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**EVIDENCE**

## Tuesday, November 15, 2005

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## Chair

**Mr. John Cannis**

# Standing Committee on National Defence and Veterans Affairs

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● (1005)

[*English*]

**The Chair (Mr. John Cannis (Scarborough Centre, Lib.)):** Good morning, ladies and gentlemen. I see we have quorum so I'll call this meeting to order.

Let me begin with a few things, if I may, before I introduce our witnesses. I just want to make sure that all members on the committee have a copy that was circulated of our report from our visit to NATO and the U.K. If anybody has not, let us know, and we'll make sure you receive a copy as soon as possible.

With that, I'll move forward to introduce our witnesses here today, as we move on with the review of our defence policy.

We have with us today, from Public Works and Government Services Canada, Janet Thorsteinson, acting assistant deputy minister, acquisitions branch; and Terry Williston, director general, land, aerospace and marine systems and major projects sector. Welcome. We also have with us, from Treasury Board of Canada Secretariat, Susan M.W. Cartwright, assistant secretary, international affairs, security and justice sector. Welcome. We also have with us Larisa Galadza, senior analyst, international affairs, security and justice sector, foreign affairs and defence division. Welcome.

Later on we will be having, between 11:30 a.m. to 1 p.m., the Department of National Defence. We'll introduce our witnesses at that time.

Before I open the floor, we had a request from Ms. Thorsteinson that she has submitted, or will submit, a presentation, and wanted it to go on record. It is in both official languages. She'll also comment on her paper. It's been circulated already, Janet?

**Ms. Janet Thorsteinson (Acting Assistant Deputy Minister, Acquisitions Branch, Public Works and Government Services Canada):** Yes, it has.

**The Chair:** Thank you very much. We'll go to your presentations of no more than ten minutes each, and then the first round of seven minutes per member, which includes questions and responses.

So the floor is yours.

**Ms. Janet Thorsteinson:** Turn to Mrs. Cartwright first please.

**The Chair:** By all means.

**Ms. Susan Cartwright (Assistant Secretary, International Affairs, Security and Justice Sector, Treasury Board of Canada Secretariat):** Good morning.

[*Translation*]

Good morning and thank you for inviting us to appear today before the committee.

[*English*]

It's a pleasure for me to join you for a brief presentation and to answer your questions about the Treasury Board Secretariat's role in military procurement by the government.

Some of the people who have already been here to talk to you presented their own perspectives on defence procurement, and they've also made reference to the role of the Treasury Board Secretariat. So the purpose of my presentation is to describe how we're organized to serve DND's needs and to set out how we deliver advice to ministers who sit as members of Treasury Board.

● (1010)

[*Translation*]

Before I go any further, I would just like to say that I will be outlining the process that applies to all departmental real estate purchases. The process is not used solely for military procurement. You've heard various DND witnesses state that projects can be carried out over a period of several years. TBS's involvement is focussed more or less on the acquisition of other assets and on the approval process.

[*English*]

The Treasury Board Secretariat is most directly involved in procurements whose values exceed the delegated authorities of the Minister of National Defence for capital projects and the Minister of Public Works for contracts. The vast majority of DND's procurement transactions are within the ministers' delegated authorities and are therefore not processed by the Treasury Board Secretariat.

While the secretariat is generally aware of major capital procurements on the mid- to long-term horizon, our engagement in earnest begins at the point when it is decided that either cabinet or Treasury Board authority is required and when project costs and scope are sufficiently well designed. So as such, our work focuses on preliminary project approval for the definition phase of a project, for effective project approval, for its implementation, and contract approval as needed.

How are we organized to serve DND? On any given procurement there's a vast array of expertise within the secretariat that can be called upon to provide advice on a procurement initiative.

[*Translation*]

With respect to the programming sector, our analysts are very knowledgeable about DND and PWGSC programs. Analysts from both departments work closely together to provide coordinated advice to clients and to Treasury Board.

[*English*]

The program analysts coordinate consultations with experts within TBS on contracting, project management, financial management, IM/IT and legal issues to provide, we hope, seamless, coherent and timely advice to the client departments. The program analysts also maintain a network of contacts in other government departments implicated in defence procurement, to share information and coordinate positions and advice.

Where new money figures in the equation, our expenditure management analysts ensure that funds are allocated properly to the defence program.

And last but not least, our policy and Comptroller General functions are exercised in a way that should help, not hinder, the business our clients are trying to do.

There is a slide in the deck that we tabled that talks about TBS core business. I'm not going to go through that slide; it's simply there to provide you with an overall view of the business we do, in which defence procurement sits.

The points of engagement on procurement initiatives tend to be fairly limited relative to the typical timeline of a DND capital project.

[*Translation*]

Program analysts receive instructions on a regular basis on the management of capital programs, whether by the navy, army, air force or central planners. In the case of more large-scale acquisitions, DND and PWGSC generally consult with TBS analysts at various stages of the procurement strategy development process.

[*English*]

Analysts are looking for well-justified, policy-compliant approaches that are consistent with everything else they know about previous procurements and defence policy, the overarching Government of Canada objectives, and DND's capacity, for example. Sometimes these discussions are easy, and sometimes the group decides that the strategies presented in the submission require greater attention.

If an MC, a memorandum to cabinet, is required, TBS analysts participate in interdepartmental meetings, central agency consultations, senior project advisory committee meetings, and many other means of engagement that are used among departments. Our engagement with clients is strongest in the case of Treasury Board submissions. Generally speaking, I would say that DND writes a very strong Treasury Board submission. On the basis of drafts, and on the basis of other documents that have been provided, our analysts focus on details such as risk, procurement strategies, timelines, and costs. It's at this point that other policy management or legal expertise can be brought to bear on a proposed initiative. The entire package is assessed to ensure that the department has designed the initiative with due regard for mitigating risk. We then prepare advice for the board.

Our recommendations to Treasury Board ministers can range from “approve” to “do not approve”—although I have to say the latter is rare. Between those, we can recommend approval with conditions. In such cases, the secretariat might suggest additional oversight mechanisms be imposed, such as annual reporting to the secretariat or to the board. If the item is straightforward, the secretariat might suggest the department be afforded a measure of flexibility on its initiative, such as advance authorities or delegations of future approvals to the secretary of the Treasury Board or the minister.

After TB approval is obtained, engagement continues through annual reporting to demonstrate progress and sound stewardship, for example, briefings from project teams, and by providing subsequent approvals that may be required.

I'd like to highlight one final point in terms of our engagement, and that is that our engagement runs alongside the process of client departments to ensure that our support is provided throughout the Treasury Board submission process. For the most part, this is not a sequential process. We try to maximize whatever time and resource efficiencies we can get from the approval process. Knowing the department as we do, we are ready, willing, and able to adjust our processes and, when it's justified, to make sure that when urgencies arise, process doesn't stand in the way of the safety, for example, of our troops.

The side that talks about advice is a recap of the kind of advice we would provide to ministers of the Treasury Board on the decisions they're asked to make. We aim for complete, well-informed, balanced, and fully justified recommendations that enhance our clients' abilities to deliver their programs. We try to process requests expeditiously so as not to pose a hazard to the momentum that's already well established when the submission comes to the board.

All that being said, I'm aware that your interests lie in improving the procurement process for military equipment. To the extent that TBS is an enabler of the process, I hope the foregoing has clarified the nature of our involvement with DND's procurement. We understand that in the midst of transformation, DND is very much focused on developing its capability plan, and from that will flow its capital investment requirements. They know we're ready and waiting to provide advice in this regard.

We have recently increased the number of people who are working on the defence portfolio to allow us to better service DND's needs while not forgoing the important oversight work that's core to the mandate of the secretariat.

We also have an initiative under way to renew our policy suite, which we hope will bear benefits for DND as well as other departments. A more strategic approach to contracting and project approvals could well afford DND some opportunities to shorten, at least somewhat, the approvals process.

I'll end my comments there, Mr. Chairman, and I'd be very happy to take questions later.

● (1015)

**The Chair:** Thank you very much.

We'll go to the questions and responses afterwards.

We'll go now to Ms. Thorsteinson.

**Ms. Janet Thorsteinson:** Thank you very much.

As I have tabled my paper with you already, there are just a few points I would like to emphasize.

PWGSC is the largest agent of procurement in Canada. We handle about $13 billion worth of business a year, with approximately 60,000 contractual documents. The Department of National Defence is, on average, about 50% of that business, so they are far and away our major client.

We are responsible for conducting an open, fair, and transparent process, which we generally carry out through the government electronic tendering system. We are very conscious of the concerns of the small business community and have recently established the office of small and medium enterprises, which is in the process of carrying out rounds of consultations across the country, the fifth of which was yesterday in Montreal. We are also conscious of Canadians' desire for green procurement, and we've established the office of greening government operations.

In terms of things that have specifically come up in the previous testimony of witnesses, I'd like to point out that we are introducing initiatives for buying smarter, where we're trying to cut the cost of procurement by 10%, the cost of the administration of procurement by 10%, and the time to carry out that procurement by 50%. We believe that over the next five years this will save the government $2.5 billion, which can then be reallocated to other priorities.

Timelines are always a very crucial issue with regard to major procurements. We have looked with the Department of National Defence at their timeline of approximately 15 years for their systems. The time to contract is approximately 7.4% of that, but we achieve that by carrying out much of the work in parallel. Clearly we are, with the Department of National Defence, conscious of the need to shorten that timeline and suggest a couple of areas where we can see this happening: total system procurement, where we buy not only the hardware or equipment but also the maintenance of that at the same time, using commercial off-the-shelf or modified commercial off-the-shelf equipment and systems as much as possible; and also carrying out front-end dialogue with industry to ensure that what we are asking for is viable from the industry perspective. We need to recognize that we achieve this work within a highly complex legal and policy framework.

I would point out that in the paper we talk about the fact that Canada is unique in western nations in that we have a separate agency that carries out procurement on behalf of National Defence. I would suggest also that we are unique in terms of western nations by the degree to which our defence procurement is covered by one or other of our trade agreements, whether it's international or intranational, so that approximately 50% of DND's contracts are covered by the Agreement on Internal Trade, and that has a value of 84%. The provisions, therefore, of the Agreement on Internal Trade are key to how procurement is carried out in Canada.

Thank you, Mr. Chair.

● (1020)

**The Chair:** Thank you.

We'll go to Ms. Galadza.

Oh, it's covered? Great. We really have been very efficient with time, which gives us more time and flexibility in terms of questions from our members.

Mr. Casson.

**Mr. Rick Casson (Lethbridge, CPC):** Thank you, Mr. Chair.

Thank you for your presentations.

One of the concerns we have and one of the reasons we want to look more in depth at procurement is the timeline, and you've mentioned the timeline involved here. You also state that you're trying to reduce procurement times by 50%. I'd like you to reflect on how that will work with DND.

You indicated also that DND's timeline for procurement is 15 years, but then you also state that the public works department is responsible for the processes put in place. What we're trying to find out and what we're trying to do is to look at ways to shorten the timeline for procurement for DND, to make sure that the requirements they have and the ultimate capability they're looking for is able to be reached in far less time than 15 years.

Are you saying it's DND that causes the 15-year timeline? Is it processes that are in place with you, with the Treasury Board? I'd just like to get your feelings or your comments on where the glitches are and how some of them can be straightened out.

I'd also like to get you to comment on sole sourcing, as to whether you feel that this is a way to go, whether it would create more problems than give answers or give good service.

Maybe I could get some comments from both of you on this whole issue of the timelines. Who is actually responsible for it being that long, and how are we ever going to get to a shorter phase? When you both give your presentations, the Treasury Board and Public Works, all the departments that are involved, it just gets to be so cumbersome. We have to shed this somehow. We have to streamline this process. Where do we start? Maybe you could take a little time to give us your thoughts on that.

**The Chair:** Janet.

**Ms. Janet Thorsteinson:** I have a few comments. There were many questions there, and I will try to respond to all of them.

The first question related to, I think, how we think we're going to achieve a time decrease of 50% in the process. That's an average decrease in time. I don't think it would apply necessarily on major crown projects. As my colleague from the secretariat said, a great many of the procurements that are carried out for the Department of National Defence, or even by DND itself, are in the lower dollar value and less complex zone. For those procurements, which may be for bulk activities—I'm not talking about tanks, I'm talking about office equipment, office supplies, those sorts of things that they also have to buy—we believe if we put in place the effective tools and mechanisms, including the Government of Canada marketplace for automated buying, the actual transaction time will be radically decreased.

It will be rather like, when I go online, to buy for my home computer books from Chapters. The time to do that transaction is much less than if I go to the shop and do my shopping, or more particularly, from Chapters' perspective, the time they take to set up the infrastructure that is behind the system.

I suggest there are two advantages to this from the perspective of the Department of National Defence. One is that day-to-day activity will become faster, and therefore they will become more efficient in that regard; but secondly, one of the issues that both we and DND suffer from is a shortage of highly qualified personnel to carry out complex procurement.

As I can relieve the staff from having to do the day-to-day churn activities and redirect those technical skills into the major crown project area, we should be able to carry out that work more efficiently and more effectively.

