



A Decision Today in Defense of Tomorrow:

Canada's Jetfighter Procurement Strategy



Key Issues & Objectives

Issue 1

Canada needs a new fighter jet to replace its aging fleet of CF-18s.

Issue 2

The defense procurement process lacks transparency.

Issue 3

The sole-sourcing of the F-35 fighter jet has received negative media and popular attention.

Objectives

- Respond to military operational needs
 - Ensure value for Canadians
 - Fulfill international obligations
- Create an open, transparent and monitored process

Background & Commitments

- Canada's commitments to NORAD and NATO
- Canada's defense budget in 2016 was CAD \$20.3 billion
 - *Total funding available for large-scale projects : CAD\$ 84.3 billion over 30 years (2044-2045)*
- Existing financial commitments as of 2016:
 - *18 F-18 Super Hornets - CAD \$5-7 billion (for lifetime of aircraft)*
 - *Tier 3 Partner of the Joint Strike Fighter (JSF) Program - CAD \$33 million in 2016 (\$335 million to date)*
- Work with the Minister of Public Services and Procurement to launch an open competition.
- Transparency in this proposal refers to a fair procurement process (open to public scrutiny).
 - *Governmental oversight agencies and the offices of the Auditor General will ensure this.*

Available Options

Option 1 : Remain in the JSF and purchase 47 F-35 jet fighters (in addition to the 18 Super Hornets we intend to purchase), without an evidence-based evaluation process.

- JSF Program costs: **CAD \$33 million** (2017) +
- (18) F-18 Superhornets: **CAD \$5-7 billion** (CAD \$115-123 million per plane + in service support contract + training simulators)
- (47) F-35: **CAD \$5.2 billion** (CAD \$111 million/plane, projected 2019 price) +
- Unknown costs: Equipment / Maintenance/ Training
 - Total of approx. known costs **CAD \$10.23 billion - \$12.23 billion**

Option 2 : Withdraw from the JSF and purchase 47 more Boeing F/A-18 Super Hornets.

- (18) F-18 Superhornets: **CAD \$5-7 billion**
- (47) F-18 Superhornets: **CAD \$ 3.9 billion** (CAD \$85 million/plane)
- Unknown costs: Equipment / Maintenance / Training
 - Total of approx. known costs **CAD \$8.9 - \$10.9 billion**

Recommended Option

Option 3 : Remain in the JSF and pursue a *transparent* bidding process by evaluating all five bidding options.

- Ensure transparency at every level through a “whole of government” approach to procurement
- Conduct comprehensive stakeholder consultations
- Provide a clear breakdown of current and expected costs and release periodic statements
- Create a comprehensive communications strategy that effectively addresses all stakeholders
- Model for future procurement deals
- Costs
 - JSF Program costs: **CAD \$33 million** in 2016 and USD 761 million to 2051
 - 18 Super Hornets: **CAD \$5-7 billion**
 - Total Known Costs: **CAD \$5.0-7.0 billion in addition to (761 million to 2051)**

Rationale I

- *Joint Statement from President Trump and Prime Minister Trudeau, Welcome CF-18 Replacement Process (Feb 13)*
 - *Report of the Auditor General of Canada to the House of Commons (Spring 2012)*
 - Significant weaknesses in the decision-making process used by National Defence in acquiring the F-35 to replace the CF-18.
 - PWGSC did not fully carry out its role as the government's procurement authority.
 - National Defence did not provide complete information in a timely manner.
 - National Defence likely underestimated the full life-cycle costs of the F-35.
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Rationale II

- Canada's 20+ years of participation in the JSF program provides Canadian companies and suppliers with an economic advantage
 - 144 contracts for Canadian companies, universities and government facilities
 - USD \$750 million in contracts
 - Access to billions of USD\$ in future contracts
 - No commitment for a single option before bidding process ends
 - Mixed Fleet Possibility
 - Positions Canada as a key coalition partner
 - Allows for adaptation should circumstances change
 - Operational flexibility
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Implementation Plan

Step 1: Appoint oversight bodies to verify the process and make sure that each bid is evaluated fairly and according to the same criteria.

Step 2: Defence Procurement Committee creates task forces that will focus on evaluating specific strategic aspects.

Task Force A

Chaired by Ministry of Defense

Includes military leaders and defense experts/personnel;
Considers operational and strategic needs

Task Force B

Chaired by PSPC

Includes National Fighter Procurement Secretariat and private sector;
Considers value, economic impact, future potential

Task Force C

Chaired by Global Affairs

Includes trade representatives, US counterparts; considers US-Canada relations and trade, NATO and NORAD

Step 3: Once decision is reached, present to Defence Procurement Committee and Parliament.

