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Chair: The Honourable John McKay





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• (1620)

[English]

**The Chair (Hon. John McKay (Scarborough—Guildwood, Lib.)):** I call this meeting to order. I see quorum. I apologize to our witnesses, but these were extraordinary events today.

I need to get some guidance here. We have the room only until six o'clock, so that would give us an hour and 40 minutes. Do you want me to divide it equally between the first panel and the second panel? An hour and 40 minutes is 50 minutes each.

We'll do 50 minutes, and then do a quick turnaround.

We'll go to Mr. Fadden for 50 minutes—

**Mr. James Bezan (Selkirk—Interlake—Eastman, CPC):** All right, we should keep all questions to five minutes.

**The Chair:** We can cut a minute off.

**Ms. Lindsay Mathyssen (London—Fanshawe, NDP):** We have one witness in this hour and three in the second hour.

**The Chair:** Yes, I know, but time is time.

Let's just start with 50 minutes. I'll cut a minute off the first round.

Go ahead, James.

**Mr. James Bezan:** There is another option, seeing that we have a couple of other witnesses in the room. Why don't we bring up all the witnesses at once and just go for the full hour?

**The Chair:** One of our witnesses is not online.

**The Clerk of the Committee (Ms. Hilary Smyth):** I can see if he's ready.

**The Chair:** We're making this up on the fly, folks. Do you want to go until six o'clock with all four witnesses?

**Mr. James Bezan:** Yes.

**The Chair:** We have to do some tests, then.

**Mr. James Bezan:** Can we start hearing from the current witness at the table and—

**The Chair:** It's preferable to have tests done first—isn't it?

**The Clerk:** Yes.

**Mr. James Bezan:** Let's just go. Let's do the 50 and 50, because that's going to take too much time if they're not online. Are they online?

**The Clerk:** They're online, yes.

**Mr. James Bezan:** Okay, then do it, and quickly.

**The Clerk:** Can you suspend?

**The Chair:** We are suspended.

• (1620)

(Pause)

• (1625)

**The Chair:** I call the meeting back to order. We have a panel of the Richards.

I'm going to call on Mr. Fadden first for his five-minute statement, and then go to each of the other witnesses we have on the panel, ending with Mr. Jaramillo.

With that, Mr. Fadden, you have five minutes, please.

**Mr. Richard Fadden (As an Individual):** On behalf of the Richards of the world, thank you very much for the opportunity to speak about an issue that I have worked on for a large number of years, but, I must admit, never with a great deal of success. To some degree our inability to effect improvements in defence procurement prompted me to reflect on these challenges. With limited improvements in mind, these are the reflections I hope to pass on to you today. I hope they're useful.

Before I come to my substantive remarks I have two meta points. First, I served both Conservative and Liberal governments, and I am convinced my remarks apply to both periods. Second, there is no silver bullet to this multi-faceted problem. Over the years, I have discussed and studied the DP experience of our allies, and everywhere there are levels of complexity that show elements of similarity with ours.

I believe there are three groupings or institutions principally responsible for defence procurement: politicians, public servants and the defence industry. I'll concentrate on the first two. Let me take them in turn.

Politicians, entirely appropriately, set a number of pan-governmental objectives to be pursued. Each objective on its own may be entirely appropriate and reasonable to pursue; however, the problem with DP arises when they conflict with one another. In the area of defence procurement, military acquisitions potentially conflict with any number of other objectives, including industrial objectives, and regional developments and innovation. These objectives are then bureaucratized by the public service and add considerable complexity for everyone involved, including the private sector. Over time all of this develops a culture, which itself becomes highly problematic. I'll say more on this in a second.

I'm not suggesting these objectives should be ignored in the context of defence procurement. Rather, their impact should be detailed and made public so that a judgment can be made on the appropriate balance among the various objectives. Also, in specific circumstances, not routinely but not rarely, the public service should be able to recommend and the government accept that the application of some specific objectives should be suspended. These suspensions in support of urgent defence acquisitions should be susceptible to acceptance by Parliament and the media, which is potentially another area where cultural change would be necessary.

As for the public service, concern about the reactions of ministers, the House and the media have made public servants very rule- and process-oriented and very risk-averse. I suggest this has become the dominant culture with respect to any public servant who has anything to do with defence procurement. The way the Federal Accountability Act has been implemented also does not help.

I'm not advocating irresponsible action but rather an acceptance of some measure of risk and the possibility of error in favour of more effective acquisitions. In practice this might mean an environment where acceptance of exceptions to rules in favour of special arrangements can be sought, without being career-limiting. One easy example is that the public service has become extraordinarily reticent to take any action that raises the possibility of litigation, even though over the years the government wins most of the litigation. There's a real resistance, and this just gridlocks things because of the fear of litigation.

Another issue shared by ministers and public servants is the principle that defence procurement rules apply across the board, notwithstanding the size or complexity of specific acquisitions. I know that I'm generalizing here, but I believe that this approach should be further developed. As an example, increase delegations and have fewer rules when the acquisitions arrive and they're not particularly complex, or when not a great deal of money is involved.

Another matter is illustrated by the debate about the appropriate organization and mandates of departments and agencies involved in defence procurement. In looking at our allies, it's clear there is no perfect model. Whatever model is chosen, it seems to me that it must take into account the political, legal and cultural environment. To me it would seem very problematic to change our current machinery, which involves a great many departments and agencies, without resolving the various issues and challenges surrounding DP.

In conclusion, to the extent that the points I have made are valid, I would suggest they need to be addressed together if a material improvement in DP is to be brought about. As these issues involve multiple departments and legal and regulatory machinery issues, they can succeed only if reforms have the support of the Prime Minister. A single minister, a single department, isn't going to make material changes in this area. It has to be a pan-government operation. In the end, cultural issues may be as important as substantive ones.

• (1630)

**The Chair:** Mr. Foster, you have five minutes, please.

**Mr. Richard Foster (Vice President, L3Harris Technologies Canada, As an Individual):** Thank you, Mr. Chair.

Ladies and gentleman, I have been engaged in industry for seven years. While I'm a firm believer in competition, I'm also very much a proponent for getting the right equipment for our Canadian Armed Forces in terms of delivery schedule, period of performance, capability tied to interoperability, cost and of course long-term and sovereign sustainability. We are not different from government in this respect. Our company's success is very much dependent on the same desired outcomes.

My CEO detests "red" programs probably more than government does. Canada has one of the most complex procurement processes, which is costly in terms of time and money. The geopolitical situation will require faster and more effective procurement to ensure that the Canadian Armed Forces remains operationally relevant.

Faced with a personnel deficit, the armed forces should work more closely with industry and adjust some of the default constructs with the procurement and in-service support processes.

We have the following recommendations.

Avoid high-risk firm fixed-price developmental programs. By their very nature, developmental programs will face some unknowns in terms of the full cost required to develop a capability. There are many deliberate developmental U.S. programs that take years and significant costs to develop. Non-recurring engineering paid by a launch customer OEM is not always cheap and does not always bode well for schedule, cost or risk. Canada needs to understand better what level of developmental program risk they are entering into and plan accordingly in terms of both cost and schedule.

Programs should be competed when they need to be competed and not for the sake of competition. Competition is healthy and should be a matter of course when two products or capabilities have comparative offers. If there is only one product or capability that meets the CAF's requirements and Canada is not prepared to appropriately fund a developmental program for another offering to create competition, then it should not be competed. Similarly, Canada's true requirement should not be watered down to force a competition. This ultimately undermines the CAF's capability. These principles should apply to both product acquisitions and in-service support.

For proven off-the-shelf solutions, the launch customer has invested, developed and, in many cases, competed the solution. Canada should take advantage of this to avoid delays in schedule and cost.

Canadian industries should be even more integrated than ever in the U.S.-led North American supply chain. For example, the over-the-horizon radar project should be an aligned U.S. and Canadian solution for NORAD with a cross-border and integrated industry. The U.S. is developing spiral programs to invest and develop future capabilities in radio software, night vision equipment and command and control systems. An example is Project Convergence, which is focused on regular software and command and control. Canada should deliberately partner and invest in these concepts and better integrate our supply chain into the developed solution. Canada should incentivize companies to invest in Canada to better integrate the supply chain.

R and D investment within Canada should be more focused and longer term, and should support those capabilities that have the best chance to succeed in a competitive global market.

Today's export success of the WESCAM MX-series cameras started from government-industry R and D over 50 years ago. A longer-term commitment within both industry and government is required if Canada is to remain and be competitive.

Canada is a relatively small contributor in terms of military equipment development. Working together with industry to identify those areas in which Canada is really competitive and investing appropriately would better position our country in the global market.

