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DISARMING ARCTIC SECURITY

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Fighter Aircraft (3): Industrial Strategy as Defence Policy

When in 1997 Canada first joined the US-led Joint Strike Fighter program, critics, including this one, feared that what was then a strictly industrial participation program would in time be promoted as a de facto decision to buy whatever aircraft emerged from that venture – namely, the F-35. Of course, all assurances at the time were to the contrary, but by 2010 a decade-old industrial strategy had indeed become defence policy.

Canada's connection to what became the F-35 began in 1997 when the Government of the day signed onto the US-led Joint Strike Fighter (JSF) program as an aerospace industry initiative. At the time, Canada contributed (US) $10 million for the Department of National Defence to participate in the Concept Demonstration phase and to become an "informal partner." During this phase the two US bidders, Boeing and Lockheed Martin, developed and completed prototype aircraft. That process led to the selection of Lockheed Martin as the JSF manufacturer in 2001. In 2002, Canada joined the System Development and Demonstration phase with an investment of (US)$100 million, with an additional (US)$50 million contributed through federal Canadian technology investment programs. This phase runs through 2015. In 2003, the United States invited the current partners to participate in the Production, Sustainment and Follow-on Development phase of the program, and in December 2007, Canada signed the JSF Production, Sustainment and Follow-on Development Memorandum of Understanding. DND projects the cost to Canada for this phase to be about (US) $551 million from 2007 to 2051.[1] To date Canada has paid out $344.4 ($288.7 US) on the Joint Strike Fighter Program plus another US $55 million to companies in Canada through the Industry Canada Strategic Aerospace and Defence Initiative.[2]

But those expenditures have all been as part of an industrial development effort, not as a military procurement program. By mid-2014, Canadian companies had received contracts valued at $637 million and the Fall 2014 update from Industry Canada indicated that Canadian companies would have opportunities to bid on more than (US) $10 billion in F-35 production and sustainment work.[3] The report says, "if the Government of Canada decides to acquire the F-35 JSF through the F-35 JSF partnership, companies in Canada will be able to sustain currently contracted work and continue to have access to compete for additional production, sustainment and follow-on development work over the next several decades." The implication is that such access would be denied if Canada were not to buy the F-35, but all Canadian participation to date has been independent of whether or not Canada buys the F-35, and the Government has never indicated that buying the F-35 is a formal condition of continuing industrial participation (just as Canadian companies bid on and win contracts related to a wide range of US weapons systems that Canada never plans to buy). The US prime contractors have a stake in Canada buying the F-35, but contracting with particular Canadian companies for particular production elements is based on price, quality, and timely fulfillment of contracts, not on Canadian procurement decisions.

The insistence in 1997 by the Government of the day that joining the JSF did not include a commitment by Canada to buy the end product was in fact the only credible position available. How could any responsible Government make a procurement commitment at the beginning of a lengthy research and development process in which there could be absolutely no guarantee that the process would in the end produce an aircraft that would 20 years later meet Canada's particular air defence and surveillance needs? Yet, when in 2010 Prime Minister Harper committed to the F-35, he argued that following up the 1997 industrial commitment with a defence policy commitment in 2010 was the only logical course of action. So, just as feared, an aerospace industry initiative did become defence policy. Alan Williams, the former senior defence procurement official who in 2002 signed the contract for Canada's (US)$150 million contribution to the next phase of the JSF program, the System Development and Demonstration phase, argued that far from a JSF procurement commitment being the only logical course of action available, an open competition was needed. He confirmed that "at no time did we commit to buying these aircraft. We entered the program with one main purpose; namely, to provide Canadian companies with an opportunity to compete for contracts in this multi-billion-dollar venture."[4]

But the Prime Minister attacked the messenger: "In terms of the individual that you're talking about," Mr. Harper said of Mr. Williams, "his advice was very different at the time that he was actually paid to give it."[5] In fact, Mr. Williams' consistent position is on record. In 2001 he appeared before the House of Commons Defence Committee with the then Defence Minister, Art Eggleton, to say: "We have not made any decision about the future aircraft we'll use, and were we to participate [in the System Development and Demonstration phase], it would be with the objective of getting valuable access to wide-ranging studies that otherwise we would not be party to, and also allowing our industry to participate."

Mr. Williams repeated the point in 2003 when he again testified at the Defence Committee: "The primary benefits for Canada of participating in JSF include providing Canadian industry with access to the largest U.S. defence program in the history of the Department of Defense, providing DND with access to the full range of technical data flowing from the JSF program, reducing the purchase price of the JSF should Canada elect to buy this aircraft, and finally, providing the Government of Canada with royalties from the sale of the joint strike fighter aircraft to non-partner nations." He didn't say Canada was therefore committed to buying the JSF; instead he made it clear that no decision on purchase had been made.[6]

So, the decision to join the JSF was really driven by two considerations – access to the US military aircraft development and production market for Canadian industry, and access to US research and development findings that would keep Canadian defence planners abreast of emerging aircraft technologies in anticipation of replacing the F-18, Canada's current jet fighter.

