defended Canada's spending record, without providing any specifics on future spending plans or on how Canada could move closer to the spending target.

At the NATO summit in Brussels the following month, President Trump once again scolded alliance members for not meeting their spending obligations, and warned that the US might "go it alone" and leave the alliance if the issue continued to fester. Indeed, at the meeting the President even suggested that the 2 per cent target should be doubled to 4 per cent, a figure that not even the US currently meets.³¹ For his part, Prime Minister Trudeau seemed determined to not increase bilateral tensions any further, acknowledging that Canada had "reaffirmed" its commitment to the target --

³⁰ See "Trump Sends Letter to Trudeau Calling for Increase in NATO Spending," *The Globe and Mail*, 22 June 2018.

³¹ See "Trump, NATO Allies at Odds Ahead of President's Meeting with Putin," *The Globe and Mail*, 12 July 2018.

without offering any specifics on how it intended to get there³² -- and again emphasized that Canada's contributions to NATO should not be measured in strict financial terms, highlighting Canada's leadership of an alliance mission in Latvia (which was extended for four additional years before the summit began) and a new mission which will see Canadian troops deploy to Baghdad to train Iraqi soldiers in counter-terrorism tactics.³³ Amazingly, after two extraordinarily chaotic days where the future of the alliance seemed to hang in the balance, President Trump held a news conference and said that NATO had been dramatically strengthened as a result of his tough talk, and that alliance spending commitments had gone up "like a rocket ship" over the course of the summit (a dubious claim at best).³⁴

Having examined the Liberal government's record on defence spending through its first three years in office, we can now turn our attention to the 2017 Defence White Paper, a document intended to set the stage for a decades-long rebuilding program.

Part 3: The 2017 Defence White Paper

The defence review got underway in April 2016 when the government released its "public consultation document", which outlined some of the questions that were to be addressed.³⁵ Thus, for example, the document asked what roles the CAF should perform in the future, what types of missions the military should play in peace support

³² Prime Minister Trudeau seemed to offer contradictory messages, as he both reconfirmed the target while also stating that Canada has no plan to double defence spending (which is required to reach it). See "No Plans to Double our Defence Budget", Trudeau Says," *CBC News*, 10 July 2018. Just before the summit, the government released new defence spending figures that reflected a change in the way such spending is calculated (first revealed in the 2017 Defence White Paper), which will now include veterans' benefits, peacekeeping and humanitarian operations, the budget of the Communications Security Establishment, and Coast Guard ice-breaking. According to this new calculation, defence spending in 2018 amounted to about \$23 billion, or 1.23 per cent of GDP.

³³ See "Trump, NATO Allies at Odds Ahead of President's Meeting with Putin."

³⁴ The President said that "it all came together at the end...[the allies] really liked what happened over the past two days." In response, French President Emmanuel Macron denied making any commitment to increase defence spending, as did Italian Prime Minister Giuseppe Conte. See "Trump Claims a Big NATO Victory, Over Allies of US," *The New York Times*, 12 July 2018.

³⁵ See Department of National Defence, *Defence Policy Review: Public Consultation Document*, (dgpaapp.forces.gc/en/defence-policy-review/docs).

operations, and how close a relationship the Canadian military should have with its American counter-part. In addition, the document established three broad themes for the review -- determining the main challenges to Canada's security, identifying how the CAF can best respond to current threats and challenges, and ensuring that the CAF has sufficient resources to carry out its mission(s). To help chart the course forward, the government established an advisory panel which consisted of four high profile citizens,³⁶ and organized round table meetings around the country with interested observers and stakeholders.³⁷

Before examining the outcome of the review, it might be instructive to take a look at what one observer, Dr. Douglas Bland of Queen's University (and a retired Lt.- Col. in the CAF) wrote about it a year before it was released. Bland suggested that the whole exercise was likely to be a cover for decisions to reduce defence expenditures that had already been made, warning that "Trudeau's consultations are merely intended to cloak until next year or beyond the government's intention to make deep cuts to the Canadian [Armed] Forces and the defence budget."³⁸ Bland suggested that the Trudeau government was likely to repeat the exercise of Jean Chretien's Defence White Paper review in 1993-94, which despite hearing from many witnesses who warned about the poor state of the Canadian military and the urgent need for increased funding, ultimately called for a significant reduction in defence spending. Bland warned that regardless of what the committee would hear in its consultations, it would conclude that the current fiscal environment simply does not allow for a spending increase. Many of Bland's concerns were broadly shared in the defence community,³⁹ and as a

³⁶ The members included Louise Arbour (a former Supreme Court Justice and UN High Commissioner for Human Rights), Bill Graham (former Minister of both Foreign Affairs and National Defence), Ray Henault (former Chief of the Defence Staff), and Margaret Purdy (a former Associate Deputy Minister of DND). See "Harjit Sajjan Names Blue-Ribbon Panel to Review Canada's Defence Policy," *CBC News*, 6 April 2016.

³⁷ The committee's consultations ultimately attracted 4,700 citizens to public meetings and resulted in over 20,000 submissions. See Martin Shadwick, "Consultation and the Defence Policy Review," *Canadian Military Journal* 16, no. 4 (Autumn 2016).

³⁸ See Douglas Bland, "Get Ready for the Defence Cuts," *The National Post*, 14 April 2016.

³⁹ As Martin Shadwick has noted, "there remains the suspicion – by journalists, pundits, and some participants – that governments of all political stripes engage in policy review consultation exercises for reasons of public relations and 'window dressing', having long made up their minds as to the type of defence policy and defence establishment that they wish to pursue." See "Consultation and the Defence Policy Review."

result several observers approached the exercise with equal degrees of caution and scepticism.

In the end, however, the White Paper proved to be a serious and informative document. It is a thorough review (running 113 pages), and in terms of its scope and approach is the most comprehensive governmental examination of Canadian defence policy in decades.⁴⁰ Most critically, the paper attempts to put defence spending on a more sustainable path for the next 20 years, specifically recognizing that the existing funding framework is inadequate (echoing what the *CFDS* tried to do back in 2008, before subsequent budget cuts kicked in). Thus, it calls for spending to increase by \$13.9 billion over the next decade, from close to \$19 billion in 2017 to about \$33 billion in 2027. All told, the paper calls for \$62.3 billion in new spending over two decades. The additional funding will serve several purposes; it will help pay for an array of procurement projects (in particular new Navy warships and fighter aircraft, see below), it will allow the CAF to expand by 5,000 additional troops (3,500 for the regular force and 1,500 for the reserves), and it will help significantly increase Canada's capabilities in cyber protection and warfare, areas that can be expected to grow in importance (capabilities that were addressed in the 2018 budget, as noted).

The paper explains that spending needs to increase because of three concurrent trends -- growing tensions between global powers, the changing nature of conflict, and rapid technological advancements. In terms of spending as a percentage of GDP, the review predicts that by 2025 the number will be up to 1.4 per cent, still below the alliance target but considerably better than where it is today. However, it deserves noting that part of that increase is the result of a change in how defence spending is to be calculated (which explains the change from the 2017 PBO report cited earlier).⁴¹

A good chunk of the additional funding will go toward procurement projects, the two largest of which are the programs to purchase new warships and fighter jets. With regards to the former, the price tag to build new frigates in Canada, which had been budgeted by the Conservatives a decade ago at \$26 billion, was increased to a

⁴⁰ Department of National Defence, *Strong, Secure, Engaged: Canada's Defence Policy*, (Ottawa: 2017), (www.forces.gc.ca).

⁴¹ See note 32 above. Also see "Officials to Review How Canada, NATO Members Calculate Defence Spending," *The Globe and Mail*, 9 March 2017.

more realistic \$60 billion, while the uncertainty over the size of the program was ended, as the government said that a total of 15 new ships will be built. And as for the fighter jet acquisition, the government re-iterated that it remains committed to purchasing a fleet of new fighters, and increased both the size of the planned purchase (from 65 to 88), and its budget (from \$9 billion to between \$15 and \$19 billion). Additional funding will go to the purchase of new drones, improved space research systems, and enhanced CAF joint capabilities.

