

## **Implementing a Canadian Defence Strategy LGen (Ret'd) George Macdonald**

Since the release of the Liberal Defence Policy Statement in April 2005, there have been high expectations of aggressive implementation of new defence capabilities. Promises by the Conservatives during the last election campaign, and subsequently as the Government, have fuelled this anticipation. The announcements made in June 2006, constituting some \$17 billion in defence spending, represents a huge investment in equipment and support activity over a long period. Since then, a contract for C17 strategic lift aircraft has been signed and one for C130J tactical transports is expected to be concluded this Fall. In other areas, the Joint Support Ship has been progressing with the two down-selected consortia developing their competitive proposals for acquisition. Work continues on a large purchase of medium-sized trucks for the army and a Chinook medium/heavy lift helicopter fleet. More recent announcements have confirmed the Government's commitment to upgrade and sustain the navy's twelve frigates and to acquire new ice-capable ships to project sovereignty in Canada's North.

However, while progress is being made on a number of fronts, the Government still lacks an approved defence policy statement. The so-called "Canada First Defence Strategy" referred to in budget information and other documentation related to new Canadian Forces capabilities is very general and can only be the genesis of a more complete strategy. Specific capability elements continue to be espoused by the Government but there is no existing defence program foundation upon which procurements can be based and then accounted for during implementation.

## So What Is Really Needed?

The criteria for making decisions on what should be in the plan or not, and what priority each capability should enjoy, is dependent on the Government's defence policy. A clear statement of the priorities is critical to the ability of Defence to execute the Government's will in allocating resources. The lack of such a policy statement, as is now the case, forces military planners to apply whatever guidance is available. In this case, they have a policy statement from the previous Government, much of which is assumed to be consistent with the views of the current office holders. There are also favoured projects which have been made known through announcements and specific approvals. While somewhat helpful, this guidance is insufficient foundation to execute defence procurement decisions.

Ultimately procurement is about what we buy, in response to a capability<sup>1</sup> deficiency and related requirement, and how we buy it, which relates to the process. Capability-based planning involves the definition of what the CF needs, and ultimately in what priority, to meet the CF mandate, missions and roles in support of government defence policy. This policy is derived, in turn, from a formal assessment of the overall security situation, our national interests, and the degree to which we are willing to commit resources to defence and security. Any statement of the requirement needs to emanate from a coherent, top-down direction from Government.

The objective is to ensure that the military is able to fully support the applicability of CF capabilities to a current or future mission, and that these capabilities are all consistent with the Government's defence policy. Within DND, the establishment

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<sup>1</sup> It should be clearly understood about what it meant by a capability. Too often the assumption is made that the purchase and delivery of capital equipment constitutes a new capability, when in fact it is usually only the first step, and often not even the most expensive portion. To provide a complete, balanced capability, personnel must be available and they need to be properly trained and supervised. Operating concepts need to be put in place and access to robust command and control must be assured. Infrastructure – both buildings and information technology – must be accounted for. Also, it is critical to ensure that the necessary support services for spares, maintenance, repair and overhaul are provided for the long term. In short, capabilities must be complete to be useful.

and prioritization of capabilities is a collective responsibility, and part of a process that makes a link between government policy and spending. In the end, if an expenditure does not contribute to a capability which is essential to an identified role, it cannot be supported.

The Defence budget has traditionally been established at what the Government considers to be an affordable level to meet the mandated missions of the Canadian Forces. If there is an unmanageable gap between the supply of resources and the demand for capability, the Minister of National Defence can appeal to the Prime Minister and Cabinet for some rationalization of the supply and demand balance. This may result in an increase in the budget, temporarily or permanently, and/or a reduction in the capabilities to be maintained.

Whatever the balance, it is incumbent on the Minister, supported by the Chief of the Defence Staff and the Deputy Minister, to ensure that the resources available are allocated as effectively and efficiently to the capabilities needed. There is no room for ad hocery in this process. The fulfillment of capabilities must be prioritized and projected so the capital and sustainment expenditures can be phased and folded together within the budget limitations. There is no tolerance whatsoever to exceed the budget but, at the same time, every effort must be made to use it as effectively as possible. This takes planning, not only throughout each budget year, but for the longer term.

### Procurement Planning Issues

Military procurement is complex. Some equipment simply cannot be acquired in a short time, however urgent. Ships generally take many years and aircraft projects often take on the order of 36 months for an initial capability. The recent C17 purchase is extraordinary, with the first aircraft delivery little more than a year after the announcement was made. Delays due to process and technical issues are common. The preparation and approval of the documentation to get

to contract can be a multi-year process in itself. Complex integration work can often precipitate a relatively high risk to schedule and cost. Some equipment needs must be fulfilled as soon as possible while others may wait. In many cases, a decision may have to be made on life extension options as opposed to a new purchase.

The scope of complexity begs for the formulation of a comprehensive investment plan. Available funding should be parcelled out for a reasonable period – 12 to 15 years for defence – to discipline the sequence of equipment acquisition. This effort is an exercise in compromise. It forces the delay of some projects, elongation of the cash phasing in some cases, and the outright cancellation in others. A sensible plan will include some risk through overprogramming. That is, more spending will be planned than is actually affordable, accepting that there will be slippage, changes in scope, and cancellations. This is fairly easily managed in the first two or three years, but becomes more of an art than a science beyond the five-year period.

To appreciate the challenges, it must be realized that the formulation of an investment plan amounts to a never-ending exercise of juggling allocations and deciding which priorities were the most compelling. In all areas, the demand has to be essential to receive funding – DND officials cannot seriously consider anything that isn't. As a result, resource demands for 'discretionary' items like infrastructure upgrades or replacement are often repeatedly deferred.

Requirements must, of course, reflect what is really needed. This sometimes directs the acquisition to a single supplier, as has been the case recently with the selection of the Chinook for the medium/heavy lift helicopter project. While competition is usually desirable, it is simply not achievable in cases such as these. Rather than compromise the requirement, the effort should be focused to ensure that the best value is realized for the expenditure made – an outcome which is very achievable through comparative pricing for other similar customers.

Overall, this constrained environment demands a strong strategic planning and requirements development process. One of the key aspects of this is to have a consistent, identifiable ‘top-down’ system where requirements are established based on corporately recognized priorities. It is important for DND to maintain a strict strategic integrity in identifying requirements. When approval to spend resources to meet a requirement is sought, DND must be able to demonstrate how such action will contribute to overall military capability, and to defend the proposed scope and priority of the proposal. This is vetted through a rigorous interdepartmental process to ensure thorough consideration. This confirms that a capability fits into the overall strategic plan appropriately and that value is being realized from the investment proposed. And, primordially, the plan must conform to the demands of government policy.

### The Way Forward

- The Government needs to confirm its defence policy formally by issuing a statement of defence objectives and their relative priority. While policy is often devoid of specific details, there are some areas where it would be useful to define the scope of capabilities, such as the ability to deploy x number of battalions/aircraft/ships in y days.
- DND needs to then develop a capability investment plan which allocates future resources appropriately to meet the Government’s defence objectives. Difficult choices must be made but, at the end of the day, the eventual affordability of all elements of each capability must be confirmed. Unmanageable shortages beg resolution by seeking additional resources or some relaxation of expectations.
- When this has been completed, the Government should be in a solid position to proactively approve the larger investments so as to ensure that

they can be acquired in the time frame envisaged and without unnecessary process.

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