In 2010 then Defence Minister, Peter MacKay, reinforced the understanding that Canada was under no commitment or obligation to buy the F-35. On May 27 he was asked for clarification by the NDP Defence Critic, Jack Harris, during a session of the Standing Committee on Defence: "Mr. Chair, did I take the minister's earlier comments in my last round of questions to mean that the government has already decided to purchase planes from the joint strike group fighter program?" And Mr. MacKay replied:

"Mr. Chair, the hon. member is mistaken. None whatsoever….The joint strike fighter is one of the two aircraft, and there may be others. But I think those are the two main contenders that we are looking at."[7] In other words, the Minister of Defence insisted even then that alternatives to the F-35 were under active consideration.

But the Government then committed to the F-35 and Prime Minister Harper told an industry audience in Winnipeg that because the Canadian Government had already paid $150 million into the Joint Strike Fighter program, to help Canadian firms get development contracts for it, it would make no sense to consider any other aircraft: "Why would you now consider buying anything else."[8] In other words, the Prime Minister was then insisting that an industrial participation decision in 1997 – which was not about buying an aircraft for the Canadian Forces but was about buying access for Canadian industry to a forthcoming US procurement program – would determine a key procurement decision 13 years later. An industrial commitment made in 1997, a decade and a half before anyone had any idea what kind of aircraft would come out of the process, was to be taken as an unshakable commitment to accept whatever that R and D process produced – a multinational process over which Canada, as a junior among junior partners, had no real influence.

So, the industrial strategy decision in 1997 was taken in 2010 to have been a firm defence policy decision as well. And that is exactly what the US intended by bringing in JSF partners. As a June 2014 *Defence Industry Daily* report explained it, the Pentagon structured the F-35 program to include international partners that included extensive subcontracting in particular countries – the point being "to create constituencies that would lobby for the F-35 selection and production." And, says the report, it's worked. "It isn't a coincidence that these industrial benefits have been the main defence used by Canadian governments whenever the F-35 purchase has been questioned, even though any other winner would also have to commit to a similar sort of arrangement."[9] And they might have added, any procurement, from icebreakers to search and rescue and reconnaissance aircraft would similarly yield industrial benefits.

But the 2010 decision didn't stick. In 2012 the Government announced that the question of which fighter to buy was still open. There followed the 2014 report of the Independent Panel Assessment of alternatives to the F-35. What we need now is an independent panel report, not on alternative fighter aircraft, but on alternatives to fighter aircraft for meeting Canadian air defence needs.

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[1] DND, "Canada's Next Generation Fighter Capability: The Joint Strike Fighter F-35 Lightening II." http://news.gc.ca/web/article-eng.do?m=/index&nid=548059.

"Government of Canada Invests in R&D Technology for Joint Strike Fighter Program, 2 September 2008." Government of Canada News Centre. http://news.gc.ca/web/article-eng.do;jsessionid=ac1b105330d514fd77ad446b41fd90d7edcb1f04e3ec.e38RbhaLb3qNe38TaxuMa3qOay0?crtr.sj1D=&mthd=advSrch&crtr.mnthndVl=7&nid=417259&crtr.dpt1D=&crtr.tp1D=&crtr.lc1D=&crtr.yrStrtVl=2002&crtr.kw=joint%2Bstrike%2Bfighter&crtr.dyStrtVl=1&crtr.aud1D=&crtr.mnthStrtVl=1&crtr.yrndVl=2010&crtr.dyndVl=23

For a broader view of the JSF and F-35 program, including costs, see: Kenneth Epps, "Why Joint Strike Fighter aircraft? Program costs rise and benefits carry risks," Ploughshares Briefing 10/3, August 2010. http://www.ploughshares.ca/libraries/Briefings/brf103.pdf.

[2] National Fighter Procurement Secretariat, Frequently Asked Questions. http://www.tpsgc-pwgsc.gc.ca

[3] "Canadian Industrial Participation in the F-35 Joint Strike Fighter Program," Industry Canada, Fall 2014. http://www.ic.gc.ca/eic/site/ad-ad.nsf/eng/ad03972.html

[4] Alan Williams, "Open Competition Needed For Canada's New Fighter Aircraft Procurement Says Former Senior Procurement Official," in David Pugliese's Defence Watch. July 27, 2010. http://communities.canada.com/ottawacitizen/blogs/defencewatch/archive/2010/07/27/open-competition-needed-for-canada-s-new-fighter-aircraft-procurement-says-former-senior-procurement-official.aspx.

[5] "F-35 fighter strategy tug-of-war," Politics and the Nation, Vancouver Sun Blog (7 October 2010). http://communities.canada.com/vancouversun/blogs/politics/archive/2010/10/07/f-35-fighter-strategy-tug-of-war.aspx

[6] "F-35 fighter strategy tug-of-war," Politics and the Nation, Vancouver Sun Blog (7 October 2010). http://communities.canada.com/vancouversun/blogs/politics/archive/2010/10/07/f-35-fighter-strategy-tug-of-war.aspx

[7] May 27, 2010. http://www2.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=40&Ses=3&DocId=4559699#Int-3187519.

[8] Paul Turenne, "PM defends F-35 purchase," Winnipeg Sun, 7 October 2010. http://www.winnipegsun.com/news/canada/2010/10/07/15623516.html#/news/winnipeg/2010/10/07/pf-15620691.html.

[9] "Canada Preparing to Replace its CF-18 Hornet, *Defence Industry Daily*, 05 June 2014. http://www.defenseindustrydaily.com