Timeline

Phase I

2017-2018: Finish receiving requests for binding information and stakeholder consultations. Close the bidding process.

2018: Oversight Committee appoints the Task Forces that will evaluate each facet of the bid (experts appointed from across the government), verified by external agency.

Phase II

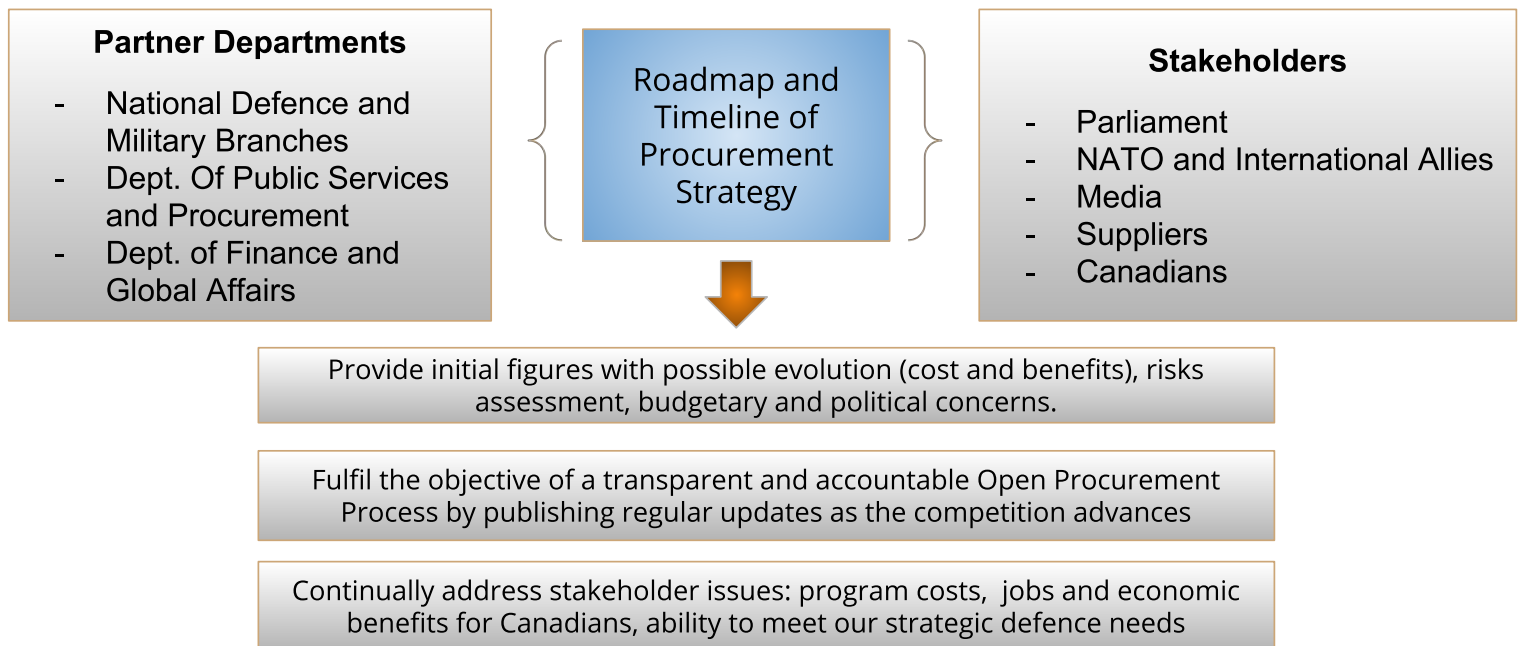
2018-2019: Task Forces tabulate their findings and present results to the Committee and the House. Have external and governmental agencies monitor the evaluation process to ensure fairness.

Phase III

2019: Winning bid announced and first orders are placed.

2020-2025: More orders are placed and planes will be in the air

Communications Strategy



Appendix



Super Hornet Costs: <http://www.cbc.ca/news/politics/fighter-jet-purchase-super-hornets-1.3956306>

F-35 Costs: <https://www.f35.com/about/fast-facts/cost>

JSF Program Costs:

<http://www.theglobeandmail.com/news/politics/canada-to-stay-in-program-of-f-35-jet-buyers-despite-pledge-to-withdraw/article28897002/>

Canada Participation to the F-35 Program:

<https://www.f35.com/global/participation/canada>