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—
Chair

The Honourable Shawn Murphy

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•(1100)
[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): I want to welcome everyone here.

This meeting, colleagues, is called pursuant to the Standing Orders. The committee today is dealing with chapter 2, “Support for Overseas Deployments—National Defence” of the May 2008 report of the Auditor General of Canada.

We're very pleased to have with us, from the Office of the Auditor General, Mr. Hugh McRoberts, Assistant Auditor General, and Wendy Loschiuk, Assistant Auditor General. From the Department of National Defence, we have the accounting officer and deputy minister, Mr. Robert Fonberg; the present Vice-Chief of the Defence Staff, Walter J. Natynczyk—soon to be elevated, and congratulations again; Dan Ross, assistant deputy minister, materiel; Major General Timothy Grant, Deputy Commander, Canadian Expeditionary Force Command; and Major General Daniel Benjamin, Commander, Canadian Operational Support Command.

On behalf of all members of the committee, I want to extend to everyone a very warm welcome.

Mr. Sweet.

Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC): Could I just ask if this meeting is televised? Is this video for DND purposes, or it is fully televised?

The Chair: The meeting is televised.

I'll ask the clerk to explain.

The Clerk of the Committee (Mr. Justin Vaive): A request came in yesterday evening from the press gallery to have a CTV camera in the room to video-record the proceedings per the guidelines that were set out by the procedure and House affairs committee several years ago. It's actually a fairly routine thing.

The main reason is that we're not in a televise-equipped room, and sometimes the media would still like to cover a meeting, so they make a request through the press gallery to video-record footage of the meeting. They do have to cover the meeting gavel to gavel, and the camera must be focused in on the member of the committee who is recognized to speak by the chair. So there is no panning. They cannot move around the room, in that respect. It's obviously for their news footage for later in the day or week.

Mr. David Sweet: That clarifies it fully. Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Sweet.

We're now going to hear the opening statement from Mr. McRoberts.

Mr. Hugh McRoberts (Assistant Auditor General, Office of the Auditor General of Canada): Thank you, Mr. Chairman.

Mr. Chair, thank you for the opportunity to discuss chapter 2 of our May 2008 report, “Support for Overseas Deployments—National Defence”. I am pleased to speak to you today about this important topic, as operational support is the foundation on which military missions rely.

With me is Wendy Loschiuk, Assistant Auditor General, who was the principal responsible for our defence audits at the time this audit was under way.

Our objective for this audit was to examine the logistical support provided to the Canadian Forces mission in Afghanistan. We focused on whether the supply chain is moving needed equipment and supplies into theatre in a timely way and whether it can keep track of stocks in theatre.

In doing this, we wanted to ensure we fully understood the demands of support personnel in Canada and in Afghanistan and that we had the right perspective and appreciation for the challenges they face. To do this, we followed the supply chain from Canada into Kandahar airfield, where we saw first-hand the hard work and dedication of our Canadian Forces members.

[Translation]

We found that it is this hard work and dedication that is keeping the supply chain going. National Defence has been able to deliver to its troops the equipment and supplies they need to do the job, and personnel are finding ways to maintain the equipment and weapons. However, the operation has been challenging for them. The Canadian Forces has had to adapt and adjust as the Afghanistan mission has changed and demands on logistical support have increased. This mission has tested the ability of the Canadian Forces to support a major operation.

•(1105)

[English]

National Defence has adjusted to the mission demands in several ways: by chartering civilian airlift to help move about 85 tonnes of equipment and supplies each week; by borrowing or stealing spare parts from one piece of equipment to make timely repairs to another; by sending technical assistance teams to visit Kandahar airfield to help when backlogs build up; by hiring civilian personnel to provide support, especially in the maintenance functions and for the hospital; and by making do with what they have to accomplish objectives according to circumstances.

Some weaknesses in the supply chain are understandable, considering the changes in the mission since 2003. Audits by our colleagues in the U.K. and the U.S. have reported problems in their deployments similar to those we have found in ours. Their findings suggest to us that given the lengthy experience of both these countries in conducting overseas deployments, some of the problems we found are inevitable where there are long supply chains supporting thousands of personnel. Nonetheless, we believe it is important to be aware of these problems and to be addressing them.

[Translation]

We found that there is some cause for concern as supplies are arriving late and significant amounts of supplies cannot be accounted for. Most items requested from the supply system by Kandahar airfield do not arrive on time, including spare parts needed to keep equipment and weapons working. Shortages in spare parts make it harder to maintain some equipment and weapons in an environment that has already put considerable wear and tear on fleets. For the most part, combat fleets are meeting operational expectations, but reserve stock for some combat equipment has been declining. Some support vehicle fleets, such as land mine detection systems or trucks for transporting supplies, had very low rates of serviceability.

[English]

Commanders have expressed their concerns about shortcomings in the supply chain and the difficulties these have added to conducting the mission. Nevertheless, we found no reports that, according to the commanders, supply chain problems had caused a significant impact on operations.

Tracking supplies was also a problem in Kandahar. While we appreciate that the camp is large and shared by several countries, we nevertheless expected that most supplies once received would be readily retrievable. Supply technicians at Kandahar airfield manually record that items have arrived and in which container they have been stored. Given the volume of goods arriving on any one flight, this could be quite a challenge and has added to the difficulty of keeping track of items.

We are pleased to note that National Defence takes this matter very seriously, and at the end of each rotation does an inventory count. However, these counts have shown that several million dollars' worth of items either could not be located or were there but had not been entered into the records.

[Translation]

National Defence has agreed with all the recommendations in our chapter. The department has also prepared an action plan that we believe represents a reasonable approach to addressing the concerns we have raised. We are happy to see that their plan includes objectives and target completion dates.

•(1110)

[English]

Mr. Chair, this concludes my opening remarks. We would be pleased to answer any questions.

Thank you.

The Chair: Thank you very much, Mr. McRoberts.

We're now going to hear from the Deputy Minister of National Defence, Mr. Robert Fonberg.

Before you start, Mr. Fonberg, we usually ask witnesses to keep opening statements in the vicinity of five minutes. I notice yours is 15 pages long. I don't know how you plan to deal with it. Perhaps I'll let you go for a while and see how you do, but we would like to keep it to five to seven minutes if that's possible.

Mr. Robert Fonberg (Deputy Minister, Department of National Defence): Thank you, Mr. Chairman. I will speak quickly.

Mr. John Williams (Edmonton—St. Albert, CPC): We can get that entered into the record, Mr. Chair, and perhaps he can give us a synopsis of it.

The Chair: It will definitely be entered into the record, in any event, Mr. Fonberg.

Mr. Robert Fonberg: I'm sorry, I didn't hear the question.

The Chair: Mr. Williams' point is that your document will be entered into the record and will be part of the record.

You can go ahead, sir.

Mr. Robert Fonberg: Thank you.

Mr. Chairman, members of the committee, thank you for the opportunity to speak with you today.

You have already introduced my team. I don't need to do that again.

I would obviously like to thank the Auditor General and her staff for her report and for their presence here today.

Mr. Chairman, I would like to spend just a few minutes outlining for the committee some of the complexities involved in the supply chain that supports the Canadian Forces.

[*Translation*]

Every day, Canada's men and women in uniform depend on a supply chain for resources, food, medicine and equipment—often required on an urgent basis—which will allow them to do their job effectively. The military supply chain is a highly complex process with many components. Personnel located in Canada must acquire the supplies, transport them to users and manage inventory for the most demanding of operational environments.

[*English*]

This currently involves shipments by air, as the Auditor General has said, two to three times a week to transport approximately 85 tonnes of equipment and supplies to a destination 12,000 kilometres away. At Kandahar airfield, the Canadian Forces receives supplies and equipment from all over the world, including direct shipments from places like France and South Africa. A sea shipment may originate at the port of Montreal, transit in a place such as Pakistan, and then be driven overland into theatre. Once in Afghanistan, materiel and spare parts are moved from the base at Kandahar airfield to five different forward operating bases, as well as several remote sites, on a daily basis.

As the threat environment evolves, there is a need to deploy different or additional capabilities, spare parts, and other supplies on a regular basis. Adapting and adjusting to challenges in the supply chain helps ensure that the Canadian Forces continues to get the right equipment and resources to the right place at the right time.

The Department of National Defence welcomes the recommendations made by the Auditor General in her May 2008 report. The committee has asked about a \$7.1 million deficiency found during an inventory review in Kandahar. Additionally, while the committee did not request information on the \$6.6 million in surplus items highlighted by the Auditor General, I would like to speak to these briefly as well. Together these are a measure of overall supply chain efficiency.

[*Translation*]

An explanation of the discrepancies is included in a report requested by the committee, which I understand has been tabled with the committee.

The time period under which the Auditor General conducted her review includes the most active window of combat operations for the Canadian Forces since the Korean War. Undoubtedly, this intense period of combat has had an impact on the accuracy of supply record keeping, and this has been a real challenge for us.

[*English*]

We take our responsibilities and accountabilities for the effective and efficient management of our materiel holdings extremely seriously. We strive to maintain the highest standards in that respect. This is why we are one of the few nations that does stock-taking in theatre every time we do a troop rotation. Our major allies only do this type of accounting at the end of the mission. In fact, Canada is a leader among the armed forces of the world for inventory stock-taking.

