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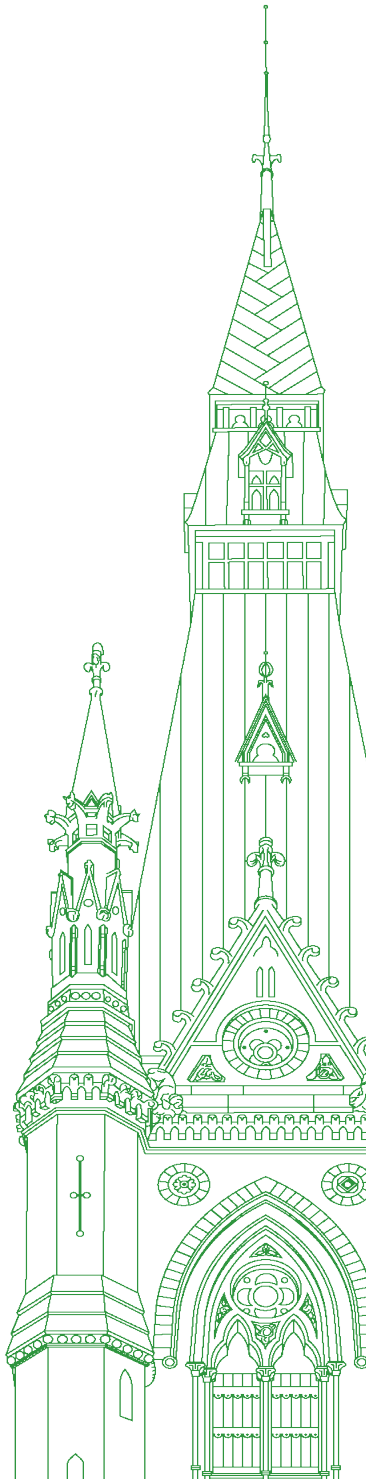

Chair: Mr. Robert Kitchen

Standing Committee on Government Operations and Estimates

Friday, April 1, 2022

● (1300)

[*English*]

The Chair (Mr. Robert Kitchen (Souris—Moose Mountain, CPC)): Welcome to meeting number 12 of the House of Commons standing committee.

It's one o'clock, according to my clock, and we want to make certain that we're done by three.

It's meeting number 12 for the Standing Committee on Government Operations and Estimates. Today the committee will be continuing its studies of air defence procurement projects and of the national shipbuilding strategy.

The committee will be considering each study separately. The study of air defence procurement projects will be discussed during the first hour, and the study of the national shipbuilding strategy will be discussed during the second hour. The witnesses discussing air defence procurement projects will make an opening statement of three minutes maximum at the start of the first hour. After that, the rest of the hour will be taken up with the questions from the members. The witnesses appearing as part of the national shipbuilding strategy will make an opening statement of three minutes maximum at the start of the second hour. After that, the rest of the hour will be taken by questions from the members.

Today's meeting is taking place in a hybrid format, pursuant to the House order of November 25, 2021. Members are attending in person in the room as well as remotely by Zoom. Regarding the speaking list, the committee clerk and I will do our best to maintain a consolidated order of speaking for all members, whether participating virtually or in person.

I would like to take this opportunity to remind all participants to this meeting that screenshots and taking photos of your screen are not permitted.

Given the ongoing pandemic situation, and in light of the recommendations of the public health authorities as well as the directive of the Board of Internal Economy on October 19, 2021, to remain healthy and safe, the following is recommended when attending in person.

Anyone with symptoms should participate by Zoom and not attend the meeting in person. Everyone must maintain two-metre physical distancing, whether seated or standing.

Everyone must wear a non-medical mask when circulating in the room. It is recommended, in the strongest possible terms, that members wear their masks at all times, including when seated. Non-medical masks, which provide better clarity over cloth masks, are available in the room.

Everyone present must maintain proper hand hygiene by using the hand sanitizer at the room entrance. Committee rooms are cleaned before and after each meeting. To maintain this, everyone is encouraged to clean the surfaces, such as the desk, chair and microphone, with the provided disinfectant wipes when vacating or taking a seat.

As the chair, I will be enforcing these measures for the duration of the meeting, and I thank members in advance for their co-operation.

We will continue our study on air defence procurement projects.

I would like to welcome the witnesses and invite them to make their opening statements.

We'll start with Mr. Collins, then Mr. Fergusson and then Mr. Kasurak.

We'll start with Mr. Collins, please, for three minutes.

Dr. Jeffrey Collins (Adjunct Professor, University of Prince Edward Island, As an Individual): Thank you for the invitation to speak to you all today on the most important of topics, Canada's air defence procurement projects.

The 2016 report of the Standing Committee on National Defence on Canada's air readiness noted that "the international security environment is both unpredictable and in constant evolution". I think the events of the past eight months, to say nothing of the last five weeks, have reiterated just how true this statement is. All of this has implications for Canada's air defence and the wider defence policy.

Rapid changes among friend and foe alike, like Russia's invasion of Ukraine, call for a clear-eyed assessment of Canada's role in the world and what investments we collectively need to make to effectively defend our sovereignty at home and uphold our alliances on the continent and overseas. This duty falls on the shoulders of the government, parliamentarians and citizens alike.

However, the approach adopted in equipping the Canadian Armed Forces over the last several decades is no longer satisfactory. To be sure, in the air realm, both current and past governments have replenished fleets of aircraft, like the C-130J Hercules, or acquired new capabilities, like the C-17 strategic lift.

Progress has also come in supplying new fixed-wing search and rescue aircraft, like the C-295s, and modernizing the CP-140 Aurora patrol planes. These are both welcome initiatives, as is the plan to acquire new strategic tanker capability by the end of the decade.

However, with these few exceptions, the procurement process for key air defence projects remains frustratingly hindered by both the politicization of projects and a cumbersome status quo process split between central agencies and defence procurement bureaucracy. By DND's own admission, it typically takes 15 years on average to deliver new equipment to the CAF, but this is an average; it can often take longer.

The fixed-wing search and rescue aircraft I noted earlier, for example, began as a project in 2002. The last aircraft is not expected into service until 2024, 22 years later. I need not remind you about the CF-18 replacement.

Finally, there is NORAD modernization, a high-priority item between both Canada and the U.S. that has been at the heart of our shared continental defence alliance since 1958. As is so often the case, the question remains as to what costs we are prepared to pay and what capabilities we are prepared to invest in. I sincerely hope the discussions, like the one being undertaken by this committee, will help shed light on these questions and inform the government and Canadians as a whole on the next steps.

I look forward to your questions.

● (1305)

The Chair: Thank you, Mr. Collins.

Now we will go to Mr. Fergusson.

Dr. James Fergusson (Deputy Director, Centre for Defence and Security Studies, University of Manitoba, As an Individual): Thank you very much.

I've had a chance to listen to some of the testimony at the committee on this issue, but I'll leave my remarks to questions regarding general issues surrounding defence procurement in this country.

I want to focus on two things. The first one is a puzzlement in my mind. This relates to the F-15 decision, if it is the decision. One the one hand the government seems to say it's going to buy the F-35, but somehow this Gripen is still on the hook. What I fear is that we're going to have a repeat....

One of the interesting things about defence procurement in Canada is that these things keep repeating themselves and we don't learn any lessons. What I mean by this is, if you go back to the late 1970s and the decision to acquire the CF-18, that was delayed because of an attempt to play off General Dynamics and the F-16 against the F-18 by Martin Marietta, in order to improve what was known then as "regional industrial benefits".

The second thing related to this puzzle, to me, is this degree of seven months to a year of future negotiations. I'm not sure what is going to be negotiated here. If you recall, we are a member of the partnership on F-35s, with Lockheed Martin and many other countries. We have signed memorandums of understanding with the consortium regarding production, sustainment and follow-on development, which are to govern purchases and related sustainment and follow-on development. I would add that follow-on development and spares are going to be done on a cost-sharing basis. What is there to negotiate, if this is already in place and it should basically be an easy decision to move forward quickly?

The only thing that I can think of is that the government, National Defence, PSWGC—Public Works, or whatever they call themselves now; I can never remember—is perhaps looking to negotiate a repair and overhaul maintenance capability in Canada. That may be the objective. I'm not sure how that fits into the MOU. I'm not sure how the other allies who are partners and have acquired the F-35 have managed this. I would assume that would be the template for Canada to deal with this issue as well.

It remains a puzzle where exactly we're going. Are we going to delay another year after all the delays that have occurred? I think this is extremely problematic.

I also want to comment on estimates. I went back and looked at the estimates from 2011 and 2012 and the big debate on the F-35: the Auditor General's report, National Defence's response and the parliamentary budget office. I find it really interesting and strange, and it tells us something about this estimate problem.

The amount agreed upon between National Defence and the Auditor General's office, in 2012, was basically higher to purchase 65 aircraft than the amount that the government has now announced of $19.1 billion, I believe it is, to purchase more aircraft. This should raise big questions on the part of the committee about exactly how reliable the estimate process is.

Finally, on air defence as a whole, I fear that the F-35 decision and the replacement of the North Warning System are really problematic, as are the other elements of air defence purchases on the future surface combatant. For the army, it's too much a reflection of silo-based interests rather than a broad strategic perspective on the requirements of North American air.

I would add that what we're really talking about here is missile defence. You can't look at this in terms of those particular two things. There are much bigger things about integrating all of the domains and capabilities, along with networking and all of the issues that come out of that. To consider air defence procurement for North America and the Canadian Forces, this needs to be a much bigger picture than what we're currently getting.

I'll close my remarks there.

● (1310)

The Chair: Thank you, Mr. Fergusson.

We'll now go to Mr. Kasurak.

Mr. Peter Kasurak (Fellow, Centre for International and Defence Policy, Queen's University, As an Individual): Thank you, Mr. Chairman.

Thank you for the invitation to testify before this committee.

First, allow me to introduce myself. I spent the bulk of my public service career at the Office of the Auditor General, leaving in 2007 as the senior principal for national security programs. During my years at the office, I directed performance audits of a dozen capital programs at the Department of National Defence. I am currently a fellow of the Queen's University centre for international and defence policy and teach from time to time at the Royal Military College.

Turning to the objective of the committee to understand and improve the procurement process for defence projects, I would like to direct the attention of the committee to three overarching issues: the politics of defence procurement in Canada, the nature of the choice between fourth- and fifth-generation aircraft and the capacity of the defence establishment to manage both procurement and sustainment of the aircraft after purchase.

Regarding the politics of procurement, Canada has been afflicted by two basic disagreements. First, there is a lack of consensus amongst Canadians as to whether the armed forces should be war fighters or peacekeepers. Second, there is a conflict between the defence establishment's desire to maintain a multi-purpose, combat-capable force and the public's evident desire to have a Walmart-style budget defence policy.

