

Minister  
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Ottawa, Canada K1A 0K2

## GOVERNMENT RESPONSE

OCT 16 2017

Mr. Stephen Fuhr, MP  
Chair,  
Standing Committee on National Defence  
House of Commons  
Ottawa, Ontario K1A 0A6

Dear Colleague,

Pursuant to Standing Order 109 of the House of Commons, I am pleased to present the official Government Response to the Sixth Report of the Standing Committee on National Defence entitled: *The Readiness of Canada's Naval Forces*, which was tabled in the House of Commons on June 15<sup>th</sup>, 2017.

Allow me to express my gratitude for the Committee's recommendation for this thorough and insightful report. As the Committee has rightly observed, the Royal Canadian Navy (RCN) is responsible for defending Canada in the maritime realm, and the RCN's rapid response capability, global reach, and flexibility to operate across a wide spectrum of operations make the RCN critically important to the defence and security of Canada and Canadian interests and values.

Accordingly, Canada's defence policy, *Strong, Secure, Engaged*, released on June 7<sup>th</sup>, 2017, articulates significant investments in the RCN to ensure that it can meet anticipated defence and security challenges in the coming decades – whether at home operating in waters off Canada's three coasts, or working alongside allies and partners internationally.

Notable investments include the recapitalization of the surface fleet, modernizing the RCN's four Victoria-class submarines, and ensuring the navy has equipment it needs to meet future challenges. While fiscal realities make it impossible for the Government to implement all the Committee's recommendations, particularly with respect to procurement, Canada's defence policy has launched a significant but targeted and strategic investment that will renew, replace and maintain core equipment and capabilities for the RCN, meeting the spirit of the committee's recommendations.

Attached is the Government's response to the recommendations made by the Committee.

Again, thank you and the other members of the Committee for undertaking the study to produce this report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Harjit Sajjan', written in a cursive style.

The Honourable Harjit Sajjan, PC, OMM, MSM, CD, MP

CC: Elizabeth Kingston  
Clerk, Standing Committee on National Defence

## GOVERNMENT RESPONSE

### HOUSE OF COMMONS STANDING COMMITTEE ON NATIONAL DEFENCE'S REPORT: THE READINESS OF CANADA'S NAVAL FORCES

#### Introduction

Pursuant to Standing Order 109 of the House of Commons, this Government Response addresses the recommendations made by the House of Commons Standing Committee on National Defence (NDDN) in its Sixth Report, entitled *The Readiness of Canada's Naval Forces*, which was tabled on June 15<sup>th</sup>, 2017. The Government agrees with the spirit of the recommendations from the Standing Committee, and the majority of them align with Canada's defence policy *Strong, Secure, Engaged*.

This response takes a thematic approach to responding to the recommendations, with the responses grouped into categories below.

#### Global Context (Recommendations 1, 3, 17, 18)

(1, 3) The Government recognizes that naval forces provide Canada with a responsive and agile means to respond across a wide spectrum of maritime operations, and can serve as an instrument of power on the international stage. The Government agrees with the Committee's statement that the Royal Canadian Navy (RCN) is one of its key pillars in ensuring national sovereignty and security, which is why it has committed significant resources to modernizing the RCN through *Strong, Secure, Engaged*.

Canada is committed to being a responsible international player that upholds universal values, contributes to peace building, and works together with partners to help enhance overall capacity and resiliency.

While the Canadian Armed Forces (CAF) remains committed to Europe, the Asia-Pacific region is increasing in importance to Canada's security and prosperity. Canada is committed to consistent engagement, strong partnerships and continued RCN participation in regional operations, exercises and high-level visits. Canada will continue increasing engagement with the Association of Southeast Asian Nations (ASEAN). This will include National Defence seeking membership in the ASEAN Defence Ministers Meeting-Plus, and enhancing CAF participation in the ASEAN Regional Forum.