Having the strict security parameters within which the Canadian Forces operate in Afghanistan gives us considerable confidence that

the vast majority of the unaccounted-for items on the \$7.1 million list are in fact stored somewhere within our secure compounds, or were actually used for equipment repairs or upgrades. However, due to the exigencies of a manual supply chain operating in a combat theatre, supplies and equipment may be unaccounted for. At present every effort is being taken to account for these variances. Over 5,000 investigations have been conducted into the \$7.1 million deficiency and the \$6.6 million surplus, including a number that are still ongoing.

To date the findings have consistently demonstrated that these discrepancies are the result of accounting variances, which are a combination of variances that result from manual entries into the CF information systems in theatre; misidentification of goods and spare parts by supply technicians who are unfamiliar with new equipment and parts arriving in theatre, some directly from manufacturers; and shortages in personnel caused by operational tempo.

These variances were compounded by the need to transfer assets to forward operating bases and a lack of connectivity to CF support systems. For example, supply technicians in these austere locations had no automated tracking system for items.

● (1115)

[*Translation*]

The urgent need for certain equipment in Afghanistan also increased the pressure to deliver assets quickly. As a result, some were introduced without proper identification for tracking purposes. In addition, we cannot dismiss the difficulty in accounting for items destroyed or abandoned due to engagement by the Canadian Forces with enemy insurgents.

I am pleased to note that in spite of these challenges, the Auditor General does confirm that National Defence has been able to deliver to troops the equipment and supplies they need.

[*English*]

While we take extremely seriously our accountability for managing every taxpayer dollar voted to us by Parliament, the fact that there is a \$7.1-million deficiency is in some ways nothing short of remarkable. This deficiency, along with the \$6.6-million surplus, represented only 1.28% of the \$1.072 billion of equipment and inventory held in Afghanistan. We also anticipate that a very significant proportion of these surpluses and deficiencies will be resolved when we do complete a full reconciliation of accounts at mission close-out and that very little of the materiel will in fact be assessed as lost.

That said, we have learned from this experience and the recommendations made by the Auditor General. I would like to address what measures we have taken to resolve the issues you identified, including those relating to the monitoring, tracking, and management of the supply chain.

Mr. Chairman, Canadian Forces and the Department of National Defence have reinforced specific efforts aimed at enhancing compliance and oversight. We regularly send in assistance teams to review stock levels and address problems with the supply chain in theatre. Specialized teams will have received the transfer of spare parts from the manufacturer's factory to Canadian Forces operations in Afghanistan. These teams will ensure that new parts are entered into the inventory system immediately upon receipt. We've also increased the number of supply technicians available to provide dedicated stock-taking and investigation capabilities.

[Translation]

Further, we have developed an action plan to address the problems identified by the Auditor General, which I understand was also tabled with the committee.

Please allow me to outline for you some of these measures.

[English]

In addition to the current consignment tracking system in theatre, a phased asset visibility project is currently under way to ensure timely and accurate tracking of inventory. An interim radio frequency identification has been established to track assets moving to and from Afghanistan. We expect a final solution based on a Canadian approach by the end of this year.

In addition, the department is currently introducing a hand-held bar code reading capability in Canada, which we hope to evaluate in Kandahar this summer. This will help deal with the manual entry issue in theatre.

Mr. Chairman, while the Auditor General found no reports of supply chain problems that had significantly affected operations, we recognize that this is due in significant measure to the dedication, hard work, and ingenuity of the troops on the ground. While we currently have a supply system accuracy rate of nearly 99%, we will continue our best efforts to help the Canadian Forces respond to the demands of Canada's mission in Afghanistan. Again, we take our accountability for managing taxpayers' dollars extremely seriously.

[Translation]

I wish to thank the committee for the opportunity to address this issue today and would welcome any questions you may have.

Thank you.

[English]

The Chair: Thank you very much, Mr. Fonberg.

I want to raise a couple of matters before we go to the first question.

The first item, colleagues, is that I just want to take this opportunity to introduce our colleague, Jim Maloway, who is the vice-president of the Manitoba public accounts committee. He has business today. Jim, would you stand up and be recognized? Welcome to the meeting.

The second item is that I just want to caution members that today this meeting is called to deal with all the issues raised in the Auditor General's report, chapter 2, "Support for Overseas Deployments—National Defence"; in other words, the supply chain. Some of the

other related issues are controversial—they've been in the news lately—but the chair will certainly be looking for relevancy in the questions.

Mr. Wrzesnewskij, you have seven minutes.

Mr. Borys Wrzesnewskij (Etobicoke Centre, Lib.): Thank you, Chair.

Welcome, Mr. Natynczyk. We certainly look forward to meeting with you more often as you take us through probably the most difficult period of our Afghan mission, through to December of 2011.

Mr. Natynczyk, in the last little while we've had a backdrop for this particular chapter. We've read reports of difficulties the government is having with procurement. What's of special concern is difficulties in procurement of equipment that's necessary for the ongoing mission in Afghanistan. We know we have a system that's supposed to meet requirements within 10 or 20 days. We see that the system is not functioning, not meeting its particular objectives. Some of those objectives perhaps are being met just strictly because of personnel deciding to step in and take things into their own hands.

How long do you figure it will take before we could revamp the system so that it actually meets its objectives of 10 to 20 days?

• (1120)

Lieutenant General Walter Natynczyk (Vice-Chief of the Defence Staff, Department of National Defence): Sir, I don't have the detailed information with regard to revamping the process to meet your requirement of 10 to 20 days. I do want to say, though, that in terms of the major equipment that our soldiers and sailors and airmen and women use on operations, and now specifically in Afghanistan, we've had a pretty good track record over the past few years. Going from identifying a requirement, especially when we see either tactics change or the environment in which we're working change, to such time as we're actually able to field something on the ground, we're very, very quick.

I'll just use the example of tanks in theatre with regard to Operation Medusa, going back to August and September of 2006. The requirement for the tanks going into theatre was identified on about September 6. Through a massive effort led by Dan Ross, who can probably address some of these things, working with Public Works, working with Industry, in terms of getting the spare parts and so on, supporting that piece of equipment, we got that piece of equipment into theatre within a month, in fact less than a calendar month. On October 3, 2006, I believe the first tank rolled off the aircraft in Kandahar.

Indeed, the parts flow had a different expenditure rate from what we had expected before. The tanks were not intended at that point in time to be used in theatre. So buying engines, buying transmissions, buying all kinds of spare parts, we changed the flow. We got great support from Public Works and so on.

I can use other anecdotes with regard to artillery, with regard to some of the armoured trucks. Again, we found that some of our armoured trucks were not sufficient for the new techniques and procedures that the Taliban were using. In very short order, as a result of an immediate operational requirement, our materiel people, working with Public Works, working with Industry, reacted to that, and we had vehicles on the ground.

I would defer to Dan Ross and General Benjamin to go further on this issue, sir, if you wish.

Mr. Dan Ross (Assistant Deputy Minister (Materiel), Department of National Defence): Perhaps I could elaborate in more detail.

Some of the challenges that were evident at the place in time when the Auditor General did her review were representative of the early introduction of equipment, without perhaps the normal time and space to deliver the integrated logistics support with normal spare parts.

Normally when you would embark on a major project—for instance, to buy the armoured trucks—you would have about two years before your armoured trucks would be delivered. In the intervening time, you'd build up your logistics stocks, your spare parts, your procedures, and you'd be ready for the armoured trucks.

In this case, we got armoured trucks delivered directly from the factory to the field, directly to combat. So you have a lag to get those spare parts and processes in place. It did take extraordinary efforts to do that. The entire supply chain, General Benjamin's command, and the troops in the field reacted to get the job done, but I have to comment that in those instances of tanks, Nyalas, Mercedes trucks and so on, we are catching up to that supply chain lag. We are building up those stock levels. We are finding fewer instances where there are urgent demands required.

As time goes on, I think we'll see with future stock-level reviews that the spike of variances will come down significantly.

Mr. Borys Wrzesnewskyj: Thank you, Mr. Ross and Mr. Natyczuk.

What I find a little disturbing is that the personnel actually have to, in your own words, make extraordinary efforts, or they have had to in the past. Perhaps at a later point we could take a look again at the system design and what's being done to make sure that we don't put this additional burden on the personnel of having to make extraordinary efforts every time it appears that we're missing equipment.

Is there an actual list? You say things are much better now. I understand that on Kandahar base there's a so-called graveyard of equipment. Some of it's been taken out by IEDs, and some other equipment has had to be cannibalized for parts. Is there an inventory of what's in that particular graveyard or of what's being cannibalized? Or is it just kind of ad hoc?

I'm just wondering if there's a list that you can provide this committee of equipment—especially when it comes to ground transport—that is needed, that we don't have in place for spare parts, that you're critically short of in Kandahar at this time. The worry

there is not only the inability to meet field mission objectives; it's also, for our soldiers, the worry of jeopardizing life and limb.

So do you have a list that you can provide to this committee of what we're short of right now? And if you don't have that type of list, why not?

As well, what's in this “reserve” inventory, I guess, that you have in the graveyard in Kandahar?