● (1025)

**The Chair:** Ms. Cartwright, would you like to add anything?

**Ms. Susan Cartwright:** On the timelines, my suspicion is that your primary interest is on some of the larger and more visible procurements of capital equipment for the armed forces, and I think one of the challenges we all try to do, DND, Public Works, and we ourselves, is to manage the various government interests that lie, or are associated, with major procurement like that, in terms of how to reconcile the government's interests as a whole—dealing with things like IRBs, for example, with meeting timelines that the Department of National Defence needs in order to supply the troops in a reasonable timeframe.

I think we are always looking for ways to shorten that process without sacrificing the important consideration of those broader government interests or the rigour and oversight, because these are significant amounts of public funds that are being spent, and certainly from the secretariat's point of view, our obligation is to make sure they are being well spent, consistent with the government's objectives.

So is there an easy place to look, an obvious place to look, to shorten the process dramatically? Not that we've found so far. But there are a number of places, and to the extent that we can control or influence those, we are working to try to shorten the process. And I explained in my presentation that we try to do things not sequentially but simultaneously. As the submissions are being worked on, for example, we'll be working on them too so that we can provide advice to the department, as it is working up its submission, so that we're not waiting till we get a final product delivered to us.

So it's complex, the large and very visible military procurement, and we are looking for ways, wherever we can, to make that process more efficient. But as I said earlier, is there one obvious place to cut a big chunk out of? Not that I've found, anyway, so far.

On sole sourcing, I don't know if you want to move to the sole sourcing question or whether you want to.... Do you want to talk about sole sourcing?

**Ms. Janet Thorsteinson:** Sure, I could talk about that.

**The Chair:** We need that as part of the question, yes.

**Ms. Janet Thorsteinson:** Yes, it was part of the question.

Also, on the question of the large procurement, to add to what has been said, we have been working extremely closely with the Department of National Defence to see what would be feasible in order to cut down the timeframe from 15 years to something closer to 10 to 12 years, to have everything in place, and there is a proposal on that, which is highly dependent, as Ms. Cartwright was saying, on doing things in parallel.

One of the suggestions that was in Mr. Lastewka's recommendation to the Prime Minister in the Parliamentary Secretary's Task Force on Government-Wide Review of Procurement was, for instance, that if in the preliminary approval or the effective project approval a procurement strategy is outlined, if that procurement strategy is followed and we don't deviate from it, perhaps what we should have then is authority to enter into contracts so that we don't have to go back later and seek again authority to do that. If, however, we were to deviate from this procurement strategy that was outlined to ministers, then all bets would be off, and of course we would have to go back to ministers again in that regard.

You mentioned sole-source procurement. One of the reasons I emphasize the coverage of defence procurement by the trade agreements is that our ability to carry out sole-source procurement is very clearly prescribed by those trade agreements, as indeed it's covered by the government contracts regulations. So there is limited scope to be able to do that. Where sole-source procurement is the appropriate mechanism, where there is only one supplier, then obviously we will enter into a negotiation to get the very best deal for the government based on that, and I suggest that one of our biggest mistakes might be where in fact there is one supplier and we go through only an appearance of competition. That is the worst of all possible worlds.

● (1030)

**The Chair:** Thank you.

We'll go to Monsieur Bachand.

[*Translation*]

**Mr. Claude Bachand (Saint-Jean, BQ):** I'd like to start by thanking you for your presentations.

As you know, the committee is currently examining the national defence policy. We have some serious concerns about the procurement process. I for one have a great many questions about the process and I appreciate your coming here to shed some light on how DND operates in this area.

However, Ms. Thorsteinson, you noted in your presentation that the Minister of Public Works Government Services Canada is responsible for the administration of the Defence Production Act.

> 1. Under the Act, the Minister has exclusive authority to buy or acquire defence supplies, or contract for construction or other projects, required by DND.
>
> This means that DND has the authority to decide "what" it needs, but the responsibility for contracting for those needs rests with PWGSC.

As you know, Mr. Chairman, I've often expressed my opposition to this approach. More and more, I'm convinced that the Standing Committee on National Defence and Veterans Affairs is completely wasting its time by systematically reviewing our nation's defence policy.

We had proof of this yesterday and I'd like to discuss that with you. We learned that the air force could potentially receive between $10 and $12 billion. It was announced that submarines would be purchased, that MMEVs would be acquired at a cost of $750 million and that between $10 and $12 billion would be spent on new aircraft and equipment. We won't be able to change one iota of the defence policy without being told that this material has already been acquired. That's the point I'd like to discuss with you, Madam Thorsteinson.

You can join in the discussion if you like, Ms. Cartwright.

We've reached a point where, if we want a specific type of aircraft, there's only one thing to do: tailor the procurement proposal, using so many engineers, so ultimately the government will get exactly the aircraft it wants. It will then be able to say that it was merely circumstantial, that all bids were reviewed and one company was deemed the most qualified to supply the needed product.

I see what's happening. It's as if I was looking for a Public Works manager such as yourself and I said I wanted to hire a good-looking woman with white hair and glasses, wearing a brown jacket and a floral blouse, because that's the kind of person I need. Sorry, Ms. Cartwright and Ms. Galadza, but you don't meet the requirements!

That's the kind of serious problem that we're facing at this time. Between $10 and $12 billion are at stake. The proposals are so specific that some will be disqualified, while others will not. This is an innovative way to eliminate competition. I don't think this approach best serves the interests of Canadian taxpayers.

Furthermore, the government is wavering between implementing a plan over a period of 12 to 15 years, and recognizing the need for urgent action. To hear General Hillier, who can act like a tyrant, insist that action must be taken immediately and that we can't wait, because our soldiers are being deployed to Afghanistan, it would seem our defence policy is pre-determined and all that's needed is the equipment to dispatch along with the troops.

In my opinion, this is a serious case of political interference. Would you care to comment? Do you have a choice when the Minister of National Defence and the Chief of Defence Staff say that they want a specific kind of aircraft? You have to comply with their wishes, because they decide what they want. You draw up proposals based on what Canadian Forces and the Minister of National Defence really want.

I'd like you to deny that contention, but I think you'll have a hard time doing that. I know that you have considerable experience and have been on the job for 25 or 30 years. You'll probably tell me that everything is above board, but we've already heard similar comments about submarines and the EH-101 helicopters. The public paid dearly when Mr. Chrétien decided to cancel that contract.

Mr. Chairman, I wouldn't want to see a $10 to $12 billion contract signed before an election and subsequently, if our friends here assume the reins of office, the contract cancelled. Canadian taxpayers would then be on the hook for an additional $1 billion.

Can you reassure me at all on this score? I'd also like to hear your views on the subject of political interference.

● (1035)

[*English*]

**The Chair:** We could always not agree to have an election.

**Some hon. members:** Hear, hear!

[*Translation*]

**Ms. Janet Thorsteinson:** Thank you, sir.

We partner with DND and other departments on the projects that you have described.

[*English*]

I would like to clarify, first of all, that I am unaware of any political interference in any of the contracts you mentioned.

**Mr. Claude Bachand:** You're not aware, you said?

**Ms. Janet Thorsteinson:** I am not aware of any political interference in any of the contracts that you mentioned.

I would like to say, however, that there is a difference, a division of responsibilities, between us and the Department of National Defence. It is the responsibility of the Department of National Defence to define their operational requirements; I must rely on the Department of National Defence to do that. I would say, however, that having been done, there are many departments in this city, including Industry Canada and the regional agencies and ours, who sit on senior advisory committees that review those requirements with the secretariat to ensure that the specifications are not, what one might call, a wired specification.

To my knowledge, all of the projects you have described have been subject to that review, and only when the different departments are satisfied that the specifications are appropriate do they go forward to the industry. The industry will then also help us to understand the implications of those specifications.

[*Translation*]

**Mr. Claude Bachand:** Would you care to add to that, Ms. Cartwright?

**Mrs. Susan Cartwright:** I'd simply like to concur with Ms. Thorsteinson's comments. This is a collaborative process between us, PWGSC and DND. Quite frankly, we're not in a position to contradict DND experts and technicians who are responsible for identifying their requirements. Our role is to ensure that they have considered other options, that requirements have been clearly identified so that efficient equipment is delivered, not just in one instance, but always. It's a rather delicate balancing act.

That is the role we play within the SPACs, as Ms. Thorsteinson noted. I do not have the required technical expertise to contradict DND experts who ultimately are responsible for the lives of soldiers and for the delivery of government goods with a view to achieving the government's stated political aims. This is truly a collaborative effort.

● (1040)

[*English*]

**Mr. Claude Bachand:** Do I still have time?

**The Chair:** We have some flexibility, Monsieur Bachand, as I said earlier, simply because we have no more from the NDP, and the presentation was very—

**Mr. Claude Bachand:** So I have a minute more?

**The Chair:** At least.

[*Translation*]

**Mr. Claude Bachand:** Ms. Cartwright, you say that you have to go along with DND's specifications. This means that you cannot challenge DND's choice of contract or the characteristics it is seeking. Your work is limited to determining the market that is capable of meeting these requirements. By the way, some people are beginning to challenge this approach.

We need to see if either Treasury Board or Public Works can shake things up a bit. Here's what I mean by that. Why not take a different approach, one where DND says, for instance, that it needs an aircraft for search and rescue operations that can fly within a given distance from a cliff and that can operate under specific weather conditions and then asks you to find the best aircraft for the job?

That's not how things are currently done. Correct me if I'm wrong, but page after page of engineering specifications are given. Some people are excluded from the process from the outset. That's why, in my opinion, there are no fair and reasonable invitations to tender for aircraft.The government maintains that the tendering process is open to anyone. However, the process is neither equitable nor fair, because the long list of specific requirements eliminates people right of the bat.

Getting back to my initial question, would you agree that this process, that is drawing up a list of specifications that only some parties can meet, allows military officials to go out and get the exact aircraft they want, and exclude all the others? In the process, they will achieve...

[*English*]

**The Chair:** It will have to be a very quick response, because you've gone beyond a minute.

**Ms. Janet Thorsteinson:** If I might, when I started in the procurement world a hundred years ago, I got a requirement from the Department of National Defence. They wanted a piece of equipment to do this, to do that, and to do the other thing, and they wanted it to be painted IBM blue. I was a very young procurement officer at the time, but even I knew that was a wired specification.

It is the Department of Public Works' responsibility also to look at the specifications, to challenge those specifications, and to discuss with National Defence when the specifications are written in such a way that they unduly limit competition. But in the end, it must be the Department of National Defence that determines whether a certain aircraft requirement is needed—not whether a certain aircraft is needed, but a certain requirement for that aircraft.

**Ms. Susan Cartwright:** If I could just add something very briefly, I agree that what we look for is a clear statement by DND of...the term we use is “minimum mandatory requirement”. That's the minimum that they need to operate, in this case, an aircraft to achieve the objectives the government has set for them and that Canadians expect. We would look at that.

So have the minimum mandatory requirements been set? And was there, as Janet has described, reasonable opportunity for competition if in fact there are multiple suppliers of a piece of equipment that can meet or exceed those minimum mandatory requirements?

We would look for that kind of clear statement of what it is the department wants to achieve with the equipment, rather than getting into large volumes of technical specifications, which we frankly do not have the capacity to assess.

**The Chair:** Great.

We'll go to Mr. Bagnell.

**Hon. Larry Bagnell (Yukon, Lib.):** Thank you for coming, because this is an important topic for us.

Ms. Thorsteinson, you said half of Public Works' purchasing is for National Defence, is that right?

● (1045)

**Ms. Janet Thorsteinson:** Yes, but it can vary from year to year, depending upon what major procurements may be carried out.

**Hon. Larry Bagnell:** Just following up on what Mr. Casson was saying, Madame Cartwright, I think you're right that we are looking primarily at the big projects. With the situation now with modernization of technology, we're buying things that are obsolete by the time we get them if we have to wait fifteen years. The Berlin Wall fell in less than a year. We have to do things faster.

I don't know that we have a lot of solutions yet, but how much do you think it would speed up the process if we removed Treasury Board and Public Works from the process and just had National Defence doing the procurement by itself? I know we have checks and balances and reasons for them—they're in your paper—but on the other hand, if we're getting a piece of equipment that's obsolete, there's no use having checks and balances.

So, thinking outside the box, I'm just wondering how fast it would speed it up if we only had National Defence involved in the procurement.

**Ms. Janet Thorsteinson:** From a procurement perspective, the issue is not whether it's DND on its own or DND and Public Works together, it's the legal and policy framework within which we both operate in order to achieve this. We have some 34 socio-economic policies that Public Works and National Defence are charged with taking into consideration in procurement. We have many pieces of legislation that govern how we do this, including the trade agreements. If you were to give the responsibility to the Department of National Defence alone, they would be bound by those same rules, regulations, policies, and that legal framework, so they would probably take the same length of time.

If there's a shorter way of doing it—and I've had this discussion with Dan Ross—then I'd like them to point that out to me, because I'd like to do it not only for them, but for the other 50% of my business as well. Like Madam Cartwright, I would say that in this complex process, we can try to improve the process at different stages and we can do more in parallel, but it isn't which entity carries out the activities, it's the activities that are required by the process.

**Ms. Susan Cartwright:** I would agree with that, and in anticipation of a similar question, we actually looked at the Treasury Board submissions that we processed over the last year for DND. We have a 21-day process when submissions are due into the board, so that we can ensure that our due diligence is done and ministers get material in time to be ready to make decisions at the board. With two notable exceptions, our longest turnaround time was 57 days, which includes Saturdays and Sundays, so it's not a significant portion of time in the process.

