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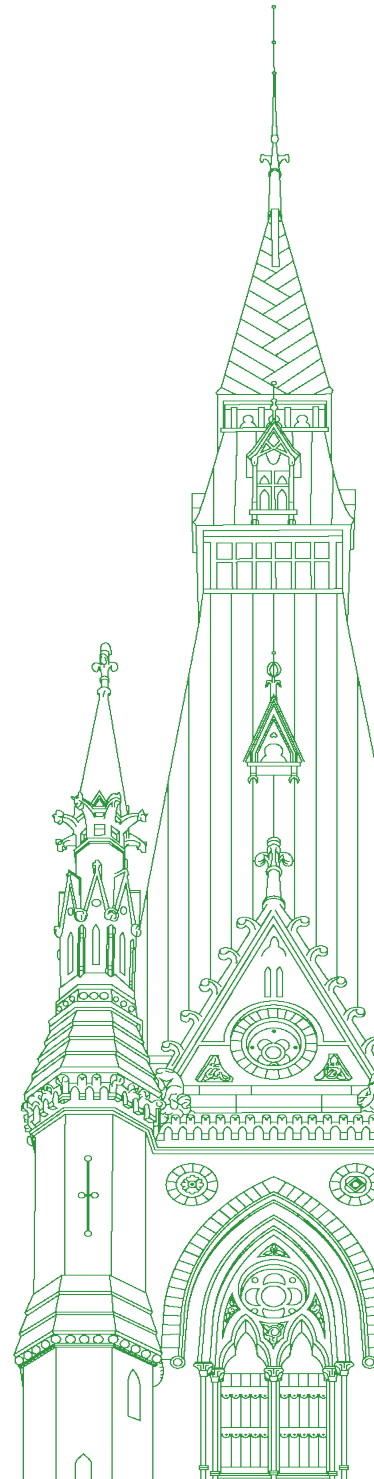
Standing Committee on National Defence

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Chair: The Honourable John McKay



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• (0845)

[English]

The Chair (Hon. John McKay (Scarborough—Guildwood, Lib.)): I call this meeting to order. It's 8:45 and I see that we have quorum.

Before I call upon our distinguished guests, I want to make a good news announcement to the committee.

It appears that we now have everything in order to travel. The budget passed without amendment and last night, the report of the committee was tabled without objection, so it appears that we'll be travelling. That will feed what we do on Tuesday. I'd like to set aside an hour on Tuesday to talk about a number of items of committee business. In the first hour, we'll deal with the external monitor and in the second hour with committee business.

Keep that in mind and if we have more meetings.... Well, we do live in the age of miracles.

With that, I am going to call upon Mr. Perry and Mr. Williams for their opening five-minute statements, in no particular order.

Mr. Perry is listed first.

Mr. Perry, president of Canadian Global Affairs Institute, the floor is yours for five minutes.

Dr. David Perry (President, Canadian Global Affairs Institute, As an Individual): Thank you, Mr. Chair and members, for the invitation to appear before you today.

In my opening remarks, I'll touch on three things. I'll make a couple of observations about our procurement system, make two suggestions for issues that you might want to study and then offer two recommendations.

The first observation I'd offer is that the problems we are experiencing with our procurement system are systemic, persistent and now a decade and a half old. Most projects, upwards of two-thirds, are delayed by at least a year and many by more than that. As a result, we continue to spend significant numbers of billions less on capital expenditures than intended year after year after year. I saw that you recently heard from the Parliamentary Budget Officer that last fiscal year we underspent relative to what "Strong, Secure, Engaged" had intended by about \$4 billion. It's important to note that this underspending is chronic and dates back to 2007.

This means that we aren't just struggling to implement the procurement plans in "Strong, Secure, Engaged", which we are, but we're still working on procurements from the 2008 Canada first de-

fence strategy, and in some cases from earlier than that. That's the case despite a range of previous efforts of procurement reform, which have simply not been sufficient to keep pace with the intended expansion of our procurements and procurement system to deliver on current policy. Without major changes, you should expect that the implementation of the NORAD modernization announced last summer and the defence policy update, whatever comes with that, is going to fall well short of expectations, because we've been falling short of procurement expectations for over a decade. Further incremental improvements to our procurement system are probably only going to produce incremental improvements in output. If we want a dramatically better output, which is what's needed to deliver on defence policy and meet the current strategic environment, then we need to have dramatic change in the system.

The second observation I'd make is that there is no detectable sense of urgency in our procurement system at all, which is problematic for at least two reasons.

First, the current interest and inflation environment means that the financial impacts of procurement delay are now much more significant than they were only a year and a half ago. The impact of failing to move forward in a timely manner on procurements is much more consequential in terms of lost buying power.

The second reason for urgency is the strategic environment. What seems to be a largely business as usual approach is just not sufficient to equip Canada for the return of great power competition that we're now seeing. The fact that we're struggling to equip troops in Latvia with everything from earplugs to air defence simply isn't good enough in the current environment.

Let me switch gears and suggest two areas for the committee to study: service contracting and infrastructure.

Service contracts are fundamentally important to the department and to the Canadian Armed Forces, which spends far more on this line item than any other department in government does. The budget 2023 announcement of a 15% reduction in service spending will amount to about a \$750-million annual cut for the Department of National Defence, if fully implemented. In my analysis, it will be very difficult to implement this without serious impacts to the Canadian Armed Forces. Roughly half of what DND spends on this area goes towards engineering and architectural services. A significant share supports the direct delivery of the capital equipment and infrastructure programs or provides for aircraft, vehicle and ship maintenance. The committee may wish to better understand the procurement implications of these planned budget cuts.

Regarding infrastructure, most of the money provided for NO-RAD modernization is funding for infrastructure upgrades. Separately, DND has aggressive net-zero commitments, and achieving them will require, basically, an overhaul of DND's infrastructure holdings. This means we're planning a massive increase in infrastructure spending, another form of procurement, over the next several years. It's not clear to me that much has been done to ensure that the exact same problems we've experienced with buying capital equipment—missed deadlines and lapsed funding—aren't about to happen with respect to tens of billions of dollars in infrastructure spending.

Finally, I'd offer two broad recommendations.

First, it's going to take significant time to make the dramatic changes to our procurement systems that are needed. In the meantime, much greater prioritization would be beneficial to ensure that the very limited and insufficient resources that currently exist can be focused on the projects that need that attention and those resources the most.

Second, if we want to see dramatic change that is meaningful, then we need much better data about defence procurement broadly, data about all types of projects to better understand what's working, what isn't and where the worst problems are, and to look for examples of instances where there are best practices that could be replicated and applied elsewhere. If we want to make effective change, then we need to have a much better understanding of the existing system we have today, and I don't think we have nearly as good an understanding as we want to think.

● (0850)

Finally, related to this, I'd echo calls from previous witnesses about the value of increased transparency. Far too many conversations about Canadian defence procurement occur in a near information vacuum, and that work is too important to be done silently, behind closed doors.

Thank you.

The Chair: Thank you, Mr. Perry.

Mr. Williams, you have five minutes, please.

Mr. Alan Williams (President, Williams Group): Mr. Chairman, members, it's a pleasure to be here. I really appreciate your taking the time to study this issue, which has been a passion of mine for decades now.

Bankruptcy. That is the simple, unvarnished result of the impact of Canada's procurement process on the capital account of the Canadian Armed Forces. The capital costs of Canada's new fighter jets and Canadian surface combatant ships will exceed \$100 billion over a 10-year period. Unless there is an injection of new monies, these two programs by themselves will result in an annual \$5-billion capital shortfall.

The procurement processes for both the F-35 jets and the Canadian surface combatant ships have been procurement disasters.

With respect to the jets, in 2010, the Conservative government tried to sole-source these jets without any legal authority, and spent years misleading the Canadian public as to why it wanted to do so. The Liberal government, after promising not to purchase the F-35, watered down the industrial and technical benefits policy to allow Lockheed Martin to participate, ruled Boeing's bid non-compliant and, earlier this year, 12 and a half years since the start of this program, awarded the contract to Lockheed Martin.

The costs have escalated from an initial estimate of \$9 billion to acquire the jets and \$18 billion to maintain them, to a current reported forecast of \$19 billion to purchase and over \$70 billion to maintain.

With respect to the ships, after violating every basic tenet of sound procurement, the government is on the cusp of acquiring 15 ships for two to three times their true cost. The CSC capital costs have risen from about \$26 billion to \$85 billion with a life-cycle cost now estimated at over \$300 billion.

Fortunately, the prescription to significantly reducing the risks of future procurement process debacles is not a mystery. The three most critical deficiencies in the existing defence procurement process are the lack of ministerial accountability, the lack of performance measures and a lack of adequate reporting, much of which David just touched on as well.

Among our close allies, Canada stands alone with a system of dispersed accountability. The roles and responsibilities for defence procurement are shared between the ministers of National Defence and PSPC. Unless and until one minister is placed in charge of defence procurement, it will never be as efficient and effective as it could or should be. The benefits of creating a single procurement organization go beyond strengthening accountability.

First, the process would be streamlined.

Second, savings will emerge from the elimination of overhead and the duplication of functions. This is a benefit which is crucial at a time when national defence is suffering such significant staff shortfalls.

Third, without one minister accountable for defence procurement, it is difficult, if not impossible, to introduce system-wide performance measures. We need indicators that, at a minimum, measure timeliness and costs. If delays are occurring, where in the process are the bottlenecks? It's impossible to make improvements if we don't have a clear understanding as to where the problems lie.

With respect to costs, two fundamental questions need to be answered. The first is: What is the total life-cycle cost of a program? The second is: Can we afford it?

Today, both questions are inadequately addressed. To best answer these questions, a capital plan needs to be available that displays the full life-cycle cost for each project over a 30-year period, mapped against the projected available funds year by year. Such a plan would have shed much-needed light on the current CSC cost crisis and, frankly, greatly assisted this committee in fulfilling its role.

Defence procurement is a business. Let's begin to run it as such, with one minister accountable for results, with full disclosure of life-cycle costs, with appropriate plans and reports that measure performance, and with rigorous and timely oversight.

Thank you.

• (0855)

The Chair: Thank you, Mr. Williams and Mr. Perry. Thank you to both of you for staying within the time.

It's the first six-minute round and I believe it goes to Ms. Gallant.

You have six minutes, please.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you, Mr. Chairman.

Dr. Perry, do you believe that the institutional arrangement for responsibility over defence procurement should be changed to produce better outcomes, and how should it be reorganized?