• (1125)

Major General Daniel Benjamin (Commander, Canadian Operational Support Command, Department of National Defence): Mr. Chairman, basically procurement is through Mr. Ross's organization, and they bring most of the assets into our depot. I take care of the national depot here in Canada and I project this equipment into the theatre through the distribution process, which is worldwide and very complex, and we do the retrogrades, meaning bringing back all of that equipment. Once in theatre, it then goes to the theatre commander. General Grant in this instance is representing people taking responsibility of the kit there.

Part of my task is to make sure that we understand the full supply chain from the manufacturer to the theatre, understand the level of stocks, and understand whether in time and space we can bring it into that theatre at the right time and at the right place to make sure we don't compromise operations. We call it total asset visibility.

This is something my command is looking at. We're looking at all the assets there and trying to determine in fact what those choke points are. What we're seeing now, Mr. Chairman, as we procure many of the items, is that many of those items are procured worldwide off the shelf. I thought our supply chain would come from Canada to the theatre, but in fact we needed to have those critical pieces of equipment go directly into that theatre, so our supply chain in fact very often starts from the manufacturer and goes into the theatre of operation.

It's the first time that many of those capabilities are being exposed to this climate. It's 50-plus degrees, with very fine dust that gets into the mechanics and so on, so it's extremely difficult to forecast what is going to break. It's almost an art to understand what will break in three months and six months.

I monitor this very closely back through the supply chain to see if we have the repair parts in our depot in Afghanistan or in our depot here in Canada. If not, we see what the manufacturers have in their stocks, and how in time and space we can bring it into that theatre. Just the right amount at the right time is something that I'm looking at, and I have this for every capability in that theatre.

Mr. Borys Wrzesnewskyj: To continue on a point of order, I had requested whether we could have a schedule tabled of the actual equipment that is missing in the field, and the spare parts—

The Chair: It seems to me, Mr. Wrzesnewskyj, that although I'm going to get them to respond, we may be getting into situations that for security reasons may cause the leadership of our defence not to want to get that specific in their answers.

I will invite the vice-chief to respond.

LGen Walter Natynczyk: The number of vehicles in that yard that have been damaged in theatre is constantly changing because we are actually bringing vehicles home when we have the ways and means. When aircraft are coming back or when lowbeds are going out of theatre and out to ships, we bring these vehicles home, because many of them actually can be repaired, so the number of vehicles in that compound changes on a regular basis.

General Benjamin may want to comment about the repairs to some of these vehicles.

• (1130)

MGen Daniel Benjamin: Right now, Mr. Chairman, we have four of those vehicles that are set to be brought back. As soon as I have aircraft coming back, we'll bring them in. The flow is back and forth all the time.

[*Translation*]

The Chair: Mr. Laforest, you have the floor for seven minutes.

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chair.

Good morning. First off, I would like to ask Mr. Fonberg a question.

In the response we received this morning from National Defence, you state that the deployment of forces in Kandahar has been the most demanding and complex since the Korean War. I get the impression that you are saying that to justify the problems with the supply chain. Since this is such a major deployment involving manifest danger, that should be not used as an excuse, but rather as a motivation to have a perfect supply chain. That should be an additional reason to send even more precise goods and equipment from Canada to support the armed forces. Further, your excuse is something that was identified by the Auditor General. You have repeated something the Auditor General said in order to draw a comparison with the Korean War.

I would like to hear you explain that.

[*English*]

Mr. Robert Fonberg: Mr. Chairman, I would obviously ask my military colleagues to respond in part, but having gone from limited combat operations to a sustained combat operation and everything that this entails over the last few years has required the Canadian Forces not only to in some ways relearn what it takes to fight a mission 12,000 kilometres away, but to get better at that process day after day and week after week. I would just say two things and then perhaps turn it over to the vice-chief.

Number one is, again, that the deficiencies and surplus that the Auditor General discovered happened—1.3% of the total inventory in theatre, actually measured at a time of perhaps the highest operational tempo during this combat mission—at the time of Operation Medusa. If you look at the variances before and after that, you'll see them to be quite a bit lower; in fact, although I haven't

done the numbers, probably well below 1% of the inventory in theatre, when you look at them.

But I would turn to the vice-chief to see whether he would like to comment on the complexity of the mission, Mr. Chair.

[*Translation*]

LGen Walter Natynczyk: I would first like to say that our inventory is under the responsibility of the entire command chain, i. e., from the master corporal all the way up to myself, the vice-chief of defence staff. We say that amateurs talk about tactics, but professionals talk about logistics.

The situation in Afghanistan is far more complex than the operations we conducted in Bosnia, Kosovo and East Timor. There, the theatres had been stabilized. But in Afghanistan, the pace of operations changes daily, not to mention all the troop deployments. There are changes happening each and every day.

Mr. Jean-Yves Laforest: I am sorry to interrupt you but we have little time.

The Auditor General raised supply problems, and some commanders said that those problems hindered them somewhat, and yet no report was made. Do you find it normal that the commanders did not write a report on the fact that equipment was missing? That equipment was worth seven million dollars. We do not know what it included. My predecessor asked that we be provided a list, and I think that that would be important for us to have. I asked Ms. Fraser whether the missing supplies were medical products or weapons.

I am somewhat concerned by the fact that the commanders did not write a report on the missing equipment.

• (1135)

LGen Walter Natynczyk: I will ask Major General Benjamin to talk about the details, but I would first like to repeat that the situation is complex because of the pace of operations and all the displacements.

Daniel will give you the details by sector.

MGen Daniel Benjamin: Mr. Chair, I would like to put that inventory into context. As part of this mission, we work with other national armed forces. They begin and end their mission, and then do their accounting. Canada goes one step further. Each time a new commander arrives in the theatre of operations, one of my teams travels there to conduct a spot check in order to ensure that the people in the theatre of operations have properly kept their inventory.

My team collected the data and calculated the \$7.1 million deficit and \$6.6 million surplus. That was only a spot check. You have to keep that in perspective.

Mr. Jean-Yves Laforest: Before the Auditor General did her report, did you know that \$7 million in inventory was missing?

MGen Daniel Benjamin: My team travels there twice a year, and every six months, we know what our contingents are doing to monitor their equipment. We therefore do not know ahead of time what the results of the spot check will be. We do not assess the entire inventory. There are some one billion dollars in inventory in the theatre of operations, spread out over hundreds of square kilometres. Of course, we cannot stop all the operations and do like they do at Canadian Tire, where one evening they will decide to take their inventory and make sure that everything is where it should be.

Mr. Jean-Yves Laforest: That is quite understandable.

MGen Daniel Benjamin: It is impossible to do. So, everything is constantly being displaced, and my people try to conduct spot checks.

The chain of command wants to know where we think there are problems, and my team does spot checks in those areas.

[English]

The Chair: Mr. McRoberts, do you have something to say?

Mr. Hugh McRoberts: Thank you, Mr. Chairman.

I'd just like to clarify this so that we don't leave an impression....

In terms of the commanders' reports, they dealt at length with logistical issues and supply issues, and they certainly did raise concerns, in some instances, about deficiencies in the supply chain. What we identified as being notable was the fact that in reviewing all of those reports, at the end of the day, yes, there had been problems with the supply chain, but what they also indicated was that those had not affected combat operations, which we thought was important to draw attention to. But they certainly addressed logistical issues at some length in those reports.

The second thing I just want to be clear about is that the \$6 million and \$7 million—the other end-of-rotation inventories—was not something that we identified. That was something we drew attention to as a result of the reports and the very good work that DND had done. If they had not done that work, we certainly would not have had the audit capacity to detect that.

I think, in fairness to the forces, I just wanted to clarify that.

The Chair: Thank you, Mr. McRoberts.

Merci, Monsieur Laforest.

Mr. Sweet, for seven minutes.

Mr. David Sweet: Thank you, Mr. Chairman.

First and foremost, I'd like to say to those who have had to handle the responsibility of a very difficult mission, all Canadians are proud of you and appreciate the work that you're doing there and continue to do.

I wanted to ask a couple of questions. I probably took a look at this report in a different light from what most people would, because as a leadership assignment I read General Pagonis's book, *Moving Mountains*, and have an idea of just how sophisticated a supply chain is. As I was reading this report, I thought it was too bad that we didn't have everything labelled as tonnes of equipment moved, as General Pagonis did in his book, because you really realize when

you're constantly feeding a small city of people just how much work it is.

I wanted to ask some questions to get some details on some of the things the Auditor General highlighted.

In paragraphs 2.43 and 2.51 in the Auditor General's report, on pages 15 and 18, there's some talk about the Nyala and other equipment, and something was really niggling at me when I was reading that. What responsibility do the manufacturers have in this? I would think that when they come to you, they probably make some significant promises about equipment. And as Major General Benjamin said, you almost have to have this down to an art in figuring out when something is going to break down. Are the manufacturers of this equipment fulfilling their responsibilities?

• (1140)

LGen Walter Natynczyk: I'll just start off, if I might, Mr. Chairman.