There is a significant amount of oversight performed, and I think Janet is right in saying that if the rules, the regulations, the policies, and the trade agreements remain, then there is a certain rigidity in the procurement process. We can and should look for ways to do all of those things more quickly and more effectively. We are looking and will continue to look, but unless some of those fundamental steps in the process are removed, which is not an easy thing to contemplate, then as I said at the outset, there is no big chunk of time that could easily be removed from the process.

There are other areas—and I know DND itself is committed to looking at this—in which to make the procurement process more efficient, including things like COTS, or commercial off-the-shelf procurement, in which you're not waiting for research and development work to be done and you're not designing a particular product. Doing procurement in partnership with or in tandem with some of our NATO allies, for example, can also shorten the process if product has been developed for one customer but can be sold to multiple customers.

So there are other areas that we can examine and are looking at in terms of shortening the process.

● (1050)

**Hon. Larry Bagnell:** Are those 34 policies done, as you're saying, as much as possible in parallel as opposed to sequentially?

**Ms. Janet Thorsteinson:** They are built into the whole procurement process. For instance, once the Department of National Defence, with us, has defined the requirement, then we go into a review of that requirement with regard to all of the socio-economic policies that could be applied. Taking those into account, we then collaboratively create the procurement process, which is built into the submission to ministers. Once that is approved, we move together to implement that.

It's within that strategic zone in which we're creating the procurement policy that we have to take into account all of those different policies. Many times, that requires a certain negotiation between different interest groups.

**Hon. Larry Bagnell:** What does Foreign Affairs think about all this? You're with foreign affairs and defence, right?

**Ms. Larisa Galadza (Senior Analyst, International Affairs, Security and Justice Sector, Foreign Affairs and Defence Division, Treasury Board of Canada Secretariat):** I'm with Treasury Board Secretariat, in the foreign affairs and defence division.

**Hon. Larry Bagnell:** You are with Treasury Board as well.

**The Chair:** Thank you.

We'll go into our second round. I'll remind everybody that it's five minutes, but flexibility will continue.

We'll go to David MacKenzie.

**Mr. Dave MacKenzie (Oxford, CPC):** Thank you, Chair.

Thank you for your presentation. I have several questions, but as a first comment, certainly in my riding, which is not unique in Canada—it's much like everyone else's—people think it's only in Ottawa that fifteen years is anywhere near reasonable for procurement. In my riding, there's a new auto plant being constructed, and in three years it will turn out 150,000 or 200,000 cars. So they just don't understand how we can have this system.

I'm assuming—and tell me if I'm wrong—that half of our problem is that we've built a procurement system over a hundred years, as you said. We've built this procurement system over a long period of time, and all we've done is add filters to the system. If we were to restart with a brand new system, recognizing that we are a very small player in the world market—and we've had industry people tell us that they want our business, but even in Canada we're a small purchaser of what we build in Canada and we export a great deal—have we built in too many filters over that long period of time to get ourselves into a timely system of procuring products, not only for the military but for all of government?

**Ms. Janet Thorsteinson:** Before specifically addressing what you've asked, let me say that the sorts of things we're buying and are talking about here are, by and large, not off-the-shelf activities.

When we talk about fifteen years, we're talking about the moment DND says they have a need of some sort and had better try to scope out what it's going to be, through to when they have on the ground, in place, all of their requirements met. It takes a long time to build aircraft, for instance.

**Mr. Dave MacKenzie:** I understand that, but what we've heard from industry and what we hear from others is that we're such a small part and we don't need to reinvent the wheel. We have nothing particularly totally unique in Canada. We Canadianize—which our industry people tell us costs money; it costs us money and it costs them money to develop—and then typically that's not saleable in the rest of the world. But typically, other people are already using what we buy.

**Ms. Janet Thorsteinson:** I would agree totally that to the extent that we can avoid tinkering with equipment that is already there, we will minimize our risk and we will decrease our time. But of the 34 policies that are in place and were looked at by Mr. Lastewka in his review of government, each has one stakeholder or more that would be very reluctant to see those policies disappear at this time.

**Mr. Dave MacKenzie:** A political stakeholder?

**Ms. Janet Thorsteinson:** A small-p political stakeholder. For example, we have an aboriginal set-aside program that comes into play when we're talking about a major procurement. Suppliers will have to build that into their requirements. In some cases, we have requirements for the SMEs, the small and medium-sized enterprises, that have to be taken into consideration. We have a whole industrial and regional benefits program that comes into play on major programs. Those are a few examples of what those would be.

● (1055)

**Mr. Dave MacKenzie:** That's understandable, but given that our military industry tells us that we are the smaller of the players compared to what they export out there, we're putting those layers in. Mr. Bagnell asked the question. Are those 34 things being done simultaneously? It should not take a great deal of time if they can all be done at the same time.

When another country purchases from a supplier in this country, they don't go through those same 34 criteria in Canada. They may have gone through the criteria of purchasing locally first, but they end up buying here in a variety of different industries.

**Ms. Janet Thorsteinson:** I can't say what criteria they have to go through in their own environment to be able to do that.

Let's remember too, though, that a lot of the time that is taken up in the so-called procurement process is also taken up within the Department of National Defence when they're deciding which of the competing priorities that they have within their environment is going to take precedence at any given time. That takes a great deal of time before we even get to procurement.

**Mr. Dave MacKenzie:** If they could cut that part out, would that take a big chunk out of the time?

**Ms. Janet Thorsteinson:** We believe that from identification until you get to effective project approval, it's approximately eight years.

**Mr. Dave MacKenzie:** If they have built in a 30% overcapacity in that area, and if that was eliminated so that it was prioritized at a lower level more quickly, could we eliminate a significant amount of time?

**Ms. Janet Thorsteinson:** I think they believe it could be cut down by about 50%, and that would be the biggest savings in the process as a whole that could take place. That's very largely within their purview.

**Mr. Dave MacKenzie:** Okay.

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

We'll go to you, Mr. Khan. The floor is yours.

**Mr. Wajid Khan (Mississauga—Streetsville, Lib.):** Thank you, Mr. Chairman.

Thank you for being here.

There were some comments made here about General Hillier being very aggressive. Well, he's a soldier and a general, and he has a job to do, and I'm glad he's not a politician.

My question, madam, once again is on procurement, and I'd like you to comment on this. If you were to increase the authority of the Minister of National Defence from $30 billion to, let's say, $100 million or $200 million, how would that impact things?

When we're looking at aircraft procurement, such as was mentioned with Chinooks and C-130s, when there is no other aircraft within Canada or elsewhere that can perform the same task that is required by the military, take me through the steps in terms of what would happen. As the specific examples, the military requires the Chinook and the C-130. Bombardier can't compete for those, nor can any other domestic company come close to these aircraft performance requirements. Would it now take fourteen or fifteen years? How long would it take to get these aircraft?

**Ms. Janet Thorsteinson:** If we're talking about an absolutely clean requirement where we know there is only one company that can do this, we still have to have some kind of specification in order to form the basis of a negotiation with that company. We would enter into a sole-source negotiation, which would position us better than some kind of fake competition where the company could perhaps bid higher than they would have to in a negotiation. So we would enter into that negotiation. Once ministers had approved it and the contract was signed, we would then have to get into the production line, wherever there was a space for that production to take place. I'm not at the moment aware of what the timelines are on the production of Chinooks, but that would be very much the determining factor in that.

**Mr. Wajid Khan:** I understand the factory capacity and where you fit into the numbers game, but when the military decides they want a C-130J class, from there to being able to place the order with a factory was the timeframe I was looking at. Once it goes to the factory, it's outside our control anyway.

The other question was this. If we were to increase the authority of the Minister of National Defence from $30 million, which doesn't buy a whole lot these days, with the new equipment, say, to a higher amount, how would that impact the timelines?

The Government of Canada invests in local businesses, say, $50 million into a local company, and then goes ahead and invests another $40 million or $50 million. They come up with a radar, for example, which no other country has at the present moment. Yet when the requirement comes, we go internationally for procurement, which may take two years, three years, four years, giving the opportunity for the international community to catch up. With the excellent product that a Canadian company has produced, why do we have to go world source rather than sole source in a company in which we have invested taxpayers' money? It's local, it's produced, and the requirement is there.

● (1100)

**Ms. Janet Thorsteinson:** To answer your question with regard to what would be the effect of increasing the authorities, with the dollar values that we're talking about, and given that the process would remain largely the same, the steps that would have to be gone through would remain essentially the same. I would say that the time taken to get the authority from Treasury Board ministers is not a significant portion of the time in order to get the contract. That is not a barrier; it's not a major contributor to the fifteen years that we're talking about here.

I would now like to address your third question, which is what happens when you have worked with a supplier through the development stage, through the prototype stage, and you now come to the time when you want to buy the goods and the services, or the goods that you've developed with them...where you've invested that. Successive governments have made the decision that we operate best internationally within a rules-based environment. Therefore, we have signed a series of international agreements—and even an intranational trade agreement—which have as their principle that it is better to compete if there is a possibility of competition. Therefore, if you say that there is only one Canadian source, and there are others internationally, the bias will always be towards opening that competition up.

If there's a requirement for this piece of equipment for a national security reason, and the Department of National Defence were to ask me to invoke a national security exemption, that would then be carved out of the trade agreement and our ability to enter into a negotiated sole-source contract would be greatly enhanced. As it stands now within the framework, we have no option but to seek international competition.

**Mr. Wajid Khan:** Regardless of whether there is equipment out there that is compatible or that conforms, that's good at your task, but does not have the same specifications...do we still have to go internationally?

**Ms. Janet Thorsteinson:** The Department of National Defence would have to define their requirement in such a way that it would meet their operational requirement and would not wire the specification to the one company that might be involved.

**Mr. Wajid Khan:** Thank you.

Do I have another minute or so?

**The Chair:** Yes, you do, sir.

**Ms. Susan Cartwright:** Can I just say a few words in response?

On increasing the delegated authority of ministers, we looked over that same year period that I mentioned earlier, and we took 16 submissions to the board, of which 6 were less than $100 million. So the vast majority, even at $100 million, would still have had to come to the board. We would hope that the same discipline we're imposing, looking at procurement of less than $100 million, would have to be done by the department. We think it might save you two or three months in the process at the absolute outside, and no more than that.

On your question about not sole-sourcing to a Canadian company in which the government has invested at previous stages in R and D, for example, I think we've done that to strengthen an industry sector in Canada so it is able to export and compete internationally. The fundamental principle of the rules Janet was talking about is to ensure that those companies have access to international markets, which is hard to do if we're restricting procurement in Canada to Canadian-only firms. They would soon find themselves excluded from other international markets on the same basis.

● (1105)

**Mr. Wajid Khan:** At the same time, other countries are saying, if your own country is not buying your product, why should we have orders here?

However, can you suggest any way to reduce this time period? How can we cut it down? That's the question. How do we reduce it rather than going around? Is there a possibility that this can happen?

**Ms. Janet Thorsteinson:** I mentioned earlier that approximately eight years of this fifteen-year timeframe is spent within the Department of National Defence weighing the different options and priorities within the department. That is the main focus of where time could be saved. The efforts the Department of National Defence is now making to lay out its whole acquisition program for several years in advance will assist them in streamlining and cutting that time back significantly.

**Mr. Wajid Khan:** Thank you very much.

Thank you, Mr. Chair.

**The Chair:** Thank you, sir.

*Monsieur Perron, s'il vous plaît.*

[*Translation*]

**Mr. Gilles-A. Perron (Rivière-des-Mille-Îles, BQ):** Good morning. I'm delighted to see three women being grilled here today. It's encouraging to see women ascend to higher office. But enough with the roses. Now for the brickbats!

First of all, I disagree with much of what you said this morning, although I do agree with one comment, namely that the two departments are experiencing a shortage of qualified personnel. Unqualified personnel means a loss of time and delays in the process.

However, I do disagree with one other point. I'm tempted to tell you a little story. Two mothers are sitting in the stands watching the military parade pass by. The first mother says to her friend: “Look how smart my son is. He's the only one marching in step.”

That brings me to the following question. How is it that Canada is the only country in the Western Hemisphere — and these are your own words, Madam — where procurement is done by an organization other than the armed forces? Do you think it might be interesting to revert to the old system, where the armed forces were in charge of procurement, but only of military procurement, for example, for purchasing aircraft, submarines from Great Britain, armoured vehicles and ammunition? PWGSC would retain responsibility for everything else, namely boots, hats, office equipment and pencils. What do you think?

Specialized equipment is very important. I'm talking here about the purchase of armoured vehicles and aircraft carriers, for instance. Specific requirements are such that this process must be left to the experts. I've drawn up specifications in the past. In my youth, I worked with municipal public works engineers on water and sewage systems. I swear to you that I could draw up specifications any time that would exclude all companies except mine from the procurement process. That is the kind of situation we're dealing with today. The specific requirements are so carefully drawn up by engineers, assisted by lobbyists and fine wine, that there is virtually no chance of changing even one detail. As a result, our hands are tied and we have no choice but to purchase the equipment from the designated companies.

How do you feel about this situation?