Without question, the White Paper represents a pivot for a government that had not campaigned much on defence nor on the need to re-equip the military, but had rather made extensive (and expensive) promises to increase social spending and to spend more on education and health care. In addition, it is an attempt to send a signal to both the US and NATO that Canada can be counted on to make a bigger contribution to Western defence, particularly in light of statements made by President Trump. Indeed, within days of its release, US Defence Secretary James Mattis applauded the White Paper, saying that he welcomed “Canada’s marked increase in investment in their military.”⁴²

There is much to like in the White Paper, including its long-term funding plan, its more realistic set of projected procurement costs, and its commitment to Canada’s veterans.⁴³ That said, the extended time-frame raises doubts over whether future governments will feel bound to Liberal spending pledges (indeed, even future *Liberal* governments may not feel bound to these projections).⁴⁴ In this regard, it should be emphasized that the review does not call for the bulk of the spending increases to begin anytime soon, but rather *after* the next election in 2019. Indeed, only \$6.6 billion in new money comes during the plan’s first five years – and only \$2.2 billion in its first three -- while about \$24 billion is to be earmarked between years 6 and 10 (with the majority of

⁴² See “James Mattis Praises Liberal Decision to Boost Defence Spending by Extra \$14B Over Next 10 Years,” *Global News*, 7 June 2017

⁴³ For a positive review, see Christopher Kilford, “Canada’s New Defence Policy: A Huge Step in the Right Direction,” *CDA Institute Analysis*, July 2017, (www.cdainstitute.ca/wp-content).

⁴⁴ See, for example, Thomas Juneau, “Defence Review: A Realistic Plan that’s Bound to Disappoint,” *The Globe and Mail*, 7 June 2017, and Andrew Richter, “A Muscular New Canada? Not So Fast: Andrew Richter for Inside Policy,” *Inside Policy*, 31 July 2017, (Macdonald-Laurier Institute), (www.macdonaldlaurier.ca).

funding to come after that).⁴⁵ Thus, despite Minister Sajjan's confident assertion that "for the first time, National Defence and the Canadian Armed Forces will have a 20 year funding commitment. This is laid out in black and white," the reality is not nearly so clear.⁴⁶

Put simply, delaying spending for a decade or more raises serious doubts about the plan's prospects, and suggests that this was largely a symbolic exercise. If the government was truly committed to strengthening the military, then it would have begun to increase spending immediately (particularly given the government's evident lack of concern over the size of the federal deficit). Indeed, questions over whether DND will actually receive the projected funding began at the very news conference in which the document was released, when Minister Sajjan was unable to explain precisely where the new money will come from, ultimately saying that it will emerge because "its what's needed."⁴⁷ But delaying the spending increase is entirely consistent with the larger political calculation the government undoubtedly made, which is that there is little popular support to increase the defence budget (particularly in Quebec, a key base of support), and as a result the Prime Minister likely concluded that it was simply not worth the effort to do so. In reaching this decision, he essentially copied Prime Minister Harper, who came to a similar judgement in the latter half of his tenure.

An additional concern related to funding is to question how much of a difference the new money will make, assuming all of it somehow surfaces. Thus, even with the full \$62.3 billion accounted for, as noted spending will still only amount to 1.4 per cent of GDP (although, to be clear, this is the estimate for 2025; the document does not provide estimates beyond that year) – and even this figure is the result of a change in

⁴⁵ The plan calls for additional spending of \$615 million in 2017-18, \$581 million in 2018-19, and \$1.1 billion in 2019-20. See "Harjit Sajjan's \$62 Billion Defence Policy Longshot," *Maclean's*, 7 June 2017, and "Ottawa Lays Out \$62 Billion in New Military Spending Over 20 Years," *The Globe and Mail*, 7 June 2017. As James Fergusson has noted, "the real assessment of the value and utility of the [Defence White Paper] is what is planned over the next five years, and the answer is not very much." See "The Defence Policy Review: Déjà vu all Over Again: James Fergusson for Inside Policy," *Inside Policy*, 14 June 2017, (Macdonald-Laurier Institute), (www.macdonaldlaurier.ca).

⁴⁶ See "Harjit Sajjan's \$62 Billion Defence Policy Longshot."

⁴⁷ See "Liberals Hike Military Spending to Pay for More Soldiers, Fighters, Warships," *The Toronto Star*, 7 June 2017.

how such spending is calculated. Analyst Thomas Juneau has determined that the new spending formula accounts for about half of the increase, and thus the “administrative magic” (as he terms it) is largely an accounting trick.⁴⁸

In a final analysis the White Paper represents a step forward for the government, but one which will not likely change the larger arc of Canadian defence spending. While clearly not the exercise in futility that Douglas Bland warned of, there are plenty of reasons to believe that the review primarily served a public relations role for the government, as it has allowed it to position itself as a supporter of the military when in reality DND’s financial prognosis remains uncertain, which in turn suggests that several procurement projects remain on shaky ground.⁴⁹

Having looked at the Liberal government’s approach to defence spending and the White Paper, attention can turn to the third issue to be examined in this paper, the on-going saga of the CF-18 replacement program. Amazingly, not only did this issue prove to be a major embarrassment for the Harper government, but it is now performing much the same role for the Liberals.

Part 4: The CF-18 Replacement Program

Canada’s involvement with the F-35 program began in 1997, starting with the Liberal governments’ of Jean Chretien and Paul Martin, continued under the Conservative one of Stephen Harper, and since 2015 has extended to the government of Justin Trudeau.⁵⁰ Given length constraints, this paper will not review that involvement

⁴⁸ See Juneau, “Defence Review: A Realistic Plan that’s Bound to Disappoint.” See also “Why Increase Canadian Military Spending? One Word: Trump,” *The Globe and Mail*, 7 June 2017.

⁴⁹ For additional reviews of the White Paper, see Eugene Lang, “The Shelf Life of Defence White Papers,” *Policy Options*, 23 June 2017, (www.policyoptions.irpp.org); Stephanie von Hlatky and Kim Richard Nossal, “Canada’s New Defence Policy: The Short Version,” *CDA Institute Analysis*, July 2017, (www.cdainstitute.ca/wp-content); and Joel Sokolsky, “Canada’s Defence Policy Review – The Asterisk, Dear Boy, The Asterisk: Joel Sokolsky for Inside Policy,” *Inside Policy*, 6 July 2017, (Macdonald-Laurier Institute), (www.macdonaldlaurier.ca).

⁵⁰ Numerous articles have been written examining Canada’s history with the F-35. See, for example, Kim Richard Nossal, “Late Learners: Canada, the F-35, and Lessons Learned from the New Fighter Aircraft Program,” *International Journal* 68, no. 1, (Winter 2012-13); Michael Byers, “Canada’s F-35 Purchase is a

up until the current administration. Suffice to say that this has included being a project partner for over 20 years now,⁵¹ a purchase decision initially announced (but not signed) in 2010 but withdrawn two years later following questions over the government's cost estimates,⁵² and dozens of sub-contracts signed with over 100 Canadian companies, worth a combined total of almost \$1 billion.⁵³

Between the 2012 announcement of the purchase cancellation and the 2015 election campaign, there was little substantive movement on the file,⁵⁴ and in many ways the lack of action symbolized the Conservative government's changing attitude toward the military in general. Indeed, given the embarrassment the project had already caused Prime Minister Harper, he seemed perfectly content to let it lie.

Costly Mistake," *Canadian Foreign Policy* 17, issue 3, (2011); and James Fergusson, "The Right Debate: Airpower, the Future of War, Canadian Strategic Interests, and the JSF Decision," *Canadian Foreign Policy* 17, issue 3, (2011).

⁵¹ That partnership has included financial payments, which by 2018 had reached an estimated \$500 million. See "Canada Adds Another \$54M to F-35 Fighter Jet Project, Bringing Cost to \$500M Over 2 Decades," *Global News*, 30 May 2018.