Canada's membership in the North Atlantic Treaty Organization (NATO) is a cornerstone of our international security policy, and a core part of our relationship with Europe. Canada's commitment to NATO is unwavering. One concrete example of Canada's ongoing engagement with NATO is through Operation REASSURANCE, where Canada has actively participated,

alongside NATO allies, in measures to maintain security and stability in Central and Eastern Europe through partnerships, training, exercises and other tasks. As part of this engagement, the RCN has deployed a frigate to European waters under the aegis of Operation REASSURANCE on a persistent basis since 2014. The RCN will continue to conduct operations in Europe, Asia-Pacific and elsewhere in accordance with direction from the Government of Canada.

(17, 18) Canada's North covers a wide expanse, encompassing 75% of Canada's coastline and 40% of its land mass. The region's potential economic benefits are becoming more relevant to the international community, particularly as climate change has begun to increase the accessibility of the region.

As the security dynamics in the Arctic evolve, Canada and the United States will continue to work side by side to secure our shared northern air and maritime approaches, including through NORAD. Additionally, Canada and its NATO allies have been clear that the Alliance will be ready to defend against any potential threats to sea lines of communication and maritime approaches to Allied territory in the North Atlantic. With respect to providing leadership on doctrine related to the Arctic, Canada is the lead nation responsible for updating the NATO Arctic Operations Manual, which is currently being re-written.

The increasing importance of Canada's North means that the CAF must have the capacity to exercise surveillance and control over Canada's air and maritime approaches in the Arctic. *Strong, Secure, Engaged* includes a number of initiatives to increase the presence and operational effectiveness of the CAF in the Arctic. A number of naval projects will be important in that respect. One of these is the construction of five to six Arctic Offshore Patrol Ships (AOPS), which will be ice-capable, enabling the RCN to operate in the Arctic throughout the navigable season, and to participate in whole-of-government operations in Arctic waters. Another project is the construction of the Nanisivik Naval Facility, as it will facilitate Arctic operations for the RCN and other government vessels, providing a support base for Arctic operations. Additionally, the modernization of the four *Victoria-Class* submarines will enable the RCN to exercise control over Canada's maritime approaches to the Arctic.

In addition, the CAF will enhance and expand the training and effectiveness of the Canadian Rangers to improve their functional capabilities. Moreover, Canada will work collaboratively with the United States through NORAD to develop new technologies to improve Arctic surveillance and control. This includes the renewal of the North Warning System in order to increase awareness of the air traffic approaching and operating in Canada's sovereign airspace. Canada will also expand the Canadian Air Identification Zone (CADIZ) to cover the entire Canadian Arctic Archipelago. The CAF will continue to conduct joint exercises with Arctic allies and partners to strengthen information sharing and interoperability.

Investments in the RADARSAT Constellation Mission (RCM) and Polar Epsilon 2 will also augment the CAF's maritime surveillance, ice monitoring, disaster management, and environmental monitoring in the Arctic.

## Recruitment, Retention and Training of Personnel (Recommendations 4, 5)

Canada's defence policy, *Strong, Secure, Engaged*, recognizes the need to both recruit and train personnel, but also to retain them, in order to protect the investment in the expertise and knowledge of CAF personnel. *Strong, Secure, Engaged* includes measures to reform military recruiting to reduce enrollment times and to support key CAF recruitment priorities, increase the capacity of training institutions in order to accommodate a larger number of trainees, ensure timely and appropriate recognition of CAF members' service, develop a comprehensive CAF Retention Strategy, and implement a department-wide human resources strategy to ensure optimal assignment of tasks between the military, defence civilians and the private sector.

A key component of Canada's defence policy is recruiting and retaining Reserve Force members. The unique opportunities of part-time military service will be highlighted in recruiting campaigns, and increased flexibility within the CAF to switch between part-time and full-time service will be explored. In line with these efforts, the RCN is adopting the One Navy concept, which will enable flexible employment models that will provide increased opportunity for meaningful operational employment for sailors across the entire Naval Reserve Community. This responds to the needs identified in recent retention and availability studies which were conducted to improve retention.

On the recruiting front, the Naval Reserve has completed an overhaul of the recruiting system. One outcome is expedited enrolment as a standard practice for reserve intake, which reduces processing time.