Dr. David Perry: I think we should collect some data to figure out where the real problems are. Theoretically, it makes sense that having one minister might be part of the problem, but I'm not sure there's much evidence that would point to the dispersed accountability as actually being the problem or even a key problem that we need to fix.

Mrs. Cheryl Gallant: Do you think there should be a PCO secretariat responsible for defence procurement so we have that accountability?

Dr. David Perry: If you look at other models for trying to address systemic problems in government bureaucracy, something centralized and driven from PCO has been an effective approach in the past. I would support that, yes.

Mrs. Cheryl Gallant: Dr. Perry, do you think that the current Treasury Board guidelines contribute to the poor defence procurement outcomes?

Dr. David Perry: I think that's part of a wider mix. It's not just the guidelines, it's the way they're interpreted and whether or not there's an ability to adapt processes to work to the full extent of the guidelines, rather than sticking with a couple of preferred approach-

es, which I don't think take full advantage of the actual rules that exist today.

Mrs. Cheryl Gallant: With respect to your April comments to The Globe and Mail that the Liberal government's military spending levels are "limiting the options" for what we "can undertake and prompting allies to form new initiatives [like] AUKUS...without Canada", why, in an increasingly dangerous and complex world, are these such serious problems from a national security point of view?

Dr. David Perry: The inability to spend the money means that we're not actually buying military capability—ships, planes, some of the things Alan mentioned, and a whole bunch of other capabilities. If you don't have that equipment and you don't have the options available to government to do any range of foreign policy initiatives, you can't send troops abroad.

Mrs. Cheryl Gallant: What are the benefits of a long-term strategy to build up a domestic defence industrial base in Canada?

Dr. David Perry: I think there would be a significant benefit to Canada, in a number of ways, as well as a contribution to the wider allied NATO defence industrial base. I think you see lots of evidence from the conflict in Ukraine that all of NATO's industrial capacity when it comes to national defence is insufficient. If Canada were to make an increase in our contribution, it would benefit not only our own country but our allies more broadly.

Mrs. Cheryl Gallant: In reference to your 2016 paper, "Fixing Procurement", has the government put the measures in place to allow for effective project prioritization?

Dr. David Perry: Not that I'm aware of.

Mrs. Cheryl Gallant: With respect to your paper, you recommended that the government make a greater investment in "explaining major purchases in a manner that articulates the rationale behind their enormous financial outlays".

Has the government successfully executed on this with the recent projects?

Dr. David Perry: No. I think government communications have actually gotten worse since I wrote that.

Mrs. Cheryl Gallant: Okay.

Mr. Williams, you mentioned that the government should begin by providing system-wide performance measures on acquisition cycle times.

Has the government succeeded in making this information available to the public?

• (0900)

Mr. Alan Williams: No. I don't think any member here has any idea of how long projects take and where the bottlenecks are, and that is a tragedy. Most other countries have these kinds of things.

As I said—and David and I may disagree on this—if you don't have one minister accountable for the whole kit and caboodle from end to end, you won't have system-wide performance indicators, which is what is demanded.

Mrs. Cheryl Gallant: How could this single point of ministerial responsibility be decided upon? Having been in the system, how do you see that it should be reorganized?

Mr. Alan Williams: I don't want to be prescriptive here. In my book, *Reinventing Canadian Defence Procurement*, I outlined a number of models. They're all easily doable legislatively. You can put that accountability with the Minister of Natural Defence or with the Minister of PSPC. You can create a third minister who is accountable for defence procurement. I don't really care. However, I do care about the fact that this is the only area where you're spending billions of dollars a year where the Prime Minister can't identify one minister and say to them that either they're doing a great job or they're doing a lousy job.

Using an example, if you have a number of children and you say to them “take out the garbage”, likely it won't be done. If you tell one child to do it, you have a better chance that they will do it.

This overlap and duplication means that no one is accountable. It becomes much less rigorous. You're not focused on the details and you have sloppiness. That's why you underspend. That's why you don't know where the bottlenecks are. That's why you have these huge cost escalations. It's because you can't hold one person accountable.

I think it's a fundamental flaw that can easily be fixed. It won't solve all of the problems—for sure, it won't—but I'll tell you that unless you do it, you won't get the system fixed. It's mandatory, in my estimation.

Mrs. Cheryl Gallant: Is it feasible to have a single project manager—one individual—who is responsible for marshalling a procurement from the time it gets past Treasury Board to delivery?

Mr. Alan Williams: Absolutely. Again, it's a question of accountability. Whether you're talking about the ADM or down to the director general or the directors, there is always one project manager who is held to account.

Now, the reporting has to be done properly. You have to have accountability all the way up the line, but any project in theory has someone accountable for delivering that project.

Mrs. Cheryl Gallant: Do we have people in government who can see a project from beginning to end in the length of time? It's sometimes a decade. How can that be—

Mr. Alan Williams: First of all, the answer to your question is undoubtedly, yes, but there are not enough. That's the problem.

A lot of the work doesn't get done because there aren't enough people to marshal through all the projects. It gets to some of the service contract issues, which David talked about and which we can discuss later on, as an alternative to getting this thing done.

The Chair: Thank you, Mrs. Gallant.

Mr. May, you have six minutes. You can tell us how garbage management works in your household.

Mr. Bryan May (Cambridge, Lib.): I appreciate that, Mr. Chair. Having two children, I can tell you that even if you do ask one of them, it tends not to get done—

Some hon. members: Oh, oh!

Mr. Bryan May:—at least not after the first time you ask them.

Gentlemen, first of all, thank you for being here today.

In our last meeting, witnesses emphasized the importance of improving the defence procurement by simplifying the process and streamlining the layers of policy that can impede procurement.

I'll start with Mr. Perry.

Based on your experience, what is the most important lesson that government should learn from discussions to help face the current challenges in simplifying and streamlining that procurement process?

Dr. David Perry: I'd say that one of the big lessons we should learn is that we don't really have any idea of what has worked in the past and what the impact of previous efforts have been. All kinds of changes have been made just in the last decade. There's been the introduction of the defence procurement strategy. There were six or seven initiatives in “Strong, Secure, Engaged”.

However, to the point that Alan made, I don't know that anybody has ever collected any data to see whether or not that had any impact, good, bad or otherwise. Reflecting on what's changed, what the impact has been....

I come back to this: A lot of the comments here are not being fully grounded in evidence. Part of fixing this appropriately would be to get a better sense of how the system actually is and is not working and in what places, and trying to actually have tailored responses to address actual problems—not ones that may only be grounded in perception.

Mr. Bryan May: Can you give an example of one that's maybe not grounded in perception?

● (0905)

Dr. David Perry: To keep going with the metaphor about accountability and children taking out the trash, if you don't hold your kids accountable for anything, it doesn't matter whether you have one of them or a lot. I think accountability is a problem more broadly.

There are lots of instances in this very dispersed procurement system where it's hard to see any evidence that people are being held accountable for their share of the work.

As an example, are the different services—army, navy and air force—moving their projects forward in a timely fashion according to the internal military schedules for doing that? Is somebody actually checking and holding them accountable for that performance?

Regarding the ITB proposals that come in for projects, are the service delivery standards for putting those forward being delivered in a timely fashion or are they holding up progress on files?

I don't think there is data to answer those questions.

Mr. Bryan May: You've been nodding your head, Mr. Williams.

Do you have anything else to add?

Mr. Alan Williams: Again, I think it's really important to have one person accountable.

I would note that in 2009, the Canadian Association of Defence and Security Industries, or CADSI, put out a report recommending it. I would remind you that in 2019, the Liberal government's mandate letters asked the two ministers to get this done. It didn't happen. The PBO, Yves Giroux, also said that it's mandatory.

It is mandatory to me. You won't get any information that you're soliciting without it. You won't get savings without it.

The overlap and duplication between these two departments is significant. You're talking about tens of millions of dollars and people that are bottlenecks because they overlap and duplicate functions. Get rid of them.

I have no idea why this isn't done. There is no reason not to do it, other than you don't care. Maybe it's not worth a ton of votes. Maybe most Canadians.... This isn't where you want to spend your efforts. I don't know, but this is a no-brainer to do.

Frankly, I've talked about it for 20 years. Every other country that has a defence department has one minister accountable, whether it's the Secretary of Defense in the U.S., the Secretary of State for Defence in the U.K. or the Minister for Defence in Australia. Everybody has one. Why don't we? It boggles my mind why this action hasn't been taken.

Mr. Bryan May: Mr. Perry, you just nodded. You have something to add.

I have another question, so could you keep it to a quick 15 or 20 seconds?

Dr. David Perry: I'll just emphasize a point Alan made.

One of the issues in the defence procurement strategy about a decade ago was transferring contracting authority from PSPC to DND, up to a \$5-million threshold. I don't know whether anyone has ever collected evidence to show whether or not that had any beneficial or detrimental impact. We made that change. It took years to implement. What has the impact been?

Mr. Bryan May: Very quickly, we also heard from witnesses that focusing too much on domestic purchasing and procurement can delay or further complicate the procurement process. One witness this week, Professor Lagassé, emphasized the need for Canadian-made defence equipment so we can successfully compete on a global scale.

What are the trade-offs related to domestic procurement, and how should Canada balance domestic procurement with pressing procurement needs?

I only have about a minute, so I'll give you each 30 seconds, if that's okay.

Dr. David Perry: Briefly, I'll say that, theoretically, there's a trade-off there, but I don't know whether or not that's been established in fact very well.

There was also another witness who talked about a premium being paid for domestic procurements. Again, is there one? Has anyone collected any data? It could be interesting for you to ask officials whether or not they've seen any evidence that there are costs associated with Canada's economic offset regime.

Mr. Bryan May: Excellent.

Go ahead, Mr. Williams.

Mr. Alan Williams: One of the recommendations in my book that's still valid today is this: We have no 21st century defence industrial plant. The only thing we do domestically is buy ammunition and build ships, and that's from 40- to 50-year-old policies that have just circulated.

Unless we do this kind of policy, we don't have any information or data of substance to support the kind of industries we think ought to be advanced in Canada. I think we need to have that. Why we don't, I have no idea.

Mr. Bryan May: I'm pretty sure Ms. Mathysen would disagree that we do something more than build ships and ammunition, but I think I'm out of time, Mr. Chair.

The Chair: You are. Thank you, Mr. May.

[*Translation*]

Ms. Normandin, you have the floor for six minutes.