The lack of consensus and the low salience of defence in electoral decisions have resulted in the weaponization of defence procurement to appeal to one side or the other rather than to pursue a coherent national strategy.

These dynamics have disrupted the F-18 replacement project. On Monday the government announced the selection of the F-35. From the standpoint of the aircraft's mission, this makes sense. Continental air defence is the primary mission of Canada's fighter force, and the U.S. Air Force intends to base its continental air defence on fifth-generation aircraft. While fourth-generation aircraft might still be useful to NORAD, the role a fourth-generation fighter would play would become limited.

The war in Ukraine suggests that its survivability in contested airspace is essential. Russian air defences are impressive, and their reach extends roughly 400 kilometres into NATO airspace.

NATO and other defence ministries have voted with their feet and have opted for the F-35. The main issue the F-35 presents to the armed forces is sustainment. F-35 sustainment costs are enormous and unknown. The autonomic logistics information system, or ALIS, is problematic, and it's going to be replaced. The U.S. Air Force itself is considering reducing the number of F-35s to be acquired, because of the fleet affordability problem.

The challenge of the aircraft is compounded by the general problem in the Canadian Armed Forces with sustainment. The armed forces had difficulty in estimating support costs for new aircraft and maintaining enough support personnel to support their equipment. The department is reporting that current aerospace readiness is at about 55%, and that significant personnel shortages persist. The addition of a new fighter aircraft without adequate provision for sustainment will make a bad situation worse.

Mr. Chairman, that concludes my opening statement.

The Chair: Thank you, Mr. Kasurak. I appreciate that.

To all of the witnesses here, your statements that were presented to us have been distributed amongst the committee members, so they did have them in advance.

Mr. Fergusson, if you have one that you want to submit at some point in time, please send that to the clerk, and we would be happy to distribute that as well.

With that said, we'll now go into questions and answers. We'll start with Mr. Paul-Hus for six minutes.

● (1315)

[*Translation*]

Mr. Pierre Paul-Hus (Charlesbourg—Haute-Saint-Charles, CPC): Thank you, Mr. Chair.

Good afternoon, everyone. Welcome to the committee.

My first question is for Mr. Collins.

Mr. Collins, you said that the procurement process in Canada is cumbersome and that it takes an average of 15 years to deliver equipment to the Canadian Armed Forces.

Do you know how long it takes on average for the Americans and the British to complete the same type of project?

It takes 15 years here, but what about in other places?

[*English*]

Dr. Jeffrey Collins: Thank you, sir. That is an excellent question.

As to whether I have the United States' precise numbers, I do not.

Generally, I have a pretty good understanding of how procurement works in, say, a fellow middle power like Australia, and it's not that much better, I'm afraid.

It goes to the heart of the nature, often, of the type of procurement we acquire. As my colleague, Mr. Kasurak, noted, the more sophisticated aircraft complicate sustainment costs and intellectual property negotiations, and the list of variables at play goes on.

In terms of our having the unique situation of trying to manage a complex defence procurement, I'm afraid we're not alone in that regard.

[*Translation*]

Mr. Pierre Paul-Hus: Okay.

Some friends of mine are very interested in aviation. They told me about a technical issue related to the F-35. It concerns the different series: the block II, block III and block IV. I was told that we must acquire the block IV series aircraft. Otherwise, we'll end up with a model that requires an upgrade, which will cost a fortune.

If Canada purchases block IV aircraft, I'm afraid that it will take a very long time to receive them. We know that Finland will receive its block IV series aircraft in 2029. We could receive them in 2030 or 2032. Is that a possibility?

First, do you know whether Canada plans to acquire block IV series aircraft? If so, what will be the schedule?

[*English*]

Dr. Jeffrey Collins: I don't know the actual schedule of block IV. That's a great question. Finland, of course, will be entering into it. My colleague Mr. Fergusson noted what's to be negotiated. I think one of the key things to negotiate with the company is where in the production cycle we fit. They have a certain production rate of *x* number of aircraft. The Americans get so many, and many of the other partners get so many.

I don't know if my other colleagues would like to chime in.

[*Translation*]

Mr. Pierre Paul-Hus: Mr. Fergusson, do you have anything to add?

[*English*]

Dr. James Fergusson: It will probably be the block IV. I don't disagree with my colleague about it needing to be negotiated. The government has said, assuming an early decision or a seven-month decision, that we'll acquire the first aircraft in 2025. We probably know where we're going to fit into that production schedule.

[*Translation*]

Mr. Pierre Paul-Hus: If Finland, which has already made its decision, will receive its block IV series aircraft in 2029, is it realistic to think that Canada, which hasn't yet made its decision, will receive its aircraft in 2025?

If you don't have the answer to this question, that's fine. However, this issue should be clarified.

Mr. Fergusson, I want to follow up on your comment about the announcement last Monday and the discussion that is supposed to take place over the next seven months about whether to finalize the F-35 purchase. The Minister of Procurement and the Minister of National Defence announced that the F-35 procurement process was under way, but that it would take time. Again, there doesn't seem to be much progress.

Do you think that this announcement was purely political?

[*English*]

Dr. James Fergusson: All of these announcements are political, one way or another. You can't remove politics from this. Given that the government is late—it was supposed to announce this in November, and now we're several months after that—it probably simply was a question of timing.

I don't think it would hurt that the timing also relates to, as Mr. Kasurak said, the events going on in the Russo-Ukrainian war and with NATO. It became a much more politically hot topic. I think for the government, in terms of the Prime Minister and the ministers meeting with NATO officials, this was a central issue for the officials—not the decision, but that Canada needed to do something—and we committed to doing something. I think that's where you get the timing of all this.

Just quickly, about Finland, I don't know if Finland's decision is about waiting for the block IV, or if the Finland decision is about its projected spending on the acquisition. It could be simply the latter: This is when we are ready to buy it.

In terms of upgrade costs, the whole system is designed in these blocks that you are able to constantly upgrade. Now, I don't know in the estimates of life cycles of the F-35—regardless of whether it's III, IV or V—how much that's been plugged in, but that should be part of those long-term estimates.

● (1320)

[*Translation*]

Mr. Pierre Paul-Hus: Thank you.

I think that I have 30 or 40 seconds left to ask my last question, which will be for Mr. Kasurak.

Mr. Kasurak, you said that the United States decided to buy fewer F-35s. The Conservatives, at the time, said that they wanted to buy 65. The Liberal government, in the defence policy review, said that they would buy 88. I never understood why the Liberals wanted to buy more than the Conservatives in their assessment at the time.

Do you think that Canada should go back to 65 F-35s and acquire another model to perform different tasks related to NORAD, for example?

Is this a possibility, Mr. Kasurak?

[*English*]

Mr. Peter Kasurak: I think with the strain that introducing a second aircraft into the system would put on both training and maintenance, it's something you would really want to avoid. Even at 88 aircraft, we are operating a very, very small fleet of aircraft. To throw another sophisticated aircraft into the mix would not make sense from either a personnel management or a financial point of view.

The Chair: Thank you, Mr. Kasurak.

We'll now go to Mr. Kusmierczyk for six minutes.

Mr. Irek Kusmierczyk (Windsor—Tecumseh, Lib.): Thank you, Mr. Chair.

I have a question for Professor Collins. Just in March you had a paper published, which you co-wrote, entitled “If Only Warships Grew on Trees: The Complexities of Off-the-Shelf Defence Procurement”. Bonus points, by the way, for the creativity of the title of that report. In that report, you state, “As tempting as it is to believe that there is a straightforward solution to Canada's perennial defence procurement woes, caution on an OTS-based model is warranted.” Can you speak about why there is a need to be cautious about off-the-shelf procurement solutions?

Dr. Jeffrey Collins: I'm happy to, and I appreciate the props for my *Mad Men*-style rhetoric.

There are a couple of variables at play, as noted in that paper. One, off-the-shelf can refer to buying directly from someone, an existing production line, or buying an existing design and then adapting it to your needs.

The risk there is that companies and countries that manufacture goods primarily do so with their own specifications, so a German submarine is primarily built for the realities of operating in the Baltic. It tends to be smaller, for shallower waters and not for such long distances, for example. Taking that design, even though it's "off the shelf", would require modifications on the Canadian end to meet Canadian needs. Why would you buy a submarine that is limited in capability for your own navy, especially for a country with the world's longest coastline and three different oceans?

The second thing is that design changes are inherently complex and involve more than just an intellectual property negotiation and the costs that go with that. The design for an existing piece of equipment in production is a design that's probably several years old. Look, for example, at the *Berlin* auxiliary oil replenishment ship, which is at the heart of the new joint support ships being built in Seaspan, out of Vancouver. That design traces back to the nineties. When we bought it, it was roughly about a decade old, and we had to modify it for our needs. Then we had to modify the design, because it's a modular build, to work within the confines of the Seaspan yard, because the yard that built that ship was a much bigger yard, in Hamburg, Germany.

All these layers of complexity go into saying simply that we should always think about off-the-shelf, but as for the idea that it will be "quick" or somehow cheaper, I would definitely advise caution on that. These are much more complex, especially if you're talking about building domestically in Canada.

● (1325)

Mr. Irek Kusmierczyk: There have been some examples in the past of how we have sort of learned that lesson the hard way. I'm thinking about the deal for 15 Chinook helicopters under the previous government. Can you maybe speak a bit about that and about what lesson was drawn from that particular example?

Dr. Jeffrey Collins: For sure. The Auditor General actually looked at this. My colleague may want to comment at some point.

We were looking for 15 helicopters. We wanted them to be able not simply to pick up troops and bring them to another spot, but essentially to operate in the Canadian environment, including with different weather challenges and over long distances. The design had to be modified to include larger fuel tanks to enable that.

We also wanted the Chinooks to do more than simply what one arm of the service would expect. The Special Operations Forces Command wanted to be able to use the aircraft as well.

Larger allies like America will build or buy multiple variants of this particular helicopter, but in our case, we buy technically relatively small fleets, and we try to jam as much into them as we can. Sometimes that's wish-list thinking. Sometimes, though, it's just about operational realities. You want a helicopter that can actually do multiple things. The challenge is that you are changing the design. That involves IP negotiations, incorporating the new designs into a helicopter that's been around since the sixties, and then ensuring that it comes off the production line.

Mr. Irek Kusmierczyk: Again, to use this phrase, it's not like walking into Walmart and being able to take a fighter jet or a warship off the shelf. There has to be some serious thought and consideration here to make sure we're matching the ships, the vessels, with what the mission is, what we're trying to accomplish here in Canada, as well as some of the parameters and the frameworks in which we operate. I really appreciate your making that clear for those who are watching at home, and for this committee as well.

Capabilities of vessels and jet fighters and whatnot change, and we recently heard from a witness to our committee that the F-35s we are in the process of procuring are vastly superior to the ones that were available seven years ago. The F-35 has evolved. Would you agree with that statement? Do you have any insight into how they may have improved and what that would mean for their capability?