⁵² The initial announcement was for a purchase of 65 aircraft at a cost of \$9 billion. Including maintenance costs over 20 years, the program's total cost estimate was \$16 billion. That estimate came under withering criticism in several government reports. See Office of the Auditor General of Canada, *2010 Fall Report of the Auditor General of Canada*, 26 October 2010, (www.oag-bvg.gc.ca/inernet/English/parl_oag_2010); Office of the Parliamentary Budget Officer, *An Estimate of the Fiscal Impact of Canada's Proposed Acquisition of the F-35 Lightning II Joint Strike Fighter*, 10 March 2011, (www.parl.gc.ca/pbo-dpb); and Office of the Auditor General of Canada, *2012 Spring Report of the Auditor General of Canada*, (www.oag-bvg.gc.ca/internet/English/parl_oag_201204_02_e_36466.html). All of the reports found that total lifecycle costs had not been included in the estimate, and inadequate risk assessment had been conducted. In light of the public firestorm that ensued, the Conservative government decided to put the purchase on hold and begin the process anew.

⁵³ By 2012 (the year the purchase was cancelled), 72 Canadian companies had won sub-contracts worth about \$440 million. See Government of Canada, "Canadian Industrial Participation in the F-35 Joint Strike Fighter Program," December 2012, (www.ic.gc.ca). By 2016, those numbers had grown to 110 companies with an estimated value of \$825 million. See "Lockheed Martin Warns it will Pull \$825M in F-35 Contracts if Canada Buys Another Jet," *CBC News*, 10 June 2016.

⁵⁴ There were, however, some important administrative changes. A new F-35 Secretariat was established within the Department of Public Works and Government Services to manage the project. The government's "re-set" was formalized with the release of a report in 2014 that concluded that protecting Canadian sovereignty and fulfilling this country's NORAD obligations would remain the operational priorities of the Air Force. See Government of Canada, *Summary Report – Evaluation of Options for the Replacement of the CF-18 Fighter Fleet*, December 2014, (www.tpsgc-pwgsc.gc.ca/app-acq/amd-dp/air/snac-nfps/rplanseptv-seven-ptplan-eng.html).

Sensing a political opportunity, however, the opposition Liberals eagerly jumped into the fray, and it was at this time that, perhaps unwittingly, they set a trap from which they have not been able to escape from since. In their election platform, and in comments that Mr. Trudeau made on the campaign trail, the Liberals took a clear, unambiguous position – the F-35 would *not* be purchased, and instead a Liberal government would hold an “open and transparent” program competition (in contrast to the Conservatives, whose purchase decision had been sole sourced),⁵⁵ one which they said would result in the selection of a less expensive aircraft which would save the government “tens of billions” of dollars, money that would supposedly go toward the Navy.⁵⁶

Readers might note the obvious contradiction between the two statements, for if one of the contending aircraft is effectively ruled out of consideration before the competition is even held, the resulting competition cannot be considered “open and transparent”. That problem aside, however, the position was politically popular, as Mr. Trudeau capitalized on public sentiment that seemed to hold that everything the Tories had done on the file was suspect, and thus there was no possible way that the F-35 could be the best choice for the country’s military.

In the months following the Liberal election victory, that initial clarity seemed to come partially undone. In early 2016, it was reported that the government had decided to make a payment that allowed Canada to remain a partner in the F-35 development program, a move that suggested that a purchase of the aircraft, despite statements to the contrary, was still possible.⁵⁷ And just days later it was reported that the F-35 would be one of the contenders in the program competition after all, whenever it is ultimately

⁵⁵ The Conservative decision not to hold a program competition and instead sole-source the selection has been the subject of considerable commentary. See, for example, Kim Richard Nossal, “A Cautionary Tale: The F-35 Fiasco Neatly Sums Up What’s Fundamentally Wrong with Defence Procurement,” *Policy Options*, (12 January 2016); Richard Shimooka, “The Fourth Dimension: The F-35 Program, Defence Procurement, and the Conservative Government, 2006-2015,” Conference of Defence Association, *CDA Institute Vimy Paper*, September 2016, (www.cdainstitute.ca/wp-content/uploads); and Lt.-Col. Paul W. Fredenburg, “The F-35 Fighter: A Logical CF-18 Replacement,” *The NATO Association of Canada*, (2017).

⁵⁶ See “Justin Trudeau Vows to Scrap F-35 Fighter Jet Program,” *CBC News*, 20 September 2015.

⁵⁷ See “Canada to Stay in Program of F-35 Jet Buyers Despite Pledge to Withdraw,” *The Globe and Mail*, 24 February 2016. The government made additional F-35 payments in June 2016, May 2017, and again in May 2018.

held.⁵⁸ Thus, by the spring of 2016, the government's fighter jet plan appeared to be changing, but there were no signals that a decision was imminent.

That changed in May, when Defence Minister Sajjan, speaking before a military industrial trade show in Ottawa, said that the current CF-18s were in danger of not meeting their alliance obligations, and as a result needed to be replaced "quickly". As the Minister noted, "our fleet of CF-18s needs to be replaced now. And the fact they have not been replaced means we are facing a capabilities gap in the years ahead."⁵⁹ This was the first time that the Minister, or any government official, had used the expression "capabilities gap" with reference to the CF-18,⁶⁰ and while defence officials had not previously warned of any such "gap" -- and to the contrary, they had specifically rejected the claim⁶¹ -- the government has continued using the term ever since.

It quickly became apparent that the speech foreshadowed some critical developments, as just a few weeks later a flurry of news reports suggested that a quick aircraft purchase was indeed being considered -- just *not* the one to replace the full fleet of CF-18s. In June, it was reported that the Liberals were planning on purchasing a small number of Boeing F-18 Super Hornets as an "interim measure," citing the previously mentioned "capabilities gap."⁶² The reports further emphasized that the

⁵⁸ See "F-35 Fighter Jet Purchase by Liberals may Still be in the Mix," *CBC News*, 25 February 2016.

⁵⁹ See "Canada Needs New Fighter Jets 'Now', Defence Minister Says," *The Globe and Mail*, 26 May 2016.

⁶⁰ According to the Liberals, the "capability gap" is the result of Canada's inability to rapidly and simultaneously fulfill our twin obligations to both NATO and NORAD. While technically true, the reality is that Canada has lacked this capability for decades. As Richard Shimooka has argued, the Liberals' concern over this gap is interesting given that the military has several other "gaps" -- for example, having insufficient surface ships -- and yet these other failures do not seem to raise similar concerns. See "Amateur Hour: The Interim Super Hornet Saga and the Perils of Prioritizing Politics over Defence," *Macdonald Laurier Institute Commentary*, January 2018, (mcdonaldlaurier.ca/files/pdf/MLICommenatary_Shimooka_Jan2018_webready.pdf).

⁶¹ Just a few weeks before Minister Sajjan used the phrase, RCAF Commander Lt.-Gen. Mike Hood testified before a House defence committee that the current fleet of CF-18s was sufficient to carry out Canada's alliance defence obligations until 2025. Later in the year, Hood submitted a written brief to the same committee, where he re-iterated that provided a replacement aircraft was selected within five years, he was "confident" that the existing fleet would be able to meet its defence commitments. See "Canada's CF-18 Fighter Jets can all Fly Past 2025, RCAF Commander Says," *The Globe and Mail*, 25 November 2016.

⁶² See "Liberals Planning to Buy Super Hornet Fighter Jets Before Making Final Decision on F-35s, Sources Say," *The National Post*, 5 June 2016.

government would not be purchasing the F-35 under *any* circumstance, returning to the position the party had taken on the campaign trail. However, a surprising development was that the government was apparently re-considering its promise to hold a program competition down the road to replace the full fleet of CF-18s, which would effectively constitute a repeat of what the Conservatives had done. With so many stories circulating, the government initially refused to comment, although it was apparent that if the stories were false, it would have little choice but to issue a denial.

Days later, and with the issue attracting enormous media attention, the Prime Minister addressed the controversy (albeit indirectly), when he doubled down on the position that the Liberals would never purchase the F-35, saying the aircraft “does not work and is far from working,”⁶³ a reference to the troubled development history of the plane.⁶⁴ On the same day, Defence Minister Sajjan, when asked if the government was still committed to holding a program competition to replace the full fleet of CF-18s, would only say that a purchase of new fighter aircraft was long overdue.⁶⁵ The impression created was that the Liberals, rather than being committed to holding an open competition that would lead to a selection based on capabilities, price, and merit, now seemed intent on reaching a closed decision, without a competition, and that the aircraft to be selected had most likely already been chosen – ie., a repeat of the same chain of decisions the Tories had made six years earlier to extensive criticism. And there was now the possibility that this would happen not once but *twice*, first for the “interim” purchase and then again for the larger fleet purchase in the future.