● (1110)

[*English*]

**Ms. Janet Thorsteinson:** I'll say a couple of things.

First, let me say that in terms of your first comment about qualified personnel, I think all of us are suffering from a shortage of qualified personnel to carry this out. Certainly National Defence is challenged in this regard, also. And what we need to be able to do is free up those personnel to focus on the main activities that are underway, and I know that Dan Ross is working on doing that within Defence, and we're working with him.

The second question you raised was a broader one about why Canada is different from other western nations. I'll say a couple of things on that. One is that in a previous committee, in a previous Parliament, at a SCONDVA meeting, the Auditor General's representative came and said that in their review of comparative procurements by other nations for similar sizes of major procurements, they had found that the Canadian system produced the equipment faster and more effectively and more on schedule and more within budget than the other nations. So there must be something being done correctly within the process we have. Other nations also suffer these problems.

When the previous ADM, Alan Williams, was about to retire, I met with him and asked him what other nations' processes he thought should be incorporated within the Canadian process, because I'd like to be able to incorporate them not only for National Defence but for other requirements too. He was unable to come up with any recommendations on what had been done within other nations. So I think it isn't just a question of who does the work, whether it's us or National Defence, but whether we can improve the process as a whole.

**The Chair:** Ms. Cartwright.

**Ms. Susan Cartwright:** No, I have nothing to add. I would agree.

[*Translation*]

**Mr. Gilles-A. Perron:** I'd like to say something. Mr. Chairman, we heard from witnesses — I can't recall which ones exactly — who stated that Australia has the most efficient military procurement system in place. Turnaround times are shorter than anywhere else. As it happens, the military is responsible for procurement in Australia. Their system is different from ours.

Do you recall who it was who said that Australia had the most efficient procurement system?

[*English*]

**The Chair:** I don't remember that he said it, but I know it was said. They too had a cumbersome process at some point in time and they undertook a review, and today they've managed to fine-tune it a little bit better. They don't have it down to perfection, but they seem to have moved positively forward. Yes, it was stated in this committee. I can confirm that, and we can go back and confirm who made the statement.

Ms. Thorsteinson.

**Ms. Janet Thorsteinson:** Perhaps I could briefly comment on that.

I don't have the documentation to show it, but I was advised two weeks ago that the Australian government has recently created a separate agency to handle military procurement outside the military. So I suggest that they may be moving more in our direction in order to achieve these improvements.

**The Chair:** I believe that was also stated. In creating that outside agency, some of the bugs that were there in the past were somehow addressed, and it's one area I think we could look at in the future.

Let me remind the members that we are in the second round. We're at five minutes. I know we have another witness afterwards, and we have some committee business as well. As flexible as we are and try to be, please be cognizant of the fact that you do want a response, unless you just want to make a statement and take all your time.

With that, I'll go to Mr. Martin.

**Hon. Keith Martin (Esquimalt—Juan de Fuca, Lib.):** Thank you all for being here.

It may be cold comfort to hear that when we were in England, Sir Peter Spencer, our ADM equivalent in MOD, said that it took them anywhere from six months to sixteen years to procure. I don't think that helps us, but it just puts things in perspective.

I know that Mr. Ross has gone a long way on the Defence side to shorten things up, such as defining capabilities rather than specifications.

One of my questions, and I have a few, is whether it's true that industrial offsets are judged first before a bid is considered, in terms of the product.

● (1115)

**Ms. Janet Thorsteinson:** Let me describe the process.

When we get a bid in, the technical component of that bid is assessed in order for us to ensure that the requirement meets the mandatory and any associated rated requirements. Separate from that, we assess the financial components of that bid or of the bids that meet the mandatory requirements—only those that meet the mandatory requirements. The third component is the IRB or offset package, which is considered by the Department of Industry. That is in major procurements essentially a go/no-go decision, but it's not considered first; it's considered in parallel.

So we would assess which requirements meet the technical requirements; we then look at the financial; we determine which are the most cost-effective, the best value for Canadians; and then the Department of Industry gives its seal of approval on the IRB package.

**Hon. Keith Martin:** So all of those three must fit. The bid must be compliant with IRB requirements, then?

**Ms. Janet Thorsteinson:** That's correct.

**Hon. Keith Martin:** Is the CITT a major obstruction to expeditious procurement?

**Ms. Janet Thorsteinson:** The Canadian International Trade Tribunal considers very few cases, including very few that deal with the Department of National Defence. I think that we're talking here in two digits, so there might have been 20 or 30 cases recently. This is a very small percentage of the cases, where we're talking tens of thousands of contracts. What it does do, however, is produce a certain chill within the environment in order to make public servants who might already be considered risk-averse even more risk-averse in the approach they would like to take on this.

When we review procurement across government, we look at the United States model, which applies a standard of reasonableness, whether the decision taken was a reasonable decision, as opposed to the Canadian model, which is, was it the right decision? I suggest that since the CITT was put in place for trade purposes, we might be well advised to seek to use the model of the United States, our major trading partner, and apply reasonableness rather than rightness.

**Hon. Keith Martin:** What we're just discussing now are issues we're trying to come to terms with as to how we can shorten the process: very specific, directed, focused solutions we could offer in the context of this report.

I have a lot of questions, but there's this one in particular. You made a comment, I think, Mrs. Thorsteinson—or you may have been the one who said this, I'm not sure, Mrs. Cartwright. You said the Agreement on Internal Trade has a value of 84%. I got a bit of that; I don't know whether I took it out of context.

But what we're really looking at are the fundamental steps, the rules and regulations that can be removed. It appears from my perspective that we have to streamline the morass of rules and regulations, the restrictive regulatory nature you have to work under. I'm looking at specific solutions. For example, we could get a list of the small-p requirements you mentioned; those seem to be not big-P political but small requirements that act as inhibitors of your ability to work in the nimble fashion you'd like to work in to procure what our troops need to do their job.

It's a kind of long way to ask the question, what are the specific rules and regulations?

**Ms. Janet Thorsteinson:** The short answer is the Agreement on Internal Trade covers 84% by value of the defence procurement. That does put in place a very precise process that has to be followed. Perhaps the Agreement on Internal Trade could be looked at by Industry Canada.

**The Chair:** Susan, do you have a quick comment?

**Ms. Susan Cartwright:** Only to say that I think it would be salutary for committee members to see the list of the policies and statutes and regulations with which we are all working.

One of the difficult things in making recommendations about either removing or lifting any of those will be that they are all designed to accomplish priorities or objectives set by the government in areas that may or may not be related specifically to defence procurement. One of the things that would have to be wrestled with is how to reconcile that if you want that hierarchy of priorities for the government as a whole. It would be, I think, interesting for the committee to look at that broader picture.

● (1120)

**The Chair:** And we must reconcile with our time constraints.

**Hon. Keith Martin:** Thank you.

**The Chair:** We'll go to Ms. Gallant and then Mr. Rota, and that pretty well takes us to the end of this session.

**Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC):** Thank you, Mr. Chairman, and through you, the witnesses.

It was mentioned that the determining point for the TBS in its role in procurement is often the IRBs, the industrial regional benefits, and that's using government purchases as a sort of employment program in communities where the government can get the biggest political bang for its buck. Now, where in TBS's strategic-level planning is the purchase for airlift? We've known for years that we're short on strategic lift, and I'd like to know where we are there.

**Ms. Susan Cartwright:** Actually, I'm sorry if I left you with the impression that the determining of IRBs is a role for the Treasury Board Secretariat. In fact, that is a role played by Industry Canada, determining whether or not the IRB package associated with any given procurement is adequate.

We would simply require, as the submission comes forward to us, that the IRB requirements set by the government as a whole have been met. We have very little involvement in actually determining the relative merits of the IRB package. We would just want to assure ourselves and Treasury Board ministers that where it's a requirement, there is an IRB package in place.

**Mrs. Cheryl Gallant:** If General Hillier's proposal is accepted by cabinet, given that the items listed are mostly off the shelf, so to speak, how long would it take the TBS to complete the work it must do in order to have the purchase on the go, in process?

**Ms. Susan Cartwright:** Well, from the time we receive a completed Treasury Board submission, depending on the complexity of the purchase and the item at stake, we would normally spend—I mentioned that our longest process time is about sixty days—about two or three months at the outside working on a Treasury Board submission.

As I say, it's hard to generalize because they are very different. In that package of 16 submissions, the processing time is all the way from 13 days to 57. It depends very much on the complexity of a submission, but it's usually around two months for a large Treasury Board submission.

**Mrs. Cheryl Gallant:** Is that even with the fast-tracking process that has been suggested and the minister and Prime Minister are contemplating?

**Ms. Susan Cartwright:** That doesn't change the performance of our due diligence, which I think would have an impact on the timelines prior to the receipt of the Treasury Board submission.

**Mrs. Cheryl Gallant:** What would happen to the purchase of this airlift package if an election were called after cabinet gives approval? Does the Treasury Board halt this project or the proposed purchase as work in progress, or do you continue on with what you must do?

**Ms. Susan Cartwright:** There are several issues related to a Treasury Board submission. We could continue work on the project as a decision taken by the government of the day, but the real issue with which we are concerned is the flow of funding to the department. Many of the Treasury Board submissions that come forward to us are seeking access to funds that have been provided, for example, in the budget for departments.

Parliament must vote those appropriations through the estimates process, so there are a number of steps that must follow even after a Treasury Board submission is approved. Obviously, if Parliament is not available to complete that process, then that process would not be completed, but we as officials could continue working on the assessment of a Treasury Board submission that had come forward. If subsequent to an election a government decides to make a change to those procurement decisions, that's the call of the government of the day.

● (1125)

**Mrs. Cheryl Gallant:** Someone had mentioned national security exemptions. What exactly is involved there and when has it been used in the past, for what sorts of purchases?

**Ms. Susan Cartwright:** I don't have any statistics with me here today on the extent to which the national security exemption, which is provided for in the government contracting regulations...but it would be used, for example, to provide for a sole-sourced procurement where divulging the specifications would entail the release of sensitive information. For example, in the case of an existing supplier with intellectual property rights, we might invoke the national security exemption to allow the department, in this case, to continue to procure from that supplier, because going out in an open competition and divulging specifications would be contrary to our national security interests.

**The Vice-Chair (Mr. Rick Casson):** That's the last question.

**Mrs. Cheryl Gallant:** Very quickly, one last tiny one.

**The Vice-Chair (Mr. Rick Casson):** No, I'm sorry, Cheryl, we've got to move on.

**Ms. Janet Thorsteinson:** I would like to make a brief comment on the NSE, if I might. The national security exemption has to be invoked by the ADM of acquisitions, and what it is frequently used for is that in order to ensure that the work is performed in Canada—for instance, the in-service support work—we need to carve that out of the Agreement on Internal Trade based on a CITT decision of about five years ago.

Thank you.

**The Vice-Chair (Mr. Rick Casson):** Mr. Rota.

**Mr. Anthony Rota (Nipissing—Timiskaming, Lib.):** Thank you, Mr. Chair.

Thank you for coming out today.

I just find it interesting, because this conversation happens often. I've had the opportunity to sit with other parliamentarians and other military people, and the issue of procurement seems to be the hot issue worldwide. It's not only Canada who's wrestling with it. Everybody seems to think the other country has the silver bullet to fix this problem, but the more you look, the more things are the same globally. So I'm not sure if there are any bits and pieces coming out.

But the one thing you talked about that I found very interesting was that 50% of the time spent on the procurement process is within DND. So I guess my question to you is a two-pronged one.

The first one is, is the problem within DND, and do they need that full 50% or whatever time it takes? On a 15-year project, we're talking between seven and eight years here. Do they need it to figure out exactly what they need?

The other one is that they're not the only department involved. We have other ministries who are involved, and other departments, in the procurement process. The second part of the question is how much they add to this process, and which ones would be the most guilty, if it's possible to pinpoint them, to find out which ones are causing the most time and maybe to identify what exactly those problems are. Canadianization is something we hear about; it sounds nice. Is it necessary?

**The Vice-Chair (Mr. Rick Casson):** Go ahead.

**Ms. Janet Thorsteinson:** In terms of the time taken in National Defence, I really will have to defer to my colleague Dan Ross, who I believe is coming on December 8 to see you, because he would be better positioned to respond to that.

**Mr. Anthony Rota:** There is communication between you and the military, so I would think that you would know what he is doing, right?

**Ms. Janet Thorsteinson:** Absolutely, but I wouldn't want to put words in his mouth and talk about the streamlining activities. The fact that he can streamline them is indicative of the fact that there are times to be saved within that process. I did mention that they are putting in place a multi-year strategic plan on what their procurements will be, and that will highly facilitate moving forward on this.

In terms of what other departments are involved, I suggest we could give you the names of departments that are involved in all SPACs—all senior procurement advisory committees—and I don't think there are particular transgressors in that. I think each of the departments has a mandate to ensure that its interests are respected.

● (1130)

**Mr. Anthony Rota:** My question is, are those mandates overbearing and are they necessary? Each one would argue that they are necessary. In your view...I don't want to put you on the spot, but maybe I am. But I understand some of them might be a little overly stringent. I was reading through some of them not too long ago and I was thinking, how do you fulfill this? It really makes it difficult. Is much of the time spent trying to figure out how you're going to fulfill some of these requirements, or is it actually in building the machine or building the platform that you're out to provide?