Ms. Christine Normandin (Saint-Jean, BQ): Thank you very much.

I'd like to start by asking both witnesses a question.

We talked about the fact that the defence procurement strategy has been around for a long time. I know that some countries have one and are reviewing it.

[*English*]

Mr. Alan Williams: Excuse me. We're not getting the translation.

A voice: [*Inaudible—Editor*]

Mr. Alan Williams: Ah, okay.

[*Translation*]

I'm sorry.

Ms. Christine Normandin: No problem.

May I start again, Mr. Chair?

The Chair: Go ahead.

Ms. Christine Normandin: Thank you very much.

I'd like to take this opportunity to thank the two witnesses for being here.

You touched on the defence procurement strategy, which is already about 10 years old. I know that some countries have one, and they review it systematically.

Should we do the same thing to have better continuity of supply, to be more flexible and quick to react, and always act at the right time rather than reactively when something happens?

• (0910)

[English]

Mr. Alan Williams: Do you want me to go first?

[Translation]

Thank you for your question. I will answer in English; it will be easier for me.

[English]

Defence procurement has to be the result of the government's policy direction on defence. The government should be standing up and saying, "This is the role we see the Department of Defence playing in Canada and the world." Then, turn to the military and the civilians in DND and say, "Based on that articulation of the mandate we want you to fulfill, what is the implication for procurement? What are the goods and services you need to acquire, and what is their cost?"

Periodically, the military has produced different [*Inaudible—Editor*]. "Strong, Secure, Engaged" is a recent one, and they continue to do this. However, that linkage isn't made in a rigorous enough way for you to identify one from the other. Why that is so important is because, if the military comes back and says, "This is the cost", the government then has to make a decision. If the cost is much higher, they have to be prepared to modify the role and mandate they see the military performing, or say, "We're going to give you x billions of dollars so you can do what you say you need to do to fulfill the role we think you should fulfill."

First of all, we don't do that rigour. We don't have the kind of 30-year articulation that I'm talking about, so we operate in a vacuum with projects going forward and being delayed, and with no one knowing exactly what the status is. I think that's where the big problem lies.

[Translation]

Ms. Christine Normandin: Do you want to add anything, Mr. Perry?

[English]

Dr. David Perry: I would just say, quickly, that I think there needs to be much more focus on actually implementing those policies. They don't change hugely. There's very little follow-through on the actual implementation of them. There's not enough attention

to detail when new policies are being published about the capacity to actually deliver the things in them that the government is committing to, regardless of political stripe.

[Translation]

Ms. Christine Normandin: Thank you very much.

I'd like to hear your opinion on the munitions supply program. It's been almost a year and a half since the invasion of Ukraine began, and we know that there are still supply issues. Canada is unable to provide Ukraine with ammunition despite the fact that there's a program here that was supposed to remain operational in peacetime.

Have we effectively managed this program and other similar programs that were established so we could react quickly to international events and fulfill our role as an ally?

[English]

Dr. David Perry: I think we're underutilizing our own defence industrial base. I go back to my comments earlier that we don't have enough production capacity across NATO to meet the demands of Ukraine and re-equip ourselves as well as our allies. Ammunition in particular is an area where there seems to be a chronic shortage right now. Lots of our allies are stepping up to try to meet that.

I would note that the European Union's bureaucracy seems to have been able to land on a plan to start re-equipping...with ammunition before we have. Without disrespecting the European Union, I think we should find it a little embarrassing that they've been able to get their act together before we could. I think our ammunition capacity nationally, along with some others, is one that's being underutilized. There's a lot more potential for us to work collaboratively with more of a strategic plan, as Alan was saying, to better use our own national production capacity.

Mr. Alan Williams: I agree totally with David, and I would especially echo that we now have proof, with what's going on in Ukraine, of how incapacitated we are. It's not just munitions; it's armoured vehicles. You can go through the whole list of things that we ought to have been able to respond to, but we've been negligent; we've been depleted. Again, it's because we do not have a comprehensive linkage plan that supports what we say we're going to do, buttressed with the money to do it, so we're getting what we should have expected all along.

[Translation]

Ms. Christine Normandin: I'll continue along the same lines, Mr. Williams.

You mentioned the importance of transparency. You talked about the F-35s and the procurement process. A number of companies, including Saab, have complained that the dice are loaded. For the light-duty vehicles manufactured at Roshel, we saw forward contracts and a lack of transparency.

Is this lack of transparency still an issue, especially when it comes to forward contracts?

This is even more serious in that it's not in any minister's portfolio.

• (0915)

[English]

Mr. Alan Williams: The F-35 is essentially a done deal now. At the end of the day, we are going to get a great jet. The process has gone on for 12 or 13 years, which is absurd, but that is running to a conclusion. I would echo—I don't have any obvious proof, but again—if there were one minister accountable, properly briefed and understanding, I don't think we would have gone through this mess.

One of the things that strikes me, and this is from a bureaucrat, is that one of the key roles of an ADM is to keep our ministers out of trouble. I would say that the ministers I worked with from both parties were wonderful people who wanted to help the department get the job done.

Frankly, what we've seen for decades now are major procurements where ministers, rather than being thanked, are being lambasted for the inadequacy of the process, taking decades to do something that should be done in two, three or four years. Why has that happened? I think that needs to be.... You have to wonder why ministers were set up, frankly, to fail, because these processes are unbelievably negligent.

The Chair: Thank you, Madam Normandin.

We have Ms. Mathysen for six minutes.

Ms. Lindsay Mathysen (London—Fanshawe, NDP): Thank you, Mr. Chair.

Thank you, both, for appearing.

In terms of this streamlining and creating one minister, we've talked about this in committee quite a lot. Often it's the politics that get in the way. In terms of where a new government, a different government, will come from, how would that streamlining impact that problem, or how would you talk about fixing that problem?

Mr. Alan Williams: That's the obvious problem.

It's easy for me to articulate how to get it done. It's not complicated. I've outlined it. The fact that it hasn't gotten done is all political. Usually, it could be viewed as one minister wins, and one minister loses. That's why my suggestion has always been that the best time to do it is during the course of a campaign where you're going to appoint new ministers. At that time, it's not taking something away from a minister and giving it to somebody else. I think that's the best time to do it.

You're correct, however. It's just political, and as I've said, there's no reason not to do it. It saves money. It saves time. You get better performance measures, so I'd look to this committee to strongly advocate for it, as has the Canadian defence industry. The Prime Minister has asked for it to be done, and it hasn't been done. The Parliamentary Budget Officer also espouses it. You have everybody saying it should be done, but it hasn't been done.

Ms. Lindsay Mathysen: Just to add to that, is there a way to take it out of that political side, but maintaining the transparency and accountability that a minister is supposed to have?

Mr. Alan Williams: Well, that's the whole point. You don't have accountability now. You cannot turn to a minister and ask that minister to fix defence procurement, because it's split. You can't do

your job. Putting this in place gives you a chance to get the job done—at least a chance.

Ms. Lindsay Mathysen: Mr. Perry.

Dr. David Perry: I have a different perspective.

I'd just say it seems like it's more important that this matters to the Prime Minister. If it does, that flows through into the direction given to the bureaucracy reporting to him or her and the Privy Council Office —just to go back to Ms. Gallant's question. That's why I was suggesting that some structure in the PCO would be an effective way to structure this.

If it is something that matters to the Prime Minister... Fundamentally, if the first minister doesn't care, then the rest of the government will respond accordingly. I would again say that I don't see much evidence that it matters to this Prime Minister, and it didn't matter that much to the last one either.

Ms. Lindsay Mathysen: We just completed a health study, and there were lots of conversations about the lack of data within that. This idea comes to me that it's all linked. If we don't collect the data within either procurement or health matters, if we don't track.... There's a true lack of understanding of what each job within the military needs, what they do, how their body reacts, whether it's from a health response or how they deal with it from a mental health sort of response. There's no tracking of that in terms of surveillance systems, what have you.

We talk about women, for example, needing specific kit and not getting the special fitting correct. Can you talk about that? It seems to me that that data, and that lack of data, is the same in terms of whether we understand what a person has to go through in their daily duties, whether they're sitting at a desk and they're support, or they're on the front lines. Is that the same in terms of what needs to be streamlined for procurement as well? Can you expand on that?

• (0920)

Dr. David Perry: My answer would be yes, it's the same general issue. Actually, with procurement, it's in some ways simpler, because despite the fact that the forces are dramatically under strength, there are tens of thousands of troops. There are only a couple of hundred big procurement projects, so surely you can keep track of under 200 projects without having to contract out for a supercomputer to help you with that. It's harder to maintain information on tens of thousands of troops, but we don't seem to make much effort to track a reasonably manageable number of projects with any degree of fidelity.

Mr. Alan Williams: I would also add that if you look at National Defence's audits and evaluation in December, you see that they highlight the lack of gender-based analytics. They themselves understand that going forward this has to be a critical component of procurements. It seems to me that implementing that should be a simple thing to do, frankly. It's not overly complicated. Understand that you have a diverse group of men and women, and understand that you have to procure the things that suit each one of them appropriately—and with proper measures. You measure that, as you would measure everything else.

Ms. Lindsay Mathysen: With less than a minute, Mr. Williams, you specifically wrote about sole source versus open source and this miscommunication or this misunderstanding that it actually saves time. Could you expand on that a bit?

Mr. Alan Williams: Sure.

Very briefly, when you run a competition, all the terms and conditions that anybody would have to comply with are set in that document. When you in fact respond as a bidder, you're acknowledging that you will comply with all of them. Once the winning bidder is selected, there's very little negotiation to be done.

Conversely, if you sole-source, then none of those things are decided upon and, in fact, the leverage is held by the bidder. You've said that you think they can do it. You haven't run a competition, and you can't be sure, but you're going to give it to them anyway. Negotiations can take months, if not years, to finalize a process.

If you do a process, that's fine. When I was there, in fact, I got it down from 16 years to nine years, because with the vice-chief we said to the men and women in the department...two years to prepare an SOR, two years for me to get it into contract, and then five years for delivery.

You can, in fact, speed up the process if you do it smartly.

The Chair: Ms. Mathysen, it's amazing how less than a minute becomes more than two.

Mr. Alan Williams: I apologize; that's my fault.

The Chair: No, it's her fault.

We have 25 minutes' worth of questions in the next round, and we have less than 20 minutes to do them in, so the only way we can do that is to take a minute off everybody.