Dr. Jeffrey Collins: Is that question for me, sir?

Mr. Irek Kusmierczyk: Yes. It is for you or, really, for any of the other witnesses.

Dr. Jeffrey Collins: I could take a first crack at it.

With a large production plan like this, we're talking about several thousand aircraft, and you tend to build them in blocks, as was indicated by our colleagues earlier. The idea is that for each block, you're learning as you go what the particular mechanical challenges are, particularly on the F-35. As my colleague, Mr. Perry noted, it's like a flying computer. What are the software challenges? Every time more of these machines enter operation, you are learning about how to fix them and manufacture them, if there was anything on the production lines. It's a normal build cycle.

We see this with ships too, by the way. Often, they can be built in blocks. With this particular block IV, this is where I will often see someone from the joint strike fighter office or Lockheed Martin come in to explain more, because I personally.... Some researchers have a hard time ascertaining specific technical differences about what's going on. One is, in particular, a better engine, perhaps one has better software operates or is better at notifying about the glitches with earlier variants.

That would be my initial answer to it.

The Chair: Thank you, Mr. Collins.

Unfortunately, we are out of time. Mr. Kasurak and Mr. Fergusson, if you have an answer to that question, please put it in writing and submit it to the clerk, and we will distribute it.

I appreciate that. I apologize. It is because of time constraints.

We'll now go to Ms. Vignola for six minutes.

[*Translation*]

Mrs. Julie Vignola (Beauport—Limoilou, BQ): Thank you, Mr. Chair.

I want to thank the witnesses for being here. Your expertise is valuable to us.

Mr. Collins, with respect to the joint strike fighter program, the federal government is funding the design and production of the F-35 with seven other countries. As well, a memorandum of understanding was signed in 2006. Under this memorandum, Canadian companies could bid on procurement opportunities related to the F-35, but they couldn't include industrial offsets.

How does this memorandum affect not only the Canadian economy, but also the development of knowledge and industrial technologies in Quebec and Canada?

[*English*]

Dr. Jeffrey Collins: Your question really gets to the heart of the joint strike fighter program, and the emphasis is on "joint". In the partnership of the original eight countries, the idea was that by funding annually the payment of the research and development on this aircraft, the companies in your country would be able to benefit from the global supply chain and bid on them. My understanding from DND estimates is that about $2 billion U.S. has already been obtained in contracts by Canadian firms. The flip side is that you end up having to buy the aircraft, which was always going to be the challenge of having an "open competition" to replace the CF-18, given the terms of the agreements and the payments we had been making into the joint strike fighter program.

The other loss, for lack of better terminology, is the fact that it's very hard, if not almost impossible, for Lockheed Martin in this particular case, to get points and offsets. They couldn't because the terms of the agreement.... Because Canada funded the agreement every year, Canadian companies could participate in the manufacture of this aircraft. Therefore, once more and more countries bought into it, the idea was that Canadian companies would be able to bid on the larger [*Technical difficulty—Editor*] dollar figure supply chain contracts over time.

That's one of the challenges, but the benefits, depending on the perspective, are being part of the partnership supply chain.

● (1330)

[*Translation*]

Mrs. Julie Vignola: Thank you.

From the technological and industrial knowledge standpoint, the partnership benefits mainly Lockheed Martin rather than the partner countries. Is that right?

[*English*]

Dr. Jeffrey Collins: That's a tough question to answer. These types of projects always have a prime contractor, but the supply chains are very sophisticated and complicated. Whether it's a ship, submarine, jet or armoured vehicle, there is so much software and advanced technology going into it that it's literally like a multination supply chain.

It's the type of question that really would deserve further study, and I think it's right to ask it. Canadians, as a whole, should be aware of how these companies can potentially benefit in terms of keeping dollars in-house.

I don't know if my colleagues have anything to say.

Mr. Peter Kasurak: Mr. Chair, I would like to comment on that, if I could.

It's difficult to quantify what Canada is actually receiving, although it's probably clearer than the alternative. It should be kept in mind that industrial benefits, whatever they're called today, were very difficult to track. You couldn't tell whether it was going to be money that would have been spent anyway. A lot of it couldn't be adequately costed. No matter which system you use, the number you're going to end up with is going to be fairly soft.

This approach at least means that Canadian firms have to be competitive and commercially viable to get contracts, so we know we're supporting the right people. The alternative has to be kept in mind, as well as whether this approach is actually working.

[*Translation*]

Mrs. Julie Vignola: Thank you.

I'll continue with you, Mr. Kasurak. I have a fairly general question.

According to the "Strong, Secure, Engaged" policy, the Department of Defence planned to invest $164 billion in 348 capital projects by fiscal year 2036-37.

Given the exploding costs, including the costs of the national shipbuilding strategy; given the air defence needs; given the project to renew the submarine fleet; given the inflationary trends, which are often more significant in defence construction; given the training needs to address the labour shortage; given the past and current challenges with monitoring and overseeing spending; given all this, does the projected $164 billion seem sufficient, insufficient or exaggerated?

[*English*]

Mr. Peter Kasurak: I doubt it's exaggerated. I fear that it won't be sufficient. Until we actually see a contract, we won't really know for sure.

The problem with all these projects, and the F-35 in particular, is that the sustainment costs—the costs of operating the aircraft and keeping them flying—have been escalating and causing a problem, even to the United States.

How much we will pay in the end is a good question, and I think it's a major problem for the government.

● (1335)

The Chair: Thank you, Ms. Vignola.

We'll now go to Mr. Johns for six minutes.

Mr. Gord Johns (Courtenay—Alberni, NDP): Thank you, all, for your really important testimony.

Mr. Collins, you were asked earlier, I believe by Mr. Paul-Hus, about which countries had done a good job with procurement. You stated that for level-three partners like Australia, it's similar, sadly, to Canada.

Can you speak about one that's done better, like maybe Denmark, Norway or Turkey, who are also level-three partners?

Dr. Jeffrey Collins: It's a great question, sir.

I think it's about defining what you mean by "better". Often, when I think about who's doing well in procurement, it's really about project by project.

The one thing I'll give the Danes and Finns credit for—and the Swiss as well—is their ability to make a decision. This idea that we take the better part of 15 or 16 years to actually get a decision.... Kudos to those countries for having a much more condensed process, relative to ours, of just a few years. That's really about political prioritization. You can kind of look into how the defence procurement process is structured.

In that case, I think your question points to where there are examples of specific projects of equal complexity that are done right. In those particular examples, it's that those countries had a much tighter timeline just in terms of making a decision on when to buy aircraft.

Mr. Gord Johns: That leads me to my next question, which is around the 2019 mandate letters. The ministers of National Defence, Public Services and Procurement and Fisheries and Oceans were all instructed in their mandate letters to propose options for the creation of a single defence procurement entity.

Although that was left out in the 2021 mandate letters, can you talk about why it's important that a single entity be accountable for defence procurement, and how that ties into my previous question?

Dr. Jeffrey Collins: One issue that comes up a lot is about restructuring the machinery of government to respond to procurement. Restructuring during the middle of handling major procurement projects can be challenging. It is telling, though, that the last several times this country has had rapid buildups of military acquisitions, it has gone with a separate defence acquisition agency. The department of defence production was the last department, and it was phased out in 1969.

In that particular example, you have a deputy minister and a minister who are visibly accountable, both in the House of Commons and with Canadians writ large. A challenge there is that there are also still cabinet confidences. There are still competing government mandates, whether it's offsets, delivering specific capabilities or meeting alliance pressures. Those are all still there, no matter how you change the machinery of government.

However, from the perspective of government accountability, I completely agree that having an identifiable minister and deputy is important.

By the way, other allies have done this. Australia, for example, has a minister for defence procurement. There is a separate agency there as well.

Mr. Gord Johns: Thank you.

Mr. Kasurak, I'm going to let you chime in as well. You talked about the problematic issues around the politics of ensuring that, number one, the goal is to make sure that the men and women in the military get the best equipment they can in a timely fashion. Can you speak a bit about some of the obstacles here? Again, maybe you can cite some other countries where they've had a better process?

Mr. Peter Kasurak: The first problem is that there really is a lack of consensus as to what we want the Canadian Forces to be and what being "well equipped" really means. Do we want to have an army that is domestically postured and able to do constabulary duties, or do we want the complete war-fighting capability?

The electorate will say, well, yes, the Canadian Forces should be well equipped, but then when it comes time to pay for it, when they see the bill, they say, well, sorry, I'm not interested in paying that. The politicians then have to try to steer the ship down the middle, and we have not been doing a very good job.

Overall, overarchingly, we do not have a very well-structured strategy for the armed forces as a whole. If we go in multiple directions with it, hoping to satisfy everything, we generally fail. We don't do a very good job.

Now, are there other countries that do better? I'm not so sure. I'm not so sure that I would hold Australia up as a really great example—

● (1340)

Mr. Gord Johns: I don't think we were.

Mr. Peter Kasurak: —although at a strategic level, in the last few years they've started to get their act together, I think, certainly better than we have. I think all democratic countries struggle with "guns and butter" questions, though.

Mr. Gord Johns: Given the war in Ukraine, and certainly with NATO and our obligations to NORAD, what has that exposed in terms of meeting our obligations and changing the conversation in terms of the political dynamics? How do we meet the needs of those commitments?

Mr. Peter Kasurak: Well, now, certainly, we have a battle group in Latvia that is more or less on the front line. Looking at our light equipment for the army and its total lack of integral air defence, they start to look like fairly poor choices. We're looking at making up equipment deficiencies that we built up after the end of the Cold War, around 1990. We got out of the heavy equipment and the dense equipment for the services, and now we realize that, well, if we're going to be on the front line, even in a cold war, we need to relook at this question.

The Chair: Thank you, Mr. Johns. We'll now go to our second round.

We'll start with Mr. McCauley, for five minutes.

Mr. Kelly McCauley (Edmonton West, CPC): Gentlemen, thanks for joining us today. We've had some very interesting answers.

Mr. Kasurak, I'm going to refer to your comment about how there's a lack of consensus for what we want to be and where we want to be. In one of our earlier studies a couple of years ago in this committee, we had a witness who said that Canada lacks a strategic plan, and that we're putting the cart before the horse with a lot of these procurements because we don't know what we want to be or who we want to be on the international stage.

Have you seen in your past—or currently—any sense of a longer-term strategic plan, so that we can build a consensus on what we want to be and what we should be procuring?

Mr. Peter Kasurak: Well, for instance, when you look at "Strong, Secure, Engaged", the words say one thing, but the force structure and the money behind it seem to say another.

On the navy side, for instance, it's built around their own model in "Leadmark", which is their strategy paper. They want to be a global navy. Well, are you going to be a global navy with 15 frigates—even 15 magnificent frigates—and can we even afford the 15 frigates that the navy says it would like to buy?