Canada should better develop and sustain its in-country, in-service support capabilities, including engineering support, to ensure sovereign operational readiness. Over the years, for political and operational reasons, in-service support centres of excellence have been developed in Canada. This past investment should continue to be leveraged. Canada should consider longer-term investment to maintain these centres of excellence to ensure operational sovereignty and enhanced engineering capability. Re-competing these capabilities by default rather than by necessity is costly. It causes disruption and degrades support to readiness for several years during this process.

The Canadian Armed Forces have a personnel capacity issue with no short-term solution. Therefore, Canada should integrate industry support services more into its readiness plans to ensure that Canada can meet its defence obligations at home and abroad.

In conclusion, ensuring that Canada's military remains operationally relevant will require a disruption to our current procurement processes and thinking. Industry is ready to engage and help.

● (1635)

Thank you.

**The Chair:** Thank you, Mr. Foster.

Go ahead, Mr. Shimooka, for five minutes, please.

**Mr. Richard Shimooka (Senior Fellow, Macdonald-Laurier Institute, As an Individual):** Thank you for allowing me to speak to the committee today.

For my remarks, I would like to focus a bit on defence procurement in the past, the present and the future.

Looking back, one of the most difficult periods for the Canadian Armed Forces in recent history was the late 1970s and early 1980s. Successive governments had cut into the military budget, downsizing and reorientating the forces while delaying modernization. By 1980, the Canadian forces faced obsolescence in the face of significant advances by Warsaw Pact militaries.

While downsizing had cut the military's standing forces, it still retained a capable administrative system with enough institutional memory to execute the new programs. By 1990, the military had replaced a number of its key capabilities with the CP-140, the CF-18 and the Leopard 1, while others, such as the Halifax-class frigates and the North Warning System, were on the cusp of being deployed.

On the surface, Canada's situation today resembles that of the 1980s and may even seem to be on the same trajectory if 2017's "Strong, Secure, Engaged" had been executed as envisaged. Unfortunately, the reality is far worse now than it was back then.

Many of the same systems we acquired in the 1980s are far beyond their rust-out dates and are not anticipated to be replaced for another decade or more, due to failing program execution. While defence spending has increased over the past eight years, much of it has gone to operational accounts due to growing international commitments. This has masked the increasingly dilapidated state of the military's capital base.

In other words, our system of procurement is fundamentally broken. Deliveries of major capabilities can now be counted in decades, whereas years should be the norm. The remotely piloted aircraft system, which will deliver a medium-altitude unmanned aerial vehicle, is about to enter its 17th year of existence without delivering a platform. By comparison, many of our allies, such as the United Kingdom, Germany and France, have brought equivalent systems into service in under four years.

These failures have occurred at an inopportune moment, as the international security environment has deteriorated rapidly in the wake of the Russian invasion of Ukraine and China's destabilizing efforts in the Indo-Pacific. Our allies have increased spending and launched a broad modernization of their forces, whereas Canada's efforts seem to be stalled by comparison.

In short, the system of acquisition is fundamentally misaligned from the focus of delivering critical defence goods to our soldiers. Over the past four decades, it has become progressively slower and less able to meet our national defence needs, due to several factors.

The first has been the increase in non-defence objectives in procurement, most notably for delivering economic and social benefits to Canadian society through these purchases. Second, a number of perceived failures, such as the initial cancellation of the F-35 purchase in 2012, resulted in ill-considered reforms. They added layers of unnecessary process, diluting individual accountability and increasing costs and delays in these programs.

While our present situation is suboptimal, the real cause of concern is the Canadian Armed Forces of the future, which in reality is already here. Reflecting the rapid and fundamental evolutions in our societies that we are experiencing due to the confluence of new technologies, warfare is undergoing a similar shift. What I outlined earlier is a 20th-century approach to war-fighting and procurement. Canada must move into the 21st century.

A core consideration is the information dominance strategy. In the United States, this exists under the joint all-domain command and control approach, or JADC2. This doctrine seeks to aggregate and integrate information from all available sensors, analyze it and disseminate it to all units that can effect action. Canada's major allies, including Australia, Germany and the United Kingdom, are implementing similar approaches, and their force structures and doctrines among all of their services have already been drastically affected. On a granular level, a platform's connectivity and integration to existing networks and command and control systems are often as important as its physical attributes.

Canada has not adjusted to this new reality. While "Strong, Secure, Engaged" did contain verbiage that acknowledged the utility of joint intelligence surveillance and reconnaissance for the battlefield, the Canadian Armed Forces has lagged far behind its allies in this area. For example, if we look at the remotely piloted aircraft system, or RPAS, the procurement has largely focused on physical capabilities, but minimal consideration was given to how the platform would play in a broader networked environment. This would be akin to buying a top-of-the-line smart phone and using it only to make phone calls.

• (1640)

In many ways, this shift, when it comes, will be a fundamental one for the department and the government. Its implications will be profound and widespread, affecting not only the military operations but how we procure systems. For some systems, such as software naval capabilities, how we approach them will directly affect their military utility. It requires procurement approaches that are flexible and innovative, delivering capabilities rapidly to our soldiers in order to face these new threats.

I thank you for this time today. I look forward to your questions and comments.

**The Chair:** Thank you.

Our final witness is Mr. Jaramillo. You have five minutes, please.

**Mr. Cesar Jaramillo (Executive Director, Project Ploughshares):** Good afternoon, Chair. Thank you for the opportunity to address this committee. I am speaking on behalf of Project Ploughshares, a Canadian organization that has been dedicated to matters of arms control, disarmament, Canadian foreign policy and international security for nearly five decades.

While Project Ploughshares does not delve into the intricacies of procurement processes, I wish to bring your attention to several overarching dimensions that warrant consideration when discussing the implications of procurement for the future of the Canadian Armed Forces.

Before I delve into these dimensions, I want to be clear that nothing I say here is meant to be interpreted as questioning the undeniable need for the effective preparedness of the Canadian Armed Forces. The primary roles of our military must be to protect Canadians and to advance constructive and robust foreign policy objectives that enhance collective security. This duty has the full support of Project Ploughshares.

Let's explore some of the key factors that directly or indirectly impact discussions and decisions on procurement.

The first is the changing nature of the security landscape and the need for clear and relevant policy direction. The world is in a constant state of transformation. Emerging technologies, environmental challenges and evolving threats are reshaping the very concept of security. As we discuss defence procurement, it becomes imperative that we establish clear and timely policy direction for the future priorities of the Canadian Armed Forces. While Canada's defence policy in the document "Strong, Secure, Engaged" was released six years ago already, in 2017, the rapidity of the evolving security environment requires continual adaptation.

Our military must recognize and align its procurement decisions with its evolving role in addressing these emerging challenges. Without a clear vision for the role of the Canadian Armed Forces in responding to existing and new challenges, procurement processes are at risk of being driven more by industry lobbying than by the actual needs of the military, resulting in higher costs yet less effectiveness.

The second is increased military spending and global implications. The trajectory of increased military spending and the rapid and continued growth of the arms industry present complex challenges. While security spending is essential, rapid growth in military procurement spending can inadvertently foster a broader military and industrial complex, which may have an outsized influence on key Canadian foreign policy and procurement decisions. We must, therefore, critically examine the consequences of this trend, not only for national security but also for global stability. Swift increases in military spending, both domestically and internationally, can contribute to a global arms race, heightening tensions and potentially elevating the risk of conflict.

The third is misconceptions regarding NATO's GDP-based targets for military spending. Beyond specific procurement decisions, and without denying the need to correct any structural deficiencies in the procurement processes, it bears noting that perceptions of Canada as a country with inadequate defence spending can be misleading and merit closer examination, as they are often based on the arbitrary metric of military spending as a percentage of GDP. This applies both to Canada's defence spending in isolation and relative to its NATO allies.

Even before the conflict in Ukraine, Canada's defence expenditures totalled more than \$26 billion U.S. in 2021, ranking it as the sixth-largest contributor among NATO members. Put another way, Canada was actually part of the top 20% of NATO's military spenders. On a global scale, according to SIPRI, the Stockholm International Peace Research Institute, Canada ranked as the 14th-largest military spender in the world last year, well within the top 10% of worldwide military spenders.

The fourth is balancing a healthy defence industrial base with responsible arms exports. While sustaining a reliable defence industrial base is undeniably essential, Canada must exercise caution in relying on questionable arms exports to support this goal, whether this happens as a matter of strategy, poorly implemented export control regulations, inertia or a combination of these factors. Our commitment to a responsible arms trade and effective export controls considerations must remain unwavering. Striking a balance between supporting domestic industries and upholding legal and ethical obligations is imperative. We must ensure that our exports do not inadvertently contribute to global instability or human rights abuses.

The fifth and last is establishing normative safeguards for new technologies. In an era marked by rapid technological advancements, including innovations with military applications, Canada must proactively establish normative safeguards to prevent potential human rights violations and misuse. Embracing technological innovation will be an increasingly crucial element of procurement for the Canadian Armed Forces. However, it is equally imperative

to establish a regulatory framework that upholds the rights of Canadians, respects international norms and ensures accountability.