In addition to *Strong, Secure, Engaged*, there are a number of initiatives underway to encourage retention for both the Regular and Reserve Forces. This includes efforts to gain efficiencies and reduce the amount of time sailors spend away from home, such as through the greater use of shore-based simulators and virtual training. This already takes place for individual training for in *Halifax-Class* frigates and *Kingston-Class* coastal defence ships. As new vessels are introduced to the fleet, virtual training will be available for the new classes of ships as well. In addition, an initiative has recently been launched to provide realistic training that reflects the sophistication and complexity of joint (with other CAF elements) and combined (with other allies) operations. For the Naval Reserve in particular, there is an increased focus on maximizing the use of distributed learning, simulation and modular coursing, in order to provide naval reservists with more flexible training opportunities.

There are a number of other initiatives to improve the quality of life for RCN sailors in order to improve retention. Some of these include monitoring the time sailors spend away from home, using tools such as temporary postings where required to limit the time at sea for individual sailors to maintain an acceptable work-life balance. The RCN is also undergoing restructuring of its occupations to create more flexibility and reduce the time away from home for its seagoing occupations. The recent Marine Technician Occupation Analysis combined three occupations to build a more broadly skilled tradesperson. This creates a larger pool of individuals with critical

qualifications and minimizes the need for back-to-back deployments to meet RCN requirements. Improving the quality of life at sea is also an important consideration, which includes measures such as providing better access to families at home by improving shipboard Internet service, and simplified watch rotations which permits greater rests between shifts.

#### **RCN Capabilities – (Recommendations 2, 7, 10, 11, 12, 13)**

(2) The Government continues to make investments in the RCN to ensure that it remains a responsive and agile force which can respond across a wide spectrum of maritime situations, in order to exercise Canadian sovereignty and to meet Canada's domestic and international obligations. Much of these investments will take place through the National Shipbuilding Strategy (NSS), a long-term project to renew Canada's government vessels, which is reflected in the Government's defence policy, *Strong, Secure, Engaged*. This investment includes the recapitalization of the surface fleet through the construction of 15 Canadian Surface Combatants (CSC), two Joint Support Ships (JSS), and five to six AOPS. The Government has also committed to modernizing the four Victoria-class submarines to include weapons and sensor upgrades that will enhance the ability of the submarines to conduct Intelligence, Surveillance and Reconnaissance (ISR), as well as to acquiring enhanced naval intelligence, armament, and surveillance and reconnaissance systems for current and future platforms in order to meet future challenges. Combined with a modernized training system that will ensure that sailors will be prepared for the complexities and challenges of operations now and into the future, these investments will help ensure the RCN's readiness well into the future.

(7) With respect to specific platforms, the CSC will serve as the backbone of tomorrow's navy. It will deliver the air defence capabilities of the RCN's recently retired *Iroquois-Class* destroyers, and a weapons and sensor suite that will enable the RCN to meet the Government's mandate through a range of responses commensurate with the global security environment.

(10) Submarines are an integral part of the RCNs inventory, as no other capability has the ability to defend our vast underwater estate. Submarines' stealth, persistence and lethality make them a weapon of strategic deterrence, as the presence or suspected presence of submarines can alter an adversary's decision-making across an entire maritime theatre of operations. Submarines excel in collecting intelligence in covert surveillance and reconnaissance missions, and can monitor large undersea areas for other submarines and surface vessels. Their ability to operate covertly in coastal regions or in areas where surface ships may be placed at risk, combined with their ability to support special operations forces, make them suitable for a wide range of operations from surveillance to intelligence gathering to naval combat. As such, submarines will continue to have a significant role in the RCN well into the future. Accordingly, *Strong, Secure, Engaged* commits to modernizing and continuing to operate Canada's four *Victoria-Class* submarines. This modernization is expected to begin in the early 2020s.

When the time comes to replace the *Victoria-Class* submarines, as the Committee has pointed out, one of the key strategic considerations will be the ability to operate in all three of Canada's ocean environments, including the ability to operate under ice. Currently, while the *Victoria-Class* submarines are not designed to operate under consolidated sea ice, they are capable of

operating in the Arctic in the area of water between the open ocean and consolidated sea ice, which is commonly referred to as the marginal ice zone.

