

## VI.

### COSTS AND OPPORTUNITY COSTS

The purpose of this section is to identify certain Canadian defence procurement dilemmas that emerge from the issues reviewed in the previous sections, and to explore some continental defence options which might figure in a more general debate on Canadian defence policy.

It is generally agreed that there will be a serious shortfall in Canadian defence expenditures if, between now and the turn of the century, all of the existing requirements of the Canadian Armed Forces (CAF) are to be met. The point can be illustrated from the previous discussion. The cost of a Canadian space-based radar system, deployed around 1992, might be around \$1.5 billion. The cost of a limited fleet of AWACS (E3A version) would approach \$1 billion, depending on the number of aircraft, but assuming that such a fleet would be desirable. The cost of adding more northerly NWS sites, and of operating the CF-18 at Northern bases is difficult to calculate, but it should be noted that the latter in turn would almost certainly require an in-flight refuelling capability if the CF-18 were to be an effective interceptor. Tanker aircraft are not currently possessed by the CAF.<sup>27</sup>

In estimating all of these costs, it is wise to bear in mind estimates of cost overruns calculated by the General Accounting Office in Washington. Their conclusion is that, on the basis of the historical record, major weapons procurement projects are likely to be 30 per cent underestimated. None of the capital expenditures identified above, amounting to \$3 billion or more, are currently authorized for the CAF and, presumably, none are fundable under the current long-term DND plans. Finally, it will be noted that the above deals with only one area; as demonstrated below, the analysis of maritime options for Canada would produce an equally long list of unfunded but apparently desirable procurement requirements, as might a similar assessment of the needs of the CAF in Europe.

Any larger assessment of the relative importance of Canada's commitments to continental defence as compared with its European commitments is beyond the scope of this paper, but awareness of the opportunity cost involved in committing greater resources to North American defence suggests the importance of first re-examining conventional assumptions and accepted arguments. In the case of continental defence, it is par-

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<sup>27</sup> The short range of the CF-18 suggests that it is not the best interceptor for northern basing. It is also unlikely that the on-board radar would be sufficiently powerful to allow the pilot to re-locate a cruise missile which had been briefly detected by the NWS. In the recent competition for the USAF continental defence interceptor, the CF-18 was not entered. Interestingly, an improved version of the F-4, an older but much cheaper aircraft which was discussed but not seriously considered in the Canadian CF-18 purchase, was the first choice of the US Air National Guard, the intended operator of the new interceptors. The F-16 A was the final choice of the USAF.