• (1645)

Thank you for your attention.

**The Chair:** Thank you, Mr. Jaramillo.

We're going to do a five-minute round, not a six-minute round, so Mr. Bezan, you have five minutes.

**Mr. James Bezan:** Thank you, Mr. Chair.

I want to thank all of our witnesses.

I'm going to start with Mr. Fadden. You have a unique perspective, having been both the former deputy minister and a national security adviser to the PM.

When you look at the threat environment we're in and the challenges we have in procurement, what do we need to be doing to address the current threat environment we're facing to get the kit that we need both today and in the future?

**Mr. Richard Fadden:** I think you've put your finger on a significant issue. Defence procurement is not going to significantly increase until the Canadian population, and all of you in Parliament, recognize that the changed international environment is bringing back substantive threats that we haven't had in the past. We can talk about defence procurement until we're all blue in the face. If the country doesn't recognize that we need to do something about our foreign and defence policy writ large in facing the greater threat, I think we're not going to really reform defence procurement.

**Mr. James Bezan:** If we're looking at what's happening right now with the war in Ukraine and Russia's invasion and the PRC's destabilizing geopolitical games that they're playing in the South China Sea, the Taiwan Strait, the Sea of Japan and our Arctic, we see that we need to buy a lot of equipment fairly fast.

Would you suggest that we either modify or suspend current rules that are in Treasury Board under, as you said, the Federal Accountability Act and the industrial benefits program, the ITBs? Should those things be set aside so we can buy kit faster?

**Mr. Richard Fadden:** I don't think they should all be set aside in all circumstances, but it seems to me that the military should be able to advise the government on those acquisitions that are critical now, and they should waive procurement rules. They should accelerate the processes whenever necessary. I would imagine that you would never go more than 20% or 25% under these special circumstances.

Right now, I can only think of one instance when that's been done in the last 20 years, and it actually turned out to be a success story.

In dealing with IT projects in general, technology changes so quickly that by the time we get around to offering a contract to somebody, usually the technology's changed entirely, so particularly in those areas relating to technology, we should suspend some rules.

• (1650)

**Mr. James Bezan:** You talked about political leadership and political control. In taking away that risk aversion that we have within the public service, having a special cabinet committee and a special secretariat within PCO to show leadership to the departments on how important procurement is, is that the right model to go forward?

That's without having to change all of the departments in setting up special agencies or anything like that.

**Mr. Richard Fadden:** I think what you're suggesting would help, but I think the biggest change required is going to be a cultural change. The culture in dealing with DP, defence procurement, is so entrenched in the public service—and, if I may say so, also within the government—that I don't think any machinery changes, including the special committee that you're recommending, are going to go very far. That's why I'm arguing that if Parliament decides that it really wants DP to be treated seriously, you have to be convinced that the international environment requires it to be done.

To put it bluntly, I've hung around politicians for all of my career, and there are not a lot of votes in defence procurement. People need to be convinced that there's a threat if they are to respond.

When there are real emergencies, this country responds in a spectacular fashion. What comes to mind is 9/11 and what we did in Afghanistan. The run of the mill operations on defence procurement.... I believe that we're not convinced collectively that we have a real problem.

**Mr. James Bezan:** Mr. Shimooka, you talked about the non-defence objectives in procurement. Are you suggesting that we buy off the shelf as a way to get around that, and do that as much as possible?

How are we even sure that we have a domestic defence industry? In times of war, we're going to need our domestic industry to step up and build stuff for our army, rather than being put at the end of a list of other countries, which are going to be building for themselves first.

**Mr. Richard Shimooka:** Certainly every program that has bought above a certain threshold has the ITB value proposition element and requires a 100% offset. In any case, that is going to occur for all of these programs.

I think we need to have a very clear understanding of what's required for the future of war-fighting, whether operating in the Indo-Pacific or in Europe, and an understanding of our capabilities. Certain segments of the Canadian industrial base have that level of technological capability and industrial capacity for support, and we

should really rely on those, while looking at other areas when we cannot buy domestically and purchase from there as well.

**The Chair:** Thank you, Mr. Bezan.

We will go to Mr. Collins for five minutes, please.

**Mr. Chad Collins (Hamilton East—Stoney Creek, Lib.):** Thanks, Mr. Chair.

Welcome to our guests.

Mr. Fadden, I was so shocked to read the comments that you made in the piece from 2022, in which you talked about procurement and you talked about abandoning or pausing the rules. I've been an elected representative for almost 30 years now, and if I were to go back to my community and talk about waiving procurement rules....

You mentioned the word “media” in your opening statement. I just can't imagine how that resonates with media. I get internally why that needs to happen here and I think it should happen, but how do we deal with the cultural issue in terms of the public's desire for transparency when it comes to government purchases? You can imagine, having worked here for quite some time, what the opposition would maybe do in playing with a waiving of the rules, so to speak.

How do we deal with the public and how do we deal with, by extension, the media when that's not the norm at any level of government here in Canada?

**Mr. Richard Fadden:** That's a fair question.

It will seem like a contradiction in terms, but I think you start off by developing a package of rules that sets out the rules for suspending the rules. You have to be absolutely transparent about when a piece of defence acquisition is so critical to the national interest and national security that it will allow the government of the day, or either side, to say, “We're going to suspend those rules.” I think it has to be utterly and completely transparent.

It would be useful if you could get all parties in the House to agree with it in principle. To the extent that the House agrees with this in principle, the media will eventually follow.

I want to be clear that I'm not suggesting the suspension of all rules, all the time—

**Mr. Chad Collins:** You would be clear that it needs to be limited.

**Mr. Richard Fadden:** —but I think you need transparency in respect of the need for that kind of suspension in circumstances when either certain international conditions or something special in Canada occurs. You're a better judge than I am for this, but I think that if you make a clear case that we're sending our soldiers, sailors and airmen into battle or close to battle without being properly equipped, most Canadians will agree that this is not an acceptable way of proceeding. I can give you examples of when we've done that if I think about it.

If you come up with that kind of explanation, then you can proceed to waive maybe not all the rules but some of the rules, and only in those circumstances .



I'm sorry for the long answer.

• (1655)

**Mr. Chad Collins:** No, it was a great answer. I was looking forward to it.

You referenced micromanaging in that same piece in terms of the aversion to risk in the bureaucracy, and that, I think, is common in all levels of government. You talked about not being afraid to possibly make a mistake with some of these very sensitive files. There are benefits, though, that come with that. Time is one of them.

Can you elaborate on that in terms of how much risk the bureaucracy should take when we're dealing with some very expensive files and some very public high-profile files?

**Mr. Richard Fadden:** That's another very good question.

I want to be clear that I'm not suggesting waving one's arm opposite a billion-dollar expenditure, but I think what I was referring to was the rigid adherence to every sub-subrule in a lot of cases and the fear that the slightest error would be picked up by the opposition of the day or by the media and that people would not be backed by their superiors in the public service. I'm not accusing politicians here exclusively. It's their superiors in the public service. Somehow, again, I think it's a cultural issue. I don't think you need to change the law.

As I mentioned in my remarks, for all of this to happen effectively, you're going to need a prime minister who takes interest and says that this needs to be done. I have not been, nor ever will be, a prime minister, but I can't imagine very many topics that would be of less interest to the average prime minister. However, somehow, if we're going to make all these cultural or substantive changes, we need a whole-of-government approach, starting at his level with ministers and senior officials.

Mostly, as I mentioned in my remarks, it's the acceptance that occasionally the fear of litigation gridlocks people now. Despite the fact that cases before the Canadian International Trade Tribunal and the Federal Court are usually won by the Crown, people just sort of freeze. If we lose a case, it shouldn't be regarded as career limiting or the end of the world as we know it, but right now it's close to being viewed that way.

**Mr. Chad Collins:** Fair enough.

**The Chair:** You have about 15 seconds.

**Mr. Chad Collins:** I'll save it for the next round.

**The Chair:** Okay. We'll add it to your total.

[Translation]

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

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

My first question is for Mr. Fadden.

One of the criticisms I've heard about procurement is that a lot of military personnel are assigned to the procurement system, even though there is a shortage of military personnel. I've been told that one of the possible solutions to counter this would be to rely on industry more to make the procurement system work.

For example, a long-term military clothing contract was awarded to Logistik Unicorp, a company in my riding. The company is responsible for finding suppliers, among other things.

I'd like to know what you think of that possibility. Do you think that could have an effect on risk aversion, given that the responsibility would be shifted to the private sector and away from public servants?

**Mr. Richard Fadden:** I think you're quite right when you say that too many military personnel are involved in procurement.

