Canadian Surface Combatant Contract Award on Hold Pending Challenge

VICTORIA, British Columbia – A legal challenge by a U.S. defense firm has resulted in a near unprecedented order for the Canadian government to put on hold awarding a contract to Lockheed Martin for a new fleet of warships that are to form the backbone of the future Canadian Navy.

The Canadian International Trade Tribunal issued the order Nov. 27 on the 60 billion Canadian dollar ($45.2 billion) Canadian Surface Combatant project after Alion Science of McLean, Virginia, complained the ship being proposed by Lockheed Martin Canada did not meet the Royal Canadian Navy requirements.

Lockheed Martin Canada, which offered the BAE Type 26 warship, was named by the Canadian government as the "preferred bidder" on the surface combatant program on Oct. 19. Negotiations were underway with Canadian government officials to sign a contract in early 2019.

In response, Alion went to Federal Court of Canada on Nov. 16 to request a judicial review of the decision to name Lockheed Martin the top bidder. On Nov. 21, it went to the Canadian International Trade Tribunal with its complaint that the Type 26 is not only unproven but does not meet the government's stated requirements in the area of speed. The details about surface combatant speed requirements were removed from the complaint because of national security reasons.

Alion's request for a judicial review could take some time. The company's position, however, received a boost when the Canadian International Trade Tribunal issued an order to put a halt to any awarding of a contract to Lockheed Martin until

the tribunal could examine the validity of Alion's complaint. Canadian defense industry sources told Seapower that firms often ask the tribunal to put a defense contract on hold but it is rarely done, if ever.

Rania Haddad, a spokeswoman for Public Services and Procurement Canada, the federal department overseeing the surface combatant program, declined to comment.

"As this matter is the subject of a complaint which has just been accepted for inquiry by the Canadian International Trade Tribunal and is also the subject of litigation in the Federal Court, comments cannot be provided at this time," she said Nov. 28.

Cindy Tessier, a spokeswoman for Lockheed Martin Canada, said the firm is not commenting as the case is before the courts.

The Canadian Surface Combatant project is the largest procurement in Canadian history.

A Department of National Defence source said work on the surface combatant project is on hold for now until it can be determined whether the Canadian government will go to court to challenge the tribunal's order. That decision is expected in a week or so.

Alion has offered Canada the Dutch De Zeven Provinciën Air Defense and Command frigate, which the firm said meets all of Canada's requirements.

The Canadian Surface Combatants will be constructed at Irving Shipbuilding in Halifax, Nova Scotia. The Type 26 is currently under construction for the U.K. Royal Navy and in late June Australia's government selected the Type 26 design as its future frigate for the country's navy.

The Canadian government has committed to building 15 surface combatants.

“This is probably the largest and most complex procurement in the history of Canada,” André Fillion, an assistant deputy minister at Public Services and Procurement Canada, told Seapower in October.

The new ships will replace the existing Halifax-class frigates and form the backbone of the Royal Canadian Navy for the next generation.

The Canadian government had expected to sign a contract with Lockheed Martin Canada sometime between January and March. If those negotiations fail, the government will go to its next highest-rated bidder on the program. That could be Alion or Navantia of Spain, whose proposal is based on the F-105 frigate design, a ship in service with the Spanish navy. Neither firm knows whether it has the second highest-ranking design.