Perhaps recognizing the poor optics of these developments, the government seemed to partially backtrack the following month, when it announced that consultations with industry players would be set up to determine the best path

⁶³ See “Trudeau Says F-35s are ‘Far From Working’ as Liberals, Tories Spar over Fighter Jet Strategies,” *The National Post*, 7 June 2016.

⁶⁴ In the US, the General Accounting Office (GAO) has released multiple reports that have examined the slow progress of the plane. See, for example, “F-35 Joint Strike Fighter: DOD Needs to Complete Developmental Testing Before Making Significant New Investments,” GAO-17-351, April 2017, (www.gao.gov/assets/690/684287/pdf).

⁶⁵ See “Trudeau Says F-35s are ‘Far From Working’ as Liberals, Tories Spar over Fighter Jet Strategies.”

forward.⁶⁶ Defence Minister Sajjan said that DND officials would meet with representatives from interested companies (including the French firm Dassault, the European consortium that produces the Eurofighter, and Swedish company Saab) to gauge what each one has to offer, and what their production schedules looked like.⁶⁷ And in a sign that the F-35 manufacturer, Lockheed Martin, was not going to sit back and watch as its aircraft was publicly criticized and threatened with exclusion in an upcoming competition, the company warned Ottawa that it had the option of terminating supplier contracts that dozens of Canadian companies had signed,⁶⁸ a move that would have a significant negative effect on employment in the country's defence sector (and one that would most impact the province of Quebec, where much of the industry is based).

Finally, in the fall of 2016, the government confirmed that the reports were indeed accurate when it announced that it planned to purchase 18 F-18 Super Hornets, ostensibly because the existing fleet was increasingly incapable of carrying out the country's defence commitments. As the Minister noted, "we need to move on this [acquisition] as quickly as possible. A modern fighter fleet is an essential tool for defending Canada and exercising Canadian sovereignty."⁶⁹ Sure enough, just like the Conservatives had done six years earlier, the decision was sole sourced without a competition.

At the same time, the government ended the speculation that it was not planning on holding a competition to replace the full fleet of CF-18s – speculation it had helped create by issuing contradictory statements. Such a competition would indeed take place, although the government acknowledged that it might be up to five years away and as a result the full fleet of replacement jets were not expected to enter service until the late 2020s⁷⁰ (a timeline that aviation analyst Richard Shimooka has labelled

⁶⁶ See "Harjit Sajjan Going Back to Drawing Board on Fighter Jets, Launching Consultations," *CBC News*, 6 July 2016.

⁶⁷ See "Canada Talks to Bidders to Map Out Fighter Jet Competition," *Reuters*, 8 July 2016.

⁶⁸ See "Lockheed Martin Warns it will Pull \$825M in F-35 Contracts if Canada Buys Another Jet," and "Lockheed Goes on the Offensive in Canada's F-35 Debate," *Defense News*, 15 June 2016.

⁶⁹ See "Canada Says it will Buy 18 Super Hornet Fighter Jets – But the Cost of Aircraft is Unknown," *The National Post*, 22 November 2016.

⁷⁰ See "Liberals Delay Fighter-Jet Decision with 'Interim Fleet'," *The Globe and Mail*, 22 November 2016.

“farcical”⁷¹). And as for the cost of just the interim purchase – recalling that in the 2015 election campaign the Liberals had claimed that they would save “tens of billions” by purchasing a cheaper alternative to the F-35 -- the government refused to provide an estimate, although a few months later it was reported that it would likely cost between \$5 and \$7 billion (keeping in mind that the entire amount for the program was set at between \$15 and \$19 billion in the White Paper).⁷²

However, in a bizarre turn of events, the interim purchase plan was turned upside down in May 2017, when the US Department of Commerce announced that in response to a request from Boeing alleging that Canadian rival plane maker Bombardier was receiving unfair subsidies from the Canadian government,⁷³ it was considering implementing tariffs as a form of redress.⁷⁴ In response, Foreign Affairs Minister Chrystia Freeland issued a statement that the government was “reviewing current military procurement that relates to Boeing,” and noted that Boeing’s request was “clearly aimed at blocking Bombardier’s new aircraft, the C-Series, from entering the US market.”⁷⁵ Days later, Defence Minister Sajjan delivered a scathing critique of the US company, saying that its actions did not represent “the behaviour of a trusted partner,” and strongly encouraged it to withdraw its complaint.⁷⁶ And a few days after that it was reported that the government had formally suspended contract negotiations with Boeing.

At the Paris Air Show in June, meetings were again set up with rival firms, a move that seemed designed to impress upon Boeing that the Canadian government was

⁷¹ See Shimooka, “Amateur Hour: The Interim Super Hornet Saga and the Perils of Prioritizing Politics over Defence.”

⁷² See “Stopgap Super Hornet Purchase Could have \$5B to \$7B Price Tag,” *CBC News*, 31 January 2017.

⁷³ Bombardier has been the recipient of numerous loans and grants from various levels of government in Canada for the past 50 years, the total of which has been estimated at over \$4 billion. See “Bombardier’s Strange Chokehold on the Public Purse,” *CBC News*, 3 November 2015, and “How Much Money does Bombardier Owe Canadians? It’s a Secret,” *Global News*, 8 April 2016.

⁷⁴ See “Cross-Border Aircraft Rivals Bombardier, Boeing Clash in Trade Hearing,” *CBC News*, 18 May 2017, and “Canada Reviews Potential Boeing Deals after US Opens Probe into Bombardier Pricing,” *The Wall Street Journal*, 18 May 2017.

⁷⁵ See “Canada Warns Cancelling US Jet Buy Over Bombardier Probe,” *CTV News*, 18 May 2017. The C Series aircraft is a new plane capable of carrying between 100 and 150 passengers, a size that is not currently well served by the major industry players.

⁷⁶ See “Defence Minister Says Boeing’s Complaint Against Bombardier Means its no Longer a ‘Trusted Partner’,” *The National Post*, 31 May 2017.

seriously considering not moving forward with the purchase. For their parts, Transport Minister Marc Garneau and Economic Development Minister Navdeep Bains both stated that until and unless Boeing changed its mind about pursuing trade action against Bombardier, there was no point in meeting.⁷⁷ And Defence Minister Sajjan added that there were “other options” available to the Canadian government.⁷⁸ Clearly, Ottawa was signalling its intense frustration with Boeing, whose action had targeted a company (Bombardier) that has long enjoyed a privileged position in the country’s business ranks, thanks to its strong political connections,⁷⁹ deep Quebec roots, and the fact that it is one of the nation’s largest industrial employers. As a result, what should have been a commercial trade dispute between rival companies quickly escalated into a more serious public bilateral dispute, one where political considerations would now be taken into account.

By the fall of 2017, the interim purchase plan was in serious jeopardy, and the government faced an altered environment. In September, Boeing made it clear that it had no plans to drop its trade complaint, saying that the company “faces a situation with a competitor....that has long received government support – but that just went beyond the pale in 2016.”⁸⁰ Boeing also warned the government of the possible negative consequences of its actions, reminding Ottawa that the firm employs 1,700 people in Canada, jobs that would potentially be at risk if the company no longer saw economic opportunities here (a move reminiscent of the one Lockheed Martin made the year before).⁸¹ Shortly after, the US government announced that it would indeed impose

⁷⁷ See “Liberal Ministers Meet Lockheed Martin at Paris Air Show, Snub Boeing,” *The National Post*, 19 June 2017.

⁷⁸ See “Liberals Limiting Options for Stopgap Fighter Jet Deal,” *CBC News*, 22 June 2017. See also Richard Shimooka, “The Liberals’ Embrace of the Super Hornet is Good Politics – But Bad Strategy,” *iPolitics*, 11 August 2017, (Macdonald-Laurier Institute), (www.macdonald-laurier.ca).

⁷⁹ Several senior company executives, including former CEO Laurent Beaudoin, as well as current CEO Pierre Beaudoin, have had close personal relationships with Liberal politicians, while several former Liberals have sat on the company’s Board of Directors after retiring from public life. See Larry MacDonald, *The Bombardier Story: From Snowmobiles to Global Transportation Powerhouse*, (New York: Wiley, 2012).