I see two possible solutions.

The first would be to increase the number of civilians working on this file. The second would be to push procurement to the private sector, as you say.

This could work up to a certain point, but we couldn't go beyond that because of the risk....

The private sector is looking to make money; that's really their main goal. There should still be an opportunity to intervene; there should be an opportunity to conduct a fairly detailed review of the purchases after the fact. I think it would be worthwhile to do so in certain sectors and in the case of certain acquisitions.

That said, every time there are cuts at the Department of National Defence, they are always applied to the procurement sector.

There aren't enough people working on this file, which is causing a lot of delays.

**Ms. Christine Normandin:** Thank you very much.

My second question is more for Mr. Foster, but if anyone else wants to answer it, feel free to jump in.

You talked about research and development. From what I understand, this sector is often left to the industry, which uses it through industrial and technological benefits as a multiplier effect.

So I'm wondering whether Canada is losing some control, in a sense, over the sectors in which it would like to develop research and development, by not deciding on its own which sectors it wants to focus on. I'm thinking of the Institut quantique at the Université de Sherbrooke.

We could be more at the forefront and use those expenditures in calculating our 2% at NATO.

Haven't we subcontracted research and development to a certain extent through industrial and technological benefits?

• (1700)

**Mr. Richard Foster:** If I understood your question correctly, I would say that research and development....

Could you repeat your question, please?

**Ms. Christine Normandin:** I'd be happy to.

Should the government itself invest more in research and development rather than subcontracting it to industry, in a way? Industry uses industrial and technological benefits as a multiplier. In addition, the industry makes decisions based on its needs rather than doing research and development based on the needs of the military.

**Mr. Richard Foster:** That's not necessarily the case. I think industry and government need to work together more. The government is currently investing in research and development in a number of areas that aren't necessarily advantageous for the industry. I think it's losing a bit of money because other countries are doing exactly the same research and are further ahead than Canada.

I think it would be better to work together to find the best place to invest so that Canada can be more competitive on the international market. That way, instead of spending money on a number of research areas, we would focus on a few, probably a dozen. So there would be more money if industry and government worked together.

**Ms. Christine Normandin:** Would that make us a more effective partner internationally? It would also perhaps make it possible to invest more and to get closer to our 2% commitment to NATO.

**Mr. Richard Foster:** Yes, it's possible.

**The Chair:** Thank you, Ms. Normandin.

[English]

Ms. Mathysen, you have five minutes.

**Ms. Lindsay Mathysen:** Thank you, Mr. Chair.

Mr. Jaramillo, your organization, Project Ploughshares, introduced a new framing of Canada's security development and introduced the five Ds of that security envelope. These are development, democracy, disarmament, diplomacy and defence.

Could you tell this committee about that concept and how Canada could benefit from that perspective on how we spend that money?

**Mr. Cesar Jaramillo:** Absolutely. Thank you very much for that question.

The first thing I will say is that one of those Ds—and we refer to this package as “the five Ds”—is indeed defence. Ploughshares does not—and it's not my intention here—question or challenge the very basic notion that defence is and can be a very important element of Canada's projection into the world and that we need an adequate and reliable level of preparedness for the Canadian Armed Forces.

However, we consider it problematic when we observe a trend or trajectory in Canada and globally of an overprioritization of defence, especially when this comes at the expense of, or to the detriment of, the other dimensions—once again, diplomacy, development, disarmament and democracy.

Therefore, what we would like to see, and what we feel would serve Canada's interests abroad and the international community, would be a more balanced approach to these dimensions—to have more investments, more intentional investments, in diplomacy, in democracy building, in development and in disarmament. Historically, it is true that inasmuch as we further invest in those other cat-

egories, the need to rely solely or primarily on the defence dimension will decrease.

That is a conversation that needs to be approached with nuance, because it is not saying that defence is not important, but it is saying that it needs to be balanced with the other tools at the disposal of Canada for projecting its foreign policy

**Ms. Lindsay Mathysen:** Then it is about finding that balance and being far more proactive, and I certainly agree with that.

Often I feel as though our defence procurement strategy is lacking a human rights-based lens, and there have been major disruptions to our defence supply chain due to defence manufacturing within the sector conflicting with human rights and due to the crises that exist within human rights.

You recently wrote in *The Globe and Mail* about Canada's Arms Trade Treaty obligations, specifically regarding Turkey, which was transferring some Canadian exports to unauthorized end-users. Can you talk about those treaty obligations and sanctions and what regulatory changes need to be made to ensure that Canadian defence exports are protected in that way?

• (1705)

**Mr. Cesar Jaramillo:** Absolutely. Thank you again for that relevant question.

The first thing to say is that is not just the Arms Trade Treaty. You're absolutely right that Canada is a party to the international Arms Trade Treaty, and that comes with legal obligations. However, there are also domestic export controls that Canada needs to abide by when it makes its export decisions.

The demonstrable reality right now is that the majority of Canadian arms exports are going to authoritarian regimes and questionable recipients. That is true today, that was true last year, and that was true the year before, the year before and the year before that. More than half of Canadian arms exports are going to questionable recipients and have been misused. They go to questionable recipients such as Saudi Arabia and have been misused, such as in the case of Turkey, where Canada has authorized the export of drone-mounted targeting technology produced by L3Harris WESCAM, despite the fact that Turkey has misused it in Iraq and in Syria and has shipped it to Libya and, despite a UN arms embargo, has diverted it to the conflict in Nagorno-Karabakh and to its ally Azerbaijan, which has been accused of committing abuses during the course of that conflict.

Once again, it is nuance. There is every need to maintain a healthy and reliable industrial base here in Canada, but the fact that the authorization of arms exports to questionable recipients is required to maintain it should really be a cause for concern and for pause.

**Ms. Lindsay Mathysen:** We were speaking earlier about changing some of the rules and limiting those rules or having them defined differently. Oftentimes we've heard about the suspension of rules for the public good. Can you comment on that in terms of the conversation on how that impacts human rights?

**Mr. Cesar Jaramillo:** Absolutely—

**The Chair:** Excuse me. We're going to have to leave Ms. Mathysen's question. I am very disciplined about the five minutes, because I want to get through two more five-minute rounds. Ms. Mathysen can come back to her question in another round.

**Mr. Cesar Jaramillo:** Thank you.

**The Chair:** With that, Mrs. Gallant, you have five minutes, please.

**Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC):** Mr. Fadden, in addition to suspending certain rules, what steps must the government take to decouple defence procurement from regional, industrial and innovational development?

**Mr. Richard Fadden:** I wish I had an answer to that, but I think the beginning of it is the acceptance that in some cases defence acquisition is more important than regional economic development. I don't think it needs to be disengaged or disconnected in every single case, but we never make the case anymore.

I've sat in what I call the peanut gallery through two or three governments and listened to the ministers talking about this, and there are no criteria. A bunch of them will support regional development and industrial development and a bunch will support acquisitions. There are no criteria. There are no rules they could apply.

I think the beginning of all of this would be the elaboration of criteria that would allow the suspension of regional development considerations. The criteria would be publicly stated and publicly argued, maybe by this committee. Doing it behind closed doors is not a great way of proceeding.

**Mrs. Cheryl Gallant:** What policies must be put in place to overcome the extreme risk aversion of both ministers and public servants in defence procurement? What steps do we need in order to trigger this culture change you spoke of?

**Mr. Richard Fadden:** Culture change, as you know, is one of the hardest things to bring about. I think the first thing would have to be a government-wide statement that we're expecting public servants to consider effectiveness as well as rules-based approaches to things. We would have to find a few clear cases of somebody who made a mistake and wasn't taken behind the barn.

A lot of it is behavioural over the course of a short period of time. I don't think it's going to happen very quickly, but today part of it would be that you cannot jump on every single little problem that arises in defence procurement as if the government deserves to be defeated. I'm not directing this at you because you're the opposition today. It's the same if this side of the room were in the opposition, and that's effectively what happens. I understand there's an opposition, and that's what it's meant to do—oppose—but somehow we need to find a way to raise the threshold of disapproval when something goes wrong. I think people should have to be able to justify when they take risks or they violate a rule, and sometimes you can do it very effectively.

One of the things I used to argue to my colleagues when I was in defence was that, if you're being asked to do something that strikes you as being nonsensical, ask for an exemption. If I can't give it to you, I'll ask the minister. In very many cases it's not a big deal. It's not violating human rights—to your point. It's just some rule that somebody set up 15 years ago and that we've never changed. As in most areas of government, you establish a rule and then you add to it over the decades. Just a systematic review of the rules, to that point, might not be a bad thing, because you have Treasury Board, public services, the Privy Council Office and ISED all adding rules to defence procurement. They don't withdraw very many, but they do tend to add them over the years.

