



# Government Shipbuilding Forum

Palais des Congrès

Gatineau, QC

27 & 28 July 2009



# Outline

- The Challenge
- The Demand
- Forum and consultation
- Questions



## The Challenge

- Federal fleets are ageing and are in need of renewal
- Entering a period of significant federal fleet renewal.
- Majority of Canada's shipyards have not received any government orders for new construction since the 1980s.
- Several yards either shut down or converted.



## Not a new challenge ...

“Its original plan, much championed, was that this new fleet would be entirely built in Canada and ready in three years. But the Canadian shipbuilding industry had atrophied since the **1870s**. Canada might still have made the transition to new technology, [but] by **1910** she possessed no yard capable of building large and modern ships, especially such specialized ones as cruisers. Not for the last time in Canadian naval history, the government realized that, to build a fleet at home, it first had to build a shipyard.”

Marc Milner, *Canada's Navy: The First Century*, p. 24



# Challenge - Economics of Shipbuilding

- Most Navies have seen dramatic cost overruns in shipbuilding programs
- Efforts to implement projects have revealed cost escalations that far exceed the project budgets.
- If ships are not affordable, all related parts of the broader marine sector, direct and indirect, suffer.



## A Challenge For our Allies

Over the last fifteen years:

- Royal Navy: destroyer and frigate numbers have fallen from 35 to 23; SSN fleet has been cut from 12 to 8
- US Navy: Fleet size shrinking (a 250 ship fleet?)



## What Our Allies Have Done

- Allies protecting capability to construct, sustain, repair and upgrade their federal vessels to protect national security interests.
- Canada is unique in relying predominantly on market-driven procurement process to acquire vessels by class of ships.
- The international environment suggest that Canada needs to consider a long-term shipbuilding strategy similar to the ones employed by our allies.





## Taking Advantage of a Long-term Approach

- Government commitment to renewal of the Federal Fleet through CFDS and Coast Guard projects;
- Provides opportunity to take advantage of the long-term planning horizon;
- Industry has called for a shipbuilding strategy; and
- Need to consider options to maximize benefits and deliver results.



# Renewal – Potentially How Big?

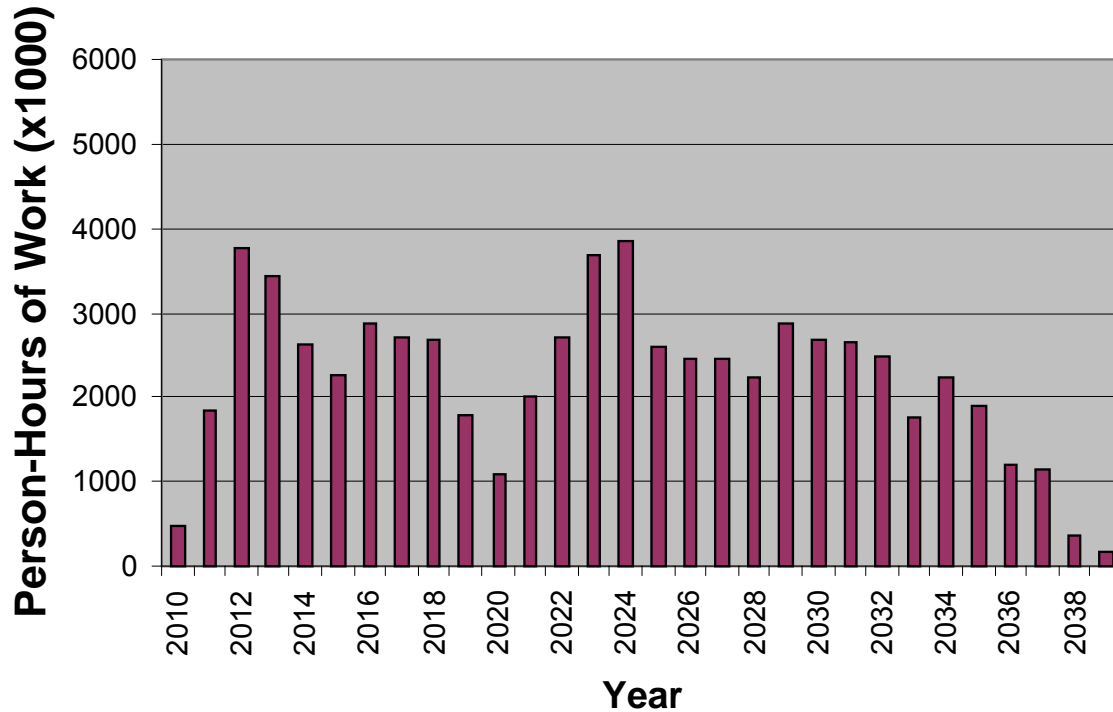
DND/CF			DFO/CCG		
Ship Class	Announced	Build #	Ship Class	Announced	Build #
Joint Support Ship	3	3	Polar Icebreaker	1	2
Canadian Surface Combatant	15	15	Medium Icebreaker		4
Arctic Offshore Patrol Ship	6-8	6-8	High Endurance Multitasked Vessel		3
			Medium Endurance Multitasked		8
			Offshore Oceanographic Science	1	2
			Offshore Fisheries Science Vessel	3	3
			Offshore Patrol Vessel		7
Totals	24-26	24-26		5	29

