

## Flying solo

Canada's involvement in developing the Joint Strike Fighter by no means compelled us to sole-source it -- to do so is unbelievably bad business

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In February 2002, I signed the memorandum of understanding with the United States committing the Canadian government to \$150 million in expenditures, and formally entering the System Development and Demonstration phase of the Joint Strike Fighter (JSF) program.

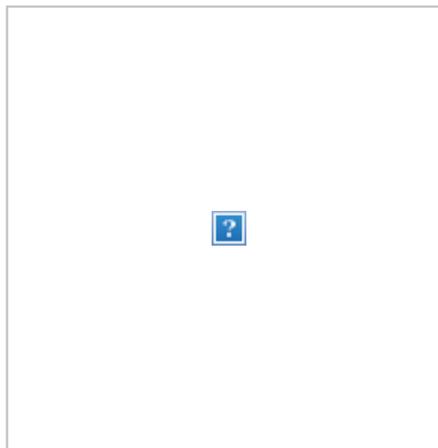
At no time did we commit to buying these aircraft. We entered the program with one main purpose; namely, to provide Canadian companies with an opportunity to compete for contracts in this multi-billion-dollar venture.

Nevertheless, ministers Peter MacKay and Rona Ambrose announced their intention to sole-source the acquisition of the F-35 Joint Strike Fighter (JSF). They put forward four reasons justifying their decision. Angus Watt, Canada's former chief of the air staff, in his op-ed in yesterday's Citizen ("The fighter debate") repeats some of these arguments. All are flawed.

First, ministers say that a competition was already conducted, so there is no need for another one.

The ministers are referring to the competition by the United States to determine which company would build the jet. In October 2001, the U.S. announced that Lockheed Martin won the contract over Boeing. This competition had absolutely nothing to do with the need for a competition to determine which jet aircraft in the marketplace can meet the Canadian military requirements at the lowest life-cycle costs. To try to con the public into equating one competition with the other is despicable and insults our intelligence.

Second, ministers say that the government is buying the JSF in order to provide



CREDIT: Stephen Jaffe, Reuters

Former U.S. defence secretary William Perry with a model of the Boeing entry in the Joint Strike Fighter program, in 1996. Lockheed Martin eventually won the competition to produce the F-35 Joint Strike Fighter, which the Canadian government plans to purchase. But there is no proof that it is the best jet for Canada, writes Alan Williams.

Canadian industry with the opportunity to compete for \$12 billion in contracts. Angus Watt makes the statement, "The benefits for Canadian industry associated with the F-35 are staggering."

The fact is these potential benefits pale in comparison with the guaranteed benefits that would accrue to Canadian industry through a competition. In a competition of this size all bidders would be required to provide an Industrial and Regional Benefit plan as part of their bid. This plan would require each bidder to provide a guarantee of benefits equal to or greater than the value of the contract. The total value of the acquisition and support costs would likely be in the \$20-\$30 billion dollar range. It is this value that would be guaranteed to Canadian industry through a competitive process. As a point of information, to date, Canadian industry has been hugely successful. For our \$150-million investment in the JSF program, our industry has garnered over \$400 million in business.

Third, ministers say that our friends have it, so we need it too. But to say that we can only fulfil our role in Norad with the JSF is absurd. The logical process we should follow is to first, develop the policy that outlines the future role for our military and the associated jet aircraft; and second, define the requirements for our jet aircraft that comply with the policy.

Fourth, ministers claim that this is the best aircraft available. When asked how he knows this, MacKay responded that it was on the basis of briefing notes provided to him from within the Department of National Defence.

Unfortunately, "in-house" analysis will reflect "in-house" bias. Lt.-Gen. Watt also says that "this is the right choice for Canada," "the alternatives have all been closely examined" and "there are no real competitors." These are his opinions, but are not facts. Other knowledgeable military experts have voiced other opinions.

The only way to know for certain which aircraft can best meet Canadian requirements and at what cost, is to put out an open, fair and transparent statement of requirements and request for proposal, and conduct a rigorous evaluation of the bidders' responses. The bid that meets the requirements of the Canadian military with the lowest life-cycle costs would be selected.

In speaking about a competition, Angus Watt makes the comments, "A public competition would result in a circus," and "a forced competition would take years, cost millions of dollars and generate intense lobbying that would contaminate the process."

In my view these statements are false and alarming. Within the departments of National Defence, Public Works and Government Services Canada and Industry Canada are experienced public servants capable of running a smooth competition, without influence from lobbyists. The benefits from any such competition would likely greatly exceed the incremental, out-of-pocket costs of running the competition.

Finally, there is ample time to run a competition before the current fleet of CF-18s needs to be replaced, notwithstanding Friday's crash.

Frankly, it is also shocking that we are considering buying an aircraft without knowing its full life-cycle costs. These costs can be two to three times the acquisition costs. Without this information, how do we even know the aircraft is

affordable? Only when these costs are known and inserted into a long-range capital plan can we ascertain the implications on other capital priorities and determine its affordability. This is unbelievably bad business.

In his Globe and Mail column "Social Studies," Michael Kesterton, quoting the Boston Globe, recently referenced studies conducted at the University of Michigan that found "that when misinformed people, particularly political partisans, were exposed to corrected facts in news stories, they rarely changed their minds. In fact, they often became even more strongly set in their beliefs. Facts, they found, were not curing misinformation. Like an underpowered antibiotic, facts could actually make misinformation even stronger."

In critiquing the government's decision, I am not so naïve as to expect them to reverse it. Nevertheless, it is important in our democracy to hold our officials accountable for their decisions.

I expect many Canadians, in hearing the government's announcement, would applaud the decision to acquire the best aircraft available. Unfortunately, the only way to know for certain is through a competitive process.

The sole-sourcing of the JSF has highlighted the basic perils connected with sole-sourcing in general. These include, increased costs, reduced opportunities for Canadian industry and uncertainty as to whether the best product has been acquired to meet the identified needs.

There is however one other large downside to sole-sourcing; namely, the increased potential for impropriety. Procurement demands not only the highest degree of integrity but also the appearance of the highest degree of integrity. Undertaking sole-source deals leaves the procurement process more vulnerable to fraud, bribery and payoffs, and leaves the federal government more susceptible to such charges.

An open, fair and transparent competition best ensures the integrity of the procurement process.

Alan Williams retired in 2005 after enjoying a 33-year career in the federal public service. The last 10 years of his career were spent in the business of defence procurement, five years as ADM Supply Operations Service in the Public Works department, followed by five years as ADM Materiel at National Defence. He is now president of The Williams Group, providing expertise in the areas of policy, programs and procurement. In 2006, Williams authored "Reinventing Canadian Defence Procurement: A View From the Inside." E-mail: williamsgroup@rogers.com.

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