● (1710)

**Mrs. Cheryl Gallant:** In your estimation, what are the most pre-eminent changes in terms of security threats faced by Canada that indicate defence spending should be taking on a higher priority?

**Mr. Richard Fadden:** I think they are the rise of China and its much more aggressive foreign and defence policy, the advent of significant cyber-attacks against Canada and all our western allies, and what Russia is doing in Ukraine. A lot of people question whether we should be supporting Ukraine, but there but for the grace of God go any number of other countries.

I think those are the main ones: China, Russia, the rise of cyber and just generally the disaggregation, the less forceful leadership of the United States, which actually held us together after the Cold War.

**Mrs. Cheryl Gallant:** What criteria should be used to determine the specific procurement projects that can be exempt from some or all the rules that govern them?

**Mr. Richard Fadden:** I think the first has to be the certification by the chief of the defence staff that whatever is needed is needed now and within a particular time frame, along with a clear elaboration of why it can't be done with the existing rules, a clear indication of what specific rule is being suspended and for what specific purpose, and a clear indication of how this is going to speed things up.

I think to a very great extent it's case-specific, but you have to start with a clear, unambiguous statement of the chief of the defence staff that, whatever is at issue, it needs to be purchased right now.

**Mrs. Cheryl Gallant:** Thank you.

**The Chair:** It's probably not a good day to be talking about mistakes.

[Translation]

Ms. Lambropoulos, you have the floor for five minutes.

[English]

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

Mr. Fadden, I'll start with you.

You've spoken to the importance of prioritizing the delivery of equipment above any other objectives. Being a Canadian MP, I also want to make sure that the Canadian Armed Forces is ready and able to meet whatever goals it has and is able to be as effective as possible. Being the MP for a riding that is home to several of the companies that are in the industry we're speaking of today, such as L3, I also understand the importance of helping these industries to at least compete with their global competitors and be just as good as they are or better.

How can government determine when it's more beneficial to pursue industrial benefits versus when it's best to prioritize getting the right equipment on time?

**Mr. Richard Fadden:** Again, I'm not sure it's possible to elaborate rules that would apply in all circumstances. Essential to all of this is effective planning in the defence department. In a lot of cases, these things can be predicted. To the extent that things can be predicted, you can deal with surprises.

One of the criteria should be a surprise. Perhaps something happens on the cyber front, or we have a significant increase in Russian activity in the Arctic. Whatever the surprise, something that really takes the military and the government by surprise should be one criterion.

Also, I don't think we should ever send our military personnel into a war or a warlike zone unprepared and unequipped. I don't know to what extent it's true, but the example was given about our troops in Latvia not being equipped appropriately with helmets. I just don't get this. You cannot.... You should not send soldiers into a warlike zone without personal protective equipment. That would be one example, so it's when there's an immediate risk to the military as well.

**Ms. Emmanuella Lambropoulos:** That makes sense.

You also spoke about how politicians have and set certain objectives in general that cover many different categories and, of course, sometimes they conflict. Is there a way to work on these two objectives at the same time?

What is one of the ways in which we can help to support industry in the long term even though we are immediately meeting our goals when there are surprises or when there's an emergency situation?

• (1715)

**Mr. Richard Fadden:** I tried to say in my remarks that I thought all of the objectives were reasonable, so I start from that premise.

Regional development in and of itself has absolutely nothing wrong with it and we should pursue it whenever we can, but one of the things that I believe Canada—or the defence department in particular—is not very good at is prioritizing. We try to do a little bit everywhere and sometimes we pay the price for that.

The main thing that needs to be done is to have an open discussion of these issues, because we don't do that. We simply decide that we're going to proceed with the rules as they exist now, and then a whole raft of people get very upset, the government feels compelled to defend and nothing changes.

We have a system of ministerial accountability, so I'm not suggesting that the chief of the defence staff should be allowed to go off on a tangent on his own, but surely there's some way—through a cabinet subcommittee or a subcommittee of the House or something—where these cases can be made publicly. I really do believe that in most cases it's specific to the individual acquisition.

**Ms. Emmanuella Lambropoulos:** Do you think Canada could be doing more to engage industry and to make sure they're part of the solution in the long term, for example, regularly meeting with the defence department—meetings between the two—in order to build capacity?

**Mr. Richard Fadden:** Absolutely. I think one thing we should do more of—we're already doing some now—is not giving a particular company a set of requirements of 1,500 pages, but rather giving them 100 pages that require a result, a result-based acquisition. Many of our allies use this, but we still tend to the view that every detailed requirement should be set out for the company to meet. I think that, if you give the companies more flexibility but make it very clear what you want in the end, you incent them to find efficiencies and economies while still reaching the end product.

I also think that more of an open dialogue between the public service in particular and the private sector would be useful, and it's one thing that over the course of the last two or three governments we've somewhat discouraged a bit. It's sort of risky if you're a public servant to go out for lunch with somebody who works for a company, as if somebody is going to shift a multi-million dollar contract because somebody buys you a cup of coffee.

I'm making a joke of it, but there's some truth in the fact that more dialogue would be useful—much more dialogue—and the fact that the dialogue shouldn't determine the final outcome. That's for the government to decide, but sometimes we bring industry in too late to realize that they cannot deliver what we're asking for, and it causes all sorts of delays.

I absolutely think you're right. Much more of this would be helpful.

**The Chair:** Thank you, Madam Lambropoulos.

[*Translation*]

Welcome to the committee, Mr. Thériault.

You have two and a half minutes.

**Mr. Luc Thériault (Montcalm, BQ):** Two and a half minutes.... Okay. I'll try to ask a quick question.

Mr. Fadden, you spoke earlier about governance that should be more centralized. You talked about a lack of decision-making efficiency, because too many departments were involved.

Why are you advocating for a new department rather than a new agency? What would the benefits be?

**Mr. Richard Fadden:** This is an issue that people have been divided on for some 20 years. I don't think we need to change the number of departments. What's really important is to establish the essence of each department in advance. We would need a central department. During the Second World War, there was the Department of Defence Production that centralized everything related to military procurement.

Today, the same priorities would exist. There would be regional priorities, innovation, technology. They would simply be concentrated in one department. The same pressures, the same conflicts, would exist.

I don't think there is an ideal solution. A number of our allies have created an agency, rather than a department. Sometimes it's more efficient, and sometimes it's not. The advantage of an agency is that it's a little bit further removed from ministerial interference or intrusion. Sometimes it's useful for ministers not to interfere in the details, but not always.

So an agency can be created rather than a department. That's one way.

• (1720)

**Mr. Luc Thériault:** Do you think that centralization would make accountability more effective?

**Mr. Richard Fadden:** I'm having a hard time answering your question, because it could be more effective. That said, the minister responsible for defence procurement is very experienced, and all his colleagues will try to convince him of what is or is not going on.

In addition, in Canada, a lot of things are decided at cabinet meetings. So even if a minister had a very centralized power, it would be difficult to separate it from the power of cabinet committees.

**The Chair:** Thank you, Mr. Thériault.

[English]

Madam Mathysen, you have two and a half minutes.

**Ms. Lindsay Mathysen:** Thank you.

Mr. Jaramillo, you talked about a different perspective on the NATO 2% spending target. Can you elaborate on that and how you determine that this benchmark is calculated, or why you've challenged it in this way?

**Mr. Cesar Jaramillo:** Absolutely, and thank you very much for that pertinent question.

I believe everyone on the committee is familiar with the NATO push for spending 2%—or beyond 2%—of GDP and devoting it to military spending. I think there are several misconceptions around this debate.

First of all, including in my conversations with colleagues and with everyday Canadians, there is this notion that Canada is somehow lagging and that Canada is catching up, or that NATO is catching up somehow in terms of its military expenditures. As I said during my opening remarks, globally Canada is within the top 10%. Within NATO, it's sixth out of more than 30 military spenders. This

misconception that we're catching up really needs to be balanced with some perspective of the actual numbers.

The measure itself, this metric of percentage of GDP, is an economic measure that tells us absolutely nothing about the level of threat or threat perception. It is an arbitrary measure that is driving increased defence spending when, already, it is a highly militarized alliance.

**Ms. Lindsay Mathysen:** It doesn't really emphasize where Canada could maximize or be best used or.... I know that certain countries place into that calculation how much is spent on veterans affairs or a coast guard, whereas we look at that differently. Is that correct?

**Mr. Cesar Jaramillo:** That is correct, and I think Canada could play a very constructive role in broadening the definition of what is considered security and what counts towards those targets that are set.

The traditional understanding of security, a narrow understanding of security, will by definition involve, in the next few months, years and decades, including consideration of the intersection between environmental degradation and security. Canada can play a role in terms of having a broader, more accurate and more current understanding of what constitutes security and what constitutes effective preparedness.

**The Chair:** Thank you, Ms. Mathysen.

Ms. Kramp-Neuman, you have five minutes, please.