Notes:

1. Involves DND ships, and all CCG ships of 1,000 tons or more.
2. While the funding for the DND vessels has been approved within the Canada First Defence Strategy, only 5 out of 29 CCG vessels forecasted for renewal have been allocated funding



# Federal Fleet Renewal Demand Ships over 1000 tons – 70M ph





## Other Considerations

- New-build work for federal fleet vessels of less than 1,000 tons is also required.
- Refit and repair work for the existing in-service DND and CCG vessels is required over the next 15 years (some already in contract).
- Refit and repair work for future Federal Fleet vessels will be required once delivered.



## A Shipbuilding Strategy (1)

- Government commitment to a long-term shipbuilding strategy would provide an opportunity to:
  - Provide more predictable work for industry through:
    - Elimination of Boom/Bust; and
    - More optimal load-leveling.
  - Allow for incremental infrastructure improvements; and
  - Address Labour requirements in order to:
    - Stabilize, grow and renew workforce; and
    - Maximum benefit of labour learning curve.
- Thus, could enable redevelopment of world class shipbuilding capability once in place.



## A Shipbuilding Strategy (2)

- Needs to:
  - Support the renewal of the federal fleet;
  - Ensure that Government can meet its remit of accountability to the Canadian taxpayer;
  - Include measurable performance that assures continuous long-term improvement; and
  - Provide a value proposition that includes the broader marine industry.



## Moving Forward

- Need to examine options for the establishment of a long-term sustainable shipbuilding strategy
- Although some dialogue has already occurred, more input from industry is required to develop the options
- This Forum is intended to be the catalyst for formal input from stakeholders



## Forum Objective

- The purpose of the Forum is to ensure the Government of Canada gets broad input from key shipbuilding stakeholders into the development of comprehensive and viable options that could establish a long term, sustainable shipbuilding strategy.



## Questions for Industry

- Will stakeholders participate in the development of a long-term (30 year) strategy?
- How could we create long-term work packages?
- How could *Advantage Canada* be enabled by federal fleet renewal?
- What would shipyards need? What terms and conditions? What infrastructure investment? How would productivity improvements be measured?
- What procurement methodology?



# Assumptions

- The current Shipbuilding Policy will apply and new ships for the federal fleet will be built in Canada;
- The Government of Canada is accountable for obtaining and demonstrating the best value for Canadian taxpayers;
- For a sustainable shipbuilding strategy, the historic boom/bust cycle of shipbuilding must be addressed;
- Given the limits of the federal fleet demand over 30 years, a limited number of shipyards would specialize in the construction of larger vessels over 1,000 tonnes;
- The construction of smaller vessels less than 1,000 tonnes would be performed by shipyards not involved in the construction of larger vessels;



## Assumptions (con't)

- Existing fleets will continue to generate refit and repair work for shipyards, and any new ship constructed will also create demand for refit and repair work;
- Shipyards would pursue commercial work;
- Industrial and Regional Benefits (IRBs) will remain a key consideration;
- Projects included in the Program would be approved and funded;
- The strategy would focus on the selection of the shipyards;
- Government departments that operate fleets would be receptive to load-levelling requirements; and
- The strategy would apply for approximately 30 years and undergo periodic reviews, with a goal of ongoing long-term continuous production beyond the 30 year point.



## Next Steps Today/Tomorrow & Beyond

- Questions will be discussed in groups and in plenary
- Upon conclusion of the Forum, participants will be asked to consider the questions in more detail and to prepare their individual strategy and value proposition proposals for submission in writing within 45 days.
- Once received, the Crown may contact the authors to clarify as appropriate.
- Based on industry input, officials will develop options for a long-term, sustainable shipbuilding strategy.



## Recommended Format for Proposal

- Your proposal is requested by 16 September 2009.
- Length of document: Up to 10 pages.
- Please focus on the questions.
- Please avoid large attachments.
- Your proposal is welcome in either official languages.



## Conclusion

- It is in Canada's interest to have a vibrant and progressive marine and shipbuilding sector.
- It is in the Government of Canada's interest to look at options for a long-term, sustainable shipbuilding strategy.
- Input of broad range of industry stakeholders is key to the development of comprehensive and viable options that could establish that strategy.



# Questions?