Editorial

The Navy after the Canada First Defence Strategy

The Canada First Defence Strategy (CFDS) is officially dead. The CFDS was launched in 2008 with the goal of providing predictable, long-term funding for the Canadian military. It did not. The centrepiece of the document was a pledge to raise the automatic increase in defence funding (the defence escalator) from 1.5 to 2% annually beginning in 2011/2012. Building on significant budget infusions in 2005 and 2006, this pledge to provide long-term, real budgetary growth was supposed to lay the groundwork for 20 years of defence planning.

Unfortunately, CFDS was almost immediately thwarted by the 'Great Recession.' Less than 22 months into the 20-year CFDS spending plan, departmental operating budgets were frozen by federal budget 2010. As a result, the Department of National Defence (DND) has been forced to compensate its employees for negotiated wage increases by re-allocating funding internally away from other departmental spending plans.

This single budgetary measure effectively cancelled out the impact of the CFDS escalator increase for 2011/2012 and 2012/2013. On its own, this move would have rendered CFDS fiscally untenable. Unfortunately, federal budgets 2011 and 2012 have also mandated steep spending cuts over the next three years, slashing spending by a combined $2.1 billion, or 11% by 2014/2015. Although the official government rhetoric insists that defence spending will continue to rise over time because of the escalator, in reality, the defence budget will drop, sharply.

As a result, as of September 2012, DND is in the midst of revising the CFDS, to re-align defence policy with the new budget framework. At the same time, the Canadian Forces have launched another round of transformation. What all this means for the Royal Canadian Navy (RCN) is not entirely clear, but significant change is coming as the Canadian defence establishment adjusts to a much-reduced budget envelope.

A key challenge as defence policy is reset will be rebalancing the defence budget. CFDS made careful mention that it would provide "balanced investments across the four pillars upon which military capabilities are built – personnel, equipment, readiness and infrastructure."[1] The limited budget-cutting details divulged so far, however, suggest that the current spending reduction is anything but balanced. Budget 2012 explicitly states that regular force end strength will be preserved at current levels, and the capital equipment plan will be protected. And aside from amalgamating a few Area Support Units, no significant infrastructure closures have been announced.

Consequently, the bulk of the budget cut will fall on the readiness pillar. The implications of this for the RCN will likely include reduced training and fuel budgets and a smaller national procurement allotment for maintenance and spare parts. This means Canada's sailors will go to sea less and fewer vessels will be available to deploy on short notice.

The more worrisome development for the RCN is significant additional delay in the capital investment plan. Although budget 2012 states that the government remains committed to "purchasing new ships built in Canada through the National Shipbuilding Procurement Strategy," it announced that $3.5 billion in capital equipment funding would be re-profiled into the future.[2] This move appears to be part of an effort to re-align DND's investment plan to a more realistic and manageable timetable, since the spending plans outlined under CFDS were simply too ambitious. The department is attempting to move four to five times more major capital projects than it was in 2000 through an Assistant Deputy Minister Materiél organization whose staffing levels are virtually unchanged. Coupled with industry delays in delivering equipment on schedule and an inexperienced procurement workforce, this major increase in volume has been too much for a constrained procurement system to handle. As a result, $3.7 billion went unspent in the year intended and was subsequently re-profiled between 2004 and 2010.[3]

Credit: Sgt Norm McLean Canadian Forces Combat Camera

A CH-124 Sea King helicopter from HMCS ***St. John's*** *circles the ship as it sits in the waters o& Resolute Bay, Nunavut, during* ***Operation Nanook*** *2011, 22 August 2011.*

Canada's maritime forces are already seeing the results of such delay with both the Cyclone and Arctic/Offshore Patrol Ship (AOPS) projects. This project slippage is troublesome both for deferring the acquisition of needed equipment, and also because it erodes the purchasing power of the assigned project budgets. Defence-specific inflation in Canada averages 7%, while for naval ships it can reach as high as 11% annually. As a result, delays of only a few years can see massive erosions of project budgets resulting in the acquisition of less capable platforms, reduced quantities or both. The Joint Support Ship (JSS) project encapsulates this dilemma perfectly. The project has faced long delays, and the original plan to acquire three vessels with significant sea lift and joint capabilities was reduced to the acquisition of only two supply vessels due to the unavailability of funds. Any similar delay in the Canadian Surface Combatant project would be perilous as that project's notional budget of $26 billion may be roughly $14 billion short of what is needed to acquire 15 vessels of the desired capability.

At the same time that these measures are occurring, the CF has entered into a new phase of transformation, based on the work of Lieutenant-General (ret'd) Andrew Leslie. The key initiatives announced to date are the amalgamation of the force employment commands into a single Canadian Joint Operations Command (CJOC) and a reduction of up to 25% of the regular force staff in the National Capital Region headquarters. The goal of the move is to free up 3,500 personnel to devote to 'emerging' capabilities such as space and cyber. This will obviously place additional pressures on a NDHQ-based naval staff that is already wrestling with wholesale fleet re-capitalization.

Given these pressures, the navy deserves significant credit for being the first service to act on the recommendation of the Leslie Report to reform its force generation practices – announcing navy transformation the same day as the wider CF transformation effort was launched. The naval variant envisions a number of measures to reduce overhead and create staffing efficiencies, including the creation of submarine and new capability introduction directorates, consolidation of the naval schools and personnel management, and the establishment of a Readiness Management Authority and Maritime Component Commander. These efforts to maximize the efficiency of the RCN's internal processes should be applauded.

How all of these moves will come together under a new policy remains to be seen. The full range of capabilities outlined in the CFDS is unaffordable and new priorities continue to be identified. Perhaps the most interesting of these for the RCN is the need to acquire a "dedicated platform to support operations from the sea, including for humanitarian operations and disaster response scenarios."[4] Envisioning a strategic landscape dominated by operations in the contested littoral regions, senior naval officers contend that a purpose-built amphibious vessel could be the most heavily used asset in the CF's inventory. While this might be the case, how would such a platform be funded?

Artist's impression of the proposed Arctic Offshore Patrol Ship for the Canadian Navy.

Barring a decision by the navy to alter its own fleet renewal plans, or alternatively, a significant reduction in the CF's overall end strength, an amphibious vessel seems destined to remain a desirable but ultimately unaffordable dream. Indeed, without a significant infusion of both procurement and operating funds, the RCN as a whole is destined for a much different future than what was originally envisioned under the CFDS.

Unless the CF budget fortunes change, the navy's long-term plans will need to be adjusted significantly. There simply aren't enough defence dollars to go around.

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Notes

1. Government of Canada, Canada First Defence Strategy, Ottawa: Department of National Defence, 2008, p. 2.
2. Government of Canada, Economic Action Plan 2012, Ottawa: Department of Finance Canada, 2012.
3. Public Accounts of Canada, Ottawa: Minister of Public Works and Government Services Canada, 1979-2011.
4. Rear-Admiral Mark Norman, "Remarks to the Naval Association of Canada Conference," Ottawa, 1 June 2012, available at www.navalassoc.ca/images/2012%20AGM/Conference%20Presentations/NORMAN-WORDS.pdf.