Any piece of military equipment put out there is a compromise of a number of factors: protection, mobility, power, its firepower. It's always a compromise of all of these characteristics of a vehicle. The Nyala is a great vehicle. And we realized, because of how the mission was evolving, that we needed to provide a more heavily armoured car than we initially had with the G-wagon or the jeep that we had in theatre, which were armour-protected but didn't have sufficient protection.

On the market at the time, the Nyala, the RG-31, was out there. It was designed more specifically for road work. Well, in the Kandahar area there aren't a lot of roads, so it's going over some pretty tough terrain. Also, it's a vehicle that we fielded pretty quickly, because we needed it out there. That vehicle has saved a lot of lives, and we've learned a lot about how it is to be employed, and the drivers have learned what they can put it through. That put a lot of strain on the vehicle.

Because the vehicle is so popular, a lot of our allies have lined up at the manufacturer to buy it as well, so all of the parts are actually not going for spares, but to the manufacturing of original equipment. So therein lies the challenge. At the same time, the manufacturer is learning about its vehicle and producing better variants of that vehicle.

I will turn this over to General Grant, who, as the commander on the ground at the time, received those vehicles and put them into theatre.

Major General Timothy Grant (Deputy Commander, Canadian Expeditionary Force Command, Department of National Defence): Thanks very much, sir.

I was the commander during the time of the audit, but more particularly, the commander when the Nyalas were being introduced into theatre. The one thing that made it a success story from my standpoint is the fact that the manufacturer provided us with two individuals, two civilian technical experts—"field service representatives" they were called—who provided us with the expertise, not only on how to maintain this vehicle, but also to help the drivers to use the right techniques to manoeuvre it through some of the terribly complex and rough terrain the vice-chief has spoken about.

So certainly from my standpoint, although we had some challenges with getting spare parts, the fact that we had those two technical experts provided by the company was a huge step in the right direction, and allowed us to maintain the serviceability of that fleet.

LGen Walter Natynczyk: I would also add that in any theatre, Mr. Chairman, when you introduce a piece of equipment, the manufacturer may not have had that vehicle to the exact specifications of that theatre.

The kind of fine powder that General Benjamin mentioned earlier gets everywhere. It gets into air filters, and therefore your consumption rate of parts like that is totally unlike what you'd face anywhere else. So we're dealing with those kinds of things, and there are extraordinary efforts by the entire chain, right from the soldiers who are driving those vehicles up through to Mr. Ross, working with the Department of Public Works, to try to get those kinds of pieces.

Mr. David Sweet: Thank you.

Mr. Fonberg, towards the end of your opening remarks you talked about the bar code readers in theatre. I'm just wondering if that will bring the level of supply chain capability and functionality to the same level in theatre that it is at back here at home.

Mr. Robert Fonberg: I'll turn to Major General Benjamin on that. My understanding is it will certainly take care of part of that. My understanding is that as the supplies come off the airplanes now, what was bar-coded at home ends up getting manually entered at Kandahar airfield, because we haven't introduced that capability. But that does not or will not help with the pushing forward of those supplies to the forward operating bases where they have to be received again and inventoried again.

I would turn to the general to add any more detail on the bar code orders.

MGen Daniel Benjamin: Thank you.

Mr. Chairman, I had the chance to introduce the RFID, the radio-frequency identification device, to track the items up to the theatre. I'm really looking forward to having the bar coding, because there's a massive amount of equipment that is getting there, and we want our supply technician to have this bar code type of technology and register and remove any of the errors that you could make when you type the eight-digit or twelve-digit numbers into the system. This will greatly enhance that. I'm really looking forward to getting that technology very rapidly.

Mind you, you should realize that many of our allies use it, and they will use it at the entry point, for example, in Kandahar, but they very rarely push it to the forward operating bases, and this is something we will have to explore. This is a combat zone. How do you do stock-taking in a combat zone?

Mr. David Sweet: That makes sense.

Another question I have refers to page 9, paragraph 2.23. One of the things that was causing a lot of delay was the materiel-handling equipment. I believe there was a promise there that you were going to deal with that. Has that equipment actually arrived? Is there new materiel-handling equipment to fix that aspect of the supply chain?

●(1145)

MGen Daniel Benjamin: Yes, Mr. Chairman.

This is very much linked to the C-17, which is a tremendous capability that we have acquired, but you have to load it up. And what we don't have in Canada as part of the capability is proper handling equipment. It's called a K60 loader, so it loads 60,000 pounds. You put things on a pallet and roll it into the C-17.

The U.S. were out of stock, but we have been dealing with the commander of US TRANSCOM. They have been very helpful and have provided us with two of those devices. The assistant deputy minister for materiel is moving forward to get some of our own for the future. So right now the problem has been solved, and what a capability it is.

Mr. David Sweet: I have just one point. Did you say these loaders are 60,000 pounds?

MGen Daniel Benjamin: The loader can lift up 60,000 pounds.

Mr. David Sweet: Is that on one single pallet?

MGen Daniel Benjamin: It's a huge system.

The Chair: Thank you, Mr. Sweet.

Mr. Christopherson, you have seven minutes.

Mr. David Christopherson (Hamilton Centre, NDP): Thanks very much, Chair.

Thank you all for your attention today.

I will begin with congratulations, General. Now we'll get to work on your name, Natynczyk. I've got a longer name than you, so I think you'll understand you have great sympathy from me in terms of how it gets pronounced.

The Chair: Soon we'll all be able to pronounce it.

Mr. David Christopherson: Yes.

We all wish you the best of luck, really, especially in the care of our soldiers. And let me just say that if my approach to this today seems a little uncharacteristic, it's because I have a great deal of sympathy. Prior to entering public life—quite a while ago now—I spent ten years punching a clock, working in a parts department. So nobody knows more about back orders and the wrong part and things that don't fit and why it happens than I do. It's been quite a few years, and there is a lot of technology, but that's not always a big help. So you're going to hear a lot more sympathetic a questioner than normal here, because I do have a great deal of sympathy for how difficult this is.

That being said, however, the report, in paragraph 2.21, shows us that 50% of all the equipment and supplies that are ordered don't make it on time. That speaks to planning as much as it does to the actual delivery on the ground. Is that improving? Why is that number so high?

We've been out there for quite a while now. It would seem to me we'd be a little closer to knowing when things could really happen, given all the difficulties you have. So can you give us a little explanation of why the figure is 50%, and what you're doing to lower that, please?

MGen Daniel Benjamin: Yes. It's a great question. In fact, I can come back to another question we had earlier on the systemic approach to the problem and the improvements that we've been making. When the OAG went in theatre, we were in the process of changing our priority code system from twelve codes to four. What happened, from a full DND and Canadian Forces perspective, was that people had to change their approach. Our depots were being swamped with high-priority demands, the top demand, when in fact they were not demands required for theatre. We have disciplined the process, and now priority code one is for operations.

Our extremely urgent demands, to be brought to the theatre, went from 47% to 5% or 6%. Then I do the tracking. How fast do we deliver it? Right now, on average, we do it in 11 to 21 days, depending on the type of aircraft. It's a huge improvement.

Mr. David Christopherson: Very good.

LGen Walter Natynczyk: This is a credit to ADM Materiel, Mr. Dan Ross, with the procurement side, in getting those spare pieces. Also, with regard to Canadian Operational Support Command and how they have used the C-17s, contracting the ships, and ensuring that the high priority is flown in, those pieces, those commodities that we have a month or two before getting into theatre are in a container aboard ship. So we're actually getting best value for the transit costs.

Mr. David Christopherson: I also noted that there are different supply chains for medical equipment. A common-sense approach would say that's because it's life-saving and you can't afford the delays, but I'm wondering how that system would work. I'm going to make an assumption that it works more efficiently than the other and that's why there's a separate one. You don't want glitches. But what would the differences be between what you do with medical supplies and how the regular system would handle them? I would assume your way is more effective. Just enlighten me on that, please.

• (1150)

MGen Daniel Benjamin: We have two supply chains that work in parallel. This is a legacy issue. With the creation of my command, the medical in support of operation is also part of my command, and we work hand-in-hand. The problems they were facing in Afghanistan, in the role three and having the proper medical supplies, we have resolved through proper SOAs and proper stock discipline. So even though it works in parallel, it's still very much integrated into the overall system. We track the other as well.

Mr. David Christopherson: So you've adopted some of the techniques you used there.

MGen Daniel Benjamin: Yes, we have paid special attention to stock levels and having enough supplies for 60 to 90 days, so that we don't run out in a critical time at the role three hospital in Kandahar.

LGen Walter Natynczyk: Just before this audit, in the fall of 2005, we created General Benjamin's headquarters. The Canadian Operational Support Command brings together logistics, medical, engineering, and signals under one umbrella to ensure that it's all synchronized. And what we're seeing now is the effect of that.

Mr. David Christopherson: I'd like to ask you a real layperson's question about supplies. How does it work if there is something incredibly urgent? If you just found out you need blood or key components of a piece of equipment, it could very well be, in your

business, life and death. Do you have a special means? Is there something available where you or somebody can get on the phone and just say, "Grab it. Make it happen. I want it there, I want it there within x period of time, and don't tell me procedures"? Does that exist, or is that TV?

LGen Walter Natynczyk: I call Dan Benjamin.

Mr. David Christopherson: Okay.