There are these disconnects between the words in our strategy documents and the actual substance behind them.

Mr. Kelly McCauley: Do you see a solution going forward? I mean, good Lord, things are bad enough as it is.

I look at handguns. Apart from knives, they are probably the most simple offensive weapon we could purchase, but it's been 10 years, and we're still getting sued over our procurement decision. We cannot stop everything and then develop a strategic plan now. It's too late for that.

How do you see us going forward properly, so we don't have the navy making demands for 15 very expensive, very qualified ships that may not fit into what the government wants or what our plans require?

Mr. Peter Kasurak: There are ultimately two questions there.

One is who decides, and I think it's cabinet. These questions are ultimately cabinet decisions. It's up to ministers to look at the proposals coming from the defence establishment and say, "Yes, that's what we want and, yes, we're going to pay for it."

What can be done in the short term? Probably not a lot. A lot of these questions, like being sued by disappointed vendors, are going to happen no matter what you do. It's a part of the pain of doing business in a society that's open and has a lot of—

● (1345)

Mr. Kelly McCauley: I'm just going to interrupt you, because I have another question. I just want to chat about ITBs for the rest of the time.

I know there's the issue of the F-35, on which, in our agreement, we cannot have ITBs. It makes it very weird or odd that we need another seven months to come up with a decision.

The three of you could just chime in quickly. How much do you think our ITB process is delaying our procurement? What do you think it's costing taxpayers and, therefore, our military in the end? Are we spending *x*, 20% or 30% higher on ITBs, and should that money be plowed into defence instead?

Dr. James Fergusson: Well, I'll take a shot—

Mr. Kelly McCauley: One example I'll give is of my friends, the Irvings, putting a French fry plant in Lethbridge and claiming it as ITBs toward naval technology.

Dr. James Fergusson: I would respond to this by saying that there is significant delay because of ITBs except in the case of the F-35 consortium, which is one of the few projects—on the good side—that recognizes the reality of the defence marketplace.

The ITB program has no sense of what is real and not real in that marketplace, particularly in the aerospace sector.

If you continue down the path with companies doing this, what happens? Investment gets made into Canada, industries sort of appear, and they have very short life spans because they don't get global market access. Then, when the project's over, a lot of them are gone unless they're fortunate enough to get integrated into the American prime supply chains.

What is good about the consortium is that, in fact, we get access to the marketplace. We get access to technology rather than build to print, because, in order for companies to be open and to be able to compete for bidding for components and for subsystems on the F-35, those companies have to get access to the technology and specifications provided by Lockheed Martin. This provides greater opportunities, which then link to long-term opportunities, because we are now linked into a global supply chain that goes beyond the F-35 and is certainly linked into a much larger export market.

This is, in my view, the way of the future.

The Chair: Thank you, Mr. Fergusson.

We'll now go to Ms. Thompson for five minutes.

Ms. Joanne Thompson (St. John's East, Lib.): Thank you, Mr. Chair, and thank you to the witnesses.

Mr. Fergusson, I'll continue with you. Could you please tell us why the procurement of fighter jets with modernized technology is important for the security of Canadians?

Dr. James Fergusson: It's vital to deal with the new threat environment.

The simple answer to this is old versus new. Canada has no choice for a variety of strategic reasons: interoperability and responding as we do to allied, U.S.-led initiatives. It is vital to deal with the more complicated threat environment that has emerged to North America in particular, from long-range cruise missiles to hypersonic vehicles, and I'll put ballistic missiles on the sideline here.

We simply will not be able to adapt, and we will not be able to be interoperable with our NORAD ally, the United States, in coordinating and providing an effective air or aerospace deterrent and, at the end of the day, defence capability. If we don't do this, then we'll be marginalized.

Ms. Joanne Thompson: Following that thread, what would procuring modernized jets say about giving the persons serving as part of the Canadian air force and flying those jets that advantage in terms of their own safety?

Dr. James Fergusson: I think it's extremely important. I mean, I listen to the rhetoric coming from government and bureaucratic officials about the importance of supporting our men and women in the armed forces. Give them the best equipment we can give them, the most advanced equipment, to make a contribution to North American defence, Canadian defence and our allies' defence. It is essential. We have to do this unless we decide we wish to cede everything to our allies, and particularly cede our own defence to the United States.

This will also have repercussions down the road in terms of recruitment. No one wants to recruit into the Royal Canadian Air Force, have ambitions to be a fighter pilot, and fly something that's old and out of date. It's as simple as that.

● (1350)

Ms. Joanne Thompson: Thank you.

In a recent article, you mentioned that just throwing money at defence procurement won't solve any of the current issues, and that we need a plan for where those funds will go. Wouldn't you say that “Strong, Secure, Engaged”, as well as the national shipbuilding strategy, which I realize we'll be going into in more detail in the second round, are good plans in terms of where we can invest funds to support defence procurement?

Dr. James Fergusson: Yes and no. The fact that they detailed these things or where we're going to invest is important, yes, and it is useful, but this was done in 2017 and 2018. We're now in 2022. The world is a little different now.

The no side of the equation is that too much of it is ambiguous. I understand the reasons that governments prefer ambiguity over specificity. The world can change, and there are other political reasons. When you take, for example, the priority of NORAD modernization [*Technical difficulty—Editor*] at North American defence modernization, which is even bigger, what does that mean? Well, we have ideas of what it means, but usually it's about the North Warning System and [*Technical difficulty—Editor*] it's much bigger than that.

Canada faces a lot of significant choices in terms of dealing with or developing effective surveillance tracking and target discrimination capabilities for the aerospace defence of North America and Canada. These go beyond fighters. They include, besides air-to-air refuelling, potentially airborne warning and control aircraft. They also include the potential role that the future surface combatant will play. They also potentially require considerations of ground-based defences for a layered defence of North America, going back in some ways to the 1950s and 1960s. None of this.... This is all open. We don't know what they're planning, and you do need a plan.

The other interesting thing about this, and it reflects the strategic issue for Canada, is that those plans are being drawn up, but they're being drawn up by NORAD. NORAD is the driver behind this—not National Defence in this country and not necessarily DOD in the United States. It's a NORAD thing now, which spills into USNORTHCOM as well.

Ms. Joanne Thompson: Thank you.

Mr. Chair, do I have time for one more question?

The Chair: You have 30 seconds.

Ms. Joanne Thompson: Okay. I'll leave it for someone else to continue, rather than have the answer be interrupted.

Thank you so much.

The Chair: Thank you very much.

Ms. Vignola, go ahead for two and a half minutes.

[*Translation*]

Mrs. Julie Vignola: Thank you, Mr. Chair.

My question is for Mr. Kasurak.

The American publication *Defense News* reported in a July 2021 article that the F-35 still had seven critical deficiencies that had to be addressed. The manufacturer refuses to specify these technical deficiencies. We understand that, clearly, the current F-35 is very different from the F-35 of seven years ago. Nevertheless, it's troubling to know that there are still seven critical deficiencies.

Could you share your thoughts on these seven deficiencies? What risks are involved? Do you think that these risks are being properly assessed?

[*English*]

Mr. Peter Kasurak: Well, the aircraft has hovered around seven or eight critical deficiencies, but they're always changing. They correct some and new ones get added. Of course, they don't want to reveal what those are, because it's related to the combat effectiveness of the aircraft.

The problem with the F-35 is that it's still in low-rate initial production, and they've built several hundred aircraft. The U.S. has acquired almost 25% of its target fleet, and the plane is still not completely finished yet. I think the consequence is that once you are in this world, you bring money, because this is the nature of the beast. It's never really going to be fixed, but you can't afford not to go there. You can't afford to go back to fourth-generation aircraft that are more predictable, because they aren't survivable anymore. It's a dilemma, but you just bring money.

[*Translation*]

Mrs. Julie Vignola: You said that this is a new aircraft and that other issues will arise after the current ones are addressed. Do you think that the government included this risk factor in its calculation of the budgets for aircraft maintenance and other expenses?

The aircraft will eventually reach the end of their life. In its long-term fiscal projections, has the government considered not only these maintenance and repair issues, but also the need to set aside money?

In your opinion, is there any foreseeability in terms of the amounts released to date?

● (1355)

[*English*]

Mr. Peter Kasurak: We don't know. We haven't seen it. We haven't seen the contract yet, so we have really no idea about what the projections are. However, I would hazard a guess that whatever the projections are, they're going to be too low in the end.

The Chair: Thank you.

Now we'll go to Mr. Johns for two and a half minutes.

Mr. Gord Johns: Thank you so much.

I'm going to back to Mr. Kasurak.

In terms of the politics, again, you raised this as a major problem. There has been a delayed procurement process under both Conservative and Liberal governments. Public Services and Procurement officials have suggested that the government's rigid procurement process provides resilience against changes of leadership. We know there's been leadership at the bureaucratic level as well.

What other benefits could Canada's highly structured procurement approach provide? In your view, do the benefits of a rigid procurement approach outweigh the disadvantages?

Mr. Peter Kasurak: I'm not sure that the rigidity always provides benefits. It's a matter of degree. One thing it provides, or has provided, is a level of transparency. With all the checks and balances, one has a better sense of what is going on with the procurement. This was the reaction to the Hillier era wave of sole-sourcing; we had to put something in place that gives the public a better sense that these things are being looked at carefully.

It provides some reassurance, but it is easy to go overboard. I think the case has been made by others that we've reached that point. When you look at the air projects that were done by ACANS, where the government essentially sole-sourced, it's hard to say that those procurements are worse than ones that had an extensive competitive process.

Mr. Gord Johns: Can you maybe identify the other elements of department culture that contribute to positive procurement outcomes?

Mr. Peter Kasurak: The positive side is that the public service in Canada is professional and politically neutral, so the public service is going to attempt to provide ministers with what ministers have asked for. It's a responsive public service, and I think that is a great asset, because you can have changes of government and still have a knowledgeable bureaucracy in place.

This is a problem the Americans have, because they change their senior bureaucracy over every couple of years.

The Chair: Thank you.

Now we'll go to Mr. Lobb for five minutes.

Mr. Ben Lobb (Huron—Bruce, CPC): Thank you, Mr. Chair, and welcome to everybody here.

Mr. Fergusson, my first question is for you. I've asked this question a couple of times at committee, around the person-carrying portable air defence systems. In Canada, from anything I've been able to find out, we have virtually zero. We have no ability—and I say this as a Monday morning quarterback—to support Ukraine with any of those, or to defend ourselves.

How is it that we put ourselves in this position? How is it that we did this?