⁸⁰ See “Boeing Refusing to Blink in Dispute with Bombardier Despite Liberal Threats,” *CBC News*, 4 September 2017.

⁸¹ The company also began a public relations offensive emphasizing Boeing’s Canadian-based facilities and work force. These efforts were immediately rewarded, as just days later ten Canadian aerospace companies sent Prime Minister Trudeau a letter in which they asked him to stop blocking the purchase of

duties of up to 220 per cent on imports of Bombardier planes coming into the US, a move that effectively shut the C Series out of the market.⁸² With the government now caught in an increasingly difficult situation, a report that month suggested that it had begun to consider a novel alternative – a purchase of used Australian F-18s (aircraft that are available, it deserves noting, because Australia has decided to purchase the F-35).⁸³ While clearly a flawed option,⁸⁴ it at least offered the Liberals a possible way out of what was rapidly becoming a serious military/political dilemma.

The decision followed relatively quickly in December, when the government announced that it would, in fact, purchase 18 used F-18s from Australia (changed to 25 aircraft in June 2018), planes that are roughly the same age as Canada's (ie., about 30 years old).⁸⁵ The government also formally announced that there would be a program competition to replace the full fleet of CF-18s, although it (again) cautioned that this process was expected to take many years. And once again revealing their anger at Boeing, the government announced a new assessment criteria to judge each bid in that competition – the “overall impact on Canada's economic interests.” Public Services and Procurement Minister Carla Qualtrough added that “bidders responsible for harming Canada's economic interests will be at a distinct disadvantage, compared to bidders who aren't engaged in detrimental behaviour,” and further acknowledged that there “are both objective and subjective elements” that will be considered in future

Super Hornets, arguing that their companies stand to lose business because of the government's unwavering support for Bombardier. See “Canadian Firms Prod Trudeau to Approve Super Hornet Deal,” *The Globe and Mail*, 6 September 2017.

⁸² See “Bombardier Slams ‘Absurd’ 220% Duties in Boeing Trade Feud,” *The Globe and Mail*, 26 September 2017. In January 2018, the US Trade Commission ruled that the C series aircraft does not injure US industry, and struck down the tariffs.

⁸³ See “Ottawa Seeks Second-Hand Jets from Australia amid Boeing, Bombardier Dispute,” *The Globe and Mail*, 5 September 2017.

⁸⁴ Australia's F-18s are original “A” and “B” versions, and were introduced into service between 1984 and 1990. While approximately the same age as Canada's aircraft, they will require extensive modifications to bring them up to the same standard. In addition, it might be noted that Canada's record in purchasing used military equipment has hardly been positive; in the 1990s Ottawa acquired used Upholder/Victoria-class submarines from the UK, ships that have suffered from a seemingly endless array of mechanical problems.

⁸⁵ See “Aging Fighter Jets to be Replaced in mid-2020s, Liberals will Buy Used Aussie Planes as Stopgap,” *CBC News*, 12 December 2017. The additional 7 planes will be stripped for parts for the existing fleet. See “Canada to Purchase 25 Used Australian F-18 Jets if US Gives Approval,” *The National Post*, 15 June 2018.

procurement competitions.⁸⁶ While the Minister did not specifically single out Boeing in her comments, observers quickly labelled the provision “the Boeing Clause”, as it seemed designed to ensure that the company would not emerge victorious in the competition.⁸⁷

The announcement brought an end to one chapter in the CF-18 saga, but foreshadowed the larger one still ahead, one which the Liberals will have to carefully navigate, as the aircraft which most observers had expected would win the competition in the absence of the F-35 – the F-18 Super Hornet – has now effectively been eliminated. That means that the government has now managed to effectively eliminate *two* of the leading contenders for the replacement contract before the competition has even begun, an extraordinary development. The government will thus face a difficult dilemma of its own making, as it will either have to break its promise and ultimately purchase the F-35, or reverse course and end up buying the F-18, if it is to avoid selecting a non-American fighter aircraft for the first time in its history (a prospect that the military can be expected to vigorously oppose). At the time of writing, the likelier course of action would seem to be the former given the depth of anger recently directed toward Boeing, but doing so will be difficult, as the Prime Minister has been so categorical in his dismissal of the plane.⁸⁸ And while the government would undoubtedly prefer further delay, military necessity dictates that the fighter aircraft replacement program not be postponed any longer.⁸⁹

⁸⁶ See “Liberals’ New ‘Naughty and Nice List’ Approach to Defence Contractors Could Face Legal, Trade Challenges,” *CBC News*, 13 December 2017.

⁸⁷ The entire affair has been ably examined by Richard Shimooka. See “Amateur Hour: The Interim Super Hornet Saga and the Perils of Prioritizing Politics over Defence.”

⁸⁸ See, for example, “With Boeing Out, Lockheed Martin Becomes Fighter Jet Frontrunner for Ottawa,” *BNN Bloomberg*, 13 December 2017.

⁸⁹ Canada’s CF-18 fleet was delivered between 1982 and 1988, and have undergone several major modernization programs over the years. Under the Conservatives, DND had planned to retire the aircraft by 2025, when the F-35s were expected to enter service. However, uncertainty in the replacement program has resulted in plans to keep the aircraft flying until 2032, an option that was termed “high risk” in a 2016 DND report. See “Majority of CF-18s will Fly Beyond ‘Certified Safe Life’: Internal Report,” *CBC News*, 1 December 2016, and “Canada’s CF-18s to Fly Until 2032 as New Fighter Jets Expected to be Slowly Phased In,” *The National Post*, 28 January 2018.

What seems clear through all of this is the enormous impact that domestic political considerations play in military procurement decisions in Canada. It has already been noted that the initial decision to publicly commit to not purchase the F-35 was politically motivated, as the Liberals sensed an opportunity to attack an unpopular Prime Minister on an issue that they felt he was particularly vulnerable on. In this regard, it bears noting that, contrary to the Prime Minister's statement, the F-35 *does* work, and is already in service in both the US and Israel (where it recently saw its first use in combat⁹⁰), and will shortly enter service in several other states.⁹¹ It is, without question, the most advanced fighter plane in the world, and will remain so for years – perhaps decades -- to come.⁹² On this point, there is simply no serious argument.⁹³

Furthermore, once in office, the government, seeing that the full program competition to replace the CF-18s would be difficult because of their pledge to not acquire the F-35, decided to delay that program by pursuing an “interim purchase” of F-18 Super Hornets, an acquisition that analyst Richard Shimooka has termed “one of the most disastrous defence procurements in Canadian military history.”⁹⁴ In addition, that acquisition would have, in time, virtually guaranteed that the same aircraft would be purchased in larger numbers down the road, as operating and maintaining separate fleets of fighters is both financially costly and operationally challenging.

⁹⁰ In August 2016, US Air Force F-35s were declared ready for combat. In May 2018, Israel became the first country to use the F-35 operationally during an engagement with Iranian forces over Syria. See “F-35 Stealth Fighter Jets Get First Taste of Combat,” *CNN.com*, 22 May 2018.

⁹¹ States that are in the process of acquiring the F-35 include the UK, Norway, Denmark, Italy, Turkey, Japan, South Korea, and Australia. Additional countries considering a purchase include Belgium, the Netherlands, Germany, Saudi Arabia, and the UAE. See “Lockheed Nears \$37Billion-Plus Deal to Sell F-35 Jet to 11 Countries,” *Reuters.com*, 18 June 2017.

⁹² Perhaps the clearest evidence of this are the program competitions that Western countries have conducted. For example, Denmark recently held a competition that looked at four criteria – strategic aspects, military aspects, economic aspects and industrial aspects – and in each one it found the F-35 to be the best choice. See Government of Denmark, *Executive Summary: Type Selection of Denmark's New Fighter Aircraft*, (2016), (www.fmn.dk/temaer/kampfly/Documents/type-selection-denmark-new-fighter-aircrafts-english-summary5).

⁹³ See, for example, “F-35 Dominates at Red Flag with 15:1 Kill Ratio,” *Aerospace Daily*, 5 February 2017, and Kris Osborn, “Air Force Pilot: ‘The F-35 is a Dream to Fly’ (and That is Bad News for China and Russia),” *The National Interest*, 26 July 2018.