MGen Daniel Benjamin: Yes, the material priority code one for operations is the one. But I guess you could have sub-priorities within that, if you absolutely need it, like within three days. We'd take the phone and tell them to make sure of this and we'd track it through the whole system. And I have the ability to track it.

Mr. David Christopherson: I'm just curious. Let me push you one more step. How would that work? Do you have special aircraft ready? Would you divert aircraft if that was needed? Would you send personnel? If it's life and death, there are no procedures that are going to get in the way; this is just going to happen. How would that work?

MGen Daniel Benjamin: We have a support pipeline that goes from Canada to that theatre on a regular basis. We have a Canadian Airbus from the air force; we have an IL-76 every week leaving from Trenton; we have our C-17 twice a week; in the future, once we have all of them, we'll have the C-17 once a week; and right now I have three to four Antanovs per month that are also put in the pipeline.

This pipeline goes back and forth, and we optimize what we put in the pipeline through that process, making sure that people in theatre have the right kit at the right moment.

Mr. David Christopherson: Very good.

Thank you, Chair.

The Chair: Thank you very much, Mr. Christopherson.

Mr. Hubbard, for seven minutes.

Hon. Charles Hubbard (Miramichi, Lib.): Thanks, Mr. Chair.

I think we are comforted by what we hear. Sometimes you read about the loss of supplies, but I guess the other case is you have a surplus of supplies.

I want to ask about bar coding. Why is that a problem? Most little stores in Canada have bar code systems. Why would a big organization like DND not have a bar code system in place? It seemed to be a problem when you mentioned bar codes.

MGen Daniel Benjamin: Yes, we do have bar coding in Canada. My depots in both Montreal and Edmonton are using bar coding. The ADM for materiel was in the process of procuring the capability for all of the warehouses within Canada, and obviously we wanted it in operation. But we realized that we must have it in operation as soon as possible, and I really wanted to have this capability in that theatre.

Hon. Charles Hubbard: When would you expect that? The Auditor General made a report that's been around for some time. When would you expect to have this in the theatre?

Mr. Robert Fonberg: I believe the action plan that we tabled talks about rolling this out for piloting before the end of July of this year, and having the capability operational in theatre before the end of this year.

Hon. Charles Hubbard: With the equipment we're using in Afghanistan—we're part of an allied system—is there an interchange between us and our allies in terms of equipment, medical supplies, or other needs, where you can go to your neighbour and say you need...?

MGen Daniel Benjamin: Mr. Chairman, this is a very interesting question, because there is no interchange as such. Even though we're all under the NATO umbrella, there is no systemic approach to sharing equipment between the key countries. We have formed a group of partners, and we talk to each other. We are connected to each other all the time, and when we see a deficiency we use the unofficial network to get them supplies.

We have had several examples in Afghanistan where the United Kingdom, the United States, and even New Zealand have been providing us with some of the equipment we need for our troops.

• (1155)

Hon. Charles Hubbard: I'm rather surprised that NATO hasn't done more to look at the standardization of equipment and the ability to exchange, on an almost hourly basis, when something is needed.

LGen Walter Natynczyk: During the Cold War period, when we had a lot of troops—air and land troops—in Europe, we did indeed have NATO standards for various pieces of equipment, and there was a degree of sharing across the board. We now see efforts by NATO partners, as General Benjamin just mentioned, to try to get back into that. But the problem is there are so many different pieces of equipment being used by various nations, especially on the kinds of major vehicles that we're using in theatre, that it's difficult to do that. But at the same time, Mr. Ross gets together with his colleagues from other NATO countries to find ways and means in order to do that, because we absolutely agree that it would be far more efficient if we had that wherewithal to do some sharing on the ground.

Hon. Charles Hubbard: In Somalia we had trouble with break-ins at our compounds, and the loss. Has that been a problem in Afghanistan?

MGen Timothy Grant: Every forward operating base that we operate by ourselves has an outstanding level of security. To this point there has been no indication of a break-in by anyone into those forward locations.

Certainly at Kandahar airfield, where we share those security requirements with our allies, the security requirements are absolutely stringent, and there is a layered defence to the airfield. All of the

locally engaged employees are searched by hand and mechanically as they come into the airfield, they're managed while they are on the airfield, and they're searched again before they leave. So we're very comfortable that we have not suffered any losses through theft by locals who have infiltrated our camps.

The other thing that we acknowledge is that if Taliban insurgents were actually entering into our camp, they would not be there to steal fuel or food; they'd be there to kill us. From that standpoint, we're very cautious of our security situation, and we make sure that is always the number one priority.

Hon. Charles Hubbard: A final question, if I might.

With the deficiencies, the Auditor General seemed to say.... This is a very small percentage of the overall equipment and supplies that are available in the field. In terms of the Auditor General's report, there are what they call write-offs: every quartermaster can write off certain equipment. Does this include write-offs, Mr. McRoberts, or is it simply overall loss of equipment?

Ms. Wendy Loschiuk (Assistant Auditor General, Office of the Auditor General of Canada): If I may, Mr. Chairman, I'll answer that question.

If I understand, you're asking about the \$7 million and the \$6.6 million. These were inventory counts. National Defence went in, basically to do a spot check: "This is what we expect to see. Is it there?" If items were not there, it may well have been that they were written off but not recorded.

From our knowledge of the count that was done, it was simply to check to see if the goods were actually in place.

Hon. Charles Hubbard: General Benjamin might have something on this, but in the write-off system you tear gear out of a big tank and throw it away.

MGen Daniel Benjamin: Mr. Chairman, the \$7.1 million in fact represents the write-offs. But as I was saying, this was a spot check, so it is not the final write-off. When we close that mission and we have a chance to localize the items, then we will reverse the process, if you wish.

It's not a matter that we've lost anything, it's just that we cannot track it. It was the first time ever during that rotation that our specialists could go outside the wire, outside of Kandahar, and look at the FOBs, the forward operating bases. But they were at the FOBs for three or four days, and there was action throughout that time, so it was very, very difficult to track the items. They didn't see it, so they reported that they didn't see it.

When we close the mission, we'll see reverse engineering of much of this kit.

Hon. Charles Hubbard: Thank you, Mr. Chair.

The Chair: Thank you very much, Mr. Hubbard.

Mr. Fitzpatrick, seven minutes.

Mr. Brian Fitzpatrick (Prince Albert, CPC): Thank you very much.

Actually, a lot of the questions I was going to ask have been answered.

I want to especially commend the folks from the military. We sit on a committee where the old saying “when in doubt, mumble or use double-speak” seems to be the standard rather than the exception. In both hearings I've had with the Canadian military people, this is very refreshing—straightforward answers to questions. I think everybody on this committee should be impressed with the quality of answers we receive here. We're certainly not getting any of this mumbling or double-speak.

I think some people have described the era leading up to our entry into the war as a “dark decade”, especially in terms of equipment that our forces had when we entered this situation. I'm assuming the supply chain wasn't exactly a Canadian Tire or Wal-Mart operation either, if the equipment was pretty much rusted out as well. So it would go hand in glove with the system we had.

Major-General Benjamin, it's my impression that the supply chain that exists today has improved dramatically over what we had in 2005 or 2004, when we got involved in this operation. Is that a correct assumption?

• (1200)

MGen Daniel Benjamin: Exactly. In fact you should be proud, as Canadians, because we have one supply system, and we're one of the few countries in the world that has one supply system. So we can track it.

People from the United States, United Kingdom, France, Germany, all come to Canada now to look at how we are doing this. They don't believe it. It's amazing what we do.

Mr. Brian Fitzpatrick: Thank you very much, sir.

Much has been focused on the \$7 million worth of inventory that wasn't accounted for. I have read the reports and so on. I mean, you're in an operation where your focus is to make sure you get equipment to the front lines to supply your people. It's important to have a good accounting system in place, but the priority is priority.

But \$7 million out of \$1 billion—let's put that in context. At the same time, let's compare that to some other government operations we're all quite familiar with: \$350 million on a sponsorship program, where we had to pull teeth between the Auditor General's office and a commission to find out what in the world happened, where this money went. We still don't know what happened to \$40 million; we have suspicions of what happened to it. But the Gomery commission couldn't even figure out what happened to \$40 million.

We spent over \$1 billion on a firearms registry, and the error rate was double-digit on a lot of these things. When you tried to use the system, it was double-digit. We had things like \$30 million spent on

computer programs that failed. They didn't work. And it was never even authorized by Parliament.

Putting this in context, I think this is a vast improvement over some of the things we've seen here.

On the \$7 million, let's just get the record clear here. Some people are suggesting that maybe this equipment disappeared or there was fraud involved or something along that line. My reading of the report doesn't give me that indication at all. It's a tracking error or not putting labels on stuff, but it doesn't mean the equipment doesn't exist or isn't being used by our forces.

Could you clarify that for us, General?

MGen Daniel Benjamin: Yes, I can give you the flavour of it.

Most of the equipment in fact is related to spare parts. This is one of the key issues, that the chain of command wanted to have a better grip on spare parts, especially as we were moving to the FOBs.