Dr. James Fergusson: It's a combination of several factors. First of all, it's the environment at the time the decision was made to eliminate the limited air defence capabilities of the Canadian Army. This was still prior to the return of great power competition and rivalry that we've seen. There was no air threat to the Canadian Forces in the context of Afghanistan. In Iraq, we were dealing with insurgents. That easily goes by the wayside. There's no problem right now. We don't need it, so why bother? We can rely on allies on a limited basis, because we fight in a coalition. In the context of competition for projects among the forces and within the army, air defence rapidly dropped to the bottom.

With the changing environment now, back to the Russian-Ukrainian war.... Of course, this predates this, because this came out in 2018 and was mentioned in 2017. Now, there's a recognition that the Canadian Forces overseas need air defence. There's still the allied component. The issue of what air defence they need is an open question right now.

● (1400)

Mr. Ben Lobb: Fair enough.

The last point I would make is that I can find articles about this issue—and you likely read them or wrote them—that go back pretty close to 10 years. It looks to me as if this has never been.... Well, obviously, it hasn't been addressed, because we don't have any.

I'm not criticizing them, but how is it that you have all the military personnel and people at DND liaising with our allies—the U.S. and others—and they don't say, “Guys, you have nothing here. You have to talk to Justin, or you have to talk to Bill Morneau or Chrystia and get some orders in.” How does that work?

Dr. James Fergusson: It's the internal dynamics in a fiscally constrained or capital budget-constrained environment, if we go back. That hasn't gone away. It still exists, lurking beneath the surface. These services.... This starts from the bottom up in terms of priorities, in my view, and in terms of the Canadian Army. This was not going to compete against other requirements they thought much more pressing, including the return to a new generation of main battle tanks. It's a dynamic of intraservice, which then steps into the interservice world, before this is all put together and delivered as a package to government.

Mr. Ben Lobb: I can go back. I was there in Parliament many years ago. I can remember Michael Ignatieff—that's a long time ago—saying, “You went to buy a Chevy and you came home with a Ferrari.”

From 2010 to 2022, I wonder whether it's dollars—that was the argument at one time—or is it fit, form, functionality or just the fact that it was a sole-sourced contract, way back in the day? At the end of the day, we've ended up with the same machine. What is your analysis of how we got here?

Dr. James Fergusson: Could you clarify? I'm not sure what you mean by “the same machine”. What machine are you talking about?

Mr. Ben Lobb: I meant the same F-35.

Dr. James Fergusson: The simple answer is politics. It's political considerations. When political parties decide there is political benefit in politicizing a defence issue because of the large money attached to it—and I understand that incentive—you suddenly get into this problem. We saw it before, going back to the nineties—that lengthy project to replace the Sea King helicopters with the EH101, and the cancellation. The simple answer is political involvement.

It's also reflected, of course, internally, in the context of the professionalization of the bureaucracy. Yes, they are highly professional, but they also play the game of the second guess: What does the government want? If the department feels the F-35, in the process leading up to the election of 2015 and afterwards.... If the government is not likely to look favourably on moving forward quickly, the department won't move forward. They will find other things to push forward. It's the dynamic between government on the one hand, and the perceptions and beliefs in departments on the other hand. When combined, these explain how these things drag on.

The Chair: Thank you, Mr. Fergusson.

We'll now to go Mr. Bains for five minutes.

Mr. Parm Bains (Steveston—Richmond East, Lib.): Thank you, Mr. Chair, and thank you to our guests for joining us today.

I want to get into the NSS program—the national shipbuilding strategy—and talk about Vancouver's Seaspan shipyards, which are very important to our marine sector. My questions are coming to you from Richmond, British Columbia.

With the shipyards being commissioned to build two joint support ships—the first is scheduled to be delivered in 2023—can you please outline the function of these ships within the Royal Canadian Navy?

My question is for Mr. Collins.

● (1405)

Dr. Jeffrey Collins: Sure. Thank you, sir.

The JSS are not providing just refuelling capabilities, which give the Royal Canadian Navy the ability to operate on longer distances for a longer period of time and therefore also help to provide a needed allied capability. The ships are also going beyond their predecessor's ability, to essentially provide a medical clinic on them and carry more cargo. It's not the ambitious ship that was initially envisioned back in 2008, which was then cancelled. It has the ability to carry limited troops and helicopters. It has some of the capabilities you would normally associate with an amphibious ship, but at the heart of it, it's about giving the Royal Canadian Navy the ability to operate at sea for extended periods of time and for long durations overseas.

Mr. Parm Bains: Continuing on from there, with its capability, how compatible is it with other technologies that are available with our other allied nations?

Dr. Jeffrey Collins: Well, it has to be interoperable so that it has the ability to do what's known as RAS, refuel at sea, with NATO allies.

Bigger navies would splice up the capabilities that we're trying to put in the JSS into a bunch of different ships. The Brits would have a straightforward ship, like the *Tidespring*, that can refuel. Then they would have another class of ship, aircraft carriers, for example, that have almost an amphibious-like capability to carry a large number of troops and a large amount of cargo. Australia does, as well. Of course, in Canada, we stopped seeking the big honking ship, as former chief of the defence staff Hillier wanted, over a decade ago, and focused on this particular model.

Mr. Parm Bains: Okay. Sticking with you again, on the fighter jets, when it comes to the security of Canadians, have there been any marked improvements in recent years in terms of aerospace?

Dr. Jeffrey Collins: Are you talking about the air capabilities of the Royal Canadian Air Force, or the industry?

Mr. Parm Bains: In the industry itself, yes. Just broadly, are there any improvements that have been made, in your view?

Dr. Jeffrey Collins: That's a really hard question. As one of Canada's niche areas, and I emphasize “niche”, we have moved away from making military aircraft in large numbers. Since the 1960s, we've stopped doing that. We had the Arrow in the 1950s, and then we gave up licensing in the 1960s. What our air defence industrial base is good at, from an aircraft perspective, are satellites, communications, and really the companies like CAE, for example, that do the training simulation systems. We've developed a really good reputation for niche capabilities like that.

To go back to an earlier question that one of your colleagues asked me about ITBs, one of them is focused on key industrial capabilities, simulation. Those particular specific aerospace niches that we're really good at are what ITBs are trying to boost up and leverage.

Mr. Parm Bains: Sticking to the point, similar to how I asked about the compatibility and capability, with the fighter jets, the F-35s and their weapons systems, what's the compatibility and capability with our NORAD and NATO allies?

Dr. Jeffrey Collins: The vast majority of aircraft that we buy for our military are made by allied manufacturers, principally American manufacturers. As my colleague Mr. Fergusson noted, NORAD interoperability, that binational command continental air defence lens, shapes what goes into designing an aircraft so that they can help fulfill the NORAD mission.

Mr. Parm Bains: Then, fulfilling these missions—

The Chair: Thank you, Mr. Bains. Five minutes goes by very quickly.

That ends our first hour on the study of air defence procurement. I appreciate the witnesses. Sometimes there's a little bit of overlap on air and the NSS, so I appreciate your bearing with those questions.

Mr. Fergusson, we thank you for your testimony today. I recognize that you won't be participating in the next hour on the NSS, but you are welcome to stay logged on to the meeting. Although you won't be participating, we appreciate your testimony today.

With that said, we are now going to start our time on the national shipbuilding strategy.

Mr. Collins and Mr. Kasurak, your testimonies that were provided to us have been distributed to the members, so they are aware of them and had them in advance.

We will give up to three minutes if you would like to do a quick intro.

We'll start with Mr. Collins.

● (1410)

Dr. Jeffrey Collins: Thank you, Chair. I'm happy to speak again.

I'll just repeat the key parts of my opening statement. Hopefully, those can serve as the basis for further discussion.

It's worth bearing in mind that the national shipbuilding strategy has no parallel within the history of Canadian defence procurement that has shared its ambition. The goal is to have a continuous, multidecade shipbuilding process.

Right now we're looking at over 50 large ships. There are other components under 1,000 tonnes, small ships, and also refits and modernization. That will mean a huge chunk of dollars down the road, as my colleague Mr. Kasurak noted.

One challenge that's at the heart of why the NSS has had so many problems in terms of start-up and delays and production challenges is that the Government of Canada is essentially attempting to rebuild a capability and industry that, effectively, ended in the 1990s. We're also trying to rebuild lost institutional knowledge within the Department of National Defence, PSPC and the Canadian Armed Forces, which were lost through the cutbacks in the 1990s and 2000s. There's no factory or graduate school out there producing people with a large understanding of Canada's procurement system to build ships, so that knowledge base has to be developed internally.

In ensuing years the challenges that have emerged within the NSS have included primarily project cost estimates, shipyard production gaps, protracted intellectual property negotiations, bid protests by losing bidders, and inadequate communications. Regionalism, of course, is always going to be there. We're no different, in some ways, from our allies like the United Kingdom or Australia, which, interestingly enough, have NSS-like shipbuilding projects. Building a 21st-century navy and coast guard is a complicated business, and geopolitical challenges, like those echoed earlier for the air defence side of things, apply equally to Canada's maritime interests.

One key gap that I hope will get clarified going forward is what the future of the submarine force will be. It's due to be replaced next decade. I'm hoping we get some answers.

I look forward to your questions.

The Chair: Thank you, Mr. Collins.

Now we'll go to Mr. Kasurak.

Mr. Peter Kasurak: Thank you, Mr. Chairman.

Rather than reading my statement, which Mr. Collins has preempted with an excellent summary of where we are, I'd just like to mention the two problems that I pointed out in it.

One is that with the length of time now, due to continuing delays and to the basic strategy of trying to stretch out delivery in order to have an ongoing, long-standing defence industry, we're going to start cutting steel for the CSC at a time when the newest patrol frigates will be close to 50 years old. By the time the fleet of 15 frigates is actually delivered, it will be 2045. I think this is going to be a considerable problem to manage, both in terms of naval capability and just in terms of configuration control of what's being built.

Then, finally, there's the question of cost. Right now, there's really no good way to estimate what these ships are going to cost. The Parliamentary Budget Officer, of course, says about $77 billion, but the former director general of the DND program has gone on record as saying we can't really estimate the cost of building these ships until we've built at least three of them. Cost is up in the air.

The defence program as a whole, as the Parliamentary Budget Officer has recently pointed out, is shifting capital procurement to the right in a rather severe way. I think that a huge budget crunch is coming, which is going to be very difficult to manage, and that there will be a capacity problem when DND tries to process all these projects in more or less the same time.

I think those two problems are key: the length of time it's going to take to deliver the fleet and the mounting costs that will have to somehow be managed inside the defence program.

Thank you, Mr. Chairman.

● (1415)

The Chair: Thank you, Mr. Kasurak.

Now we'll go into questions. We will start with Mr. Paul-Hus for six minutes.

[*Translation*]

Mr. Pierre Paul-Hus: Thank you, Mr. Chair.

I also want to thank the witnesses for joining us at today's meeting.

Mr. Kasurak, when we talk about military construction, or specifically today's topic of shipbuilding, I believe that there are four stakeholders: politicians, the public service, the industry, and taxpayers.