⁹⁴ See Shimooka, “Amateur Hour: The Interim Super Hornet Saga and the Perils of Prioritizing Politics over Defence.”

However, once Boeing launched its trade action against Bombardier, the Liberals calculated that they had to respond -- again, a political decision -- and thus changed their plan to the acquisition of used Australian fighters. But that decision did little to quell the government's frustration with Boeing, as it has continued to be relentlessly critical of the US company, even going so far as to make a change to the defence procurement model, all in the attempt at sheltering a preferred domestic company with deep roots in Quebec. While it is unclear how this game of government/corporate brinksmanship will end, the critical role of domestic political considerations in defence procurement in Canada is beyond dispute.

Another issue worth considering is the possible litigation that may result from the government's actions. Excluding a contending product -- initially the F-35 -- from being considered for a government contract, or being considered but only insofar as the requirements are written in such a way as to largely preclude its selection, violates international trade law and raises the spectre of Lockheed Martin ultimately suing Ottawa for damages.⁹⁵ That prospect may therefore have explained the Liberals' insistence of a "capabilities gap" in 2016, as by purchasing a small number of "interim" aircraft to fill that "gap", the government may have thought it could avoid a legal challenge, while at the same time being able to say to Canadians that they had not broken a campaign promise (ie., to not purchase the F-35).⁹⁶ However, since that time, perhaps in response to the possibility of litigation, the government has reconsidered its position, and it now maintains that the F-35 *will* be considered for the replacement contract. Indeed, in the December 2017 press release formally announcing it, the government specifically said that no manufacturer would be excluded.⁹⁷ Sure enough, in February 2018 Lockheed Martin was selected as one of five firms approved to take part in the competition⁹⁸ (as was Boeing). However, it remains to be seen how seriously

⁹⁵ In June 2016, a Lockheed Martin senior executive was quoted as saying that "if we get told that we're not allowed to compete [in the program competition], then we'll go and evaluate all of our alternatives at that point." See "Lockheed Martin Still has Hopes to Sell Canada F-35 Fighter Jets," *The Toronto Star*, 8 June 2016.

⁹⁶ See "Liberals Planning to Buy Super Hornet Fighter Jets Before Making Final Decision on F-35s, Sources Say," *The National Post*, 5 June 2016.

⁹⁷ See "Canada Launches Contest for 88 Fighter Jets, with Clause Taking Aim at Boeing Trade Challenge," *GlobalNews*, 12 December 2017.

⁹⁸ See "Canada Names Suppliers Approved in Bid in Future Fighter Competition," *Defense News*, 23 February 2018.

the company will pursue the contract, as it may conclude that it is not worth much effort given how definitive the Prime Minister has been regarding the F-35.

Perhaps the more interesting possibility of future litigation now involves Boeing, and how its relationship with the Canadian government seems to have effectively collapsed over the past year in response to its trade fight with Bombardier. As noted, the new criteria by which procurement bids will be judged in future defence competitions was almost certainly directed at the Chicago-based firm, and strongly suggests that the government will have preferred companies with which to do business in the future, Boeing not being one of them.⁹⁹ Indeed, Minister Qualtrough largely acknowledged this when she said that the government is hoping that the new policy “incentivizes” suppliers to “behave”.¹⁰⁰ How the new criteria are written, and ultimately judged, will be key in determining how companies approach Canadian government contracts in the future, and perhaps more importantly, how the Canadian government approaches companies bidding on those contracts.

Boeing’s changed relationship with Canada was made abundantly clear in January 2018, when the company chose not to attend an information session at which government officials provided aerospace companies details of the upcoming competition.¹⁰¹ And while the company was approved to participate in that competition the following month, it has since stated that it has not decided on whether it will actually do so.¹⁰² Much like rival firm Lockheed, Boeing may conclude that it’s simply not worth the effort, as the government may be too biased against it. Thus, it is entirely conceivable that there will be *two* legal challenges against the Canadian government with regard to the fighter jet replacement program, with both cases

⁹⁹ For a discussion, see “Liberals’ New ‘Naughty and Nice List’ Approach to Defence Contractors Could Face Legal, Trade Challenges.”

¹⁰⁰ Ibid.

¹⁰¹ See “Boeing Skips Information Session on Canada’s Fighter-Jet Purchase,” *The Toronto Star*, 22 January 2018.

¹⁰² See “Boeing Approved as Potential Bidder to Replace Canada’s CF-18 Fighter Jets,” *The Toronto Star*, 22 February 2018.

revealing possible obstructions in the bidding process that could lead to significant financial settlements.¹⁰³

More generally, one cannot help but feel a sense of sadness when examining this entire affair, firstly to the men and women of the CAF who have had to put with up with the endless twists and turns of this saga for over 20 years now, but in a deeper way for all Canadians. It should not need stating that replacing a piece of dated military hardware should not be that difficult. Indeed, it was not *that* long ago when this country managed to do so without much difficulty.¹⁰⁴ But given this country's enormous challenges with the program, it is worth examining how each of the major players in the drama has fared, including the two major political parties, DND, the public, and the two defence companies directly involved.

We can begin with perhaps the easiest observation – neither of Canada's two major political parties come out looking good. The Liberals, which in 2015 sensed a political opportunity at the hands of an unpopular opponent, were too clever by half, and three years later are still trying to find a way out of the trap they (unwittingly) set for themselves. And the Conservatives, rather than benefitting from public disdain over Liberal political gamesmanship, are instead saddled with the realization that they started this mess in the first place by ignoring established protocols and deciding to purchase the F-35 without a competition in 2010. Indeed, it is worth noting that the Conservatives have been relatively muted in their criticism of the Liberals on this file,

¹⁰³ The government realizes that it might be taken to court as a result of its actions. At the press conference where the change in assessment criteria was announced, Minister Qualtrough said the government "cannot, of course, stop anybody from engaging in litigation with us should they not think [that the change in assessment] is appropriate." It might be instructive to note a recent defence procurement case where the losing bidder successfully sued the Canadian government. In 2015, Oshkosh Defence took Ottawa to court after alleging that it had been unfairly treated during the testing phase of a competition to supply DND with new trucks. The Canadian International Trade Tribunal agreed, and ordered the government to compensate the company. See "Taxpayers could be on Hook for Bill after Trade Ruling Questions \$834M Army Truck Contract," *The National Post*, 24 May 2016.

¹⁰⁴ The major procurement projects of the 1970s and 80s, which included the CF-18 aircraft, Leopard battle tanks, Aurora maritime patrol aircraft, and Halifax-class naval frigates all progressed relatively smoothly, and were completed and in service within roughly a decade of being first announced (the exception being the frigates, although this was more the result of organizational difficulties with the shipyard rather than problems with the project per se). See Francis Maas, "We must take our Allies Views Into Account": Pierre Trudeau and the Turn Back to NATO in the 1970s," *International Journal* 71, no. 2 (June 2016).

perhaps an implicit recognition that they share responsibility and do not want to politicize it further. Thus, both political parties are obvious losers in this affair.¹⁰⁵

At the same time, Canada's military has not fared any better, and could be forgiven for wondering if there will *ever* be a replacement for the CF-18. While the military initially supported Prime Minister Harper's decision to purchase the F-35 without a competition, there were concerns voiced within the department (at least by some) that the established procedures had not been followed, and as a result the acquisition could run into trouble.¹⁰⁶ The Department was also extensively criticized in several Auditor General reports, and has had to deal with the fall-out ever since.¹⁰⁷ DND must also deal with the uncertainty of not knowing when the existing CF-18s will be withdrawn from service, which has significantly complicated defence planning (see note 89 above). The Department thus finds itself defending its past actions while trying to work with a new government whose fighter jet plan seems to be in a perpetual state of evolution and change.

It would be tempting to say that the Canadian public has come out ahead in this affair. After all, the Liberals initially said that the decision to scrap the purchase of F-35s would save taxpayers "tens of billions", and all citizens benefit when governments value public finances, follow established procedures, and award contracts based on merit, capabilities, and cost. Regrettably, however, that is unlikely to be the case here. The alternative aircraft the Liberals are considering all feature roughly equivalent price

¹⁰⁵ In the colourful words of commentator Andrew Coyne, the purchase of F-35s was "a fiasco from top to bottom, combining lapses of professional ethics, ministerial responsibility, and democratic accountability into one spectacular illustration of how completely our system of government has gone to hell." See "Peeling Back the Layers of Misconduct in the F-35 Fiasco," *The National Post*, 4 April 2012.