Mr. Kelly, you have four minutes.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you.

Mr. Williams, your point about a single ministerial accountability is very well taken. What about the Prime Minister, though? If the Prime Minister has a lack of focus or interest in procurement, the Prime Minister is going to be a problem. Are there structural ways that could be at least mitigated? Let me ask you to comment on the idea of a procurement secretariat within the PCO.

Mr. Alan Williams: It rests with the Prime Minister. David clearly said it. If the Prime Minister doesn't care about this, none of this matters, and the fact is that none of them have cared about this, and that's why this doesn't happen. I say in my book that, unless a Prime Minister directs it to be done, it won't be done.

I'm not in favour, frankly, of committees and secretariats, because that just diffuses accountability. I like to be able to say, "You're in charge. If it screws up, you're responsible. If it's successful, great for you." Every time you have these overlaps and duplications, it muddies accountability, and it delays the process.

• (0925)

Mr. Pat Kelly: Mr. Perry, what do you think?

Dr. David Perry: I think something set up in PCO would offer the opportunity to try to get a sense across government of where the issues are, to coordinate them better and align them with government priorities, coming back to whether this does or does not matter. If this is government's 84th priority, then you shouldn't expect that it's going to go all that quickly.

Mr. Pat Kelly: Mr. Perry, you talked about the \$4 billion that lapsed going from "Strong, Secure, Engaged" to the non-spend. Can you walk us through in between? There's a departmental plan, and there are the estimates, and then there is the money that's not spent. What didn't get spent? What are the specifics that were called for in "Strong, Secure, Engaged" that don't exist as result of lapsed funding?

Dr. David Perry: It's hard to point to any individual project, because we don't report on this data, just to drive that point home, but the majority of projects are behind schedule. I think it's fairly widely attributed.

One other thing I'd look for is that I think that dynamic.... It's not just lapsing. We're talking about the difference between what was anticipated to happen in 2017 and the shortfall in terms of lack of progress. The departments aren't even asking for the money in the estimates. Then there's lapsing now with respect to the estimates. The net difference between anticipated spend in "Strong, Secure, Engaged" and what gets spent, as reported on in the public accounts, is what I think I and the Parliamentary Budget Officer were talking about in terms of that \$4-billion difference.

I anticipate that's going to get worse because, if you go back to the spending profile in "Strong, Secure, Engaged, which the PBO has reported on, that amount is supposed to be skyrocketing in the next couple of years. We are incrementally increasing how much we are spending, but the amount that was anticipated to be spent was supposed to go up dramatically to about \$11 billion, \$12 billion or \$13 billion, and we're currently spending about \$6 billion.

Mr. Pat Kelly: Wow. Even just for the committee and the report, are there a couple of big examples you'd want to highlight that are of particular concern on the non-spend?

Dr. David Perry: Well, they're the ones that Alan mentioned. Shipbuilding is behind schedule. Fighter jets are behind schedule. The ground-based air defence.... I could use the rest of the 20 minutes.

Mr. Pat Kelly: What about navy service contracts? You spoke about that in your opening statement. You referred to the \$700 million in cuts to that. With the time we have left, walk us through what the impacts are and what the outcomes of the service contract issue would be.

The Chair: You have 20 seconds, please.

Dr. David Perry: The department contracts for services for a whole bunch of things that it doesn't have either capacity or specialized skill sets to do, like people to provide engineering support and additional basic staff support to work on projects. One thing to reflect on, and I've pointed this out for years, is that there's been a marginal, couple-of-hundred-person increase in the procurement workforce, and they were anticipating that it was going to spend three or four times more money.

The Chair: Thank you, Mr. Kelly.

Mr. Fisher, you have four minutes, please.

Mr. Darren Fisher (Dartmouth—Cole Harbour, Lib.): Thank you, Mr. Chair.

Thank you, gentlemen, for being here.

David, it's always nice to see you.

I'm interested in procurement processes in other countries. I'll start with you, David, because your second recommendation was about defence procurement data. How do processes in other countries, specifically our NATO allies, impact the way capabilities are provided to armed forces around the world?

Dr. David Perry: I would say that the lack of data makes it hard to provide a really meaningful comparison because you have there very idiosyncratic national approaches, so it's hard to look at different systems and identify what parts of the processes are most similar to be able to provide some meaningful analysis about who does what better. You can look at different countries. The French have a different approach from the U.K., but it's hard to make exact comparisons when we're doing it in an information vacuum in Canada.

Mr. Darren Fisher: Do you not have a finding or a country out there that's doing wonderful work that we could go to school on?

Dr. David Perry: I think you can look at lots of different examples of things where we could potentially see benefits of particular parts of the process, but I think the starting point for that should be, to my mind, what's not working here other than everything is slower, but that's a pretty generalized phenomenon.

Mr. Darren Fisher: Mr. Williams, you were the former ADM of materiel. I'm imagining that you raged within the machine for several years. What types of obstacles were there for you when you were in a position where you could impact change? I can assume that you were pounding on the inside walls.

• (0930)

Mr. Alan Williams: I didn't find any obstacles. That's why, frankly, we didn't lapse money during my period there. That's why we reduced the cycle time by 40%. I was fortunate to have great people working for me. I was fortunate to have great deputies and ministers. I was fortunate to have colleague ADMs who shared my same sort of entrepreneurial instinct, and together we were able to make significant changes.

I remember towards the last three months of the year, we had a sort of brokerage house moving monies around from region to region so that we would be able to advance projects and not lapse funds. We set standards in the department. No longer were we going to take forever to allow the military to prepare the statement of requirements. The vice-chief said, "Two years, that's all you've got", and we monitored that. It's interesting that a few years after I had left, the Department of National Defence did its own study that confirmed that not only had we met the challenge mark we had decided upon, but five years later, the times were higher than when we started. The people who I was working with, together we had a common vision and we were able to force that into the system.

Mr. Darren Fisher: David, do you want to chime in on that?

Dr. David Perry: I would just point out that from the time Alan was there to now, the level of staff in the last organization you worked at in the materiel group is only about 350 people larger than it was when he was there. I think when he was there, we were trying to spend about \$2 billion a year. Now we're trying to spend \$12 billion. So point taken about the experience back then, but what we're trying to ask that staff to do is dramatically different from what it was two decades ago.

Mr. Alan Williams: If I may, that gets to the point I mentioned earlier. If a government is going to ask the military to do something, it should fund it, and if it can't be funded, the military has the obligation to say, "This is all that we can do." We can't try to put a round peg in a square hole. What you ask the military to do has to be properly funded. If you don't want to give more money, you're entitled not to, but don't expect a different kind of outcome from the military.

[Translation]

The Chair: Ms. Normandin, you have the floor for one minute.

Ms. Christine Normandin: I will continue along the same lines.

Mr. Williams, you talked about the importance of calculating life cycle costs, but we often hear—as we did this week—that they are generally underestimated. Because the army wants something, the cost gets underestimated. To make matters worse, the ministers do the same. After that, estimates are exceeded, but no one is responsible for them.

To solve this problem, shouldn't we go the other way? We could say what we want and that it will cost more, and be conservative in the analysis.

[English]

Mr. Alan Williams: I couldn't agree more. I'm always mind-boggled why committee members ask officials to come and tell them what the acquisition cost of something is. The acquisition cost represents about 30% of the total life-cycle cost. It makes no difference. It makes no benefit, if you can have the front end if you don't have the back end. You ought to be asking about the full life cycle of the cost. That's why when I was there, if you recall, when we were doing major procurement, we bundled the acquisition with the full support. We looked at the overall life-cycle cost before awarding the contract as opposed to just ordering it with the company that perhaps had the lowest acquisition cost but later we would be faced with a huge incremental life-cycle cost.

There is absolutely no question that it's fundamental to change the way you think about business. That's why in my comments I can emphasize that it's that important. It's only 30¢ on every dollar to buy. Look at the overall life-cycle cost and make sure it's all there.

The Chair: I would encourage my colleagues to do the same thing. They seem to ignore me when they are asking questions.

Ms. Mathysen, you have 59 seconds.

Ms. Lindsay Mathysen: Mr. Williams, when you were talking about the watering down of policy under the F-35s to open up the open bidding process, it seems to me.... Maybe comment on what we're doing now in terms of that question around P-8s and the replacement of the CP-140 Auroras and making it more specific to exactly what.... Are we making the same mistake over again just in a different way?

Maybe both of you can come in on that with my two seconds left.

Mr. Alan Williams: It's not the same mistake. The F-35 is a unique program that could not comply with the ITB policy. The ITB policy basically says that, if you're going to bid, you have to commit to guarantee in Canada benefits equal to the value of the contract. The joint strike fighter program, as I'm sure you are aware, is concerned with the exact opposite perspective. No member is guaranteed work. You have to earn your work by successfully bidding on contracts. That's unique to that program.

• (0935)

The Chair: Thank you, Ms. Mathysen and Mr. Williams.

Mr. Aboultaif, you have four minutes.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Thanks, Chair.

Thanks to the witnesses.

From what I've heard from both of you, there are three things about that question. There is a lack of budget, a lack of organization, or a lack of will to make the procurement on the defence side as successful as we look for. Which one is it?

Mr. Alan Williams: Yes, yes and yes.

Clearly, as David said, there's been a lack of political will to make the organizational changes that you want to make. There has clearly been the lack of budget to do what the government says

needs to be done. There is a lack of people to make it happen. These are all parts of the problem, and all three should be fixed.

Mr. Ziad Aboultaif: We should just go with the low-hanging fruit and try to solve this problem. We know that heavy equipment takes a lot of planning. You're counting on things that may be delivered 10 years down the road.

Where can we start to improve? I know that we don't produce many of these things in Canada, so we also have the challenge of dealing with outsourcing.

Mr. Alan Williams: For sure, but this isn't as complicated as it sounds. Any piece of equipment you want.... It's not like there are 10 or 15 of these in the world. There are usually two or three trucks or two or three ships. It's not that there are that many out there. We spend a lot of wasted time by trying to Canadianize what we buy. We should be going out looking for only highly developed assets. We didn't do that with the ships. The ships we're buying are not developed. The systems we're putting in them are not developed. All these things add risk and money.

If you, in fact, go out and find the best product out there, that doesn't take a great deal of time and effort. If we don't spend billions of dollars trying to Canadianize them, we lower the integration risk, and you can get what you want fairly quickly.