**Mrs. Shelby Kramp-Neuman (Hastings—Lennox and Addington, CPC):** Thank you, gentlemen.

My first question is for General Foster.

In your testimony, you mentioned the “personnel deficit” that we have in our CAF. I believe you can certainly bring us a unique perspective, having been in the military and, with your military experience, now being in industry. I have a two-part question.

How do we overcome the deficit of 16,000 personnel? Where is the sweet spot or, as in Mr. Fadden's comment, the “silver bullet”, so that we can do our fiduciary duty of respecting taxpayer money and getting the equipment that our armed forces need in this dangerous world that we live in?

**Mr. Richard Foster:** Thank you.

In my experience, even in working with L3Harris, I know that we've deployed the CC-150 Polaris into Kuwait, and it has operated out of Iraq with civilians supporting that capability for four years. Having deployed in fighters around the world, I have not seen a conflict where we couldn't have technicians on the ground supporting those capabilities, like in Aviano or in Kuwait or in other places.

I think there's a role for industry to be more involved with in-service support capabilities to help with the deficit. Working with AIAC as the chair, we are looking at industry-led aircraft maintenance engineering training, and I think some of those opportunities could be cross-traded across working with the Canadian military.

• (1725)

**Mrs. Shelby Kramp-Neuman:** Second, for Mr. Shimooka, do ITBs add costs to the procurement, or just slow it down and make it more expensive?

**Mr. Richard Shimooka:** It's both.

Certainly, compared to all of our allies, the ITB program is a bit of an anachronism. None has maintained such a requirement to have 100% offsets, partly because they've found, especially in Australia's case and for several European allies, that these do slow down the delivery of programs, and they do add costs.

There's no way you can ask a foreign manufacturer to reinvest the entire cost into a country and then for them to go back to their shareholders, or whoever their fiduciary duty is to, and say, "We're just going to give this money back." There's going to be an increase in the cost. They're going to pass that back on to the country. That's the case with any of the major programs we have that have that sort of requirement. They are going to have that sort of effect on our costing and on delays as well.

**Mrs. Shelby Kramp-Neuman:** Do you believe that ITBs benefit Canadian companies?

**Mr. Richard Shimooka:** I think it depends on the case and what program you're talking about. There is certainly an argument to be made that there's an opportunity cost when you look at these programs. It's that if we invested the same amount of money, the extra costs that we're spending on a program, and if we were going to invest that into the Canadian public in a different way, would that actually have a better economic industrial outcome than having it done through the ITB value proposition system?

Right now, I would say that the actual data for this is incomplete, but certainly, there was the PBO report last year that highlighted this sort of investment and the distribution of that. I think it gave you some signs that it may not actually be as effective as people believe it to be or argue that it is.

**Mrs. Shelby Kramp-Neuman:** Thank you.

My next question is for Mr. Fadden.

In your testimony, you mentioned a couple of points that struck me.

On substantive threats, we need to make sure that the country recognizes the threat we're in, and there's often gridlock due to the fear of litigation. If we can learn from our allies, are there any international models that are working with regard to speeding along procurement or potentially waiving the procurement rules that we spoke of? For example, do the British or the Americans have a plan in place?

**Mr. Richard Fadden:** I think it's probably fair to say, as my colleague said in his remarks, that we have the most complex set of rules amongst our allies, by a long shot. Most of our allies move faster than we do. I think our European allies are inclined to move faster because the threat is much more immediate. We are quite isolated in North America, and I don't think we feel that pressure.

The United States, I guess, is in a special category of its own. Its military-industrial complex is so massive. If you talk to admirals and generals, they'll tell you a tale of woe much like the one I just

gave you, but they have so much money involved that it does seem to produce, although they're beginning to have problems.

As I tried to say, I don't think there is any country that has found the perfect space to resolve this issue, because there are legitimate conflicting objectives.

**Mrs. Shelby Kramp-Neuman:** Thank you.

**The Chair:** Thank you, Mrs. Kramp-Neuman.

We have Mr. Fillmore for the final five minutes for this round.

**Mr. Andy Fillmore (Halifax, Lib.):** Thank you very much, Mr. Chair.

Tremendous thanks to the panellists for being here today.

I would like to ask questions of Mr. Foster and Mr. Fadden.

If I could, I'll start with you, General Foster. We've talked today about the fact that we're in a constantly evolving security landscape or threat landscape globally. Technology is rapidly evolving. We've seen this with the Russian invasion of Ukraine and Ukraine's reliance on very current and leading-edge technologies that have helped it keep its toehold. As well, we heard from Mr. Fadden that advanced IT procurement needs to be very agile, because it's changing all the time.

I'm just wondering what your thoughts are on what the impacts of this rapidly changing landscape are on our procurement process now. What does it mean for our familiar defence procurement processes?

**Mr. Richard Foster:** I can give you an example. The tactical radios that we're exporting into Ukraine are better than what the current Canadian army is using in their vehicles, to the point where I think it starts to put our Canadian soldiers at risk in terms of their operational capability. I can't speak to exactly that, but that's my understanding.

I think the institution holds on to programs that are taking a long time to get through and are degrading our capability, because programs are five years behind where they were supposed to be, and they're not necessarily changing that paradigm or finding a faster solution to get the current equipment that they actually need.

I hope that answers your question.

• (1730)

**Mr. Andy Fillmore:** Thank you.

That leads into this question: What changes would you recommend to our procurement processes to accommodate the rapidly changing realities?

**Mr. Richard Foster:** I think they need to sit down with industry and identify the requirements they actually need to operate in a theatre and to look for off-the-shelf solutions. A lot of the other countries have already solved that problem. For example, the U.K. has moved quickly on procuring some of those tactical radios. I think aligning yourself with our western nations to make sure we're interoperable would help, as would letting go of legacy systems, taking that risk and saying that it's time to let that old capability go. It's time to rapidly adopt something new.

In terms of communication equipment, software changes happen probably every two to four years. Working with industry to keep current and to understand how that service and those software changes are going to happen so rapidly is important. Our traditional procurement of five to 10 years is just not going to keep up.

**Mr. Andy Fillmore:** It sounds like the advice is to not reinvent the wheel. Existing technologies already have the benefit of interoperability and so forth. That's good advice.

How should a country like Canada be finding that balance between solutions made in Canada, designed and built here, versus the off-the-shelf often foreign solutions?

**Mr. Richard Foster:** I'd like to address the ITB question a little bit, because I wrestle with that all the time. The problem with procurement is predictability and scope. If I go to my CEO and say, "You need to invest x million dollars in this country to start developing assembly lines for night vision equipment or radios", he's going to ask, "What program am I supporting? When is it going to happen? How big is that program going to be?" If I tell him that I don't know, he's going to say, "Well, if you don't know, then I can't invest."

The ITB program is designed to put an obligation on a company after they win a program, rather than incentivizing a company like mine to come in and start building assembly lines for night vision goggles. We're competing now with all the other countries—Australia, the U.K., Singapore, South Korea—that want us to put that same assembly capability for local content in their countries. Canada should get ahead and start to incentivize large companies like mine to invest in Canada ahead of a program, rather than after the fact.

**Mr. Andy Fillmore:** Thank you.

**The Chair:** Thank you, MP Fillmore.

Colleagues, I want to thank you for your co-operation and your discipline. We have 25 minutes left to get in a 25-minute round, so if we maintain our co-operation and discipline, we should be able to do it.

Mr. Kelly, you have five minutes, please.

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

General Foster, in your opening remarks you said that Canada should not water down criteria in order to create competition where none would otherwise exist. Does this practice happen currently?

**Mr. Richard Foster:** It is my belief that it does, yes.

**Mr. Pat Kelly:** Do you have some examples that you could share with the committee so that we would be able to comment on that in our report?

If another witness has an example that they could share, that would be fine too.

Go ahead.

**Mr. Richard Shimooka:** There's the future fighter capability project. It was clear right from the start, from 2010, that this should not have been a contract by DND and, at the time, PWGSC. Coming into a new government, obviously there were political issues with it, but the same outcome happened, and you saw a sort of reweighting in order to have a competition. If you look at every single one of our allies, at Finland and all the other countries that bought the F-35, it's clear that it was a one-off.

**Mr. Pat Kelly:** That actually goes to the point that Mr. Fadden made about politics and opposition politics and how this is weighed in elections. There's a decades-long history of this. I was in my early formative years of political activism when a government opposed a helicopter contract. Canadians, though, have become used to this over the decades.

To the point that you made, is there now more risk, maybe, in the dithering that goes on over years and years and years, sometimes decades, to produce equipment? Is there even more political risk or embarrassment risk around that than just getting on with something and maybe making a mistake and taking a hit in the short term politically?