¹⁰⁶ Alan Williams, who was a DND Assistant Deputy Minister during the Chretien government, has said that the process that led to the selection of the F-35 "was clearly undermined and manipulated to achieve a predetermined outcome." See "F-35 Procurement Process 'Manipulated'," *CBC News*, 5 May 2012. Also see Williams, *Canada, Democracy, and the F-35*, (Kingston: Queen's University Defence Management Studies Program, 2012).

¹⁰⁷ DND took particular issue with the cost estimates put forward by the AG, saying that they were "wrong," and also disputed the charge that it had not done due diligence regarding the F-35 purchase. See "Auditor General Hits Back at Critics, Defends Scathing F-35 Report," *The Globe and Mail*, 15 May 2012, and "Military Kept Parliament in Dark over F-35 Costs: Auditor," *CTV News*, 3 April 2012.

tags to the F-35.¹⁰⁸ And while “open and transparent” program competitions are always preferred, that is not what the Liberals are likely to do in this case, their comments to the contrary notwithstanding. So, in the end, Canadians are not likely to save any money and the defence procurement model, already the topic of so much criticism, has grown even more dysfunctional.

As for the defence companies, neither has come out looking good, although one can make contrasting arguments regarding how much responsibility each should assume for this result. With regards to Lockheed Martin, it is certainly not its fault that it has been dragged into a procurement controversy it neither wanted nor sought. It is not the company’s responsibility that the Conservative government chose not to follow procedures in awarding it the initial fighter jet contract, nor can it be blamed for the fact that the cost estimate for the Joint Strike Fighter has changed so dramatically over the years (which is linked to uncertainty over the total production run and the time frame in which buyers take delivery).¹⁰⁹ And even if the unlikely happens, and the F-35 ultimately wins the competition, one has to wonder how the company will respond after it has received so much negative press, and after its aircraft has been repeatedly criticized by the Prime Minister.

But it is Boeing that may have fared the worst of any player in this drama, as it lost the interim purchase of F-18 Super Hornets, is likely to be essentially excluded in the larger replacement contract, and has had its reputation repeatedly attacked by the Canadian government, all because it chose to begin an ill-advised trade complaint against a rival Canadian plane maker. Amazingly, it is now looking at the possibility of being largely excluded from *all* future Canadian defence procurement projects, a

¹⁰⁸ Lt.-Col. Paul W. Fredenburg has concluded that “the likely [competitors] to the F-35 are more expensive [and] less capable,” while Richard Shimooka has written that “no significant acquisition savings can be found by selecting another aircraft [to the F-35].” For the former, see “The F-35 Fighter: A Logical CF Replacement,” while for the latter see “The F-35 is Still our Best Bet,” *The National Post*, 24 September 2015. That said, comparing fighter aircraft costs is difficult, as each manufacturer offers differing incentives, buyers are offered different pricing depending on where in the production run their order was placed, and the industrial off-sets vary widely.

¹⁰⁹ Even with production now underway, trying to determine the unit fly-away cost for the F-35 remains difficult. In 2017, the price fell below \$100 million, and it is expected to drop to about \$80 million by 2020. While this figure is dramatically lower than the \$175 million estimate from 2010, it remains the subject of considerable uncertainty. For a recent discussion, see “Air Force’s Lower Buy Rate Drives \$27.5B Spike in F-35 Acquisition Costs,” *Defense News*, 11 July 2017.

prospect that would have been unthinkable one year ago. While the company must accept its share of responsibility for this turn of affairs (as its trade complaint against Bombardier always seemed unreasonable and unlikely to succeed), that does not change the fact that it has become embroiled in a very public dispute with a foreign government and has seen its reputation damaged. At a time when Boeing's profits and stock price are soaring (the company's shares have tripled since 2014), its role in the Canadian fighter jet replacement program threatens to diminish its corporate accomplishments and raise doubts about its outlook going forward. In short, there are no winners in this affair.

Part 5: Conclusions

The CF-18 saga is remarkably similar to one from almost 30 years ago, one whose effects are still being felt today. While there is no need to review the full series of decisions that resulted in the never-ending attempt to replace the Sea King helicopter fleet, the key events can be briefly noted -- events that highlight how a politically motivated election promise can have enormous military and financial consequences, and complicate defence planning for years, if not decades.¹¹⁰

During the 1993 election campaign, Liberal leader Jean Chretien made a promise much like the one that candidate Trudeau made two decades later; ie, that if his party was to form the next government, it would cancel a defence purchase negotiated by the out-going one, in this case a contract to buy 50 EH-101 helicopters to replace the Sea Kings. Dismissively calling them "Cadillacs" -- thereby suggesting that they were both needlessly expensive and exorbitantly equipped -- Mr. Chretien said that the existing helicopters (all at least 30 years old at the time) remained serviceable and thus no replacement was required. Sure enough, after winning the election, the first order of business for the new government was to cancel the contract, a decision that ultimately

¹¹⁰ Military historian Aaron Plamondon has called the Sea King replacement "the most poorly executed military procurement ever undertaken -- anywhere." As cited in "Andrew Coyne: Canada's Glorious Bipartisan Tradition of Messing up Military Procurement," *The National Post*, 17 November 2014. Plamondon has written a book that examines the history of the Sea Kings and the long effort to replace them. See *The Politics of Procurement: Military Acquisition in Canada and the Sea King Helicopter*, (Vancouver: UBC Press, 2010).

cost Ottawa nearly \$500 million dollars in cancellation fees. Incredibly, Canada is still flying the Sea Kings (albeit in 2018 only on the West Coast!), although a replacement, the Cyclone, has finally begun deliveries.¹¹¹

Fast forward two decades, and a similar scenario is unfolding. Once again, a Conservative government committed to an expensive procurement program, but the Liberal opposition, sensing a political opportunity, made a promise to cancel the purchase if elected. While admittedly the two cases have some key differences – most importantly, in the current case no contract was ever signed and the Conservatives had backed away from the purchase long before the election – they both reveal how domestic political considerations can play havoc with defence planning and procurement. And once again, there is the spectre of a major defence manufacturer -- in this case Lockheed Martin and/or Boeing, while in 1994 it was Augusta/Westland – suing the federal government for damages. Hopefully, the current controversy will not end as badly as the helicopter fiasco has (recognizing, of course, that the project is *still* not yet complete), although the present signs are hardly reassuring.¹¹²

As for the difficulties with defence procurement that the two cases reveal, suffice to note that this is a problem that has plagued Canadian governments for decades, and thus it would be unfair to single out the Trudeau administration for criticism (despite its almost incomprehensible behaviour with regards to the CF-18 replacement program). Simply put, defence procurement is a national embarrassment, and the fact that the problem has persisted for as long as it has suggests either bureaucratic incompetence on a grand scale, or more likely, a lack of seriousness that strongly suggests that defence is simply not a national priority, and thus a system which seems

¹¹¹ The Liberal government of Paul Martin signed a contract with Sikorsky Aircraft in 2004 for 28 Cyclone helicopters at a cost of \$5.7 billion. After years of missed deadlines, in 2014 the Harper government renegotiated the contract, and set a new target of 2018 for the Cyclones to enter service. In 2016, however, DND conceded that the fleet will not reach full operational capability until 2025. In January 2018, Sea Kings operating on the East Coast were officially retired, but the West Coast helicopters are scheduled to remain in service until the end of 2018. See “Military’s Much-Delayed New Cyclone Helicopters Return to Limited Service,” *CBC News*, 14 June 2017, and “Venerable Sea Kings Bid Farewell to Nova Scotia in Retirement Flight,” *CBC News*, 20 January 2018.

¹¹² For a discussion, see “Matt Gurney: Liberals ‘Interim’ Super Hornets Procurement Plan Risks Becoming the EH-101s, All Over Again,” *The National Post*, 7 June 2016.

incapable of providing the military with new equipment in a timely manner (or frequently any manner at all) is somehow acceptable. There is just no reasonable explanation why it should take 30 years to replace a helicopter fleet, or why it is anyone's guess when the fighter jet fleet will be replaced.