So just imagine my team going into an FOB, and they go there for three or four days. We ask the the company to line up their armoured vehicles, because we want to check them and make sure that the kit is there. Each of those LAVs has 8,000 parts, and some of them we have to account for. And we had big armoured plates to account for. We have to go in and check them out. So they line the vehicles up, and we start checking the plates, and all of a sudden they say, “Oh, sorry, we're in the middle of an operation”, and they all bug off.

And then what happened? Well, we did 75% or 80% of the check, and we couldn't confirm the other 20%, so we reported the other 20%. This is what it's all about.

Mr. Brian Fitzpatrick: I have just another observation. It would seem to me that if Wal-Mart or Canadian Tire had to deal with the Taliban, maybe their supply chain wouldn't be that efficient either, and they might have some inventory that's missing as well.

• (1205)

LGen Walter Natynczyk: I would just say that certainly one of the fundamentals of being in the military and wearing a uniform is accountability for kit. You'll probably be aware that a sergeant or a warrant officer getting his section—the platoon—out with all their kit, ensuring that every soldier has what they need in order to go into operations, which will save their lives and ensure that they can achieve their mission successfully, has grown into our culture across the board. That's why we do these follow-up checks. That's why we do things some of our allies don't do, and that's why they're having a look at what we do now. It is part of our culture.

We send in these teams because it's a command responsibility. Before we switch out and bring on a new commander, we want to give them a snapshot of what they are signing on to. Yes, there might be a deficiency, but also it might be somewhere else, and we just don't know that. We recognize it's imperfect, but we still have to give them that snapshot.

Mr. Brian Fitzpatrick: The final question I have is about the current situation. I know in the past maybe we had some problems with not updating our equipment or working on our supply chain and so on, and then we get into a tough situation and we find out how deficient everything is, and we get these terms like the "dark decade". In the current situation, General Benjamin, do you believe that the government is making significant investments in updating equipment and improving the supply chain system?

MGen Daniel Benjamin: Mr. Chairman, I've been in the forces for 32 years, and I have never seen such support. We did procure some of the kit that was really required for force protection for our people so rapidly, and we brought it into theatre and they're adapting to it. I've never seen that. I've talked to many people who do logistics, and every time I go in that theatre and talk to them, they just cannot believe how much support we've been getting. In fact, now we're pushing the equipment forward, and it gets to them without their even knowing it's coming. This is what we need to be successful in that mission.

Mr. Brian Fitzpatrick: Thank you very much, sir.

The Chair: Thank you very much, Mr. Fitzpatrick.

Before we go to the second round, I want just two clarifications.

First of all, General Benjamin, you've been using the acronym FOB. A lot of people would understand that to be freight on board. Could you explain that for the benefit of all of us?

MGen Timothy Grant: Mr. Chair, the military is full of acronyms. An FOB is a forward operating base. This would be a site that is separate and distinct from the main base at Kandahar airfield. It would be a tactical location that would have 50 to 200 troops associated with it. It would be in an area probably 20 to 50 kilometres from the main airfield, and it would be located in an area of tactical importance, one that would allow soldiers to conduct their operations more efficiently and more effectively, because they wouldn't have to travel to that area to conduct those operations.

The Chair: I just wanted to clarify that for the record so that everyone understands what that term means.

Going back to you, Mr. Vice-Chief, you're taking over command as the new Chief of Defence Staff, and you're in very difficult and challenging circumstances. We certainly want to thank you and congratulate you on your appointment and wish you all the best.

Looking at the supply chain, the engagement's going to last at least another three or three and a half years. Things change every day, as we know, but does the military have a critical path as to what equipment is needed, whether this equipment is available, and whether the parts are available to take this mission to at least its scheduled time of conclusion? Can you see that now and what's needed? How do you see that flowing out in the future?

LGen Walter Natynczyk: As General Benjamin said a moment ago, we have seen a huge amount of support to ensure that the

soldiers, sailors, and airmen have everything they need to do their mission. However, through the Manley panel process that's now under government consideration, we will put the helicopters and/or UAVs into theatre with government approval.

We're dealing with a different kind of supply chain with helicopters and UAVs, so it's critical to learn the consumption rates of those pieces of highly sophisticated machinery and how they operate in theatre. We know that the kind of equipment we're talking about already operates in that theatre, so we'll be able to learn from our allies. We need to ensure that our supply chain works commensurate with our allies' to ensure that those pieces of additional equipment are as effective as they can be in support of our soldiers on the ground.

• (1210)

The Chair: Thank you very much.

That concludes the first round. The second round will be five minutes. I will ask all members of the committee to keep their questions short, and witnesses to keep their answers as brief as possible under the circumstances.

Mr. Wrzesnewskyj, you have five minutes.

Mr. Borys Wrzesnewskyj: Just prior to beginning, once again on a point of order, I made a request for a schedule of critical equipment and spare parts for equipment that's necessary for the success of field operations to protect life and limb of our soldiers engaged in those operations. You raised the issue of security quite correctly.

I'd like to point out that not all meetings have to be in public and televised. We have the capacity to go in camera and have that sort of document numbered, circulated to members, and resubmitted to the clerk at the end of the in camera meeting. That would alleviate security concerns and guarantee that as a committee of accountability we could address the issue of accountability on a very important issue—the success of field operations—and also the potential jeopardy of life and limb of our troops in the field. So I'd like to make that request and point out that we have the capacity to do it in a way that would not jeopardize security.

The Chair: Before I hear from the vice-chief, I'm still not clear what you're looking for.

Mr. Borys Wrzesnewskij: We've heard critical equipment mentioned several times in the report, whether it's ground transport equipment, equipment of various types that we don't have or haven't had in the past in the field, or spare parts for that sort of equipment that may be running low and would jeopardize our ability to perform our functions there.

My question at that time to General Natynczyk was do we at this time know what we are critically short of in terms of that equipment and the spare parts for that? If he has that, can he provide a schedule to this committee? And on the security concerns, we have methods to address those.

The Chair: I'm going to hear from the vice-chief, but I believe he or the accounting officer answered this before. They said it was a moving target—what the shortage was three months ago, or when the auditor did the report.

Mr. Borys Wrzesnewskij: I'm asking for it at this point in time.

The Chair: I'll ask the vice-chief to comment.

LGen Walter Natynczyk: On equipment holdings, we guard our security very closely. That goes without saying, because it's a matter of life and limb of our soldiers. At the same time we insist that given the various fleets of vehicles—be they tanks, light-armoured vehicles, reconnaissance vehicles, or trucks—there are spare vehicles in theatre. That is our number one priority. Theatre is our number one priority.

We look at our stocks of equipment back home and ensure that in theatre they have everything they need to be successful. Indeed, with the priority ones we force or push spare parts forward to make sure those vehicles are serviceable. So when we look at where we are in terms of vehicle states and serviceability, it's always a snapshot in time. When we have significant operations and vehicles that are damaged, the challenge is how quickly we can turn those vehicles around by either getting them fixed or replaced.

So I guess I would say to you that we have a lot of data we could provide. It's always a snapshot in time, but we ensure that in theatre they have not only the vehicle fleets, but spares behind.

Mr. Robert Fonberg: If the question is whether we have or forecast critical shortages, I would turn to the general. He may undo my answer, but I would expect the answer to be that we have no critical shortages, because we manage our supply chain to ensure that we don't. I'd ask the general to comment.

MGen Daniel Benjamin: This was the point I was trying to make earlier. I look at the overall supply chain. I look at what's needed in theatre and what the requirement is, where the resources are available, and how much time and space it will take to bring it into the theatre. For every capability, I track it to make sure. If there is a single point of failure, e.g., if a manufacturer cannot provide a spare part, I'm aware of it and we put pressure on the manufacturer to make sure we don't compromise operations. This is what we are putting in place to have total visibility. It changes on a daily basis.

• (1215)

MGen Timothy Grant: In theatre I was briefed daily on the status of every vehicle fleet. I made sure that the information was shipped back to Canada to my boss, General Gauthier, to ensure that he could discuss with General Benjamin on a daily basis those issues that needed attention. Because there was the dedication of troops on

the ground and the close supervision of the stockpiles in theatre, we never had an operation affected by a shortage of spare parts. This is an important point that the Auditor General noted in her report: operations didn't suffer for lack of spare parts.

Mr. Borys Wrzesnewskij: With those assurances, I withdraw my request. It's a good-news story there.

The \$7 million has been raised a number of times. I'm not particularly perturbed about that, because we seem to have good answers on it, but it was mentioned several times that we distribute and share equipment with our allies. I assume that you included our Afghan allies when you made that reference.

In the last week, we've had the minister question the loyalty of our Afghan allies. Do we keep a separate count? Do we inventory equipment that we share or provide to our Afghan allies, especially when it comes to small arms and ammunition? Do we have those numbers? Do we track those numbers? This is important, especially with questions about their loyalty to the mission.

MGen Daniel Benjamin: One of the key donations that Canada has made to the Afghan security forces is the 2,500 C7 rifles. We had to put in place the control measures to make sure we could track them throughout. Those control measures are being taken in theatre by the contingent.

MGen Timothy Grant: We acknowledge that the Afghan army as it stands today does not have the same mature logistics system that we have in Canada. As a result, we work closely with them through our operational mentor liaison team not only to build the capacity in their logistics battalion, but also to make sure that we can account for all of our equipment that they are using in operations. That's closely monitored and accounted for. We want to make sure we know exactly where it is and what it's being used for.