Currently, each stakeholder still has an issue. The politician changes their mind. The public service wonders whether there's sometimes a lack of skill. The industry seems to often want all the benefits for itself.

In terms of shipbuilding, we have important questions, for example, about contracts to build the Arctic offshore patrol ships, or AOPS.

In his presentation, Mr. Collins said that the contract seemed simple, that it was working well and that it would cost $2 billion—there are five ships and each ship costs $400 million. Ultimately, a sixth ship was added, just to buy time. The total cost was $2.8 billion. We're now learning that a seemingly simple project will cost $4.3 billion. Once again, the taxpayers, the fourth stakeholder, will cover the costs.

Mr. Kasurak, you just said that there are many projects. I want to know whether Canada is biting off more than it can chew, thus making it difficult for the industry to carry out these projects. Shouldn't Canada look abroad and obtain ships from other countries?

I understand that Canada wants to benefit from the economic spinoffs. However, if it can't obtain the equipment in a timely manner, everyone loses.

What do you think about the possibility of doing business with foreign countries for certain products?

[*English*]

Mr. Peter Kasurak: If you don't mind the pun, I think that ship has sailed. The government in power—as a matter of fact, two governments—have decided to try to revive the Canadian shipbuilding industry as a strategic decision. At this point in time, there certainly would be little or no benefit and probably a lot of disbenefits to trying to change the process that has been established.

Mr. Chairman, I don't think that at this point in time trying to shift your—

[*Translation*]

Mr. Pierre Paul-Hus: Do you feel that the Seaspan and Irving yards will be capable of building everything they have to build on schedule? When you're talking about frigates, the level of technology required means you don't know when you will get them. By the time we get them, the technology may already be obsolete.

We have another issue when it comes to speed. The costs are huge, but what about how fast they get built? Are we supposed to sit here and cross our fingers?

[*English*]

Mr. Peter Kasurak: I don't think you need to sit and cross your fingers. I think that parliamentary oversight is going to be a spur to the resolution of some of these issues, but trying to make it go faster now that we've set upon this course is going to be quite difficult. The capacity of Seaspan and Irving is what it is. We've got to live with it. We've got to work with that and build on it.

[*Translation*]

Mr. Pierre Paul-Hus: Thank you.

Mr. Collins, in 2019, the defence minister's mandate letter called for the creation of a joint organization. This new organization was to be a new military procurement department. In 2019, that's what the Prime Minister asked the defence minister to do. In 2021, the request was withdrawn.

From our perspective, that is, from the Conservatives' perspective, we thought it was a very good idea to take a cue from the Australian model and organize our military procurement in one place, under one minister.

What do you think about the government changing its mind?

● (1420)

[*English*]

Dr. Jeffrey Collins: I'm not sure what the government's position is on it, because there's been no formal declaration that somehow this idea is dead in the water. It is, to your point, notably missing from the mandate letters.

COVID, I think, goes some way to explaining that. My understanding also, from talking to people in the system, is that bureaucratic resistance is first and paramount as well. Departments don't like losing aspects of their mandates to complete reorgs, and this would definitely involve that.

The combination of those two factors, I think, is a big reason we have not seen traction on it. For this type of reorg during an NSS build, and also fighter jets—and who knows what's proposed in the April 7 budget?—it would be a tall order to juggle a complete reorg while also trying to competently manage so many projects in the pipeline at the same time.

I do think, though, that it is a good idea worth evaluating and pursuing. I would always be thinking about how we could restructure ourselves to think about procurement a bit differently, and I would welcome further analysis on it.

The Chair: Thank you, Mr. Collins.

We will now go to Mr. Housefather for six minutes.

Mr. Anthony Housefather (Mount Royal, Lib.): Thank you very much, Mr. Chair.

I'm not going to be as bleak as the last round of questions.

I want to point out that I believe that the public service is excellent in Canada. I don't think it is fair to call into question their competence. I think Canada is lucky to have an independent, very well-respected public service.

To Mr. Kasurak, I look at this as an opportunity. You talked about a challenge in your opening statement. A challenge was the different way the public wanted to treat defence, because it was never viewed as a priority. It was never viewed as something they wanted to spend a lot of money on, so governments didn't, even though there may have been interests who thought we needed a stronger military with better equipment.

I think that the recent conflict in Ukraine, the horrible war that Russia has started, has made the public much more ready to spend more money on defence. They're ready to recognize the challenges we face as an Arctic country that borders Russia in a world where you had Donald Trump as president and you can't always count on the American president rushing to our defence. I think that Canadians are starting to see that there is a need to have very professional, well-equipped armed forces.

Do you not see this as an opportunity, Mr. Kasurak?

Mr. Peter Kasurak: I certainly see it as a need. If you look at the history of defence spending, even during the height of the Cold War, the late 1970s and 1980s, when the government by its orientation was towards a budget military side, they pushed spending up to pretty much two per cent, and it stayed there until the end of the Cold War.

I think that if the need is there, the public will certainly support the spending, and politicians are usually sensitive to both the need and the fact that they are going to get public support for it. I guess, in a defensive establishment, you could view it as an opportunity.

Mr. Anthony Housefather: I also look at any improvements we can make in the department and in our processes as opportunities. What I think often fails to be looked at is that there are trade-offs involved everywhere.

We were just talking about buying foreign ships versus creating a Canadian industry that creates jobs and economic growth in Canada and is eventually self-sustaining in the sense that, once we ramp up our shipyards the way the Americans need, to have consistent builds, they're going to be able to produce cheaper and better ships in the process of qualifying Davie as well as Seaspan and Irving, so there was a choice to be made.

We may have been able to buy cheaper ships and get them a bit faster if we had bought them abroad, but a choice was made to develop Canadian jobs and the Canadian economy, and to have a self-sustaining industry in Canada.

Would you agree with the assessment that it's a trade-off and a choice that we made? This is for both of you.

Mr. Peter Kasurak: I think it's definitely a strategic choice that has been made. The question that I have is this: What happens at the end of the current production envelope? Are we going to be able to sustain what we've built? Even if we stretch everything out for a very long period of time, what's going to happen at the end?

Submarine isn't part of the program.

● (1425)

Mr. Anthony Housefather: Go ahead, Mr. Collins.

Dr. Jeffrey Collins: I completely agree, sir, on this idea of trade-offs. I think missing for some time in this discussion is what you gain by having the capacity to develop, to not just build the ships but, crucially, to be able to maintain and sustain them over decades.

That is a domestic sovereignty capability you need. If we didn't do this, to go simply buying ships offshore again, you would have to depend on foreign builders to be responsible in the long term for doing significant modifications or upkeep, unless you're willing to make that vested in Canada.

We found out, with the Victoria-class submarine, when we bought those ships, that the production line for them was shut down. We had to restart that production line from scratch and learn from scratch how to maintain and sustain them, because we didn't have that sovereignty capability.

I'm not saying what the right answer is; I'm saying it's part of the trade-offs that you recognize in your question, sir, and we should be fully aware of those when we make these types of decisions.

Mr. Anthony Housefather: Thank you.

I'm just going to end with a small comment.

It doesn't surprise me in the least that it will take a few months, perhaps up to seven months, to negotiate a contract with Lockheed Martin. I don't think that this is so simple. Even if some of the terms are already agreed upon, you have a vast number of things that you need to negotiate in complex contracts. I've done that my whole life, being a general counsel, and it doesn't surprise me at all.

Thank you so much to both witnesses.

The Chair: Thank you, Mr. Housefather.

We will now go to Mrs. Vignola for six minutes.

[*Translation*]

Mrs. Julie Vignola: Thank you very much.

I'm going to ask all witnesses to answer my questions.

This week at committee, a witness stated that the government wasn't necessarily making decisions about the national shipbuilding strategy, it was a shipyard in Eastern Canada imposing its views. The current situation of exploding costs and constant delivery delays is worrisome. We're in this situation due to what we've been experiencing for the past two years, the labour shortage and inflation associated with shipbuilding. That said, the steel cutting capacity of each of the yards probably has an impact as well.

Nevertheless, the witness's comments lifted the lid on another possible reason for the rising costs, and it doesn't appear to be in the interest of either the government or taxpayers. If this shipyard really does have the upper hand when it comes to decisions, as the witness said, could it also be influencing other yards in a positive or negative way?

What do you think of what the witness said this week?

[*English*]

Mr. Peter Kasurak: I heard that testimony, Mr. Chair, and I thought it was somewhat exaggerated. I think the government made a deliberate choice to outplace the prime contractor to industry. It ceded a bit of control when it did that.

However, the problems that have been experienced are not strongly related to who the prime contractor is and whether it's inside or outside. They have to do with the initial state of the shipyard, the state of our labour force and the complexity of the weapons system we're trying to build. I'm not sure that if it had been all government employees, it would have been any cheaper or any better in the end. You have to interface with a shipyard at some point.

I'd also like to note for the committee that the government has intervened and directed that specifications be frozen, to try to control costs. That has caused another layer of problems. The government is in control, in my view, and the problems are inevitable, given the magnitude and the complexity of the task.

Dr. Jeffrey Collins: I echo my colleague's comments. They're spot-on.

An additional challenge is simply that we are not the only country among our allies going through a massive rebuilding program for ships, submarines and other key naval capabilities. Most of our clear allies are the Brits, the Aussies, the Dutch and the Germans now. Those commodity prices, whether they're for steel or other parts that go into a ship, are going to be there no matter where the ship is built.

It's really a question, back to my last answer with Mr. Housefather, of what the trade-offs are that you're going to be cognizant of when making this decision.

● (1430)

[*Translation*]

Mrs. Julie Vignola: So, when the yards were chosen they weren't yet ready to build the ships and work on such a large-scale project.

Did I understand correctly, Mr. Kasurak?

[*English*]

Mr. Peter Kasurak: Yes and no. The shipyards all had to be brought up to a standard before they started work, and that took Seaspan extra time. However, once they're at standard, no. They should be competent to do the work.

[*Translation*]

Mrs. Julie Vignola: The government is currently in negotiations to include a third shipyard in the strategy. Had the work started earlier, would that have fixed many of the issues we are currently experiencing with timelines, costs and steel cutting, for example?

[*English*]

Mr. Peter Kasurak: Well, it would have sped things up. The problem with having a third shipyard is whether at the end of the program we will have enough work to sustain three shipyards. I think that was the issue that drove the government to limiting it to two in the beginning. I'm not sure we know the answer yet as to whether we're going to be able to sustain even two, much less three, at the end of the road.

[*Translation*]

Mrs. Julie Vignola: Mr. Collins, I am wondering about a few things in the strategy.

At this point, for the 15 Canadian surface combatant ships, which will cost from $56 billion to $60 billion, no delivery date has been determined. Add to that the price of the two Arctic and offshore patrol ships—AOPS—, which we still don't know, despite the fact that the company building them has already built six. The current cost of these two Coast Guard vessels is said to be $1.5 billion.