**Ms. Janet Thorsteinson:** I think there's considerable time spent on the socio-economic aspects of procurement, but that time is very much done in parallel with other activities. It isn't as if we wait until the Department of National Defence throws the statement of requirement over the wall and then we start to look at the socio-economic considerations. These activities are all done in parallel, and I think it would be extremely hard to segregate and say, that point there, that's where it all went wrong, and we'll hold that entity responsible for the process.

It's the overall complexity of having, say, 34 policies that apply on this and numerous pieces of legislation, including the trade agreements, that constrain the process as a whole.

**Mr. Anthony Rota:** So if we were to take off all these requirements, the procurement process or the time period would be approximately the same?

**Ms. Janet Thorsteinson:** If you took all of the requirements away, we could do it a lot faster.

**Mr. Anthony Rota:** The social requirements, I'm talking about.

**Ms. Janet Thorsteinson:** Yes, without the social requirements, including the trade agreements, we could do it a lot faster, but I've always wanted to be tall, too, and I don't think that's going to happen.

**Mr. Anthony Rota:** But it's done in parallel, it's not sequential.

I'm getting a contradictory message and I'm just trying to clarify here.

So what you're saying is that if we took away some of these conditions we could do it much faster, but on the other hand, you're saying they're done in parallel so the sequential part of it is happening and the other is happening in parallel. It really shouldn't affect the total period then.

**Ms. Janet Thorsteinson:** They happen in parallel, but inevitably there is some lengthening out of the whole process through that. To use a very simple example, I cook in parallel. I boil the potatoes, I cook the meat, I do the carrots; but if I have a five-course dinner, it's going to take me longer to do that preparation than if we just have meat and potatoes.

So the activities are done in parallel, but the more you add on, the longer that parallel activity is going to take.

**Mr. Anthony Rota:** We just have to figure out whether we're eating at five or at six. That's the question.

**Ms. Janet Thorsteinson:** Or whether we're on a diet altogether.

**Mr. Anthony Rota:** Thank you.

**The Vice-Chair (Mr. Rick Casson):** Thank you, Mr. Rota.

The chairman is going to exercise his prerogative to wrap up here with a question, I understand.

**The Chair:** Thank you.

I have a quick question, a comment, because this is an issue, panel, that is so important, as you can see from the questions around the table. I wish we had another hour or two to go.

We talked about the Australian system. We don't know how good it is or it isn't, but would you suggest that maybe at some point in time we try to get some information about what they have done and try and see how we can adapt it to what we're trying to do here?

There's also the question—much as Mr. Rota indicated, I'm glad he brought it up—that if we take some of these areas and consolidate we could be more efficient. We do that, but does industry play a role in this as well in terms of how they deliver the goods in terms of their technology, their new equipment on the books, in the plans? Do they have a role to play in this? If we take the bugs out of our system, do they have to do something on their side as well?

I'll tell you what I'm driving at. It's all a matter of marketing. IBM was very successful in years past because every year and a half or so they would introduce another generation of hardware, and they timed it in such a way that we, in essence, the users, were basically at their disposal. Is there something that industry can do also, in parallel, to help us? The concern we have first and foremost here is the men and women who are serving today and the men and women who are serving tomorrow. The complaints have been many over the years past, and I'm sure they'll continue unless we grasp this and do something with it.

Can you comment on that? I don't think Australia has a perfect system, but they've moved supposedly in a better direction.

● (1135)

**Ms. Janet Thorsteinson:** I think there's merit in looking at any country's system. The Australians have certainly overhauled theirs, and it has merit. I suggest that when you do look at it, if you do, you keep in mind that their legal and policy framework is significantly different from ours. For instance, they do not have the obligations of the Agreement on Internal Trade, so their flexibility is greatly enhanced as a result of that.

In terms of what industry's role is in all of this, I think there are cases where you see a great turnover of activities. Using your IBM example, I think that to some extent they succeeded in driving the small consumer out of buying at all, because they knew that by the time they bought something it was going to be not very useful, so they stopped doing it.

And there is an element within, I think, not just National Defence but all departments, of saying, we'd better wait and see what the next thing that's coming up is, because we don't.... This shows that it takes 15 years for National Defence to get their equipment on the ground.

One might also look at how long they're going to keep that equipment. They keep their equipment a very long time; I suggest it's probably longer than in other countries, but I don't have the statistics to support that. And therefore their desire to have absolutely the forefront of equipment is great, because they know they're going to keep it for so long.

**The Vice-Chair (Mr. Rick Casson):** Thank you.

Mr. Chair, perhaps you would close for us.

**The Chair:** Thank you very much.

Did you have a comment, Ms. Cartwright?

**Mrs. Susan Cartwright:** No, I was just going to basically endorse what Janet has said. It's always beneficial to learn from what others are doing, so yes, I would encourage that. The only caution I would put is that, as Janet has said, you can't just take a procurement system and look at it in isolation from the budget-setting mechanism, their statutory framework, and so on.

So yes, we should learn from the success that others have had, but we can't look at it out of context, because they may be bound by fewer constraints, they may have additional opportunities. So we should learn where we can, but not take it out of context.

**The Vice-Chair (Mr. Rick Casson):** Very good. Thank you very much.

We'll take a couple of minutes to change over.

● (1145)

**The Chair:** We'll begin the second portion of our committee meeting.

I'd like to welcome, from the Department of National Defence, Vice-Admiral Bruce MacLean, Chief of Maritime Staff, who it is a pleasure to have with us today.

Welcome to the committee. It 's very nice to have you. We've received your presentation. You have 10 minutes, or a little more, however much you need, and then we'll go into questions.

The floor is yours, sir.

**Vice-Admiral Bruce MacLean (Chief of Maritime Staff, Department of National Defence):** Thank you very much, Mr. Cannis.

[*Translation*]

Mr. Chairman, distinguished members of the committee, thank you for inviting me here today.

I would like to begin with a few opening remarks centered on three themes: the Navy's role today and tomorrow; the Navy's material plans; and the Navy as a key element in Canadian Forces transformation.

[*English*]

As explained in the defence policy statement, the security environment of today and into the future is likely to be shaped by the threat of global terrorism, persistent points of international and regional tension, and general uncertainty. This environment has effectively made the maritime defence and security problem distinctly different and, in some ways, more complex than we previously faced. Today, while our focus remains striking the proper balance between domestic security and international obligations and opportunities, Canada's security is fundamentally intertwined with events abroad. As such, maritime defence and security requires a flexible force with the right mix of quality, which is to say the capabilities inherent in the platforms, and quantity, which is to say the inherent ability to sustain those aforementioned capabilities for a period of time.

Not surprisingly in the current environment, the roles and expectation of the navy are growing. For example, as greater interaction with more numerous international stakeholders occurs, one of the most significant and enduring security challenges is simply knowing what is going on in any maritime area in which we may have an interest, both at home and abroad.

Meanwhile, whereas the complexity and scope of today's environment have made it absolutely necessary to know what is going on in the maritime areas of interest—what, in naval terms, is called “a recognized maritime picture”—these conditions have also made a compilation of a clear picture more challenging than ever. Of course, we really do need to know as precisely as possible, within each ship or within each vehicle on, above, or below the surface, exactly what is going on.

To overcome these challenges, the development and fielding of innovative new technologies, combined with better information systems, are just some of the areas that we in the navy and the Canadian Forces are exploring. Therefore, the Canadian navy is experimenting with and developing, for example, the use of unmanned aerial vehicles, stealth buoys for surveillance along our coastlines, high-frequency surface wave radar to provide surface coverage to the bounds of the exclusive economic zone on the east and west coasts, and a stand-up of joint and interdepartmental marine security operations centres on both coasts to improve the capacity previously developed by our maritime operational centres. Of course, knowing what is going on must also be visibly reinforced through the presence of aircraft, ships, and submarines, which provide the means of control of these areas through various measures, up to and including the use of force.

[*Translation*]

The Navy must also be as interoperable as possible with our partners, while also maintaining sufficient readiness to provide the government options in crisis reaction such as recently demonstrated in response to Hurricane Katrina in the U.S. The Navy must also continue fleet modernization to ensure relevance in the future. To that end, the Canadian Forces has several large maritime materiel projects under way or planned and intended to provide both updated capability and undiminished capacity.

● (1150)

[*English*]

These include such projects as the frigate life extension project for the Halifax class; the joint support ship to replace our supply ships; the single class surface combatant, the follow-on to the Canadian patrol frigate and destroyer programs; the maritime helicopter project; the upgrading to the Aurora maritime patrol aircraft; and from a CF-wide perspective, the initial stages of an expeditionary or an amphibious program. Collectively, these programs comprise a balanced, evolutionary, but also transformational approach for the future that is vital to ensuring that a modest-sized navy can make an effective contribution to the defence and security of Canada and Canadian interests, both at home and abroad.

Our navy is built around a relatively small number of surface combatants, submarines, helicopters, and patrol aircraft, and the requisite command, support, and training facilities ashore. My absolute priority is and always will be to maximize the usefulness of what I have. It takes resources, people, and money to keep our current fleet and supporting pieces ashore modern and available. Moreover, the balanced and evolutionary approach I have described is essential in ensuring that the navy, and therefore the Canadian Forces, remains effective.

We are going to continue to need sufficient resources to maintain our qualitative edge. At the end of the day, for any military force—and the navy is no different—there is no room to come second. It's all or nothing. That qualitative edge is absolutely vital. That said, this investment will certainly continue to pay off in the sense that a capable and effective navy can continue to serve as the backbone for the domestic and international responses that are called for in the defence policy statement.

This was evident by the significant role of Maritime Forces Atlantic on the east coast and in Halifax in providing the backbone for the stand-up of the first of Canada Command's regional joint task forces, and again, very recently, in the MARLANT-led response to Hurricane Katrina.

In short, if the measure of an effective navy is its ability to react quickly and competently to an emerging event at home or abroad, then our navy should be judged positively, because the Canadian navy has a history of doing just that.

[*Translation*]

Of course, as I have alluded to already, the Canadian Navy is also a key component of the overall Canadian Forces transformation effort. While we will continue to maintain naval forces capable of operating in all open ocean areas, the Defence Policy Statement also highlights that the future fleet be more oriented towards littoral, that is closer to shore, and joint operations.

Hence, today's Navy is continuing its reforms and transformation initiatives to ensure that the Navy of the future will be able to operate ever more effectively with non-maritime Air Force units and the Army as well as with other departments and agencies of the Canadian government.

[*English*]

This is consistent with the Canadian Forces' intention that the navy will form a critical element of a new standing contingency task force, that is, a joint air, land, and sea force established to respond rapidly to emerging crises on a global basis.

The Canadian Forces' transformational effort produces significant resource and intellectual capital challenges. Strong and effective leadership that is both visionary and enabling will be required to ensure that limited resources are effectively spent to create and sustain the right navy for Canada. I note that as much as transformation is required, the challenge of finding the resources, the fiscal and intellectual capital, to make it happen is the key to success.

Mr. Chairman, understanding what goes on in our maritime areas of interest off our coasts and around the world and having the ability to use force when necessary are vital elements for our Canadian navy. With this in mind, the recent security and defence policy statements provide a modern keystone policy basis for the Canadian Forces and the navy to conduct operations, both domestically and overseas, while providing the impetus for a fundamental transformation of Canada's military.

My challenge, to meet the maritime security remit over the long term, will be to ensure that both today's navy and the navy of tomorrow remain effective and capable, while also seeing that the navy's transformation effort is based upon coherent and cost-effective strategy that builds upon the overall Canadian Forces and departmental vision.

With that, Mr. Chairman, I'd be most pleased to answer committee questions.

● (1155)

**The Chair:** Thank you.

We will go to questions from members of the committee, and we'll begin with Mr. O'Connor.

**Mr. Gordon O'Connor (Carleton—Mississippi Mills, CPC):** Thank you, Mr. Chairman.

Admiral, I wonder if you could tell me what the crew situation is in the navy these days. Basically, give me an overview of your manpower situation, not only in numbers. What is the state of training?

**VAdm Bruce MacLean:** We're always at a crossroads in the navy and probably have been since, really, the Second World War. Going down to the sea in ships, particularly in the context of today's society, is not always the easiest path. Folks today, and rightfully so, like the values associated with family. They like very much the opportunities that exist in communities, and of course in the Canadian Forces at large, that tends to be a disrupted influence. In the navy, ever since 1939, our folks have been away from Halifax or from Esquimalt for generally 100 to 250 days a year.

In my first 10 years in the navy, I was gone for, on average, about 200 days a year. That's the reality, and that's a hard reality. So consequently, getting the right people, the intellectual capital, to actually go to sea in our ships to provide a lifetime of experience in a naval context is daunting.

That said, generally speaking, over the last five years, we have seen reasonable success. My check is always.... I'm never going to get to the 100% level. I'm never going to be able to fill all the establishment positions for the navy. And today I am probably about 300 short, which constitutes about 8% of the overall numbers that would constitute a fully all-up navy. I'm particularly short on the officers amongst the seamen officers—what we call the maritime surface officers—and amongst the non-commissioned members, very much on the technical side—the electronic techs, for example. Those are the two pressure points I have.

But in the last three or four years, those percentages have actually been getting better. We lose, on any given day, two sailors from the navy. So that's basically our attrition rate, about 700 a year. Our recruitment rate is sufficient to maintain those numbers at about 92%, with some more significant gaps within those electronic and technical trades. So on the whole, we are managing, but it isn't perfect.