LGen Walter Natynczyk: We have seen huge progress in the capacity and professionalism of the Afghan security forces, both the Afghan army and police. We have a lot of our soldiers right with them, providing them with training, education, and mentoring. We have military police working with the RCMP and others professionalizing their police and staying with them in various outposts. Similarly, we have a lot of our great soldiers with the Afghan army providing that accountability function, but also providing the professionalism and mentoring they need.

Mr. Borys Wrzesnewskyj: That seems to indicate that you have no question about the loyalty of the Afghan security forces that you're providing materials to, especially when it comes to light arms and ammunition.

LGen Walter Natynczyk: That's correct.

Mr. Borys Wrzesnewskyj: Thank you.

The military has been lauded for its inventory systems, which have served as a template for other countries. Mind you, when you look at the situation in Iraq with the Americans and how they track—or don't track—their billions and billions of dollars worth of equipment contracts, that's not the best model to measure yourself against. Why wouldn't we go one step further? Most large corporate entities that carry critical inventories would actually, as opposed to the mission or the rotation, use 13 four-week inventory periods. Every four weeks there's an inventory done. Is there an intention to step it up one level, so we don't wait until end of mission to find out the status?

The second part to this question is, is there an upgrade? When we take inventories, there's the equipment in Afghanistan and also the spare parts and equipment back in Canada. It's a continuous pipeline. Is it a coordinated inventory system? When we make inventories in Afghanistan, do we do it at the same time in Canada? If we move to an even more precise system, for instance a 13 four-week system, would that be coordinated throughout the pipeline?

• (1220)

MGen Daniel Benjamin: Yes. That's the beauty of having one supply system, which no other country in the world has. What we do in inventory control here in Canada is the same system we push in theatre, which is then connected throughout. We have one supply system, one end to the other. That allows Canada to do the proper tracking, which the other countries cannot do.

We adjust the inventory stock-taking in theatre, basically on the operational tempo. The units do their own, then I come in and I do a big spot check at the rotation. We amend through the process and try to do our best. This is something that we want to do better and better, so we'll be the best in the world. Nobody right now can touch us. The U.S., for example, has four or five different pipelines going into Iraq and Afghanistan. How can you reconcile this? It's almost impossible.

LGen Walter Natynczyk: To reinforce General Benjamin's point, platoon commanders, company commanders, and battalion commanders all have stock checks occurring on a regular basis. When they finish a major operation and get back to one of the four operating bases, or to Kandahar airfield, they take stock. They have a responsibility to make sure the soldiers are successful on the next mission. The NCOs will tell the soldiers to lay out their kits and they'll check their equipment. Some of the inventories that General Benjamin does are outside that chain of command, to make sure we have an independent audit of what's on the ground. These stock checks happen on a regular basis, depending on the operational tempo.

The Chair: Mr. Williams.

Mr. John Williams: Thank you, Mr. Chairman.

I want to start by congratulating General Natynczyk on his promotion to the Chief of Defence Staff. I also want to say hello to my good friend General Tim Grant. If the Afghan mission is in his hands, it's in good hands. Welcome to Parliament.

Some hon. members: Hear, hear!

Mr. John Williams: I have two concerns: getting proper supplies to our soldiers, and minimizing corruption in the war zone. These are the two things that I think are fundamentally important. Yes, there are losses and slippage and shrinkage of inventory. But even retail stores here in Canada have shrinkage in inventory. We're not that concerned about the \$7 million in inventory, provided that it's not going into the hands of the other side. I need to get your assurance that everything is being done to ensure that this isn't happening.

LGen Walter Natynczyk: Mr. Chair, that's absolutely the case. Ensuring that the soldiers and sailors and airmen have what they need is an absolute priority. Our challenge is anticipating the next demand. How do we anticipate their needs so that, even before the soldiers ask for something, a new piece of equipment arrives that will enable them to achieve success while mitigating their risks?

As General Grant mentioned earlier, we have no indication of any infiltration at our base. Indeed, from intelligence we have no indication that anyone has taken a piece of our equipment and used it inappropriately.

We have a huge challenge, however, in the realities of this theatre. We have all kinds of circumstances where a vehicle goes into a minefield or hits an improvised explosive device, and it blows up, and then the ammunition inside blows up. Indeed, there have been situations where we actually have to put a bomb into that vehicle, because we cannot extract it, and we don't want that sensitive equipment to get into anybody else's hands. So these vehicles are decimated.

Can we account for every radio, every grenade, every piece of equipment in that vehicle? We can't. It might be just obliterated through that destruction. Those are the kinds of challenges we have.

• (1225)

Mr. John Williams: Okay, that's very good.

I see in paragraph 2.29 and 2.30 that the Auditor General is pointing out that when the goods arrive in Kandahar, that seems to be the most difficult time at which we can lose control. I am concerned that there is pilferage and that it ends up in enemy hands, so I appreciate your comment there, General.

Paragraph 2.48 deals with the medical supplies. Medical supplies are a very critical thing on a front line. I notice that you sometimes are short of medical staff. Is that being addressed?

LGen Walter Natynczyk: In terms of...?

Mr. John Williams: Are medical staff and medical equipment being addressed on the front line?

MGen Daniel Benjamin: Yes, these are being addressed. One of the key issues was very rapid procurement of some of the items, and what we've done with the health support services is to have several standing offer agreements and a procurement mechanism to get all these pieces of critical kit, and we have increased the level of stocks in that theatre to between 60 days and 90 days so that whatever happens, we're there and we can react through the whole supply chain.

I visit the role three every six months when I visit the theatre. They are doing an outstanding job, and they were not missing any items.

Mr. John Williams: I have two more points left.

Paragraph 2.47 talks about the need for the contracting process. That sometimes kind of slows things up. Are you maintaining an adequate inventory bank here in Canada so that the tendering process does not hamper you in any way, shape, or form, so that you have bought it, you have it in stock, and you can ship it as needed? Is that under control?

MGen Daniel Benjamin: Those are the standing offer agreements I was referring to, Mr. Chair.

Mr. John Williams: The last question I have is on paragraph 2.55. In some cases we are relying on our allies there, and they don't always come through. Are we able to ensure that if the allies don't come through, we can carry it ourselves?

MGen Daniel Benjamin: Yes. This is an evolving one. New Zealand has just come up and are increasing the level of multinational support at role three in Kandahar. Australia is very much interested, and we already have our friends from the Netherlands and others. So it is a multinational effort.

I wish we had much more, but medical and health support services are an issue worldwide right now, and this is why it is so difficult to support and sustain such capability in that theatre.

MGen Timothy Grant: Mr. Chair, I would add that the role three hospital, although it's in a plywood barn, essentially, is a state-of-the-art facility. And I would add that it is in fact the organization that gives soldiers confidence to go outside and conduct combat missions. They know that if they are injured or hurt, the role three hospital will provide them with the best medical care possible. From that standpoint, a soldier absolutely has confidence in the ability of all of those multinational folks who provide that first-class, world-class medical support in Kandahar.

Mr. John Williams: What is the role three hospital? Can you define that for us?

MGen Timothy Grant: Not being a professional logistician....

MGen Daniel Benjamin: A role three hospital is a hospital at a level that can do surgery. So as we evacuate our soldiers who have been injured, this is the first hospital in which we do the initial surgeries. After that, if they are stable enough, we do aerial medical evacuation to a facility in Germany, which is really state of the art, and this is where we do final stabilization of our folks before they come back to Canada. It is a very slick process.

We're getting tremendous help from the United States, which is doing the aerial medical evacuation from Kandahar to Germany. It's a beauty to see.

The Chair: Thank you, Mr. Williams.

Mr. Lussier, *pour cinq minutes*.

[*Translation*]

Mr. Marcel Lussier (Brossard—La Prairie, BQ): Thank you, Mr. Chair.

Since the start, not much has been said about secure vehicles on the ground. I would like to get some information on the helicopters.

What is the program for the helicopter equipment in Kandahar? Do some delivery schedules extend beyond 2012? Do you expect to shortly receive transport helicopters for the troops on the ground?

● (1230)

LGen Walter Natynczyk: Sir, it is now up to the government to come to a decision regarding helicopter procurement.

We have done our planning. Major generals Grant and Benjamin, in conjunction with NATO, ensure planning and coordination at the Kandahar Airport, prior to the government decision being made.

MGen Daniel Benjamin: Mr. Chair, clearly, with regard to planning, our people are already on the ground so as to be ready to incorporate the new capacity we might receive, and which will be used not only by Canada but also by the NATO forces in the region. Therefore, there is a lot of negotiation going on with NATO officials on the ground. We do, however require the government's decision, and as soon as we are given a signal, we will be ready to respond accordingly.

Mr. Marcel Lussier: Could someone give me a brief overview of the current situation in Afghanistan with regard to the number of soldiers and civilian and Afghan employees who work for the Canadian troops?

MGen Daniel Benjamin: Mr. Chair, I do not have the exact figure, but the total number has remained steady at around 3,000. We have increased the number of support staff. As for the number of military personnel that support the mission, their numbers increased from 1,034 to 1,288. That includes all support functions, including engineers, military police, medical practitioners and others. There are also many civilian employees on contract under CANCAP. At first, the program was not used...