As far as the small multipurpose and coastal patrol vessels go, we don't know their delivery date or their cost.

Does it concern you that we're missing so much information? After all, we're talking about our territorial sovereignty.

The chair tells me we're out of time, so you're going to have to respond to me in writing.

[*English*]

Dr. Jeffrey Collins: I am—

The Chair: Thank you. Excuse me for interrupting, Mr. Collins, but unfortunately, due to time constraints, as the questioner suggested, if you could put the answer into writing, that would be greatly appreciated. Unfortunately, due to time constraints we have to move forward.

Mr. Johns, you have six minutes.

Mr. Gord Johns: Thanks so much.

Mr. Kasurak, we just heard the Conservatives open the door to the conversation about building our ships in other countries for the sake of speed—to get them done in a shorter time frame.

Can you talk about the importance of the economic benefits—in terms of job creation and the multiplier effect, and also just the economic leakage—of building ships here at home, and how important it is to develop shipbuilding capacity in our country?

Mr. Peter Kasurak: I think Mr. Collins actually addressed this previously. Having a shipbuilding industry is a strategic requirement if you're going to have a navy. Certainly, we would not want to lose our shipbuilding capacity.

As for how great the economic benefits would be, I'm sorry, but I'm not qualified to give you much of a guess at that.

● (1435)

Mr. Gord Johns: I think we can all assume they'd be quite large and significant, especially in coastal communities. I think Mr. Collins touched on the importance of developing ships in terms of our sovereign capacity.

That being said, we've seen policies in the past. We saw a 25% tariff put in place so that Canadian companies wouldn't build ferries abroad. We saw huge harm and impact on our shipbuilding sector as a result. We saw, even in my home province, how BC Ferries was building ferries in Germany, Turkey and Poland. We've seen our capacity gutted by policies.

Mr. Collins, do you see the importance of creating policies or reinstating policies from the past to support our shipbuilding sector and protect jobs here at home in Canada?

Dr. Jeffrey Collins: Mr. Johns, my answer's going to touch on your question, because it overlaps with what your colleague from Quebec mentioned earlier, about one core compartment of the NSS being small ship manufacturing, that is, boats under 1,000 tonnes. The only information I can ever find on this is the occasional annual report and press releases. It is very hard to piece together what exactly is going on in the pipeline in terms of benefiting smaller yards and facilities that have the ability to bid on these contracts.

It really is the missing piece, I think, of the NSS, which you touched on, which is about all these other boats we need. You know, provincial governments in Newfoundland and B.C. have bought their ferries offshore, but those are provincial decisions and this is a federal shipbuilding plan. Nevertheless, it factors into the equation that if we had a more dynamic small-vessel—that is under 1,000 tonnes—sector, maybe those provincial governments would be more open to looking at domestic manufacturing.

It's a great question, and it's something I'd welcome more communications on.

Mr. Gord Johns: The 25% actually generated $118 million a year. That money could have been reinvested in Canada, in creating more capacity. That's what we see as New Democrats. When you remove a tariff, and you remove barriers for Canadian companies to go and develop boats overseas, we see that as a really important tariff that was in place but was removed, which opened the floodgates.

In terms of capacity, I went to the Pacific NorthWest Economic Region conference. They stated that there are about $3 billion in refits every year on the coast between Oregon and Alaska, including Washington and British Columbia, and they were near capacity. They needed more floating dry docks. The PBO identified that the cost of labour is extremely high and very competitive in the markets where they are developing large ships.

You talked about smaller shipyards. The federal government still doesn't have a program to develop floating dry docks. I live in Port Alberni. We have the only deep-sea port on the west coast of Vancouver Island. The federal government port authority and Canadian Marine Engineering, which is employing a lot of people, including a lot of indigenous people, can't get funding to build a floating dry dock. The demand is there.

Do you see a lack of cohesiveness in terms of interdepartmental pursuits of supporting infrastructure between Transport Canada and Public Services and Procurement Canada?

Dr. Jeffrey Collins: Well, I should say that what goes on outside the naval realm is not really my area of expertise, but as a general rule, I think there's always room for interdepartmental coordination to avoid duplication and ensure that we're actually leveraging the expenditure of dollars, for sure.

Mr. Gord Johns: Mr. Kasurak, do you want to comment a bit on what I said? I think it's really important to ensure that we get a fully rounded perspective.

Mr. Peter Kasurak: Yes. I think one of the points that the government needs to keep in mind is that the naval and coast guard program is going to come to an end, and then we will have paid a premium for building up the yards and for doing our naval building at home. If we don't get sustainment out of it, because other policies are in conflict with sustaining the shipbuilding industry, we will have wasted a good deal of our investment, so in the long term—

Mr. Gord Johns: Here's a question that I'll come back to you with, then. That 25% tariff was a really good barrier. It ensured that a lot of B.C. ferries were built in British Columbia. When that was removed, those boats got built offshore. Do you believe we should reinstate those policies to ensure that shipbuilding happens here at home?

● (1440)

Mr. Peter Kasurak: I don't believe I'm really qualified to say what size of tariff is required, but I think the government needs to look at the shipbuilding industry as a whole over the very long term. Tariffs would certainly be a part of that.

The Chair: Thank you, Mr. Kasurak. If you have anything further in response to that answer, then by all means submit that to the clerk, please, and we will forward it to committee members.

We will now go into our second round. We are moving along very efficiently.

Mr. McCauley, you have four minutes.

Mr. Kelly McCauley: Thanks, Mr. Chair.

Mr. Johns, I'm surprised you're bringing up building in B.C. I wonder if you forget the NDP decision to spend half a billion dollars to build ferries in B.C. that were sold for $19 million for scrap. They were never really used. I think that sums up our capacity sometimes.

Mr. Collins, you talked about sovereign capacity, and I want to chat about that. We have the NSS, and we're perhaps down a road that we can't turn back on. You know, if it takes us 20 years to build a ship, I'm curious to know how you could claim that as a security issue, say, or sovereign capacity, when we really don't have an ability to build a ship within 10 or 15 years.

I'm wondering what you think the opportunity costs are in relation to the ITBs and also building here in Canada. I think in the PBO's original report from about four or five years ago, it was about a 25% premium. Should we perhaps re-examine that, or perhaps loosen it a bit, to look abroad and return that money to taxpayers, or to develop other industries within Canada? We don't build our own tanks here, and yet we don't claim that's a sovereignty issue. We don't build our own missiles here. We don't declare that a sovereignty issue. Why do we do it around ships?

Dr. Jeffrey Collins: That's an excellent question. I think it's the nature of shipbuilding. The dollar values are associated not just with building the ship, but with sustaining it over decades. That's really a key distinction.

The other is that aircraft—

Mr. Kelly McCauley: We could have done that the same way if we had taken Fincantieri up on its offer to build here. We'd still have the ships built and sustained here.

Dr. Jeffrey Collins: I would love to see the details on that pitch they made off-the-cuff after losing. They never had to explain it and they never had to be held accountable. That's the beauty of losing while making a Hail Mary pass like—

Mr. Kelly McCauley: Neither does Irving, or PSPC for that matter.

What do we need to do to increase our capacity?

I know Mr. Housefather gave his required praise of the public service. We're not dissing the public service, but we don't have the capability, we don't have the capacity, and we don't have the specialty within PSPC and Public Works to do this. The PBO has further stated that down the road, when “Strong, Secure, Engaged” starts kicking in, we're going to have less capability.

How do we address that in the near term and far term? Do we reach out to our allies to import help?

Dr. Jeffrey Collins: All of our allies are encountering this global professional skill demand. If you go to—

Mr. Kelly McCauley: I'm not talking about the skill demand, necessarily; I'm talking about the skill demand within the purchasing capability.

Dr. Jeffrey Collins: That's what I'm talking about. It's not just the manufacturing; it's the project management side.

As I mentioned before, there is no school pumping out loads of people to manage these projects. Once you shut down things after a decade and try to rebuild them, which is what we're doing, you're going to encounter these massive human resources constraints.

This goes back to my earlier points. What are the trade-offs you're willing to entertain? You could go—

Mr. Kelly McCauley: Let me interrupt you quickly.

One of the comments we had in an earlier study on this was that the way we work, you could be in one part of Public Works, buying pencils and papers, and you get transferred over to this division. All of a sudden, you're doing something else.

Do we need a separate division within Public Works or a separate division within DND to start developing this specialty capacity? It doesn't work the way we're doing it.

Dr. Jeffrey Collins: It's one of the key arguments behind creating this separate defence procurement agency responsible for acquisitions in defence. You start building the human resource capacity and the institutional knowledge.

To your point, you don't have someone who is simply buying photocopiers in one part of their career and is now moving over to do massive, complex shipbuilding acquisitions. It's one of the core arguments in favour of a separate defence procurement agency.

● (1445)

Mr. Kelly McCauley: Thank you.

The Chair: Thank you.

Now we'll go to Mr. Jowhari for four minutes.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair.

Thanks to our witnesses for their testimony. I found it quite useful.

I want to go back to Mr. Collins and, specifically, talk about customization. In your submission and opening remarks, you said that in both ambition and scope, the NSS has no parallel in this country's history. You also talked later on about how building a 21st-century navy and coast guard is a complicated business and a geopolitical challenge.

We all agree that there have been requests put forward for customization. The customization, to the extent that it's been put forward, is a determinant of the amount of investment that we need to make.

I want to go back to the fundamental question of whether you consider this a desire by our national forces, or whether you consider this to be a need. If you consider this to be a need, what are the factors that drive that need for us to be able to look at this type of customization?

Dr. Jeffrey Collins: It's a great question. We lost the ability to do localized Canadian design of complex naval shipbuilding after the 1990s.

One of the risks that's presented when you're doing the NSS is whether we rebuild that capability, as well, to try to do designs. How much time and cost does that take? Alternatively, do we partner with another state that's using a design that is or will be in production and, therefore, “take advantage” of a variant that is used by another partner? Over time, that can potentially help streamline supply chains and learning curves about how to build, maintain and operate that ship.

That's my—

Mr. Majid Jowhari: I'm sorry to interrupt you, but specifically what is it about Canada and Canadian needs that drives the need for those types of customization?

Dr. Jeffrey Collins: I'm sorry. Now I have a better appreciation of your question. I'd say geography, shipbuilding, the longest coastline in the world, three oceans, alliances and the transatlantic. Also, increasingly now, we're looking at getting involved in the Indo-Pacific. We're partnering up with Japan, Australia and South Korea. We have one of the few navies in the world that actually have that type of geopolitical operational demand to really have the capabilities, if we so desired, to move in that direction.