Over the last several years, increased pay and compensation has certainly helped. Over the last number of years, the introduction of new ships and capability in the navy has certainly helped. But it will always be a challenge, and it is probably the biggest challenge that we in the navy have on a day-to-day basis.

I have brought along with me today a personnel newsletter, and I'm going to leave this with the clerk. It's called *MATELOT*, and it's the Canadian naval personnel newsletter. It actually speaks to all our trades, and in fact, the numbers that we are established for as well as how we are doing in each of those trades. I think this might be helpful, in a more detailed way, in answering those questions.

So to sum up, we need the very best people we can possibly find in Canada for the navy today. The Canadian Forces as a whole needs our very best. It's a very challenging environment, spending that amount of time away from family and friends. But it is exciting. It's a challenging lifestyle, and it's one that, when you finally have spent 20 or 30 years in the profession, can be very rewarding. But we need those people.

**Mr. Gordon O'Connor:** I'm going to switch the topic now to the submarines. We continue to hear stories about the submarines. I wonder if you could give us a realistic assessment of where the submarine fleet stands, and what, in general terms, has to be done—if you can estimate the amount of money, fine, and the time—to put those four submarines to sea.

**VAdm Bruce MacLean:** I think it's an excellent question, and of course it's one that I have spent time discussing with this committee on a couple of other occasions.

I want to really be as frank and as blunt as I can be around this issue. Of course, I have mentioned before to the committee how vitally important submarines are to the Canadian navy. Let's park that for a second. That is still absolutely the case.

We are moving resources within the navy to ensure that capability is given in the short term. The absolute number one priority is for resources for the technical assistance to bring that capability online, but we're not there yet.

In that context, we have HMCS *Windsor* currently at sea. It's off the coast of the United States today, and it will be returning in the month of December. It has been at sea since mid-October. We had HMCS *Victoria* at sea from May to last June, and it then went into an extended docking work period.

We will have one submarine available over the next two years for the east coast and the west coast. We will have a submarine operating off each coast in 2008. Having one submarine available, the challenge for the navy is maximizing the amount of time we can put that one submarine at sea. We're going to drive that submarine very hard to maximize the training opportunities and to move the operational level of expertise to as high a level as possible.

In 2008, when we have finally completed all the weapons discharge trials, we have completed all the operational adjustments, and we have a sustainable base of submariners, both trained and untrained, coming through the pipeline, I will declare a success. We have another two years, as we continue to ramp up on that particular scale.

I'm very pleased with what has happened over the last five to six months. We turned a very important corner in the month of May earlier this year.

We have 375 submariners. We have a significant year backlog of submariners in the pipeline to come into those boats. Recruiting is not an issue. The issue is now to maximize as much time as I have with that one submarine.

One of the things we're going to do is this. We generally have three watches in a submarine, and there are 46 to 47 folks in that submarine 24 hours a day. We're going to introduce a fourth watch so that I can in fact not keep the submarine at sea for 120 days, but I can increase it to 140, 150, or 170 days.

Now that we have more experience with this class of submarine and we are the experts in this submarine class, I am challenging the engineers to determine what is the best operational and technical ratio in terms of operations at sea versus the technical requirements alongside. Based on our experience and based on what the U.K. has determined with their class of submarines, as well as the Australians, I believe there are some opportunities to increase the operational cycle, which is going to help us out.

We are going to introduce an industrial capability for industry for these submarines. It is something that we had always indicated when we acquired these boats but were never able to put into play. We're going to do that in the year 2006. The submarine long-term maintenance capability will in fact be given to industry.

When added to the excellent simulation training that I know your committee has seen in Halifax, all these pieces will in fact add to the overall capability that I expect to have in those submarines in 2008. You're going to have to bear with the navy for another couple of years, until we get that piece right. I think that 2008 will be a watershed year, when we have two fully operational submarines off each coast.

● (1200)

**Mr. Gordon O'Connor:** Thank you.

Is there time left?

**The Chair:** We're trying to be flexible.

**Mr. Gordon O'Connor:** No, I'm not going to push it. I only wanted to know.

**The Chair:** Thank you, Gord. I appreciate it, because we were running late.

We'll go to Monsieur Bachand, *s'il vous plaît*.

[*Translation*]

**Mr. Claude Bachand:** Thank you, Admiral. It's always a pleasure to see you. I would imagine that you want submarine maintenance operations to be done here in Canada.

Will maintenance operations be handled by Irving Shipbuilding Incorporated, or do you have other companies elsewhere in Canada in mind for the job?

[*English*]

**VAdm Bruce MacLean:** That's another very important question, as we gear industry up to take on this requirement. As many of you may be aware, at the moment, Halifax Shipyard is undertaking the repair of HMCS *Chicoutimi*. They're not only taking on the repair work, which was as a consequence of the submarine accident in 2004, but they're also doing the Canadianization of the submarine, which is actually a more time-consuming and larger part of the work that is going to be undertaken on the *Chicoutimi*.

That is fundamental as a test run to understand the implications of industry taking this work on. Submarine work is complex; there is no question about that. It's challenging stuff, and of course the opportunity to do work in a submarine is always constrained by the very size and accessibility in that submarine.

I was in Halifax to look at what the Halifax Shipyard, the Irving company, has been doing. I was there about two weeks ago. They're at the point now where they've virtually stripped out all the stuff that they have to strip out in order to make the next step, which is the Canadianization and the full repairs. That will commence in the early part of the new year.

So that gives us a basis for understanding the technical ability of Canadian industry. That does not mean, however, that in the longer term the Victoria class industrial work will necessarily be done by this company. We have competition, both on the west coast, with the Washington Marine Group, and on the east coast, with Irving, which have indicated interest in undertaking this work. There is a request for proposal in industry today looking for the particular bids, and we would hope to make an announcement some time in 2006.

● (1205)

[*Translation*]

**Mr. Claude Bachand:** Mr. Chairman, with your permission, I'd like to ask the Admiral three questions. I suggest that you write them down, so as not to forget them.

The first question concerns NORAD. As you know, the NORAD agreement is currently being renegotiated.Talks are now under way on the maritime component. The aim is to be able to identify anyone approaching our coasts by sea, to ensure our security.

Are you involved in these talks? Were you consulted by NORAD officials about the maritime component? Basically, are you in favour of expanding NORAD's mandate to include a maritime component?

My second question pertains to interoperability. Who decides to send Canada's Navy on joint maneuvers with another country's naval forces? We've noted a marked tendency to associate with U.S. forces. I'd also like to know if Canada's Navy is involved in joint maneuvers with other NATO countries. How do joint maneuvers with the Americans, and joint maneuvers with NATO countries differ?

My third question has to do with search and rescue operations for which the Navy is responsible. Many people in the private sector maintain that the responsibility for coordinating search and rescue operations should be shifted from the Canadian Forces to the private sector, a move that would result in substantial savings. I'd like your opinion on the subject.

[*English*]

**VAdm Bruce MacLean:** Thank you very much, Monsieur Bachand.

I'm not engaged specifically in the NORAD renegotiation that is being led by the assistant deputy minister for policy. However, one of our significant negotiators in that is Rear-Admiral Drew Robertson, who is, of course, a naval officer and has worked with me. That also means we are fully informed in terms of those dimensions that have application for the navy.

I think what we're really talking about here is, do we want to expand the NORAD to at least give better visibility and understanding to the maritime dimension? I'd leave that for ADM(Pol) to discuss with this committee. However, what I can say is that it makes eminent sense to me that what we would want to do is, as much as possible, ensure that both the United States and Canada, at the maritime level, navy to navy, navy to coast guard, and at all layers higher have that kind of situational awareness—what I talked about in my opening remarks as the “recognized maritime picture”.

Having that situational awareness in NORAD, which would, of course, feed both the United States command and control system as well as the Canadian command and control system, would be a logical piece and would be very useful.

Without the clear understanding of exactly where they are in the negotiations, I would say that certainly that particular piece is being explored. I would suggest that perhaps the best person to ask on that issue would be the ADM(Pol).

Turning to your second point, about interoperability, it is without question the most important fundamental business of a navy, to be interoperable with your partners—from a NATO perspective, a coalition perspective, and taking due cognizance of the most important and strongest navy in the world, the United States Navy. All three of those elements are important. Consequently, the Canadian navy spends a significant effort in working with like-minded partners, such as the U.K., the French, the Australians, the New Zealanders, NATO countries, and the United States.

Last June, off Halifax, we worked extensively with the *Charles de Gaulle* battle group, with not only their aircraft carrier but with French submarines, including our submarines working with the French. We actually controlled a French submarine as part of this exercise.

We are currently ramping up for Commodore Denis Rouleau to be the commander of what used to be known as the NATO Standing Naval Force Atlantic, but today is part of the Standing NATO Response Force Maritime Group 1, which will include, for Denis Rouleau, command and influence as a Canadian in his flagship, the *Athabaskan*, and then with the *Iroquois*, leadership of six other NATO countries and as many as 10 countries over the next year. So that will occur.

From time to time, of course, we have operated...and we have just recently returned with HMCS *Winnipeg* from the gulf region, the Arabian Sea. A Canadian frigate, the *Winnipeg*, was employed with coalition nations under the leadership of the United States.

The bottom line, to understand how every partner thinks and operates from a technical perspective and an intellectual perspective, from the top to the bottom, is fundamental to navy business. It's fundamental to Canadian Forces business. That has been perhaps our greatest strength over the last 15 years, as we introduced the Canadian patrol frigate and the destroyer program in the late 1980s and early 1990s. We have leveraged off enormous influence from that.

If I could leave that and go to your final question around responsibility for search and rescue, I think in this context I will relate my own experience as the commander of the east coast navy, the MARLANT, from 2000 to 2002.

The search and rescue area that I was responsible for in that position covered from Yarmouth and the Bay of Fundy, all the way up through Baffin Island and into the far north, an enormous maritime region of responsibility. In any given year we will have literally thousands of incidents. Most of those, for the most part, end successfully; some of them are significant tragedies, particularly at sea. The kind of skill sets required to undertake those types of operations, in the maritime dimension particularly, are simply not resident anywhere else, other than the military, from our search and rescue specialists through to our military skills, particularly operating off ships and in the most significant kinds of sea states and weather conditions that you can find.

● (1210)

Imagine off the Grand Banks in February, with sea states in the order of 10 to 15 metres on a regular basis, significant icing, and a foundering ship. That is something that I believe deserves and requires government attention. That's the bottom line. There are just some things that I think are very difficult to delegate or abrogate, and search and rescue is a significant government responsibility.

That is not to say, however, that in certain niches, in certain ways, the privatization or the use of platforms to assist can't be part of that scheme. But the overall way we do our business, particularly in the maritime sense, is something I would not want to see given to anyone else.

**The Chair:** Thank you, Admiral.

I will remind the members that we're in a seven-minute Q and A. We have many other members who wish to ask questions, Admiral.

We'll go to Mr. Bagnell.

**Hon. Larry Bagnell:** Thank you.

I don't think my question will be a surprise.

**VAdm Bruce MacLean:** I know where you're going.

**Hon. Keith Martin:** Another question about Mexico....

**Hon. Larry Bagnell:** Maybe you could just answer and I won't have to ask.

**VAdm Bruce MacLean:** That's exactly right.

**Hon. Larry Bagnell:** Just to reiterate, for anyone listening who hasn't heard this before, we have three shorelines. The biggest one is in the north. Our only major sovereignty challenges in recent years have been in the north. There has been a CBC special on foreign submarines in the north. We have challenged the northwest passage. I think a couple of days ago there was an article about a Chinese boat landing in Tuktoyaktuk and no one knowing about it. We do not have the capacity to have boats either under the water or on top of the water, in the ice, where our largest shoreline is.

So I'm just wondering about the navy's plans for surveillance and protection. When we get into international law disputes, part of our case is going to be having a presence. Not only the navy but other federal departments will have that responsibility. If we can't go on top of the water or under the water, it's hard to have a presence.

● (1215)

**VAdm Bruce MacLean:** I must say, Mr. Chairman, it's probably my answers that are too long. Maybe I can shorten them up for the members. But I think the questions are outstanding.

**The Chair:** They'll be very short so we can hear more from you.

**VAdm Bruce MacLean:** The questions are excellent.

We have a modest-sized navy, and you're absolutely right, we have three significant ocean spaces—east, west, and north. The north, in my estimation, is an area that is going to continue to grow in importance over the next fifty years. When we talk and think about navies, the length of time it takes to conceive of a capability, which leads to a platform, which leads to operations, which leads to when that ship or helicopter or whatever is disposed of, it is indeed anywhere from thirty to fifty years, so it's a significant period of time.

We do need to think very seriously about the north as we move into this century. With global warming, environmental changes, issues associated with fishing and exploitation of mineral resources, and so on, it is just vital that we do that.

So where are we today? Well, from a strictly naval perspective, we do have problems in the north, and you're well aware that we do not have any ships that are ice-capable. The new joint support ships that will replace the supply ships will be capable of dealing with first-year ice up to one metre, I believe. That will be an increase to that modest capability, which allows us to then go to some of the ports.

In the last four to five years, again from a strictly naval perspective, we have committed to doing northern patrols on a regular basis. Last year, we had HMCS *Montréal* patrolling in the north. We had two coastal defence vessels that made a port call in Churchill, Manitoba, for the first time in a long period of time. And I can tell you that for next year we will do something similar again.

