CANADA SAID TO CONSULT OBAMA BEFORE OPENING FIGHTER-JET BIDDING

News / Airlines

Incoming Prime Minister Justin Trudeau will consult U.S. President Barack Obama before restarting a process to replace Canada's aging **fleet of combat jets**, in a bid to head off damage to relations between the two countries, according to an official familiar with the plans.

Trudeau's Liberals campaigned on abandoning Canada's plans to buy Lockheed Martin Corp.'s F-35 jets, pledging to "immediately" launch an open bidding process to buy a cheaper plane. Canada has previously considered Boeing Co.'s F/A-18 Super Hornet, Saab AB's Gripen, Dassault Aviation SA's Rafale and the Eurofighter Typhoon, produced by a consortium including BAE Systems PLC, Airbus Group SE and Alenia Aermacchi SpA.

The incoming government won't open bids until discussing the matter with the U.S. government --

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perhaps during an anticipated meeting between Trudeau and Obama at a Group of 20 meeting in Turkey next month, the official said. While timing is still being finalized, the consultation means a bidding process likely won't begin until next year, said the official, who spoke on condition they not be identified because a final decision hasn't been made.

A key foreign policy objective for Trudeau is seeking to rebuild ties with the Obama administration that he says suffered under outgoing Prime Minister Stephen Harper's Conservative government. The new Trudeau government wants to avoid any major surprises for the Obama administration, the official said.

After winning a surprise majority in Canada's Oct. 19 election, Trudeau is set to officially take power on Nov. 4, when he will name his cabinet. His administration, however, is already being courted by aircraft manufacturers.

Eager Suitors

All four potential suitors, contacted by Bloomberg since the election, said they're now watching the incoming government with interest. Eric Trappier, chief executive officer of Dassault, wrote Trudeau last week to congratulate him on his victory and say the company's Rafale fighter "would be potentially proposed" if the F-35 was ruled out, according to an e-mail from company spokesman Stephane Fort.

Trudeau campaigned on abandoning the unfinished purchase of Lockheed's F-35, the cost estimate of which ballooned during Harper's tenure, fueling controversy in Canada. The government's last estimate for its planned purchase of 65 jets was a lifetime cost of C$45.8 billion ($34.8 billion), well above initial forecasts. Canada has not made a final decision and is therefore extending the lifespan of its existing CF-18 fighters to 2025.

Canadian companies have to date secured C$637 million in contracts under the F-35 program, according to a 2014 government report, with another C$10.2 billion in "identified opportunities." Supporters of the F-35 warn pulling out of the program will harm Canada's aerospace sector, with Harper himself saying doing so would "crater" the domestic industry.

Cost Comparison

Trudeau hopes to buy at least 65 other jets at a cheaper price, with the savings being directed into the country's shipbuilding program. Some observers say lifetime costs for other jets with older technology aren't all that different, and Canada would sacrifice the industrial benefits that go with the sprawling F-35 program.

"That's a much bigger global market that Canadian companies have opportunities in than they would with any of the other aircraft," said Charles Davies, a retired Canadian colonel and director of material acquisition who is now a research fellow with the Ottawa-based Conference of Defence Associations Institute.

Davies said it's doubtful Canada will save much money with a different plane, particularly if "life-cycle" costs that include maintenance and fuel are compared, rather than just "fly-away" purchase costs.

F-35 Alternatives

Trudeau's Liberals have said the priority for Canada's new jets "will remain the defense of North

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America” and not “first-strike stealth capabilities.”

Canada’s aging CF-18 jets have two engines, which advocates say is an asset given the country’s vast, remote and thinly populated northern regions. The Super Hornet, Rafale and Eurofighter are all twin engine, while Saab’s Gripen and the F-35 are single engine. Saab was the only company to previously decline an invitation from the Canadian government to take part in a market analysis study.

Trudeau’s platform noted the Super Hornet is cheaper than the F-35 and would support Canadian jobs with maintenance work done within the country, though stressed mentioning the plane was not “indicative of which aircraft would win a truly open and transparent competition.” The Liberal official underscored that, saying the Super Hornet was used as an example because it is the most familiar alternative to Canadians.

Potential Savings

Michael Byers, a University of British Columbia professor who studies defense issues, estimates Trudeau could potentially save C$10 billion by buying a different plane, and argues Canada’s sinking dollar has made the F-35 unaffordable anyhow. “The actual amount depends on a variety of factors,” he said in an e-mail, citing the number of planes purchased as an example.

In a statement, Boeing spokeswoman Caroline Hutcheson said the Super Hornet’s low cost and “unprecedented opportunities for Canadian industry” make it worthwhile.

Saab is “following the political developments in the country with interest” but isn’t actively marketing the Gripen until an open competition formally begins, spokesman Sebastian Carlsson said.

Theodor Benien, vice president of communications for the Eurofighter consortium, said the group is also monitoring Canada’s political changeover but had no further comment.

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