• (1735)

**Mr. Richard Fadden:** I was going to try, as well, but I'll let you go first.

**Mr. Pat Kelly:** Go ahead, either of you.

**Mr. Richard Foster:** In my remarks, I talked about avoiding developmental programs. Often they will make a competition by introducing a program that is more developmental than, perhaps, another program, not understanding what risks and costs would be associated with it. They end up choosing, perhaps, a program that requires more development after the fact and does not deliver. You can think of many of those types of programs. The MHP, the maritime helicopter program, was clearly a developmental program paid for in a fixed-price contract. That was asking for trouble right from the beginning—when you look at it in retrospect.

**Mr. Pat Kelly:** Okay.

Mr. Shimooka, you said in your opening remarks that many 1980s systems that are still in use are rusting out. Can you identify some of the specific ones, identify where we have systems that have been in place for decades that most urgently need to be replaced?

**Mr. Richard Shimooka:** Certainly. I always look at the CF-18s. These aircraft are—

**Mr. Pat Kelly:** Okay, we talked about that.

**Mr. Richard Shimooka:** Yes, absolutely. There are the CF-18s. You can look at the CP-140. You can look at our frigates. There are now reports that one of them is unable to operate. It's across the board. Our systems basically....

**Mr. Pat Kelly:** It's the big-ticket ones you're talking about, then.

**Mr. Richard Shimooka:** Yes, absolutely, but it's also at the lower levels too. We can talk about radios, trucks, everything. Across the forces, you can see it.

**Mr. Pat Kelly:** Okay.

In your remarks, you also talked about the UAV project 17 years in. Could you explain why this particular project has been problematic? Could you describe what the...?

**Mr. Richard Shimooka:** Certainly there have been differing changes in its requirements. It started, basically, at the cusp of Afghanistan. There was a requirement then. Then we needed an urgent operational request, so we brought in two temporary systems to operate there. Since then, there have been differing scopes of what we want to use the project for. I mean, there are multiple different factors.

In some ways, it's a good case study to show a lot of the issues that we see in delays in defence procurement, to show that we see differing changes in requirements, differing interests in actually spending for it and in what we want to use it for. It is actually, in some ways, a microcosm with a lot of these issues brought together in one program.

**The Chair:** Thank you, Mr. Kelly.

Mr. Fisher, you have five minutes, please.

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

Thank you, gentlemen, for being here today, all four of you.

In addition to being a member of the national defence committee, I'm also on the NATO Parliamentary Assembly.

I want to go to Major-General Foster first.

Thank you very much, Major-General, for your 35 years of service to our country.

I'm interested in the procurement processes. I think it was you, Mr. Foster, who said that Canada's procurement system is very complex. I think that was a bit of a "duh" moment because we've heard that, of course, under several governments for several decades.

I'm interested, specifically with regard to some of our NATO allies, in what they do well, what we do well and how we can find that low-hanging fruit to improve or simplify our processes—I know some things were talked about today—understanding that maybe not everything is apples and oranges. I know that Canada is much more risk-averse with regard to litigation. Some countries, some allied nations, see litigation as a cost of doing business, so they would add that to the price. I'm interested in your thoughts on how we can learn from some of our NATO allies.

I remember, as well, Mr. Fadden, that you said that, for some countries, some of our NATO allies, the threat is more imminent or

more immediate, so they would need to, presumably, jump on things a little bit more quickly than we might have to.

I'm interested in your thoughts on that, Mr. Foster.

**Mr. Richard Foster:** I think we need to align our solutions with our allies more. The first one I would look to is the United States, and I would get into its developmental programs. It has very iterative processes that it has started to put in place in terms of radio capability and software development. I think that Canada would be welcome as a partner in those developments. That would allow us to invest in our own businesses and allow our small and medium-sized enterprises to participate. We could collectively do research and development that would be brought to these collective exercises to develop a capability.

I think we should also learn to buy off the shelf more often with regard to capabilities that have already been fielded by our allies.

• (1740)

**Mr. Darren Fisher:** It's interesting, because we've already had some questions about buying off the shelf, and I think that's an interesting topic.

I'll ask you, Mr. Foster and Mr. Fadden, if you have examples of the things that we have done well in the past several decades under different governments of different political stripes. What have we done right and why did we, perhaps, not learn from those lessons?

Let's start with Mr. Foster.

**Mr. Richard Foster:** I've often heard the example of the Halifax-class frigate program. It was probably the best developed and run program, and that was because industry and government engaged throughout the entire process.

I think there's a fear to engage industry and work with it too often. If you bring enough industry captains to the table to have a transparent discussion up front before a competition, you can get a lot of the clear requirements from the art of the possible of what's out there. What are the best capabilities?

Right now, we tend to put a fence up right away and then we throw RFIs over the fence and say, "Can you answer this? I have no idea what I'm looking for. Can you help me?" They then throw it back and it's back and forth, rather than sitting down in a transparent way to understand right from the beginning what is in the art of the possible, what the best solutions are likely going to be and then driving that to a competition between the appropriate players.

**Mr. Darren Fisher:** Before I go to Mr. Fadden, if the Halifax class was such a success, why would there, presumably, be this fear? Whether it's bureaucrats or whether it's governments of the day, why would there be a fear if we saw that as a success?

Mr. Fadden, maybe you want to answer that, but I want to share the time a bit.

**The Chair:** You don't have any time to share.



**Mr. Darren Fisher:** Can we let them answer very briefly?

**The Chair:** Very briefly.

**Mr. Richard Fadden:** I think the problem with the Halifax was not its initial purchase—although that took a while—but its mid-life refits and its replacement.

You wanted two examples of projects that worked well. One was the C-17, which is the strategic airlift. There were not many alternatives. We bought it through foreign military sales. We wrote the United States a cheque and they delivered the aircraft.

The other one may be slightly more controversial, but Mr. Harper's government waived all the rules to have the supply ship *Asterix* constructed. It was delivered on time and on budget, and it's an example, I think, of when the rules were appropriately suspended because the military was convinced we needed a supply ship then, not later.

**The Chair:** Thank you, Mr. Fisher.

Surprise, surprise—some guy from Halifax thinks that a Halifax program is a great program.

**Mr. Andy Fillmore:** They were built at the same time.

**The Chair:** We have two guys thinking they're great.

[*Translation*]

Mr. Thériault, you have two and a half minutes.

**Mr. Luc Thériault:** Thank you, Mr. Chair.

I'm going to go to Mr. Shimooka, who I see is an expert on air and procurement.

When I first heard about the F-35, I was even younger than I am today. That was in 1997, under the Chrétien government. Today, there's talk of delivering the F-35 in 2026.

A simple and quick first question arises: will the infrastructure exist and will it be adapted?

Also, are we going to be on the cutting edge of technology? Why, for example, didn't you consider drones? I'm a little concerned about the useful life of a device and what we're giving our personnel so that they can do their job.

• (1745)

[*English*]

**Mr. Richard Shimooka:** I'm not entirely sure about the infrastructure side. I know the government has certainly put forward several programs to build out the infrastructure of Bagotville and Cold Lake.

I think the bigger issue with a transition toward the F-35 is the personnel side. As we see, the RCAF is well below the required established rank for its pilots and its maintainers. Its ability to transition toward a fighter fleet.... Sure, we may get the first one in 2026, but the question is when we will have our full fleet and when it will be fully operational. I believe the dates were supposed to be 2031-32, but the reality is that it's probably significantly further away from that, because the air force cannot fill the seats with pilots to fly the aircraft and maintain them.

To your questions about drones, I would point out that I think we certainly.... There are technological challenges operating in the north. If you look at how air warfare is developing as well, you still need a man in the loop. You still need somebody there to provide the final point of human contact to operate fighters. Drones are not at the stage whereby they can operate in the same effective way; thus, we will require an aircraft that is a manned fighter.

If you look at some of the developments going forward, you also see aircraft that are.... It's man-machine training, whereby drones are going to be controlled by a single-man fighter like the F-35 or a next-generation aircraft in that way.

[*Translation*]

**The Chair:** Thank you, Mr. Thériault.

[*English*]

We have Ms. Mathysen.

**Ms. Lindsay Mathysen:** Thank you, Mr. Chair.

Mr. Jaramillo, there are some campaigns calling on governments and the United Nations to bring forward pre-emptive limitations on emerging technologies in defence. Could you talk about the importance of those proactive regulations when we're talking about emerging technologies and how they can be implemented within our procurement strategy?

**Mr. Cesar Jaramillo:** Absolutely, and thank you for that pertinent question.

There is a growing consensus on emerging technologies that can be integrated into militaries. This essentially poses all sorts of questions related to the ethical implications, legal implications and uncharted territory from a normative perspective. The international community is paying some attention to this issue, to the fact that it is really uncharted territory. There are a lot of questions about the use and if the employment of emerging military technologies would be compliant with the fundamental precepts of, for instance, international humanitarian laws, such as distinction, precautions, proportionality, etc.