What we buy today is essentially software. We buy software in different frames; be it a ship or a truck, it doesn't matter. When you buy something today, you can buy it quickly and efficiently and have the life cycle look at upgrading the software in a cost-effective way. That's what we should be doing.

Mr. Ziad Aboultaif: The system is bureaucratic enough. I've also heard that we may have to find another organization of some kind to be able to look after this, sort of a private or third party. I don't—

Mr. Alan Williams: That's not what I was saying.

Mr. Ziad Aboultaif: I'm just throwing that question. Is that the solution?

Mr. Alan Williams: No. I think the minister, the government, has to remain accountable for defence. I think one minister should be held accountable for defence. Where you put that minister, in what organization, is up for debate and discussion, be it PSPC, National Defence or a third one. I'm not advocating whatsoever outsourcing the accountability for defence.

Mr. Ziad Aboultaif: So the buck rests with the government.

Mr. Alan Williams: Absolutely, and the Prime Minister.

The Chair: You have one minute.

Mr. Ziad Aboultaif: We know the system is bureaucratic enough so there's no solution—

Mr. Alan Williams: There is a solution.

Mr. Ziad Aboultaif: Thank you very much. I think you've been informative.

The system is very bureaucratic. We know that. I know this is a result of a long-serving time for the people inside the department.

By the way, I had a chance in my previous life to tap into the procurement system, because I used to bid on projects with the Government of Canada. I see the process is more complicated now than ever, but I don't have answers why.

Would you be able to explain that?

The Chair: He would be able to explain it, but he can't do it in three seconds.

Thank you, Mr. Aboultaif, for your question.

We have Madam O'Connell for the final four minutes, please.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, Mr. Chair.

Thank you, both, for being here.

Mr. Perry, you spoke about data on procurement. Could you elaborate on what some of that data looks like? How do you envision it?

My colleague, Mr. Fisher, asked about other countries, but what would you see...? We have to make recommendations in this committee, so could you elaborate on your request for data and what that might look like?

● (0940)

Dr. David Perry: Sure. As an example, there are many different what's called "capability sponsors" for projects. Across the army, the navy, the air force and the infrastructure folks at National Defence, we don't systematically look at which projects do better or worse.

Are there some that are better at moving through all the gates they are expected to? If that's the case, why is that? Do the people working in that organization get more training? Do they have more staff? It's those kinds of things.

You could also look at other parts of the organization. There's a general theme from National Defence that the ITB process is problematic for their procurement. I don't know if that's actually grounded in any kind of evidence.

It's great to make that assertion, but if that is a problem, how big is it? How many days are being lost to that? Is it on all projects? Is it just one for the air or for the marine?

That kind of information isn't systematically collected. I could keep going on a whole bunch of other examples. It would be useful to have a better understanding to look at opportunities to learn from what works, as well as to fix identified deficiencies.

Ms. Jennifer O'Connell: That's fair enough. Is there a comparison, though?

As a committee, after this study, we'll have to make recommendations. Simply saying "more data" might not get us to the place you are looking for. Is there a comparison, even in another area of government, so that we can say, "Produce data in a fashion similar to X, Y, and Z"?

Dr. David Perry: I come back to a comment I made earlier. The production of data on the part of the public service of Canada, I would say, is not a great strength writ large.

One thing you could do is ask for yearly reports on a more systematic basis. Come back with information year over year.

How is the whole procurement program moved? What are the top 10, 20 or 30 files? Could the department identify for you what the top 10, 20 or 30 files are?

Ms. Jennifer O'Connell: That's fair enough. Thank you.

Mr. Williams, you spoke about a capital plan for each project's life cycle. I want to hone in on this a bit more.

In my previous life in municipal politics.... This might not be an accurate analogy for defence procurement. One of the challenges was.... Let's say we had to have a public driveway paved or an ops depot paved. Our bids would come in significantly higher than those for an individual person or company looking for bids on paving, for example.

What's the balance between the public transparency and allowing the market to drive some of these bids so that it's not a higher than normal bid that might come in for any given project or contract?

Mr. Alan Williams: I don't think there's a disconnect at all. If you do competitive procurement properly, you're playing one company against the other. That's how you drive the market price down. It's not all that complicated. Do that and you'll get the lowest compliant bid.

If your terms and conditions are appropriate, it will be a company that has experience and that has proven it can do the job. You'll also know, in an open, fair and transparent way, that you're doing well with your citizens' money by not overspending, because that's how you determine the market—

Ms. Jennifer O'Connell: My question, though, was you always had that balance—

The Chair: We're blowing through the timeline here, which is unfortunate, because it is an important question.

Unfortunately, I'm going to have to bring this discussion to a close.

I particularly appreciate the clarity of your opinions, and I'm sure my colleagues also appreciate the clarity of your opinions. They will clearly be fed into our analysis and study.

Thank you, both, for coming and sharing, and for your contributions over time to the defence industry. Thank you again.

With that, colleagues, we'll suspend and repanel.

● (0940)

(Pause)

● (0950)

The Chair: I call the meeting back to order.

We appreciate the attendance. It looks like a retired generals panel. Apparently, they are now free from the shackles of previous confinements and are willing to speak their minds.

With that, we have the honourable retired Lieutenant-General Andrew Leslie, who is known to everyone here on this panel. We have retired Brigadier-General Gaston Côté by video conference and retired Lieutenant-General Guy Thibault, former vice chief of the defence staff.

We don't need to give any explanation on how to speak to a committee.

With that, and in no particular order, Lieutenant-General Leslie, you have five minutes, sir.

Hon. Andrew Leslie (As an Individual): Mr. Chair and members of the committee, thank you for for inviting me to comment on the impact of Canada's procurement process on the forces.

Put simply, the cumulative effect on the productive output of the Canadian Armed Forces ranges between "needs dramatic improvement" to "awful".

For the small stuff and relatively simple items, the procurement process is slow, complicated and hugely bureaucratic, but it works—if there's sufficient money and people to get it done. For the major capabilities, the heart of the armed forces, in terms of equipment, such as ships, aircraft, tanks, army weapons, the current procurement process is broken and in a state of crisis.

The productive output of the armed forces can be measured by how ready they are to do the hard and dangerous stuff we ask of them—from war fighting, to peacekeeping, to deterrence, to domestic response. To be ready, the forces need to have an appropriate policy from government. They need suitable funding. They need the appropriate people, infrastructure, equipment and training. That, in turn, is essentially based on, in this case, the 2017 "Strong, Secure, Engaged", which, by the way, reads really well, but almost none of its many promises and goals have been met, and none of its detailed and rigorously developed financial models have been realized.

We recently heard from Dr. Perry and Mr. Williams. We all now know there is a dramatic and enormous difference between what was actually promised and what has been delivered to the forces in terms of billions of dollars that should have been spent on equipment and capability, which has not.

Even if DND gets the promised money, they can't seem to spend it on the big things that really matter. Process, process, process and more process is choking the ability to get things done. Delays are expensive, by the way. They impact increased costs due to inflation or supply chain fragility. Here we are: The price of delay is the cost of failure. DND can never keep up with the failures in the defence procurement process. What does this mean?

In terms of defence in Canada, NORAD is essentially underfunded. A variety of big promises have been made for years into the future, but there's this huge gap to which we should have been contributing for the last decade. Our Arctic is undefended. There is no permanently established major equipment types that we can find in our Arctic that are Canadian.

Domestic response to fires and floods is increasing, yet the troops don't have the equipment or even the capacity in terms of numbers to respond adequately.

In the UN, we used to have thousands deployed on peacekeeping missions, which, by the way, Canada co-invented. As of now, checking the UN's stats, we have 27 military personnel deployed on UN missions, one-half of a school bus.

With NATO, we were supposed to send a battle group on short notice should there be cause to do so, which there is, by the way—let's not forget what Russia is doing, those atrocities in Ukraine. It took us months to send a couple of hundred. We're supposed to send a brigade group and command it. It still hasn't left.

In terms of international peace and security, good work should be done in the Indo-Pacific region with China wrestling its might. We have yet to do so. We are sending more ships, so we'll temporarily have three there, which is a huge accomplishment, but those ships are incredibly old.

There are billions of dollars that should have been spent on infrastructure and training facilities which have not been spent. It's been allowed to lapse or disappear.

In terms of the equipment, the navy still doesn't have its new warship contract signed. It's been decades in the making. Our submarines were built in the 1980s. Our maritime patrol aircraft are far older than the average crew. New weapons, such as torpedoes and missiles, are lacking.

In the army, new rocket or missile launchers, which are being used to such good effect by Ukraine, are coming from elsewhere, trying to stop the Russians. New artillery guns, air defence systems, low-level, medium and high, supply vehicles in the air force, new fighters.... There are contracts announced, but I don't see any fighters on the ramp.

I guess this gets to the idea that making the announcement is not enough. You actually have to get it done.

What's the result? What does it mean? Our procurement system, in my opinion, for the major capital Crown is failed.

● (0955)

I would be delighted to give ideas on how to address these issues during the question period.

Thank you for your attention.

The Chair: Thank you, General Leslie.

I will go to General Thibault next, because General Côté has disappeared.

General Thibault.

Lieutenant-General (Retired) Guy Thibault (Former Vice Chief of the Defence Staff, Conference of Defence Associations): Good morning, Mr. Chair and members of the standing committee. On behalf of the Conference of Defence Associations, I'm very pleased to actually contribute to your discussions today on defence procurement and the state of readiness of the Canadian Armed Forces. As the chair has mentioned, I'm a former vice chief of the defence staff. I'd be happy to also talk about some of those experiences during the Qs and As.

[Translation]

This committee is studying an important subject, given the troubling trends and threats we're seeing internationally. We hope your work will help inform the government's thought process on the defence policy review announced in last year's budget. We look forward to the results.

[English]

Given the committee's focus, the first point I would like to register is somewhat obvious: When it comes to military readiness, this is obviously a "come as you are" fight. We have what we have. The Canadian Armed Forces are living today with the organizational and readiness consequences of past Government of Canada policies and the related political, military and bureaucratic judgments, decisions and processes, including the procurement processes, that have left our armed forces today poorly adapted for the world we live in. This includes critical vulnerabilities. It includes capability gaps that are measured against traditional threats as well as emerging threats and levels of personnel and material readiness in the armed forces that are well below what's necessary for carrying out and sustaining the military missions and meeting the strategic objectives that successive governments have set out for us in our defence policies.