I think it goes back to Mr. Kasurak's point: What is the vision of how you want to have an armed forces, and what do you want them to do? Up to now, it's been a desire to want to satisfy all those check boxes. In doing so, you need a design that enables you to do that. That is one of the reasons, for example, for putting so much emphasis on anti-submarine capability in our version of the type 26, but it's also related to attack targets on land and in the air.

Mr. Majid Jowhari: Thank you.

I have only about 50 seconds left. I want to go back to an alternative that I'd like to recommend for your consideration. I'd like to hear your feedback.

You talked about the fact that changing the process of procurement management in the midstream of such a large transformation is going to be, if not costly, impeding further progress on the procurement side. What are your thoughts about centralizing the oversight of this project from a project management point of view in the interim, as a short-term remedy to a decentralized procurement process?

Dr. Jeffrey Collins: Well, there is already a centralized office, the national shipbuilding strategy office, set up to do it. I think the big challenge is just in getting clear, consistent political and bureaucratic alignment and direction off the top and ensuring that it's there consistently over what will be decades. That's the real challenge.

The Chair: Thank you.

We'll now go to Ms. Vignola for two minutes.

[*Translation*]

Mrs. Julie Vignola: Thank you very much.

Mr. Collins, you partially answered my question earlier, but I ask that you send me a more complete answer.

I have a second question for you.

What do you think the Canadian government should do to ensure the viability of shipbuilding in Canada and secure our country's sovereignty over our land and home waters? What needs to be done to ensure sustainability beyond the national shipbuilding strategy?

Because of what you said about our geography, I feel like it would be ridiculous not to have solid shipbuilding, just as it would be ridiculous to say that Japan or England had no ships. In my humble opinion, it would make no sense.

How can we ensure the viability of shipbuilding in Canada?

● (1450)

[*English*]

Dr. Jeffrey Collins: Sustainability is certainly a key part. When we purchase large-scale military platforms and equipment, we expect them to last for decades. That's been the trend going back to the sixties, and this is the vision that has been adopted for this particular ambitious project. We're not the only ones doing this. That's why the ability to have a domestic capability and to understand how to sustain and modify those ships for decades is so important.

Our challenge is that we have effectively two mini navies and two defence industrial bases, one on each coast, because you can't simply move a ship around from one port to another. That is a tremendous project management challenge, and it is a tremendous extra cost. It's about whether we seriously want to have a three-ocean navy and, ideally, year-round, a two-ocean navy—

[*Translation*]

Mrs. Julie Vignola: You mentioned two small shipyards.

The older, more experienced yard, with five docks and 50% of the shipbuilding capacity, was cast aside. Has this caused a problem, in your opinion?

[*English*]

The Chair: Could we have a very quick answer, please?

Dr. Jeffrey Collins: The biggest challenge for all three shipyards is that the schedule is king. If it's a continuous build, it's a question of what else is in the pipeline to ensure the viability of those shipyards. They're there for building and not just for simply sustaining and modifying ships.

The Chair: Thank you for the quick answer. If you feel that you have more to add to it, please, by all means, submit that in writing.

We'll now go to Mr. Johns for two minutes.

Mr. Gord Johns: Thanks to all of you.

Mr. McCauley, I do have to mention the boondoggles of the previous liberal-conservative government in the province of B.C., including the Port Mann Bridge, which was 500% over cost, never mind BC Hydro, the roof of BC Place and the Vancouver Convention Centre. I could go on all day, but I won't waste my few minutes.

My question is around the PBO. The PBO comes in and its costs are so vastly far apart from the government's.

Mr. Collins, do you want to comment on why the costing is so out of sync?

Dr. Jeffrey Collins: Sir, that's a great question. It goes back to something I had in my opening remarks, which was communications and better transparency.

What is going into the costing models? We're told that the budget of $62 billion is supposed to be satisfactory going forward, yet we're also hearing that the yard in Halifax needs some type of modification to deal with the extra large version of ship to be built there, which wasn't envisioned over a decade ago.

There are different costing models. I would just like more transparency to understand what goes into that particular modelling.

Mr. Gord Johns: Mr. Kasurak, do you want to add anything to that?

Mr. Peter Kasurak: I think that's well said. The PBO has basically used a forecast based on the weight of the ship, and given the fact that we don't really know much about the ship, it's as good of an estimate as you're going to get.

As I mentioned in my opening statement, the former director general for naval construction in National Defence said that you'd need to build three or four ships before you could get an accurate idea of what they're going to cost. It really is a black box.

More transparency is needed, but we also need to be informed on a more continuous basis, and that really is what's missing.

The Chair: Thank you, Mr. Johns.

We'll now go to Mr. Lobb for four minutes.

Mr. Ben Lobb: Thanks very much.

I'm glad Mr. Johns touched on transparency, because that's been a constant source of frustration since I've been on this committee. I don't blame any of the people who have appeared before the committee. If you look at the members of Parliament on the committee and people who are in the public service, such as the budgetary officer, none of us really, truly have access to any of the important details that would give us any sense of whether things are going the right way or the wrong way.

I wonder if Mr. Kasurak could touch on his experience when he was in the Auditor General's office.

Were you privy to any of the information that you needed, or did you have to go to the U.S. to try to run off some other estimates?

● (1455)

Mr. Peter Kasurak: One of the virtues of working under the Auditor General Act, which I now miss, is that you're entitled to see every record and interview any person. The short answer is that I didn't have great difficulty, although sometimes there was a bit of a cat-and-mouse game going on between my people and defence officials. Generally, we could get the information we required. It's a lot more than you can get as a citizen or a member of Parliament.

I think the Senate asked for a time-phased expenditure for major capital projects, and DND just didn't give it to them. I think there is a major issue in terms of provision of information to Parliament, but as the Office of the Auditor General, we could get whatever we wanted.

Mr. Ben Lobb: I think it doesn't matter.... I've been in government and I've been in opposition, and it goes over both. It probably goes back to the Martin and Chrétien years, and into the Mulroney years, and on and on, right to Wilfrid Laurier, I suppose.

I think one of the recommendations that should come out of this committee is that we need to have the ability, as members of Parliament and as committees, to get this information. I know the immediate reaction for some would be, well, that's just going to be more partisanship, but I actually think the opposite could be true. If you have a lot of this information, it will take the partisanship out of it.

Do you have any thoughts on that, or is it too hard to tell what partisans will do?

Mr. Peter Kasurak: I think that would be a constructive move. Part of the problem is that Canadian politics are the most partisan of nearly all of the Westminster systems. When you look at the Australians, they have a lot more standing joint committees that tend to be much less partisan. The British committees are also more non-partisan.

It's something that I think would be a goal to work towards, and you can't work towards it without information. If there's information, you can start having a discussion about specifics rather than taking a political position based on what you think might be true.

Mr. Ben Lobb: Very true.

The Chair: You have 20 seconds left, for a question and answer.

Mr. Ben Lobb: I'll go quickly.

This one is just for Mr. Collins, quickly. It goes back to the air defence. Do we have enough time to train everybody up for the F-35s, the pilots, mechanics, all the way through?

Dr. Jeffrey Collins: It will definitely be part of the timeline of reintroducing that aircraft and at some point we're going to have to deal with two training regimens for CF-18s and F-35s. As my colleague noted, that's expensive and complex.

The Chair: Thank you.

We'll now go to Mr. Kusmierczyk for four minutes.

Mr. Irek Kusmierczyk: Thank you so much, Mr. Chair. Thank you so much to the witnesses. This has been an incredible conversation and discussion.

Most of my questions have actually been answered, so I don't want to belabour the point on some of those questions, but National Defence recognizes that climate change is a threat multiplier. I know this is kind of a knuckleball question here for you, but since we've got you here I wanted to maybe pose it because I think it's something that the report we're going to be publishing should at least touch upon in some way.

We've seen over the last number of years the CAF focusing a lot of resources, a lot of time and energy, on domestic emergency operations. Obviously, that takes away from and challenges expeditionary missions and roles and whatnot.

I wanted to ask, in your opinion, how climate change is changing how we think about defence procurement and specifically the national shipbuilding strategy, and how it should factor into that conversation.

I'm not sure if you've given that a lot of thought, but I'm just wondering if you might be able to guide us a bit in that thinking.

● (1500)

Dr. Jeffrey Collins: Is that for me?

Mr. Irek Kusmierczyk: It's an open question. Either of you can jump in.

Dr. Jeffrey Collins: I'll give a short answer, for sure. It's a two-parter. There's aid to civil authority, which is what the CAF have been doing on national disaster response, and on COVID by going into nursing homes, and there's a whole other side conversation about whether this is really the role for the armed forces to be doing.

I know that's for another time, but on climate change, for sure, you see it with the view of the Arctic. It's hard to disassociate the focus on having Arctic capabilities in general, whether it's at sea or in the air, without understanding the attention that's going on up there. Maybe in the future, down the road, it could be navigable if the insurance rates panned out and so on. It is certainly factoring into the types of capabilities we're looking at for the marine side, and it's something we'll probably have to give serious consideration to in looking at submarines as well.

Mr. Peter Kasurak: Since you mentioned humanitarian and disaster relief, it is one of the six top-level goals in “Strong, Secure, Engaged”, and regrettably the CAF have not really organized themselves to do much with it. It does tend to interfere with what they see their main job as. I'll just leave it at that. It is a discussion for another day.

Mr. Irek Kusmierczyk: Thank you for that.

Since I've got just a little more time here.... I know we want to finish off on time as well, and not keep you too much past the three o'clock hour.

Professor Collins, just going back to my original questions about off-the-shelf designs, can you talk about off-the-shelf designs for warships? Is there a role for off-the-shelf for warships, for example, in the NSS?

Dr. Jeffrey Collins: We're dealing with the Berlin class. It's a German design. It's at the heart of the joint support ships being built in Vancouver. The Canadian surface combatant is based on a still-being-modified version of the type 26 that originates in the U.K. There was a conscious decision over a decade ago to move down that route and to not have a localized, Canadian-made design. It's one of those great what-ifs. Had we done that, would it have been easier to think long term about how the yard should be built? Would we have a made-to-Canadian design, as opposed to building a yard and then getting a design and modifying it? These are complicated questions.

I will say again that at the end of the day, countries that have domestic industrial capabilities and who are building ships are building primarily for themselves, so if you want to get the advantage of an Italian- or French-made ship, you will pay a premium to get in line to build that, and you will have to modify that design. The French design does not focus heavily on anti-submarine warfare. That is a goal that we have historically had in this country for decades. What are the trade-offs? That's what it comes back to.

The Chair: Thank you very much.

With that, we've come to the end of our questioning.

Mr. Collins and Mr. Kasurak, I want to thank you for your testimony today. Thank you very much for being with us.

I would also like to say thank you to the interpreters for their interpretation today, to the technicians, to all the staff who are here, and to the analysts and clerk.

With that said, I declare the meeting adjourned.