

## **Federal shipbuilding plan will pit East against West: officials**

By David Pugliese, Ottawa Citizen May 17, 2010 7:02 AM

The Harper government is expected to release its long-term shipbuilding strategy in the coming weeks, creating two national centres to handle billions of dollars worth of contracts.

The strategy could spark a high-stakes game pitting West Coast firms against East Coast companies in a winner-take-all contest, industry officials say.

Washington Marine Group on the West Coast and J.D. Irving on the East Coast will be asked to submit proposals to become the "centre of excellence" for building combat ships such as the Arctic patrol vessels and the fleet of vessels that will eventually replace the navy's Halifax-class frigates.

Another centre for larger non-combat ships — including the navy's proposed new supply vessels, the Joint Support Ships, as well as the coast guard's polar icebreaker — will also be created, industry representatives say.

Davie Yards in Quebec is the prime contender for that, in part, because it is considered the only shipbuilder in the country big enough to handle such work.

Work on the national shipbuilding strategy started almost a year ago when federal officials met behind closed doors with industry representatives in Gatineau, Que.

The government is not talking publicly about the contents of the new policy, although Defence Minister Peter MacKay has said it will soon be released.

But some shipbuilding officials around the country as well as defence industry representatives in Ottawa have been briefed. A memo to cabinet was also produced on the policy, they said.

"Once that was done a process would be done through Public Works where they would approach Irving and ourselves to put in a submission to become a centre of excellence for the combat ships," said John Shaw, a vice-president with Washington Marine Group in Vancouver. "I understand the same type of process would go ahead for

the non-combat ships. Now who was all invited on this besides Davie, I don't know."

Geoff Britt, spokesman for J.D. Irving, said the shipbuilder is ready to proceed with whatever the government proposes.

"Although there has been no official announcement of the Crown's plans with respect to the National Shipbuilding Procurement Strategy, we support the centre of excellence strategy to construct the various classes of ships the navy and the coast guard will need in the years to come," he said in an e-mail.

But Shaw, who is also chairman of the Pacific Coast Shipbuilders Association, said he is uneasy with the winner-take-all approach for combat ships. It could be financially difficult for whichever yard didn't win, he added.

"I've said to the membership of the PCSA that this is not necessarily the outcome that we wanted," he added. "We would have preferred that they come out and say there would be a centre of excellence in the West and a centre of excellence in the East."

The government's rationale for directing most large contracts to a few shipyards is that it will keep those companies continually at work and able to develop a skilled workforce. In the past the industry has gone through peak periods of work building a number of warships, only to have that dwindle as contracts end. The result then is layoffs and expertise eventually being lost. It is still unclear exactly when the strategy will be announced.

"I've got nothing to announce at this time," MacKay's spokesman Dan Dugas said in an e-mail.

The \$2.1-billion JSS project was to buy three vessels capable of resupplying warships at sea. But it was derailed in 2008 when the government determined that various bids did not meet the requirements of the new fleet and were too expensive.

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Sunday, 30-May-10