If we collectively as Canadians are surprised by the state of our armed forces, we shouldn't be. As members of the standing committee may know, on April 16, in fact two months ago today, our organization, the Conference of Defence Associations, with the CDA Institute sponsored and released an open letter signed by over 60 prominent former deputy prime ministers, foreign ministers, defence ministers from both sides of the aisle, national security advisers, deputy ministers, all the former chiefs of the defence staff, diplomats and business leaders. The signatories all highlighted the fact that issues of national security and defence are rarely treated seriously or as a priority in this country other than in times of great peril. The letter was a call for urgent government action, given that we are surely in such a moment of peril now.

With years of restraint, cost-cutting, downsizing and deferred investments, it's no wonder that Canada's defence capabilities have atrophied. While there have been some very positive announcements about NORAD modernization, the CF-18 replacement and some excellent capabilities that have been added to our inventories over the past few years, the truth is that many of our military systems are outdated and are technologically outmatched. Further, our forces are woefully inadequate in terms of the size, modern equipment, sustainment and the infrastructure to protect our own territory and our maritime approaches. We're also falling short in making meaningful contributions and sharing the burden of collective defence and security with our NORAD and NATO allies and partners.

The poor state of our military readiness, however, cannot all be squarely placed on Canada's approach to defence procurement. Given the rapid changes we're seeing in our societies, with incredible and disruptive technological advances, and given the rise of authoritarian revisionist powers, Canada isn't alone in needing to adapt our forces to the volatile, uncertain and unpredictable world we live in. However, we seem to have dug ourselves into a much deeper hole than many of our allies.

These are questions for the Government of Canada: Should they be treating the problems of military readiness as a crisis and urgent? Is this a government and personal priority for the Prime Minister, the Minister of National Defence and her cabinet colleagues? Is there recognition that we can't afford to carry on with business as usual?

The unfortunate fact is that business as usual, when it comes to defence procurement, means that the military requirement is often not the most important or relevant factor, and sometimes can be of secondary or even tertiary concern when it's measured against other policy objectives associated with economic, regional or societal benefits. Business as usual means that most acquisitions, especially major capabilities, will most certainly be late to need, will more often than not fail to meet the military requirements originally set out by military planners and will inevitably cost more than they should. Few would argue that we're getting the best value for money. Ultimately, when we spend more than we need to on capabilities, this leaves a lot less money for other important military requirements.

• (1000)

It's doubtful there's been any other defence topic in Canada that's been more thoroughly scrutinized, studied and debated than military procurement. Despite commitments by governments over the years to make our system more effective and efficient, it would seem that incrementalism is the best we can expect with our current approach.

Fundamental change, if that's what the Government of Canada wants, is unlikely to happen without three conditions being set.

First, it's a willingness to revise policies and the applicable regulations and procedures to clearly differentiate defence procurement, military procurement, including having the dedicated staff capacity, from the rest of the procurement of government services.

Second is a reframing of the calculation of risk dealing with the bureaucratic and political aversion to risk associated with many defence procurements. All procurements carry financial, political, process, program and technological risks but defence procurements are fundamentally about the risk to life, national security, life, health, potentially even mission success. They don't always seem to get the right weight they deserve.

Finally, as has already been described, procurement is complex by design and there's nobody in charge and that has to be fixed.

Thank you, Mr. Chair.

The Chair: Thank you, sir.

I see General Côté is back with us.

You have five minutes, sir.

Brigadier-General (Retired) Gaston Côté (As an Individual): Thank you, I'm [*Technical difficulty—Editor*]

The Chair: I think, colleagues, everybody has a Pavlovian reaction at 10:45 on Fridays.

Instead of a six-minute round, we're going to start with a five-minute round, and then see where we're at with five minutes.

Is he back? Will we give this one more go?

General Côté.

BGen (Ret'd) Gaston Côté: It's just like Canadian football, you [*Technical difficulty—Editor*].

The Chair: You need a Hail Mary pass here.

I think we're having an illustration of government procurement.

Okay, let's go to the question round and we'll work in General Côté after the first round, if in fact we're able to re-establish connection.

With that, it's five minutes for Mr. Kelly.

Mr. Pat Kelly: Thank you, Mr. Chair.

I have to say just for a very brief moment, I'm extraordinarily disappointed that we would have these five witnesses try to be crammed into a two-hour panel and then split into two where we wasted six minutes in transition. We need to do better than that, Mr. Chair.

Thank you very much for your testimony so far.

My first question is for General Leslie.

You have said that history has shown that only two people really matter, the Prime Minister and the finance minister. Are the current Prime Minister and current finance minister focused on national security and fixing procurement?

• (1005)

Hon. Andrew Leslie: If I may, Mr. Chair, I'd like to respond based on my own personal experience.

As a young major-general sent to Afghanistan with roughly 3,000 Canadian troops, that's not the story, the story is how the procurement system under the guidance of three different prime minis-

ters responded. Quite frankly—I'll tell you the end right now—it was superb, so it proves the system can work when you get a certain level of concentration and focus.

What was acquired: new guns, new radars, new night-fighting equipment, new mine-protected vehicles, new big helicopters, new weapons for the snipers, new heavy transport aircraft, and I could go on and on and on. In several cases, some of these systems, such as the new tanks, were acquired from flash to bang in about five to six months, and new heavy transport aircraft, the C-17s, in a matter of about six months. So the system can work.

What was different? I don't know, I'll just tell you what I went through and others. As a task force commander, I ended up briefing Prime Minister Chrétien, who assured us, by the chain of command who were all there, that the system would respond adequately, and they gave guidance to the clerk and that flowed down through. Of course, we were accompanied by the Minister of National Defence.

As the army commander under Prime Minister Martin and then, of course, Prime Minister Harper, I would personally brief them with the CDS and the deputy minister there, along with the minister, because we were expected to give updates and status reports.

The system can work because there were usually three to four key people in the room: the Prime Minister, the Minister of Finance, the Minister of National Defence, and sometimes the President of Treasury Board, and it worked.

The system can work if you get that hyperfocus based on actual outcomes facing dire circumstances, which we have, by the way, now. What's happening in Ukraine is of enormous strategic importance to all of us.

If we have that same duplication of effort and intense focus, the argument is that we can solve this. It shouldn't be that hard. But notice the example I gave and who was present.

Mr. Pat Kelly: In the past, it was simply a matter of will. You said there was will under those three prime ministers and that there's no current will. Would that explain why we have troops being deployed to Latvia with inadequate kit, why we can't modernize NORAD and why we can't get things procured?

Hon. Andrew Leslie: I can't comment specifically on what's going on right now because I'm a little bit removed from it, having stopped being a politician, of course, in 2019.

Having said all that, I can tell you and I can attest to the fact that, when the Prime Minister is focused, when the Prime Minister is asking questions, specific questions, because they've been exquisitely briefed by their subordinates on the status of the army procurement program or the deploying forces program with the ministers relevant to defence production capability, the system responded magnificently, not only among the military people and the politicians but also the public servants who relish the challenge of getting things done quickly because lives are on the line.

By the way, lives are on the line.

Mr. Pat Kelly: Use whatever time I have left. What are specific ways to make for efficient procurement? Can you give us anything else you have on that?

Hon. Andrew Leslie: The Prime Minister, the Minister of Finance, the Minister of National Defence and the President of the Treasury Board have to be in the room to get it done.

The Chair: You have a few seconds left.

Mr. Pat Kelly: Thank you for that testimony.

Is there a priority right now? You talked in your opening statement about NORAD modernization. You talked about the Arctic. You talked about our capacity to participate in NATO deployments. Can you give us anything about priorities and details on any of those?

The Chair: You'll have to save that answer for another round.

I see that General Côté is back. We're going to give this one more go.

An hon. member: He has to tell the rest of the joke.

The Chair: Okay. In our copious free time, you're going to have to finish off the joke about the Canadian Football League, and then you'll have five minutes.

Go ahead, General Côté.

• (1010)

BGen (Ret'd) Gaston Côté: Three tries for 10 yards....

[*Translation*]

I am retired BGen Gaston Côté. My remarks may differ from what you've heard so far.

I have a lot of experience with the Canadian Forces procurement process. I'd like to give two examples. I continue to have a lot of procurement interaction weekly, mostly with the Canadian defence industry and particularly with the United States. I was fortunate to have a privileged position as commander of the special forces when we had a budget. We also had a direct link to procurement, so all our needs could be met. The real lesson to be learned from this example is that if the supply system is receptive to the needs of the operator, you're going to be tremendously successful.

Other things have been a little less glorious. Several years ago, I was asked to look into the possibility of working for a Canadian mechanized brigade in a northern environment. As you know, the majority of our current vehicles are wheeled. I had to consult all the science behind Canada's defence research and Canadian industrial research into winter and Arctic mobility. Interestingly enough, I

noted quite a disconnect between the science, the capabilities of Canadian industry—although all civilian industries are actively working to get this kind of vehicle, which can go into Arctic environments—and what we have on the ground. If, for any reason, we were to deploy a brigade to the Canadian Arctic, we'd have some pretty serious supply issues, since we don't really have the fleet of vehicles we need to operate in that kind of environment.

I believe the point has been made about the incredible delays on some equipment-related projects. Right now, what's particularly close to my heart is protecting Canada's North, where we're seeing a staggering militarization of the entire area. What's more, the Northwest Passage is becoming increasingly busy, making it vulnerable in every respect, from potential pollution to illegal use of the seaway. In spite of this, we have to go back to the announcement made in 1988 to see a Canadian military vessel able to operate in the Arctic. An Arctic-ready ship was delivered to us in 2022. That's really an egregiously long time to wait for a device that's truly needed to protect Canadian sovereignty in such a special environment as the Canadian Arctic.

Right now we're witnessing a sea change, and that's a return to conventional warfare, something we've forgotten for several generations because we were mostly involved in peacekeeping. Recently, with the situation in Afghanistan, we've become involved in counterinsurgency.

Extremely important lessons are emerging from all this and from everything happening in Ukraine. However, these lessons are being ignored in some of the defence policy programs.

I'm thinking in particular of rapid targeting capability, which is increasingly important, the use of drones at all levels, and long-range precision shooting. Most of our artillery is, in fact, towed artillery. Currently, the most effective pieces of artillery are mobile and can fire quickly.

Obviously, for Canadian Armed Forces, air defence is really a big issue for any operation within the NATO framework. In fact, there hasn't been much development since the ADATS program was shut down.

Finally, I'm thinking of anti-tank weapons that can be used at any temperature and in any conditions, such as the Javelin system. As a military man, I've always used the Carl Gustav ever since I joined the Canadian Forces. That system is still in place, and it has many qualities but it also has its faults.