We will not forget the north. What we can do in the north, though, will be very much constrained by all the other things we have to do off the east and west coasts and around the world. We did have a very successful exercise using an unmanned air vehicle, a UAV, last year to better understand how we could use that kind of capability to again provide that better understanding of what is going on in the north.

So the issues of more patrols, in combination with better situational awareness, will help, but I have to also put it into context. Although things are obviously going to be more important into the future, if you look at the amount of maritime traffic that occurs off each of our coasts, it is in the order of about a thousand ships on any given day, including fishing vessels and large ships, east and west, whereas in the course of a year in the north, we are still talking about double digit numbers.

The actual number of ships in our north is nowhere as significant as it is off the east and west coasts, but watch that space. Everything we do now, as we build for the future over the next fifty years, every project, has to take that into account. That doesn't mean we will actually address the deficiency, but if we were not thinking and not taking a conscious decision to focus on the east or the west or globally, that would be the wrong thing to do.

**Hon. Larry Bagnell:** Are you involved in the deployment of the search and rescue aircraft, the new plane?

**VAdm Bruce MacLean:** No, I'm not.

**Hon. Larry Bagnell:** In your opinion, is there enough joint purchasing and sharing of assets between federal departments? For instance, I think the volume and number of our Aurora patrols has been pathetic in the past, but for Aurora patrols or these new UAVs, there are a number of federal departments—maybe half a dozen—that could use them, such as Fisheries and Oceans, the coast guard, the navy, or the air force.

Are we doing enough so that we could perhaps have more assets at cheaper prices if we worked together and coordinated these efforts? A UAV flight across the north could be partly paid for by a Fisheries exercise, by a coast guard exercise, and by your exercise. By sharing the costs, we might be able to get more done. Is there enough of that being done, do you think?

● (1220)

**VAdm Bruce MacLean:** This is a particularly good segue into another piece that I'd like to leave with the members. It's on coastal security, and it talks about a trial that we undertook over the last couple of months, called the maritime sensor integration experiment. It's the use of a number of different technologies for the future that will give us much better situational awareness, like the UAVs and what we call stealth buoys.

Stealth buoys sit on the bottom and are preprogrammed with specific-threat acoustic ship signatures. They then rise from the bottom and listen to that particular ship should it come into a particular area.

We have a combination for much better situational awareness. That combination includes the coast guard, Fisheries, border agencies, and the RCMP, all fused into the marine security operations centres in Halifax and Esquimalt. We've just received approval to start working on the project definition for these MSOPs, these marine security operations centres. We have populated them, and have for the last couple of years, but we now have additional resources that will allow us to increase the number of representatives from each of these departments in the country, as well as from the United States, to really give this a full 24/7 capability by 2010.

All of this will have a significant impact for the north, if we can also put in the right kinds of aerial vehicles and downlink from these vehicles in a real-time way back to Halifax and Esquimalt. This gives you a sense that we're not forgetting it, but the problem is again, as always, the amount of resources and intellectual capital that I have to do all the things I'm being asked to do. I really do have to parse that out.

**The Chair:** Great.

We have Mr. MacKenzie next, followed by Mr. Khan, Monsieur Perron, and Mr. Martin. So there are four more to go.

**Mr. Dave MacKenzie:** Thank you, Chair.

Admiral MacLean, it's a pleasure to have you here.

My question basically is on the personnel side. Part of it is that if we go back a few years, we spent about $500 million on refitting the *Huron*, and then we found out we didn't have the personnel to operate her. Now she's alongside and not being used. If we had the personnel today, could we use the *Huron*?

**VAdm Bruce MacLean:** No, it's too late. Just to bring that ship back to a level of competence, with the right kind of command and control capability and the right kinds of weapon systems, would cost a significant amount of money.

**Mr. Dave MacKenzie:** Didn't we have those in there when we put her alongside, though? Have we stripped them now?

**VAdm Bruce MacLean:** Not completely. What happens, particularly in the context of this interoperability piece.... Literally, when we were doing Operation APOLLO for about eighteen months, with each ship that deployed, it was, in the computer parlance today, a rev one, a rev two, a rev three. It was a consistent and continual changing that was costing a significant amount of dollars, measured in the millions, for each of those ships. To take *Huron* today and bring that ship back to a level at which it would make a competent and important contribution on the west coast, the cost would be very significant.

When we took the decision to retire *Huron*, it was fundamentally predicated on manning issues, but it was also predicated around the dollars and cents that we had available for the navy. That also was a significant contributing factor. That ship today is really almost to the point at which it has been totally stripped out, and it's not part of the inventory.

**Mr. Dave MacKenzie:** Maybe my question was worded the wrong way. Had we kept her in service, would she be a valuable asset to us?

**VAdm Bruce MacLean:** Absolutely.

**Mr. Dave MacKenzie:** Now, as we look to the future for some of the new platforms, my concern is whether we are getting ourselves into the same boat. If my memory is right—and it may be suspect—you suggested that we're about 300 people short. I think you said we have 375 submariners, and I think it's 50 per crew, plus or minus.

● (1225)

**VAdm Bruce MacLean:** Yes.

**Mr. Dave MacKenzie:** So do we have about seven crews now currently trained?

**VAdm Bruce MacLean:** No. We have four submarines, so of those 375 submariners, about 200 would be directly assigned in the submarines. But then we have the training folks ashore, we have the operational authorities in the commands ashore, and we have people interspersed through all the various staffs, so we would have about 375 submariners.

**Mr. Dave MacKenzie:** How many submariners do we need if we have all four operational? How many more do we need to train?

**VAdm Bruce MacLean:** We probably have today about three and a half crews for our submarines. Bearing in mind that we only have one actually at sea, that's not an issue. By 2008 we will have to ramp that up, and 375 submariners is about right.

I'm not overly fussed about the overall numbers; however, I am fussed about ensuring their currency, their training, and of course the fact that we will lose about two and a half submariners a month. That's how many people we will attrit, and we obviously have to replace those numbers.

**Mr. Dave MacKenzie:** My other comment is two comments together. In talking with some of the people in Halifax, I learned that when our ships departed south for Katrina, we stripped crews from other ships to make full complements for the three we sent. The other comment I heard at the time—and maybe you have a better grasp of it—was that part of our loss of personnel is due to our failure to get people trained after they come through the door and are hired on; we're stripping the training facilities and putting those people onto ships because we're short that 300 people. Is that an issue?

**VAdm Bruce MacLean:** In the case of Katrina we didn't rob Peter to pay Paul. For the most part those ships' complements were sufficient.

We did, however, top them up with different kinds of expertise that were particularly related to this operation. We added, for example, army combat divers, not for the ships per se but for the overall capability of the force we deployed. We added doctors to the force; we would not normally take a doctor on each of our ships but we did in this particular case.

There were a number of additions that were made, but the capacity necessary to sail all those ships was always resident in those ships.

**Mr. Dave MacKenzie:** Are we losing people just out of frustration because we can't get them trained?

**VAdm Bruce MacLean:** No, our training system in the navy is very good.

I told you that literally since 1939 we have always been sending our ships to sea, and we have, but wrapped up in that was also a requirement to ensure we had the right kind of infrastructure and training capability ashore to push well-trained people out to sea. That piece is very much in place and we put a lot of emphasis on that.

One of the problems we do have, though, is we do not have duplicate systems on both coasts. Consequently, one of the frustrating things for some of our sailors is that our Canadian patrol frigate training, for example, is for the most part on the east coast whereas our destroyer training for the most part is on the west coast. Imagine, when an individual comes back from a long deployment and then finds himself on a three-month course on the west coast but he happens to live on the east coast, how frustrating that can be.

**The Chair:** Why is that the case?

**VAdm Bruce MacLean:** It's money more than anything else, and we do manage that. Where it makes sense, where it's a long course, we will in fact pay the costs associated with duplicating it.

We have a problem in the navy—I say we have a problem in the navy, but we have a problem in the country. The problem is that at the end of the day we have two fundamentally mutually exclusive coasts, east and west, and the time to transfer ships from one to the other is measured in the order of about a month or two. Unlike the air force, which can rapidly deploy aircraft from one coast to the other, we simply cannot do that with the navy, so we have to make choices. That is one of the issues.

If I had unlimited resources, then I would probably duplicate all the capability on both coasts. We don't have that luxury.

**The Chair:** We have to move on.

We'll go to Mr. Khan. Sir, the floor is yours.

**Mr. Wajid Khan:** Thank you very much.

I have written some questions. I know we have only five minutes, and I'll rattle them off. I just want to comment and ask a question.

Normally, when you want to recruit people, you have to have some visibility. We don't see a whole lot of navy visibility or air force flypasts or the military showing themselves off, so I think they need to pay some attention to that.

On high-frequency surface wave radar, is this a Canadian-manufactured radar? How many do we have, and how long should the surface be?

Then I go back to the CN question. Does the Canadian navy really have existing capabilities to provide a basis for the reorganization envisaged in the DPS, and can the RCN take on an expeditionary maritime home defence for blue water and littoral warfare with the assets we have?

I asked earlier...the DPS liability for the navy.

The second last question is, can you comment on the problems of replacing the command and control capability resident in the DDG-280 Iroquois...migrating C2 capability during APOLLO?

Lastly, the world navies are being equipped more and more with diesel subs, and modern anti-missile efficiencies are on the rise. What kind of defence do we have against that?

● (1230)

**VAdm Bruce MacLean:** I didn't quite understand the last part.

**Mr. Wajid Khan:** The last question concerned the Russian and French, who are equipping the world navies with diesel subs. At the same time, anti-missile efficiency is on the rise. How do we defend ourselves?

**VAdm Bruce MacLean:** The first question, around visibility and recruiting, is a big issue for the navy. If you were to go to Halifax and go on board one of our ships today, I would suggest you would find a significant number of the individuals are from the province of Newfoundland. It's a maritime province. It's not a maritime province in the context of Canada, but it does have a significant maritime dimension. As you move closer to the heartland of this country, the middle, the Ontario and Quebec side, it is in some cases much more challenging for all kinds of reasons. Just the ability to actually bring ships where all Canadians can see them is a challenge. It's not an issue on the east and west coasts, but it certainly is as you move into the Prairies and into Ontario and Quebec.

The ways we try to improve upon that is we do have ships that from time to time.... We had a visit of HMCS *Toronto* last year, which went to its namesake city, Toronto, and up through the St. Lawrence Seaway, visiting a number of ports in the Great Lakes Basin.

But it's an issue, and certainly Quebec and Ontario are our largest recruiting challenges today. If anybody has some ideas on how to help the navy do that, I'd be very pleased to hear from them. We have tried a lot of different ways to increase that visibility. We have used recruiting buses, and we have used our gun run display team. There are ways of helping to stimulate that opportunity, but it's a tough one; I will not deny that. It's just a fundamental feature of being 4,000 to 5,000 kilometres away from the east and west coasts.

The high-frequency surface wave radar was a project that was conceived about ten years ago with Raytheon Canada and DND, with our scientists as well as the navy. We have two experimental stations today in operation on the coast of Newfoundland. We will increase this to a total of six or seven spread between the east and west coasts and reaching into the Arctic approaches from Newfoundland...but by no means complete. That does represent of course where most of the ship traffic occurs.

This is a success story as far as it goes. We are having some problems associated with frequency allocation, and we are in discussion with Industry Canada to try to ensure that this frequency allocation issue is resolved. By that I mean simply that there are international requirements we must meet, and this particular frequency Raytheon operates on is disruptive within this frequency range. We will have to resolve that before we can go to a full operational capability on both the east and west coasts. We are looking very hard at that issue. Obviously, I don't want to spend any money until we have resolved that particular issue.

You raised a point about the defence policy statement. With our having been fundamentally a blue water navy, moving closer to the littoral regime is a big challenge for our navy. The good news is, with our frigates, destroyers, submarines, and coastal defence vessels both close to home and abroad, I think we have very good building blocks to start that piece. We have in Operation APOLLO, with American and coalition forces, provided the force protection for the amphibious forces.

We are experienced in doing that, but what we are missing of course is the ability to do this from a strictly Canadian perspective. We do not have that expeditionary capability. It's not something you can grow overnight, nor is it something you can introduce overnight. It is a very complex part of operations. We're spending a lot of time at the moment visiting countries to understand that better, to understand the capability that would make the most sense for Canada. It will cost money, there's no question, and it will cost people.

The increment associated with the naval piece is more fundamentally how we join the air requirement. It will require rotary lift capability to move soldiers ashore, the actual 600, 700, or 800 soldiers who would be embarked in this capability, as well as the landing craft and what we call the marinization of equipment. You just can't take stuff to sea with all the salt water and expect it to work properly when you get somewhere else. This is complex stuff. However, if you get it right, over time it creates the conditions for outstanding influence by Canada.

● (1235)

Of course, it can be very useful in a domestic sense, as well, for those areas that might be hit by something like Hurricane Katrina. If we'd had that kind of expeditionary capability, in combination with these joint support ships, wouldn't they have made an outstanding contribution down off the coast of Louisiana? That's not to say that our contribution wasn't useful, helpful, and important—because it was—but just that it would have been that much better.