(11 and 12) Support ships are a key component of Canada's navy, allowing a task group to deploy around the globe and to sustain its operations at sea for extended periods. *Strong, Secure, Engaged* commits the Government to two planned JSS, which will enable task group operations, sustaining the task group for extended deployment through a range of operations. The JSS will also be equipped with medical and dental facilities, aviation maintenance and repair facilities, and will be able to operate two maritime helicopters. Until the JSS is delivered, the Government is working to provide the service of an interim Auxiliary Oiler Replenishment vessel to allow the RCN to bridge the gap in underway replenishment. In addition, the Government may negotiate mutual logistics support arrangements with Spain and Chile, as required, to provide at sea replenishment services until the arrival of the JSS.

(13) The RCN currently has 12 coastal defence vessels which have proven their utility across a wide range of operations and missions. As some of these are more than 20 years old, options to extend the life of these ships are being considered. In addition, the NSS includes an additional five to six AOPS which will provide a more complete set of capabilities for operations in Canada's home waters. The AOPS will provide armed, sea-borne surveillance of Canadian waters, including the Arctic, and will enforce sovereignty and cooperate with partners at home and abroad.

#### **RCN Infrastructure (Recommendation 19)**

(19) The Nanisivik Naval Facility will serve as a berthing and refueling facility for naval vessels and other government vessels in the high Arctic. As part of this project, the jetty will be repaired, shoreline erosion mitigation efforts will take place, and fuel storage tanks installed. The site will also include a storage facility, a helicopter landing area and designated areas for the marshalling of cargo. While the construction contract was awarded in 2014, due to the weather and logistics challenges of working in such an austere region, construction must be planned a year in advance to get the material to the site, and work can only occur from June to September. Full season construction has taken place in the summers of 2015 and 2016, and has continued for the 2017 season. It is expected that the facility will be operational in 2018.

#### **Procurement Process (Recommendations 6, 8, 9, 22)**

(6, 8) The NSS is a long-term commitment to shipbuilding that will revitalize Canada's marine industry, support Canadian technological innovation, and bring jobs and prosperity to many communities across the country. Irving Shipbuilding Inc. and Vancouver Shipyards will invest a value equal to 0.5% of NSS contracts to benefit the domestic marine industry over the long term.

Within *Strong, Secure, Engaged*, the significant NSS projects have been fully costed, including the CSC, JSS and AOPS. In addition, the defence policy includes funds for large tugboats for

DND, which are also included in the NSS. In total, the defence policy has allocated \$3.5 billion on a cash basis, and \$17.5 billion on an accrual basis for investment in the RCN over the next 20 years, and separate funds have been allocated for the operation and sustainment of the assets.

The NSS has successfully begun the process of fleet renewal for the RCN and the Canadian Coast Guard, with continued construction on the first two AOPS at Irving Shipbuilding's Halifax Shipyard, and continued construction of all three Offshore Fisheries Science Vessels – the first large vessels to be delivered under the strategy. In addition, \$472.3 million in new NSS contracts were awarded by the Government of Canada throughout the country in 2016. Contracts awarded from January 1 to December 31, 2016 are expected to create or maintain 1,275 jobs annually during the period between 2016 and 2020

Despite progress made, as with any large scale program, there is room for improvement. After a recent review of the strategy's successes and shortcomings, improvements have been made in a number of areas. In order to improve oversight, the Government has hired an expert advisor on shipbuilding, created the Cabinet Committee on Defence Procurement, and reinvigorated other governance mechanisms. The recruitment of additional staff, increased training and augmented external support has increased the internal capacity of the NSS program. Costing estimates for the NSS are being updated, and will allow for more accurate planning and better informed investment decisions. The regular reporting of this information will also help ministers to stay abreast of the cost estimates as programs/projects evolve. To enable more detailed monitoring, a performance measurement framework is being developed, and will enable the collection and integration of information and analysis to achieve key NSS objectives. Finally, to increase transparency and accountability, the Government will provide annual reports and regular updates that track the successes, milestones, and challenges of the strategy.