It's still important to note that we've experienced a significant loss of capability in this area.

• (1015)

[*English*]

The Chair: General Côté, could you wrap up, please?

BGen (Ret'd) Gaston Côté: It's done, sir.

The Chair: Thank you.

We can go back to our questioning round.

We'll go to Madam Lambropoulos for five minutes, please.

Ms. Emmanuella Lambropoulos (Saint-Laurent, Lib.): Thank you, Chair.

I'd like to start off by thanking our witnesses for being here to answer some of our questions on this really important topic.

Previous witnesses, both today and on panels from other days, spoke to us about the need to transition from many departments in procuring for defence to one department, saying that this would make it a much more efficient system.

My first question for all panellists is: Do you agree with this?

Do you also see a major renewal causing potential setbacks, seeing as we're in a time when we need to act quickly? Ukraine needs us, but so does our own.... We need to make some big decisions soon.

Would you say this would be a major setback? Do you think there's a way forward that's better than transitioning to the one department way of doing things?

LGen (Ret'd) Guy Thibault: Mr. Chair, thank you for the question.

I think the issue of a defence acquisition agency of some form is what you're referring to. That's been discussed for many years as one of the potential ways to deal with the multiple ministries we have that are involved in the business of defence acquisition and procurement.

What I would say, from my experience as the vice chief, is at the officials level, folks are getting on quite well in terms of working in their various interests with respect to defence procurement, whether it be industry, the procurement or defence teamwork. The machinery that's involved in trying to get basic movement in the process is so heavy, and many of the actors are part-time actors. Even in National Defence, the deputy minister of national defence and the Minister of National Defence are big players, but they have big portfolios with lots of other things to do.

I can attest that in my transition, when I was vice chief, between the Conservative and Liberal governments I had four ministers of national defence in my time as vice chief. When you're just trying to bring a minister in to understand what the responsibilities are and how to move this forward, I think this is part of the complexity that we have.

The lack of a dedicated focus on defence procurement is a problem. I think that the focus, as General Leslie inferred, in a crisis is good, but for things that are not in a crisis, the system really is not working, because I think folks are doing a lot of this on the side of their desks.

Ms. Emmanuella Lambropoulos: Do you have anything to add?

Hon. Andrew Leslie: I agree entirely with the good general.

Ms. Emmanuella Lambropoulos: Thank you.

You spoke a bit about your time in Afghanistan. You referred to it during this panel. I'm wondering if you can tell us a bit about some of the lessons you learned. You spoke about it with my colleague.

Do you have any advice with any specific examples in terms of procurement? Can you give us a specific example of, say, what the process might have been or how it felt on the ground on the receiving end?

Hon. Andrew Leslie: Various governments at different times go through different pressures and have different series of foci on the spectrum of activity they're willing to consider, or what they can. What do they have time for?

As defence moves up the priority list, which it should right now, of course, what with Russia, China and a host of other issues that we have to deal with in terms of providing deterrence or operational capability.... This should be a much higher priority than it has been in the past, not only for this government, but for future ones.

In Afghanistan, I was contacted by the chain of command to be told that two prime ministers in particular, Prime Minister Martin and Prime Minister Harper, wanted to know how the defence equipment lists were coming along, and if there was anything or any activity they could help with. That really energizes the system around town. Now, it didn't come directly to me, but it came through the operational chain of command via the minister. All of the appropriate politeness was followed, but, by golly, it sent a signal across town.

If that sort of energy and enthusiasm vis-à-vis acquiring capability to have your troops relatively well-equipped so that they can do the job without a certainty of dying can be replicated, that's excellent. Quite frankly, I would submit that's what we need right now, because the crisis is here.

• (1020)

The Chair: You have about 15 seconds.

Ms. Emmanuella Lambropoulos: I guess I'll start a question, and maybe you can pick it up after.

Right now Ukraine needs a lot of support with equipment and weapons, and the world needs to come together in order to be able to support them, but we've heard from witnesses in past studies that there could be a lack at one point because they're just not being produced at a quick enough rate. We need to be working alongside our partners in order to be able to do this.

What role do you think Canada can play in that, and what role should we be playing?

The Chair: Unfortunately, I have to leave the answer to that question to be worked in at some other point. I apologize insincerely for the clock running at the time that it runs. It's an insincere apology; it is what it is.

You have five minutes, Madam Normandin.

[Translation]

Ms. Christine Normandin: Thank you very much, Mr. Chair.

I'd like to thank all the witnesses for being here. We're glad to have them here.

I have a question for LGen Thibault, but the other two witnesses may answer as well.

When you choose the equipment you acquire, do you try to meet too many criteria at once? For example, do we have to meet the military's needs, consider industrial and technological benefits, and consider many other specifications?

Ultimately, if we need the equipment to meet so many criteria, it may not really meet any of them. Is this what's happening right now in procurement?

LGen (Ret'd) Guy Thibault: Thank you for your question.

I think that's a very good point, and the answer is yes. I've often heard that when it comes to determining military requirements, the military is looking for a specific capability. To do so, they provide some guidance on specifications and operational requirements, which I don't agree with. To those needs we add not only the other dimensions of policies that require regional investments, but we're also looking for a return on value. We factor in certain aspects that have nothing to do with the Canadian Armed Forces' military needs when they are preparing for missions.

I think it's a problem. It not only causes delays, but the choices we make and money we spend do not contribute anything to the Armed Forces. As I said earlier, the answer is yes.

Ms. Christine Normandin: Thank you.

BGen Côté mentioned that, when there was a request for equipment for the special forces, it was done quickly and linked to armed forces needs.

With respect to the regular forces, do they have a feedback loop effective enough to judge the quality of the equipment received? Does it really meet armed forces needs? Is there still a lot of work to be done in that regard? How can we correct the situation?

I invite you to answer.

LGen (Ret'd) Guy Thibault: Would BGen Côté like to answer?

BGen (Ret'd) Gaston Côté: There is a system. If it doesn't meet needs, there is a whole system for returning information to correct the equipment's operational deficiencies.

Is there a quick response when these reports are submitted? Not always, because obviously the information the operator provides is always thoroughly analyzed to determine whether there's another solution or another part that could be used. We have to determine whether the part really met standards when we established the contract. All of those opportunities exist in the procurement system.

I remember at one point I was the one who had the highest number of unsatisfactory equipment reports in the entire army. We really need to educate everyone, in all organizations, on the importance of writing these reports. The problem is, if there are delays between report submission and correction, we end up with an internal credibility issue that suggests the system is not working as it should.

• (1025)

Ms. Christine Normandin: Thank you very much.

We've heard a number of witnesses talk about risk aversion in military procurement. They're so concerned about ensuring they

make the right choice that it takes far too long. Ultimately, they end up with an inadequate product.

Should we run the risk of it not working more often, even if that does happen from time to time? At least we would have been quick and flexible at the acquisition stage.

Hon. Andrew Leslie: Thank you for your question, Ms. Normandin.

[English]

I think the system has spent so long building itself in terms of perfection as to the criteria for equipment that things are delayed. They've been delayed so long that now the crisis is here, so, on the question of prioritization of what you might need or the criteria, some tough calls are going to have to be made, tough, ruthless calls.

One idea that was initiated by a former prime minister was to have a list of 20 to 30 of your top programs publicly available with broad dates. Now, in the last instance I just quoted, it was not publicly available, but the Prime Minister had a list and, as I mentioned, it sent shivers through the system when he asked why things were delayed.

In terms of this specific example of the special forces, the special forces are special by definition and by aptitude and training, but their numbers are relatively small, so they can be a lot nimbler and quicker in terms of their response.

The Chair: Unfortunately—

Hon. Andrew Leslie: I will stop there.

The Chair: I'm taking unique joy in cutting off a former colleague.

Madam Mathysen, you have five minutes, please.

Ms. Lindsay Mathysen: He doesn't hide his joy about any of that any time.

General Leslie, you just said that the special forces are smaller in nature, and there's an indication they get what they need because of that inclination. However, I've often heard, because there are fewer women who serve within the military, that it's harder to procure equipment that is based solely on their need, yet that would seem contradictory to what was just said. Can you explain that and how we ensure that we improve that for women specifically?

Hon. Andrew Leslie: Absolutely, and I'm sorry. I did not mean to infer that the special forces were getting everything they need. It's just that they purchase smaller quantities by definition than the army, navy or air force because of their more modest numbers.

Vis-à-vis the gender issue, that is a problem that has existed far too long within the Canadian forces of buying equipment to suit. From what I've been told, I think some good corrective work is starting to take place, but it's by no means finished. That energy and enthusiasm has to continue.

Ms. Lindsay Mathysen: You mentioned peacekeeping and the fact that we've stepped away from that.

All of you, can you talk about the long-term consequences of government decisions to do that?

LGen (Ret'd) Guy Thibault: I would say that, if we look at it in terms of Canada's international presence, whether it be in terms of peacekeeping, our response to humanitarian assistance, disaster relief, our current commitments in places like Kuwait or what we're doing, of course, in Ukraine or in support of Ukraine, including the training of Ukrainians for the fight, the question is: Is this important to Canada, yes or no? In terms of our national interest, does the United Nations matter, yes or no?

Canada is a middle power, and we rely on international security and co-operation to be able to have the quality of life that we enjoy here. I think the consequences for not being involved in the United Nations is not having a voice and not being relevant. I think that's the concern we have, largely speaking, about not just the United Nations but even as a founding member of NATO, where Canada really is not stepping up in a way in which I think we should be expected to and not necessarily burden sharing in a way that we ought to. That includes in the international context, I think, in the United Nations. Canada's not back when it comes to the United Nations, for sure.

● (1030)

Hon. Andrew Leslie: A lot of Canadians believe that we have hundreds and perhaps even thousands of peacekeepers out there working hard, and they're surprised when they're told that right now there are 27. That's often the excuse—not excuse, but rebuttal—to some of the arguments that a variety of folk are making vis-à-vis getting more focus on getting equipment and capabilities into the forces right now. “Well, we don't do that; we're peacekeepers.” Actually, no, we're not. Twenty-seven does not make Canada a blessed nation of over \$2 trillion in terms of an economy and 38 million people a peacekeeping nation any more.