But an additional point must be made. The problems in procurement *cannot* be separated from the fact that Canada simply does not spend enough money on defence.¹¹³ While, to be sure, the problems go much deeper than just dollars and cents, it is also true that the lack of resources has had significant detrimental effects. Thus, for example, time lines for projects can last a decade or more, projects frequently have to be put on hold until the necessary capital budget is available, and DND frequently requests equipment that is intended to perform multiple roles (which often results in even further delays), as it knows that it is unlikely to receive funding to pursue each of these capabilities separately.¹¹⁴ In effect, the lack of funding forces the department to balance multiple priorities, and the result is often uncertainty, confusion, and delay. So there is a clear connection between low defence spending and this country's procurement problems.

Taking a broader view, it should be noted that defence planning has never been easy in Canada, where military spending in the post-war period has frequently been

¹¹³ This point remains the single inescapable fact of Canadian defence. While the CAF has managed, with considerable skill and some degree of good fortune, to field and maintain relatively advanced military forces in the post-war period, the combination of the fighter jet replacement program and new navy frigates will pose an enormous – and possibly insurmountable -- fiscal challenge, not to mention the dozens of other projects on the horizon. As defence scholar James Fergusson concluded in 2017, "Canada will face no choice but to spend more on defence, unless the government is willing to cede most of Canadian defence to the US." See "Canada Must Spend More on Defence or Cede Responsibility to the US: James Fergusson for Inside Policy," *Inside Policy*, 29 March 2017, (Macdonald-Laurier Institute), (www.macdonaldlaurier.ca).

¹¹⁴ Perhaps the best example is the Joint Support Ship (JSS) project. When first announced in 2004, the ships were envisaged as hybrids, capable of performing the replenishment role of an auxiliary vessel, but also offering significant sealift capability, support to forces ashore, a field hospital, and command facilities for a CAF joint force. When several manufacturers insisted that the concept could not be met at the projected cost (3 ships for \$2.9 billion), the program was cancelled. It was later re-conceptualized and re-born, and ultimately resulted in a 2013 contract with Seaspan Marine Corporation to build much less complex ships. Even so, the program is well behind schedule with the first ship not expected until 2022. See Henning Jacobsen, "The RCN's Joint Support Ship Disaster," *Vanguard*, 12 August 2015, (www.vanguardcanada.com).

viewed as somewhat discretionary, and thus relatively easy to cut. As a result, since 1960, spending measured as a percentage of GDP has either stagnated (ie., from 1960 to 1968), declined gradually (ie., from 1969 to 1978), or declined more rapidly (ie., from 1994 to 2000), the only significant exceptions being Pierre Trudeau's third term in office (1975-1980) and Stephen Harper's first two (2006 to 2011), and even here the increases were small, along the order of a few tenths of a per cent. This steady decrease, in spite of the fact that there have been no substantial changes regarding Canada's military commitments, has resulted in the gradual weakening of this country's defence capabilities.¹¹⁵ Further, the defence community in Canada is small, and thus the voices that attract attention in many states when defence interests come under threat are largely lacking. Consequently, cutting defence can be politically popular, especially in those parts of the country that veer left (Quebec being the best example).¹¹⁶

The net result is that defence spending is often seen by governments as, at best, helpful -- particularly in so far as it supports Canadian peacekeeping missions -- and at worst, a necessary (but largely regrettable) expenditure that diverts funds from more important domestic priorities. And in spite of occasional rhetoric to the contrary, most Canadian governments have tended to adopt the latter view, secure in the knowledge that if the country was to face a significant security threat, the US would undoubtedly come to our assistance.¹¹⁷ Viewed in this light, we can see that the approach of the Trudeau government toward defence has been broadly consistent with most of its predecessors.

In sum, the new Liberal government is trying to navigate its own defence path, and while it is still a little early to tell precisely which direction it will take, some things

¹¹⁵ The literature on Canadian defence spending, and the decline of the country's military in the post-war period, is large and varied. See, for example, J.L. Granatstein, *Who Killed the Canadian Military?*, (Toronto: Harper Collins, 2003); Douglas L. Bland, "A Sow's Ear from a Silk Purse: Abandoning Canada's Military Capabilities," *International Journal* 54, no. 1, (Winter 1998-99); and Andrew Richter, "Forty Years of Neglect, Indifference, and Apathy: The Relentless Decline of Canada's Armed Forces," in Patrick James and Mark O'Reilly (eds.), *Handbook of Canadian Foreign Policy*, (Lexington: Lexington Press, 2005).

¹¹⁶ The argument that Canadian governments can cut defence spending because the Canadian public simply does not care enough about the issue, or is generally supportive of minimal defence spending, was most clearly articulated by historian J.L. Granatstein in his book *Who Killed the Canadian Military?*

¹¹⁷ As Craig Stone and Binyam Solomon concluded in 2005, "defence funding in Canada is always based on what the government believes it can afford, and not what a government defence policy might imply." See "Canadian Defence Policy and Spending," *Defence and Peace Economics* 16, no. 3 (June 2005): p. 150.

seem clear. On spending, the budget will likely remain relatively flat in the near to medium term (including in a possible second term), although there is a possibility that it could be cut dramatically if international attention were to focus – as happened unexpectedly in 1994-95 – on Canada’s growing federal deficit and declining public finances.¹¹⁸ While the White Paper certainly said the right things about spending and indicated that the government believes that core capabilities need to be replaced, the time frame is long and there are plenty of reasons to doubt the dollars will ever materialize. And with regard to the CF-18 replacement, suffice to say that the government’s actions have not exactly inspired much confidence. Amazingly, the Liberals seem determined to botch the purchase even more than the Conservatives did, a prospect that would have been dismissed as virtually impossible when they initially took office. As Richard Shimooka has concluded, the government’s actions on this file have caused “serious damage to the military and Canada’s reputation abroad.”¹¹⁹ A harsh assessment to be sure, but one which reflects the anger and frustration that many in the defence community feel toward this government on this file.

Thus, there is not much ground for optimism with regards to the Liberal government’s defence policy -- at least for those who wish to see Canada play a strong and independent role in global affairs, one dependent on fielding advanced military forces. Defence is clearly not a priority of Mr. Trudeau, and furthermore, there are few indications that he even values the military, unlike Mr. Harper, who frequently spoke of the important role it plays in Canadian society, and the valour of its soldiers. Indeed, in many ways, the new Liberal government’s thinking seems to correspond closely with several of its predecessors, in particular the governments’ of Mr. Trudeau’s father and Mr. Chretien, in that it is treating defence as a purely secondary concern. The challenge for this government will be to avoid the lengthy defence budget freeze of the former (which was essentially a reduction given the high inflation of the day) and the enormous cuts of the latter, decisions that were made because of declining finances and

¹¹⁸ Despite the Liberal promise during the election campaign to run small deficits in office (and to return the country to a balanced budget by the end of their term), the deficit was \$29.4 billion in 2016, \$28.5 billion in 2017, and is projected to be \$18.1 billion in 2018. In January 2017, a Finance Department report revealed projected budget deficits every year until 2051. See “Decades of Deficits could be Ahead for Canada, Federal Analysis Warns,” *CBC News*, 5 January 2017.

¹¹⁹ See Shimooka, “Amateur Hour: The Interim Super Hornet Saga and the Perils of Prioritizing Politics over Defence.”

an electorate that had different priorities. Of course, this is a different time, and fortunately Canada's public finances are in better shape today than they were two and four decades ago, and moreover, there are reasons to believe that today's military has more public support.¹²⁰ All that said, however, governments are ultimately judged by their actions, and so far, the defence signs for this one are not especially positive. As a result, the most likely scenario going forward is that a combination of inadequate finances, procurement challenges, and shaky political support will continue to weaken the CAF, a force that can ill afford any further setbacks and has watched its capabilities erode steadily for decades.

¹²⁰ DND conducts frequent surveys that examine public attitudes toward the CAF. In the 2014 report, 89 per cent of respondents said they had a positive impression of the military, while 60 per cent said they had a strongly positive impression. Moreover, 83 per cent said they viewed the military as a source of national pride, while 80 per cent believe it performs an essential role. See Martin Shadwick, "Public Opinion and Defence," *Canadian Military Journal* 15, no. 3 (Summer 2015).