Looking forward, lessons learned, along with the introduction of new technologies and process improvements, will pave the way for the continual improvement of the program and the realization of its objectives.

With respect to increasing the number of shipyards for supplementary and future work to complement the NSS, other shipyards will be selected through a competitive bid process to build a number of smaller vessels. Future requirements for ship repair, refit and maintenance will also be competed through publicly announced requests for proposals.

(9) The Government is working on streamlining defence procurement in order to make it more timely and transparent. To this end, efforts are being made to ensure more effective collaboration between departments. The Ministers of Public Services and Procurement Canada (PSPC), DND, and Innovation Science and Economic Development (ISED) share responsibility for defence procurement, with the Minister of Fisheries and Oceans playing an essential role for select Canadian Coast Guard (CCG) procurements. These departments work closely together on major procurements, each leading in their mandated areas: PSPC as the contract authority; DND and CCG as project sponsors responsible for requirements, funding, and project management, and, ISED for economic benefits, such as in the application of the Industrial and



## Technological Benefits (ITB) Policy.

The Cabinet Committee on Defence Procurement considers and coordinates major acquisitions of defence equipment. Interdepartmentally, a multi-tiered governance structure allows partners to work together in a cooperative and transparent manner to ensure the needs of all departments are taken into consideration while ensuring that each department's individual mandates are respected. Shipbuilding and other defence procurements are governed through interdepartmental Defence Procurement Strategy (DPS) committees at the Deputy Minister, Assistant Deputy Minister, Director General and Director levels.

(22) Although not presented as a single Defence Industrial Strategy, there are a number of initiatives underway to better support Government collaboration with the defence industry to meet the spirit of this recommendation and which are normally part of a Defence Industrial Strategy. For instance, *Strong, Secure, Engaged* commits to making the DND Investment Plan public for the first time in 2018. The Investment Plan identifies all major capital equipment, infrastructure spending and investments over \$20 million for goods and services over a five-year period. It will be updated every three years to ensure it continues to reflect the investment priorities of National Defence. Another initiative is the public release of an updated Defence Acquisition Guide, which identifies future potential CAF requirements and associated procurement projects. These efforts, in addition to participating in key industrial consultations, respond to requests from industry for increased transparency in defence procurement, and will help Canadian industry to position themselves to compete for potential future Canadian defence procurement opportunities.

In addition, the Innovation for Defence Excellence and Security initiative, as outlined in *Strong, Secure, Engaged*, will invest \$1.6 billion over the next 20 years to transform defence innovation in Canada, and National Defence will work with ISED in order to foster innovation and creativity in line with ISED objectives to grow companies and accelerate growth.

The Government also introduced the Innovation and Skills Plan (ISP) in Budget 2017 which outlines how it intends to promote economic growth, skills and innovation across all sectors, including the defence industry. The ISP is centered around the themes of skills, research, technology and commercialization, investment and scale-up and program simplification and re-tooling through a number of actions such as the Strategic Innovation Fund (SIF) and the Innovation Superclusters Initiative (ISI). Through the SIF, the Government will provide \$1.26 billion over five years to support a wide range of projects that accelerate areas of economic strength and high-growth sectors. As part of the ISI, the Government will invest nearly \$1 billion to strengthen up to five of Canada's most promising clusters and build superclusters at scale with the objective to accelerate commercialization and boost competitiveness by fostering connections between a diversity of stakeholders.

These initiatives are in addition to several longstanding initiatives that leverage economic benefits in Canada from defence and major Canadian Coast Guard procurement. For example, the ITB Policy (formerly Industrial and Regional Benefits Policy) requires winning defence prime

contractors to make investments in Canada equal to the value of their contracts. Since 1986, the ITB Policy has been applied to 137 projects with investment obligations totaling over \$41.5 billion. To date, over 90 percent of these obligations have been completed or are in progress. These investments are supporting the growth of Canada's economy by positioning companies to support future military requirements, providing access to global supply chain opportunities, and motivating investments in innovation.