Ms. Lindsay Mathysen: There was quite the conversation just in terms of the fact that we lack data, that we don't do the collection on procurement, on stats. We've heard this repeatedly in terms of even the armed forces and recruitment of what different jobs there are, how we track that, what's required in terms of health needs, how we track that, the detriment upon soldiers and those who support them. Can you talk about the importance of data collection as we heard from the previous panel? This is for all of you, if I have time.

The Chair: Respond very briefly, please.

Hon. Andrew Leslie: I would argue that, when numbers are bad, there is an instinctive reaction to try to not be as transparent as one might hope for, as a member of the external public. Most of the numbers on equipment acquisition and the numbers of people in specific jobs are not good right now. As a matter of fact, they're

borderline awful. It needs dramatic improvement, so there is a tendency not to be, perhaps, as transparent as one might wish.

The Chair: That's it for you.

Colleagues, it's Friday. Question period starts at 11, and I know a lot of members want to end at quarter to 11, but we do have the room until five to 11. Do we run a 20-minute round, or do I run a 10-minute round?

You want a 10-minute round. Okay.

Ms. Jennifer O'Connell: Chair, we can't run late. We have to get to question period.

The Chair: I know. There is a sort of Pavlovian response to get to question period.

With that, we're going to end up running two-minute questions, and the first one is from Ms. Gallant.

Mrs. Cheryl Gallant: I have two questions, first for General Leslie and then for General Thibault.

General Leslie, in what ways does Canada diverge in procurement practices from the United States as opposed to being in lock-step when it comes to defence policy?

General Thibault, how do we extract major procurement like helicopters and fighter jets from the political football field where, in an election, it's “buy fighter jets” or it's this bread-and-butter issue? We have to take that away from there so that we can just get it done as the procurements come due.

Hon. Andrew Leslie: In the United States' system—and the United States arguably takes its security perhaps the most seriously among all the NATO partners, for obvious reasons—the service chiefs, the head of the Navy, the Army, the Air Force, the Marine Corps and the Coast Guard, each have purchasing authority under military officers. They don't go through the same slightly labyrinthian maze of approvals required where everyone has to not say no in the Canadian system. That takes time, and a lot of time.

In the American system, it's arguably a lot faster, more effective and with better output, based on the size of the American forces and the quantities of money that are currently available to spend on a program.

● (1035)

LGen (Ret'd) Guy Thibault: How do we get out of the political football field with these major capabilities?

I think that, when it comes to being able to explain why we need fighter jets and an army in a country like Canada, we should all be thinking collectively at both the political level and at the bureaucratic level how we explain this to Canadians. Ultimately, that's when you end up saying, “Well, we don't really need these kinds of capabilities”, and that's not an informed position. It's a kind of political statement that has no basis on real understanding of what the needs are.

I think that we start with what the threats are to Canada both at home and abroad and why any of this matters. I think we could all collectively be doing a much better job of explaining that to Canadians and to our elected officials.

The Chair: Mr. May, you have two minutes.

Mr. Bryan May: Thank you, Mr. Chair.

In about one minute, General Côté, can you share examples of where procurement went well and the best practices we've learned from that which we could apply for future procurements?

BGen (Ret'd) Gaston Côté: A few examples with my past in the special forces is that we definitely had direct contact with the program manager or the item manager, and we clearly spelled out our requirements.

We always have a lot of homework to do whenever it comes to procurement. We also need to plug into the system in a way that they understand our requirements.

On the other hand, to go back to Afghanistan, there was a requirement that we procure CH-46 Chinook helicopters in order to save lives and to diminish the number of convoys that we had on the roads. It worked extremely well, except that, at the time, Chinook helicopters were in great demand worldwide, so we basically had to purchase used helicopters.

Mr. Bryan May: Thank you.

I have three incredibly experienced generals in front of me, and we've heard a lot about lists and priorities.

Starting with you, Mr. Côté, what should be the government's number one procurement priority?

BGen (Ret'd) Gaston Côté: In the short term, it's definitely all the requirements that actually have been highlighted, because of what's happening in Ukraine.

Second, and probably one aid priority, if you will, is everything that looks north. Definitely, we have ocean-going ships. We also now have ships that can navigate in frozen water like we have in the Arctic. But we definitely need to have a better understanding of what it entails with regard to military operations in that milieu.

Mr. Bryan May: General Leslie, what is your number one priority?

The Chair: General Leslie, again, is going to have to work it in.

Colleagues, work with me here.

Madam Normandin, you have one minute.

[*Translation*]

Ms. Christine Normandin: I will come back to risk aversion. Should we make decisions more quickly, even if they might not be perfect? That would avoid choosing equipment that, even if it is next generation at the time of the analysis, will no longer be next generation when it's acquired because of the analysis time.

Should we be doing things more quickly, even if it means sometimes making mistakes?

LGen (Ret'd) Guy Thibault: Thank you. I'm glad you circled back to risk.

[*English*]

When it comes to our risk aversion that's been built into the entire system we have right now, we're penny-wise and pound foolish. A lot of that is for just trying to diminish risk as we're trying to move forth programs. Long-term costing to try to get things costed down to the nearest dollar when we're talking about multi-hundreds of millions of dollars is an example of the risk aversion we've built into the system.

I think the operational risk right now has to trump the rest of the risks that we're trying to manage through these defence procurements. When we're talking about the risks to the men and women of the Canadian Forces, as Gaston just talked about, getting them off the road was one of the examples of why the Chinooks were so important in Afghanistan.

There are many more examples where the operational military risks are being treated secondarily to programmatic or bureaucratic risks. That has to change.

The Chair: Thank you, Madam Normandin.

Ms. Mathysen, you have one minute.

Ms. Lindsay Mathysen: Considering the short amount of time, in a past meeting we heard very clearly, and we've heard it before, that without specific and more security clearances, people around this committee table can't do the work they need to do to consider the big questions they have to ask. Would you agree with that?

Hon. Andrew Leslie: As a former MP, absolutely. I believe you should have the security clearances required to whatever level you believe to be necessary within common-sense constraints, to have access to the information you need to make informed choices.

• (1040)

Ms. Lindsay Mathysen: General Thibault.

LGen (Ret'd) Guy Thibault: I would totally agree. Obviously, when we're talking about public hearings, it's one thing, because obviously there are lots of very important national issues of security that have to be constrained from sharing publicly. But for parliamentarians to do your jobs, whether it be in the committee of parliamentarians looking at national security, it's really essential you have a better understanding.

I think that comes back to the earlier question of how we stop making these things political footballs. If we had a better understanding of really what's at risk, what the threats are, why these programs matter, that would go a long way, I think, to helping us not make these issues political footballs.

The Chair: Thank you, Ms. Mathysen.

Mr. Bezan, you have two minutes.

Mr. James Bezan (Selkirk—Interlake—Eastman, CPC): Thank you, Mr. Chair.

I want to thank all three witnesses for their service to Canada. It's great having all three generals in front of us and participating in this important study.

General Thibault, you talked about the need to take on more risk. In looking at processes and procedures, does Treasury Board add a value, or is it part of the problems that we are dealing with in procurement?

Both General Leslie and General Thibault, could you talk about the issue of streamlining procurement? Can we do this through National Defence?

General Thibault, as a former vice chief of the defence staff, you had your hands on the procurement files. The threshold at Treasury Board right now of what National Defence can spend is about \$50 million. Shouldn't that be higher, or should that just be completely moved over under one minister of accountability in the Department of National Defence?

The Chair: You have about a minute, please.

LGen (Ret'd) Guy Thibault: Maybe I can kick it off quickly.

On the issue of risk, when the government came in and talked about the whole deliverology and the idea of ministers ministering their ministries and thinking a little bit about getting on with defence procurement, I think we were all quite excited about the opportunity. Really, on a risk basis, for those programs that are not risky, either in terms of their complexity, their schedule, the amount of money we're spending, clearly, those should be things that would be delegated, and more levels of bureaucracy would not be added to move those programs forward. What was disappointing to me was that something that was very simple in terms of starting to increase the Minister of National Defence's authorities in this respect, took 10 years to do. It started by our saying in 2010 to have a delegation to the minister, and it took 10 years to provide the minister with basic accountabilities for some of these, based on the low-risk program.

If we want to accelerate things, starting with the risk calculation, I think, is the real place to start. Unfortunately, even when the delegations are there, programs that have been delegated are still being called up to be reviewed at Treasury Board. I think that's a problem.

The Chair: Thank you, Mr. Bezan.

Mr. Fisher, you have the final two minutes.

Mr. Darren Fisher: No, it's not me.

The Chair: Mr. May, then, for the final two minutes.

Mr. Bryan May: Going back to you, Mr. Leslie, what is the top priority for procurement for Canada?

Hon. Andrew Leslie: I have a personal view, but I don't believe it would be constructive for me to articulate 100 to 200, which is roughly the number of major Crowns. However, if we were to ask the Prime Minister's Office, which implies then, of course, that it's gone through the various ministers involved currently in defence procurement, to come up with the top 30 projects to be completed, in the sense that the contract is signed, by the end of the year, you'd say, "Gosh, that's too fast."

Let's go back to the Afghanistan example. There's more than enough time to get projects phased by time. For the top 30, get them done this year. For the second tranche of *x*, get them done the year after. Then the longer ones, which are further down the stages of maturation, obviously will flow as required. That way, you get buy-in.

Mr. Bryan May: General Thibault.

LGen (Ret'd) Guy Thibault: I'd say there are short, medium and long term, and you have to think about these priorities in that kind of context. When we have forces in the fight, and right now we have troops on the front line in a place like Latvia, our focus needs to be on making sure the men and women who are serving have what they need.

In the mid term, when we look at taking care of the home game, we need to have the ability to defend Canada in the north and the Arctic and the approaches. We have lots of capability gaps. While NORAD modernization is part of the priorities that have been announced, it's not a fulsome look at everything we would need to do in the subsurface, the surface and in the maritime approaches. I think that taking care of the home game really has to be there.

If I were to pick a third priority, long term, it would be submarines. We need to seriously think about why we're not in the submarine game in a major way. I think that has to be a priority focus in the long term.

● (1045)

The Chair: Thank you, Mr. May.

Unfortunately, that has to bring it to an end. I emphasize "unfortunately", because I agree with Mr. Kelly. The three of you are hugely valuable witnesses to this study.

I'll say to the clerk and to colleagues that we should think about how we re-engage with these witnesses in some manner or another and put that, if you will, on our Tuesday agenda.

With that, I unfortunately have to bring the gavel down. I wish you all a good weekend.

Thank you again on behalf of the committee.

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