We talked about the command and control in our destroyers today. It is a fundamental piece in providing the kind of command influence that we need in our task group, whether it's in a coalition sense or a strictly Canadian or Canadian-American sense, so that we can lead missions and can influence how those missions are undertaken. We have a brigadier-general equivalent, or a commodore, at sea in those ships. That has been enormously important for operations like APOLLO, where we were in command of as many as 12 to 13 nations—French, British, and American forces. It's been enormously important.

On a couple of occasions, for short periods of time, we did migrate this capability to one of our frigates. The problem is simply that there's not enough space to put the kind of folks, or numbers that you need, in a frigate without actually removing its helicopter. You can do it if you want to take away the helicopter. So it's something we can do in the short term; it's not something we can do in the long term.

That's it?

**The Chair:** No, but we have to move on, Admiral, because we have two more members who wish to ask questions, and then I need the members for five minutes afterwards for committee business as well. I think we're beyond the five minutes and that we've been very generous with time today.

We'll go to Monsieur Perron.

[*Translation*]

**Mr. Gilles-A. Perron:** Good morning, Admiral MacLean. My comments will be rather informal.

I'm sure you tuned in several weeks ago, as I did, to W-Five which recounted the infamous accident involving HMCS Chicoutimi. It was a very emotional experience for me. One man interviewed was fighting back tears several months after the accident. Another CF member, once he arrived back on land, embraced a senior commanding officer, something I had never seen before in the armed forces. These images have stayed with me.

I'd like to know how the fifty or so men who lived through and survived this ordeal are faring, physically as well as emotionally?

[*English*]

**VAdm Bruce MacLean:** First of all, I share very much your views on the *W-FIVE* piece on the *Chicoutimi*. It was a very significant and moving experience, which I am very pleased, frankly, that *W-FIVE* took on, because it showed the very significant effort applied by our sailors at sea in some of the most challenging, demanding conditions that anyone could ever imagine. I've said it before, but they saved their submarine. The training, the will to live, and all of those elements, I think, were so profoundly brought out in that program that I suspect most Canadians would not have been aware of their extent, unless they had been brought out by the program.

That said, I think your point is absolutely correct. Because of the immensity of the issue, this is not something that is going to be forgotten by each of these individuals, or a new leaf turned, but something that each individual in their own way will have to address —probably for the rest of their lives. It had that kind of profound impact on each of the individuals. We can provide, and are providing, the physical and social means in Halifax—or wherever our sailors are—for addressing some of these issues. But that's only part of it, and we will have to watch this and monitor it for a very long period of time; it is not something that we can literally just turn the page and move on. It happened, and it will be with those individuals for a very long period of time.

● (1240)

[*Translation*]

**Mr. Gilles-A. Perron:** Of the approximately 50 men, how many have returned or will be returning to duty on board a submarine?

[*English*]

**VAdm Bruce MacLean:** The significant majority of those sailors will return to sea, but not everyone. Some have retired, and some have chosen, as a consequence, not to go back. I do not have those specific figures, but the vast majority will in fact return to sea.

[*Translation*]

**Mr. Gilles-A. Perron:** You stated earlier in response to a question that each month, 2.5 submariners left submarine duty. Why is that? Is it because of age, retirement or stress?

[*English*]

**VAdm Bruce MacLean:** The 2.5 per month was specific to the submarines. For the navy as a whole, about two people a day will leave. And that's for all reasons—whether for medical reasons, whether they have chosen to leave voluntarily, or whether they have reached their maximum engagement period. It's the whole range. It works out to about two per day.

[*Translation*]

**Mr. Gilles-A. Perron:** How many are relieved of their duties?

[*English*]

**VAdm Bruce MacLean:** Again, the vast majority of those people who are leaving are probably at points in their career where it makes sense for them to leave—either at retirement age or at a point where, from a pension perspective, it may be beneficial for them.

I can get those numbers, if you would like, and give you a complete breakdown. Would you like that? We'll do that.

[*Translation*]

**Mr. Gilles-A. Perron:** As you know, Admiral, I'm far more interested in human beings than I am in dollars and equipment.

I have nothing further, Mr. Chairman.

[*English*]

**VAdm Bruce MacLean:** Absolutely.

**The Chair:** I'm so pleased my good friend Gilles always manages his time so perfectly. The timer hasn't even gone off yet. That's efficiency.

Our last member is Mr. Martin.

**Hon. Keith Martin:** Thank you very much, Admiral MacLean, once again, for being here. I would like, on behalf of all of us, to thank you and the navy for what you did in Katrina and for helping our friends south of the border. That was a rapid reaction. You did an extraordinary service for our friends in that part of the world. Particularly, of course, I'm happy about what the divers from Esquimalt did. Back home we're very proud of them. They did a great job.

In terms of Monsieur Perron's comments, I think the attrition rate is around 6%, from what I've been looking at. That's among the lowest of any of our allies. While nothing is perfect, I think that relative to our allies we're doing a pretty good job in terms of the attrition rate.

My question, sir, for you is...really, it's a couple of questions. One is, with respect to Katrina, from your analysis thus far, can you give us any insights into lessons learned that would apply here at home for domestic urgencies from a naval context? In other words, what things can we do better in terms of your needs as the head of the navy, the capabilities you require in order for your service to respond to domestic urgencies here at home?

● (1245)

**VAdm Bruce MacLean:** I think that's a very important question, and those lessons learned are being compiled now.

I think the first thing to note is that this was, of course, a joint operation. It was not just a navy piece. There's no question that the navy provided a significant backbone for its success, but the fact that we had army combat divers, the fact that we had the coast guard.... And didn't the *Sir William Alexander* do an amazing job down south? In fact, it was last out, last home; she just arrived last week back in Halifax. And the buoy tendering she did in replacing the buoys, as an example of the kind of work she did, was just outstanding.

The fact that in the planning stages the *Sir William Alexander* was appreciated as being a potential tool was, I think, a result of starting to work in a more collaborative way across departments. In the old days, we would have perhaps taken this on as a particularly navy piece. I think that's an important lesson, that lots of leverage and influence can be found by looking well outside the bounds of your own particular stovepipe. So this was not a navy operation. This was, without question, a Government of Canada and Canadian Forces piece. So I think that would be the first important lesson.

What we're doing with these marine security operation centres, what we're doing with the stand-up of these joint task force headquarters, should improve that piece. On the other hand, I would also say that the navy backbone has shown again that we have the kind of command and control capability to allow us to get out the door tonight. If we have to go tonight, we must go tonight. That's what a navy for Canada must be able to do.

The relationship with the United States, navy to navy, was critical. The ability of Admiral McNeil to talk to his counterpart in Norfolk and get a sense of what it was that they needed or what it was that we had that might be useful to the United States forces was fundamental, which talks to this whole issue of interoperability.

Do you know that one of the first dive teams in the water, when our divers got down there and they meshed with the Americans, was a Canadian dive team? They meshed with the Americans, and literally the first group in was Canadian. They just went in perfectly.

Dean McFadden, the commodore in charge of the task group, meshed so perfectly with the United States navy assets that it really was just wonderful to watch how easy it all was. Again, it is an absolute strength for operations at sea.

So I think, for the most part, what we learned were reinforcing lessons that we've always known. Command and control, interoperability, and starting to think in a much more joint way will in fact be very instrumental to success in a domestic situation, as well as in a U.S. situation.

**Hon. Keith Martin:** And I think one of the great untold stories is the degree of interoperability our navy has with the United States. It's truly extraordinary and benefits both our countries very well, as you mentioned, Admiral.

**VAdm Bruce MacLean:** There was one important piece, though, that we didn't have, and maybe I should mention this. We did not have a supply ship available in Halifax. It was a combination of the ship having come out of an extended work period, having had some problems, and coming back into a normal maintenance period.

We had to rely on U.S. forces to get that naval task troop down to Louisiana in a timely manner. It was in the interest of the United States to provide us with a supply ship, and they did that out of Norfolk. It would have been very useful to have had a Canadian supply ship. And that again reinforces the requirement, in my own mind, that a joint support ship, which is really a supply ship plus, will be critical for the Canadian Forces as we look to the next 10 to 15 years.

**Hon. Keith Martin:** I'll ask my last question, if I may?

**The Chair:** A very short one, please.

**Hon. Keith Martin:** You mention capabilities, Admiral, for the navy. It's a nice segue into my last question. You gave us a list here. Can you define your priorities in terms of your naval capabilities?

**VAdm Bruce MacLean:** I have to look at it in three different ways: what I have today, what I need to transition for tomorrow, and what kind of navy we want the day after tomorrow.

Regarding the navy of today, sailing out of Halifax and Esquimault we see the frigates, the submarines, the supply ships, the destroyers, and the helicopters and maritime patrol aircraft, and all the pieces that go along with that. That will happen, and we will provide as much quality as we can afford on any given day. We will focus on the interoperability with our coalition partners, and we will provide the kind of capability, up to and including force in our areas of interests. For a navy of our size, I think we do a pretty good job. We don't have all the money we would like to have. I don't think any leader or manager ever has the amount of money he would like to have. We will manage the money we are given to the best effect.

As we now look to the future, I need two important pieces to create the conditions for success. I need the intellectual capability that comes with having an understandable and capable officer and NCM core of people, and I need the quantity that goes with that.

Secondly, we will need resources. Navies are very capital intensive at the front end. We have not had a major shipbuilding capability in this country since the 1990s. So it's very expensive.

Let me give you an example. The United States Navy had 600 ships in the 1980s. It has 295 today, and it's on its way to about 275 tomorrow. At the time of the Falklands campaign 25 years ago, the British had 50 frigates and destroyers; today they have 25. By the way, in the Falklands campaign, they had four ships sunk and eight ships damaged out of the 50 ships. Imagine what that would mean today. The quality is getting significantly better. It's costing a lot, and that is affecting the quantity very significantly. In the context of making the navy the right navy for Canada, I need to deal with both the quality and the quantity, recognizing that in essence, we have two mutually exclusive coasts from which to deploy our ships. We could have a third in the Arctic dimension as well. All of this makes money and intellectual capital the significant challenges we are going to have as we position the navy for success in the future.

I've talked to a number of projects we have in the hopper, and these are not cheap projects. If we want to have the right navy, this is the kind of investment we're going to need. That's where most of my attention is going today: to position the navy for success for the day after tomorrow.

● (1250)

**The Chair:** That's the last question, Admiral.

Is there a final comment you wish to make, Admiral?

**VAdm Bruce MacLean:** Mr. Chair, I think I've spoken far too long and enough. I thank you very much for your indulgence.

It's always a great opportunity to have a chance to speak to this committee, because this committee has always been a very significant champion for the Canadian Forces. Certainly all of us in leadership positions thank you very much for the committee's work.

**The Chair:** Thank you for those comments. You can rest assured that that continues in this committee, as well with the members.

Thank you for your time and your very extensive responses to all the questions the members put before you.

Members, I will tell you, if you do wish a copy of this, I'm sure they're available. It's very informative. I was leafing through it as I took it away from you in a quiet way. I noticed something here on page 5, if I may. It says, “The Navy is approximately 7.6%, or 660 warm bodies, short of what is required to perform or assign missions...however, close to....” etc.

It reflects what you were saying earlier. As you know, we're also going through procurement hearings, and there's a list of what our military needs overall. Given what was discussed earlier in terms of the *Huron*, are you seeing or anticipating any difficulties? If so, how would you be addressing them in terms of recruiting, in terms of people? We could have the equipment as we want and need. How will they be manned? How will we address the personnel, the human resource side of it? Is there a plan? Do we need to take part of the moneys now being allocated towards our military to recruit, or whatever—roll out programs to attract members?

**VAdm Bruce MacLean:** Outside of wartime, the navy has generally been an organization with 8,000 to 10,000 folks. I don't see that changing very much. I think we have the right quantity of folks, and as I've already indicated, we will always have a challenge just getting those numbers. I will need some more people. To prosecute the kind of program we need, the kind of intellectual capability we need, we are going to need some more significant intellectual capital, particularly on the procurement side. I'm talking in the order of hundreds, not thousands of people. A couple of hundred people would satisfy me significantly. That's one aspect.

The bigger issue, though, is really the ability to move in as seamless a way as possible from one navy to the next navy, from one generation to the next. We've always had a great difficulty in Canada. Although we have always built our ships here—and that's a testament to the skills, intellects, and experience over generations—it has not been done in a continuous fashion. That has posed a lot of stress and challenge as we move from a wonderful frigate and destroyer program, the last large investment in the early 1930s, to where we are today, setting up for what will have to be a very significant capital investment over the next 10 years.

That will be the biggest challenge, because of course it's not just a navy issue; it's a Canadian Forces issue. All those moving parts that we need to come together—land, sea, and air—will put enormous pressure on that period. That's a reality, but again it will depend very much on what Canada, the government, wants for the navy. That's going to be one of the big issues for us.

● (1255)

**The Chair:** Thank you very much. I'm not going to get into the shipbuilding side of it, although that gives me a quick comment, that things have changed dramatically internationally as well. But I do believe there is a role that we can play in terms of a niche industry. I think the expertise and knowledge should never be lost in that area.

Let me close by thanking you again for being here and providing your generous time and very in-depth responses, as we move forward on this review we're embarking upon.

Colleagues, I will ask you to stay. We're going to go in camera.

[*Proceedings continue in camera*]

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