#### **Other Enablers (Recommendations 14, 15, 16)**

(14) The RADARSAT 2 satellite provides information that is critical to global situational awareness, including maritime surveillance, ice monitoring, disaster management, environmental monitoring, resource management and mapping. The satellite is capable of operating in all types of weather and light conditions. *Strong, Secure, Engaged* commits the CAF to continuing this surveillance from space capacity beyond RADARSAT 2 to include the upcoming RADARSAT Constellation Mission (RCM) and its follow on, the Defence Enhanced Surveillance from Space Project, in order to improve the identification and tracking of threats, and to improve situational awareness globally. RCM will be able to image the Arctic four times daily, in all weather conditions. Considering that the launch of RCM is planned for 2018, changing the scope of the project to include six satellites at this late stage would result in delays for RCM as well as for the related Polar Epsilon 2 project. Polar Epsilon 2 will use data from the three RCM satellites to greatly enhance the CAF's ability to detect, identify, and track vessels of interest in Canada's maritime areas, the Arctic region, and in support of expeditionary operations around the world.

(15) *Strong, Secure, Engaged* recognizes that remotely piloted systems are important tools that permit operations in severe and inhospitable environments. Accordingly, the policy commits the CAF to investing in a range of remotely piloted systems, including remotely piloted aircraft capable of conducting surveillance of Canada's Arctic territory and maritime approaches, as well as conducting research and development of remotely piloted land, sea and aerial capabilities.

(16) *Strong, Secure, Engaged* commits the Government to replace the CP-140 Aurora surveillance and reconnaissance aircraft with next generation multi-mission aircraft. As the CAF's primary piloted ISR plane, the CP-140 ensures the CAF can detect threats to Canadian security as early as possible, contributing to domestic, continental and international operations. The Government is investing in more than \$2 billion to modernize and life-extend 14 of the 18 CP-140s, which will upgrade the aircraft's anti-submarine warfare capability, and allow them to extend their operational effectiveness until 2030. To meet its mandate and to address the Government's commitment under *Strong, Secure, Engaged*, the Royal Canadian Air Force has a project purposely designated to replace the CP-140 post 2030. The Canadian Multi-mission Aircraft project will deliver an aircraft with enhanced capabilities to the ones presently found on the CP-140 in order to meet future maritime patrol, command and control and ISR requirements.

## **Canadian Coast Guard (Recommendations 20, 21)**

(20) Renewal of the Canadian Coast Guard fleet, which includes several classes of icebreaking vessels, is already underway. The plan includes Canada's first Polar Icebreaker, which will provide enhanced capabilities for escort and icebreaking services, science, environmental response and sovereignty in the Arctic. The Polar Icebreaker is scheduled to be built at Vancouver Shipyards Co. Ltd, following the Canadian Coast Guard's offshore science vessels and the RCN's JSS. Funding has also been committed to replace five Medium-Endurance Multi-Tasked Vessels, which are used to help ships to move safely and efficiently through eastern Canada's ice-infested waters from November to May, keeping Canada's major ports open for business.

The Canadian Coast Guard is currently working to update its Fleet Renewal Plan, which will outline the fleet needed to continue to meet commitments to Canadians – now and into the future. This update of the Fleet Renewal Plan will address the next priorities for recapitalization, which includes icebreakers.

While it will take time to build new icebreakers, the Canadian Coast Guard will continue to do what is required to serve Canadians. This means continuing to invest in the fleet to ensure ships continue to be maintained to the highest standards. It also means exploring options for interim icebreaking solutions that may be available from the marine industry. The Canadian Coast Guard will take action to ensure icebreaking services are not compromised while ships are removed from service for refit and vessel life extension work.

(21) The Canadian Coast Guard is a civilian agency and a safety-focused organization that has considerable capability and future potential to support law enforcement and national security. There are great synergies between the RCN and the Canadian Coast Guard due to their maritime focus; the Canadian Coast Guard will continue to work together with the RCN based on the longstanding relationship and interoperability of the two organizations, and will also continue to work together with the Royal Canadian Mounted Police, the Fisheries Enforcement program (Fisheries and Oceans Canada), and other federal security partners. Ongoing and growing collaboration with all of these organizations will be key in ensuring safety, security and environmental protection in Canadian waters.