Canada has participated in meetings in Geneva on the CCW, the convention on certain conventional weapons. As well, there have been some discussions domestically. However, we feel that the pace and the rapidity of these developments are such that Canada really must, more proactively and more assertively, craft a regulatory regime and start that conversation toward a normative and regulatory regime, because these risks are real. They could affect not only potential adversaries but indeed Canadian citizens, and it is really a matter of getting ahead of the game, because these technologies will be incorporated into the military.

We cannot operate in a normative void. It is quite imperative for Canada to both domestically and internationally contribute to the development of such a normative regime.

**The Chair:** You have 30 seconds.

**Ms. Lindsay Mathysen:** Just quickly, then, are we doing a good job in terms of our procurement strategy in also including issues like climate change into that procurement strategy?

**Mr. Cesar Jaramillo:** The question is, what policy direction does this procurement strategy respond to? As I said, “Strong, Secure, Engaged” is already from 2017. Six years is a long time in terms of the evolution of the security landscape and the security environment. All of these conversations, even about F-35s or about new capabilities or shipbuilding—all of these things—must beg the question: What is the intended role of the Canadian Armed Forces?

In that context, for instance, references to the United States, the United Kingdom or other allies may or may not be fully relevant, because Canada has identified Arctic sovereignty, protection of Canadian citizens and, for instance, peacekeeping as historical priorities that may not align with those of our allies. They're instructed to—

**The Chair:** We're going to have to leave the response there. Thank you.

Mr. Bezan, you have five minutes.

**Mr. James Bezan:** Thank you, Mr. Chair.

I want to challenge Mr. Fadden a bit. He said that political opposition has created problems in the past. Looking toward us, I can say that in the last eight years there is only one procurement that the opposition has criticized. That was the purchase of used F-18s from Australia. Both the waste of money and that we don't have the pilots to fly them were the main reasons for doing it, but everything else we have been quiet about, and I can say that I've received criticism for not being political enough in trying to move some of these procurements forward.

That being said, I'm looking at General Foster, and at you, Mr. Fadden and Dr. Shimooka. You guys have all written about this in the past. The department itself was in here last week talking about procurement and actually criticized industry for not moving fast enough, or they aren't going to build stuff if nobody is going to buy it, or they don't have stuff that the world wants, like 155-millimetre munitions that we could be doing right now north of Montreal.... We have other facilities that build stuff that the world needs right now, including Canada.

DND often takes a long time in defining the procurement and then changes the goalposts and keeps moving them down the field, like we've seen on the surface combatant, as a good example, and adding time and delays. We still don't have a final blueprint to actually go out there and start cutting steel at Irving. How can we fix that process?

General Foster, you talked about better co-operation between industry and CAF, but it's also within the department to ensure that we are addressing things in a more expedient manner. Is it industry's fault? Is it the department's fault? Is it that the generals and admirals are not getting things right or have too big a wish list that might make things impossible?

• (1750)

**Mr. Richard Foster:** I just want to address one thing we talked about, the F-35. That is a game-changer in terms of security. In

terms of C4ISR, interoperability and JADC2, that is an enabler. I think this is the right time for industry and government to sit down and map that out carefully. It took the Australians six years to get the infrastructure and security requirements in place to accept the first F-35. We've talked to BAE.

In terms of the transition of the F-18, industry can help transition the F-35 and the F-18 to ensure that we can actually get them pilots to help with the transition and we can actually improve their maintenance. It's determining what's required and making the decision to get on with it as opposed to defaulting to the traditional “have to go through the competition process and have to make it fair and transparent”. This is a national sovereignty issue. I think that's where we often get tripped up in terms of getting things done and not allowing ourselves to get on with the case at hand.

In terms of adding requirements—you mentioned the Canadian surface combatant, which has been going on several years—I don't think you'll ever be able to stop some confusion or some issues that pop up with requirements, but I think fundamentally there was a disconnect in terms of the initial requirements that were asked for and the understanding of what the proposal was.

**Mr. James Bezan:** Thank you.

Mr. Shimooka or Mr. Fadden...?

**Mr. Richard Fadden:** I concede your point about criticism, but I hope you'll concede mine, which is that whether there is criticism or not it's embedded in the culture. People are simply afraid of it, but I take your point.

One thing that used to drive me to distraction when I was in defence was the number of change orders across the board. I blame myself and my civilian colleagues for not pushing back harder on the generals and the admirals. They always want a gold-plated solution to their problems because it protects lives, but I think even within the military, there's sort of a gentleman's and gentlewoman's understanding that, you know, if the air force wants this, the army is not going to criticize it. It's very difficult to get effective review as you work your way up the system. One of the few things that survived my time there was a committee that's now chaired, or was chaired, by Admiral Murray, which is supposed to review these kinds of things before they leave the department.

A lot of it is a desire to do good, I think, but there honestly is a lack of self-discipline on both the departmental side and the military side, in my view.

**The Chair:** Thank you, Mr. Bezan.

Go ahead, Madam Lambropoulos.

• (1755)

**Ms. Emmanuella Lambropoulos:** Thank you, Chair. I'll be splitting my time with Mr. Collins.

Mr. Foster, I'd like to ask you a couple of questions.

You've mentioned that it's better to invest in areas that are already really developed, rather than trying to create competition where it doesn't already exist within these industries. I'd like you to maybe go over which Canadian industries excel in this area and where our capacity is more limited relative to our partners and allies.

Perhaps you could then also answer the question I had asked Mr. Fadden. What steps can Canada take in order to better balance the need for efficient job procurement with the goal of actually increasing domestic capacity?

**Mr. Richard Foster:** It could take a long time to answer all that.

Right off the top, Canada invested in R and D in WESCAM and invested in our Dorval division, which was CAE at the time, to develop the integrated platform management system. Those two systems are globally accepted as world-leader capabilities. It was that research and development co-operation with industry, as opposed to ITB value proposition investment thinking, that made those capabilities. If you look at CAE, they are world class in training. We should continue to develop that kind of capability. We have other industries—Bluedrop Training, for example—that are very good at that. We have great capabilities in cyber-technology.

I've talked to the president of NRC. If we were to collectively get industry to look at and map out where Canada really is the leading expert in capabilities, and invest, really invest, in those capabilities, we could be competitive in the future.

**Mr. Chad Collins:** Mr. Fadden, the PBO appeared before the committee and talked about the number of hands that are on the steering wheel as a project makes its way through the procurement process. They emphasized having one point of contact for efficiency and accountability purposes. In light of the fact that you were deep in the weeds on many of these big projects as they made their way through the system, what are your thoughts on that?

**Mr. Richard Fadden:** At a theoretical level I think they're correct, but in a practical sense, as long as you have a variety of policy objectives both internal and external to the department, it's very difficult to have one focal point. If you want somebody within the Canadian Armed Forces to be responsible for a particular acquisition, that's great, but he or she can't be responsible for the regional components, for the technological components or for the innovation components.

I think it's desirable and that we need to improve what we're doing, but to all of a sudden say we have this one person responsible for everything in the current small-p political environment—by which I don't mean “partisan”, I just mean “political”—I don't think it's going to work.

**The Chair:** Colleagues, you've been so co-operative and disciplined that we actually have two minutes left.

I want to pick up on General Foster's comment about working with the U.S. and our colleagues there. I am interested in your level of concern about Canada's domestic status, being treated as a domestic supplier for the purposes of supplying military equipment. Do you think we are at risk there?

**Mr. Richard Foster:** I think the U.S. has better capability. It's recognized, if that's what you're getting at, in terms of our own domestic industry providing that kind of capability. I think there's a balance. If Canada—

**The Chair:** No, what I'm getting at is how we are treated as a foreign entity by the U.S. defence industry, and in particular by the Government of the United States. Do you think there's any risk we may lose that status, which I think we've had since 1954, of being treated as a domestic supplier?

**Mr. Richard Foster:** No, I don't think that's a risk, but I think there's a better opportunity to work with the U.S. and increase our own domestic business capabilities by being a better supplier in that value chain. That's a government-to-government discussion that says, “We're going to spend this much money on over-the-horizon radar and we want to align with the solution you choose, but we want you to invest, with that large solution the U.S. companies are going to bring, in the Canadian supply chain.”

● (1800)

**Mr. James Bezan:** On a point of order, Mr. Chair, I just want to let everybody know that today is Air Force Day on the Hill, and that everybody should muster up over in Valour, room 228.

**The Chair:** I don't know whether that's a point of order, but it certainly is an announcement.

I want to thank each and every one of you for your co-operation. We're in strange waters here. Colleagues, stay tuned as to whether Thursday's meeting will happen. We're hoping it will.

With that, the meeting is adjourned.





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