Mr. Marcel Lussier: I am only looking for figures.

MGen Daniel Benjamin: There are now 265 employees working under CANCAP, and the number is still expected to increase. That is but a small part, because Canada is only one of the 24 countries present in Kandahar. Many multinational contracts are managed by NATO. The organization has close to 1,300 contract employees from many nations who have come to provide support in terms of operations, water, supply, etc. Every day, approximately 1,100 Afghans cross the check-point to support the effort. A colossal effort is required for such a large base, which is not only Canadian but multinational.

Mr. Marcel Lussier: Have any goods that were checked by the controllers ever disappeared? Have attendants who work with material ever been caught with their hand in the bag? Have there been any reported cases, reports or files?

MGen Daniel Benjamin: We know that military police is currently investigating the loss of a handgun. The paperwork of the audit into the \$7 million in losses could fill up two pick-up trucks. That is what we would have to review if we wanted to spot other cases. The case we know of and which is under investigation is regarding a handgun.

Mr. Marcel Lussier: Some 1,400 containers are stored in the warehouses. Is all of their content identified?

MGen Daniel Benjamin: No, Mr. Chair, not the content, that is for sure.

Mr. Marcel Lussier: Therefore, the word “explosives” would not appear on a container.

MGen Daniel Benjamin: Explosives are kept in a completely separate and segregated warehouse, for obvious reasons.

Mr. Marcel Lussier: The action plan states that 15 key performance indicators were developed. What are they?

MGen Daniel Benjamin: One of the indicators is the time it takes to deliver an item. Another is the time it would take to purchase items, after having checked that there were none on our shelves. There's also a series of detailed indicators.

Mr. Marcel Lussier: I am rather interested in material items. Are there indicators regarding the number of rifles or grenades in stock?

MGen Daniel Benjamin: The indicators are associated with priority codes, i.e. 1, 2, 3 and 4. We measure the number of priority 1 items and the time it takes to purchase them and ensure delivery to the theatre. This is a new process, which we are only starting to implement. This is one of the areas we really want to improve over time.

[*English*]

The Chair: Merci, Mr. Lussier.

We'll have Mr. Poilievre, for five minutes.

Mr. Pierre Poilievre (Nepean—Carleton, CPC): My question is for Major-General Benjamin.

I'd like to know a little more about the importance of strategic airlifts in executing your supply chain plans. Can you tell us what impact they have?

There has been a lot of debate as to whether Canada needed strategic airlift capacity. I'd like you to explain to us whether it has been an important investment, or if in fact you could have done without it.

• (1235)

MGen Daniel Benjamin: Strategic airlift and sealift in fact is something critical to a country like ours that wants to be successful in a place like Afghanistan, which is a land-locked country.

You may take Air Canada and fly to wherever in the world. These are predetermined paths. When we bring the military materiel and go to a place like Afghanistan, we have to go over 16 different countries. We need flight clearance over those 16 different countries, and very often they will say they need two weeks' notice, especially if it's a weapons system, ammunition, and those types of things. So it is extremely complex. In some instances you could go one way, and that nation may say no, you're not coming this way. It's like a huge

puzzle. It is a tremendous challenge to then support our forces by having strategic airlift and sealift to that theatre.

We have found over the last three years of experience that the most efficient way of doing business is obviously related to planning and for us to load the heavy equipment on a ship, a full-time charter. I now have a full-time charter, a roll-on roll-off type of ship that's like a big ferry, if you wish, so we can bring that equipment closer to the theatre of operations. We do the last leg with a tactical airlift directly into the Kandahar region. The way we do that is saving us millions and millions of dollars. As we do that, obviously there's equipment we want to repatriate back to Canada, especially the beyond-repair kit that they don't need any more, and we fly it back to that staging base very close to the theatre and sail it back to Canada. That's the most efficient way of doing business.

The business is extremely demanding, as I've mentioned. We have at least 16 strategic flights per month to support and sustain that mission, and every time it's a different path as we go there and have to get clearance or not. The C-17 has been a tremendous asset to help us out in that process, and it's giving us some autonomy. We use it. It is in the pipeline, and it has been a tremendous asset for us to support that mission and to support any other demands worldwide. For example, we had the cyclone in Burma, we had the earthquake in China, and we can use our own strategic airlift or we can contract it out.

Even though we will have at full operating capability four C-17s, this will only represent about 40% of the job that I do on a daily basis—only 40%. We will always rely on other strategic airlift and sealift means, because it gives you a lot of flexibility as you move around the world to do the job. So it is complementary and it is giving us, really, the autonomy that we need.

If Canada could afford five, six, or eight C-17s, that would be great and fantastic, because it would give us that much more autonomy. But look at the United States. It has close to 200 C-17s. And even though they have 200, they still rely heavily on strategic commercial airlift through the Antonov IL-76 type of platform.

It is a complex business, and having the two tools helps you out, because in some instances a country will say no to a military aircraft but will say yes to an Antonov. That gives us tremendous flexibility to go anywhere in the world.

Mr. Pierre Poilievre: The advantage, then, of having some strategic airlift capacity is in the flexibility it offers to your planning and execution of the supply chain. Are you telling me that even though we cannot carry out 100% of our strategic airlifts with our own planes, it's better to have some rather than contract out for all?

MGen Daniel Benjamin: You really need some autonomy. When a crisis explodes somewhere—and an earthquake is a good example that we've seen in the past—everybody goes out to get those Antonov 124s and those IL-76s. Everybody wants them, and it's first come, first served. If you're out of the loop, you don't have any. That would mean that if you wanted to send the disaster assistance relief team and you don't have your own autonomy in terms of strategic lift, you may end up not being able to do anything. We've seen it with Burma; we were well set up for that. But many other countries in the world could not access either their own strategic lift or the Antonov. So it's really fundamental, because it gives you that autonomy.

• (1240)

Mr. Pierre Poilievre: Perhaps I could close with a quick, very numerical question. How many C-17 flights are there to Afghanistan in the same month?

MGen Daniel Benjamin: Right now we have flights every two weeks. That's because we only have an interim capability. There are still some upgrades being done to—

Mr. Pierre Poilievre: There's one flight every two weeks?

MGen Daniel Benjamin: Yes. We'll go to once a week pretty soon, as we get more crew qualified and all the upgrades done on the airplane. But this is a capability of the air force. I give them the tasking.

Mr. Pierre Poilievre: Great.

The Chair: Thank you, Mr. Poilievre.

Major-General Benjamin, there's one point I want to clarify. In the Canadian supply chain, the way I interpret your testimony, all the work is done by the Canadian Forces. If you read about what happens in the United States, a lot of it's done by private contractors, such as Halliburton. But in the Canadian experience, it's all done internally by the Canadian Forces. Is that correct?

MGen Daniel Benjamin: We contract out for strategic airlift and sealift. We have an agreement with the United States, the integrated line of communication, and we use their assets extensively. We have CANCAP, which is also a Canadian contract, working hand-in-hand with an MSOC contract in that field.

The Chair: So CANCAP works in the theatre.

MGen Daniel Benjamin: Yes, sir.

The Chair: Once the materiel and goods arrive in Kandahar, are they handled by the Canadian Forces, or independent contractors working for the Canadian Forces?

MGen Daniel Benjamin: When our equipment gets into theatre, it is handled by Canadians. We take ownership of our equipment.

The Chair: But when it arrives in Kandahar for storage and supply, is it all handled by the Canadian Forces? I know you rent

strategic lift from other independent contractors, but when it arrives, is it handled by Canadian Forces personnel or by independent contractors?

You know that in the States, the whole supply chain in some cases is handled by independent contractors. That's not the Canadian experience.

MGen Daniel Benjamin: We could really go into detail on how we operate the airfield in Kandahar. It is a NATO airfield. They have a contractor that does materiel handling and gives that materiel to our supply tech, who then takes ownership of it. You will be pleased to know that the contract under NAMSAs is held by a Canadian company.

The handling of the equipment as they land, the control of the airspace, and all these types of things are under the NATO umbrella. But as soon as the airplane has landed and we take the equipment, we bring it to our compound and take ownership of it.

The Chair: Thank you very much.

Colleagues, that concludes the second round.

I'm going to invite Mr. McRoberts to give any closing comments.

Mr. Hugh McRoberts: I'd like to come back to the department's action plan. We believe it is a very constructive action plan and responds well to the recommendations we've made. We look forward to watching the department put it into operation. I think that will help move the yardsticks.

The Chair: Mr. Fonberg, are there any closing comments you want to make?

Mr. Robert Fonberg: I have no further comments, Mr. Chairman, except to thank the Auditor General for the report and recommendations, and the committee for its time.

The Chair: The committee has a few minutes of business. I'm not going to adjourn; I'm going to suspend the meeting. But I want to take this opportunity, on behalf of the committee, to thank you all for your appearance here today and the excellent way you prepared for the meeting.

Vice-Chief Natynczyk, on behalf of the committee I want to congratulate you. This is the culmination of an amazing military career. We want to wish you all the best, thank you, and ask you to pass on our thoughts and thanks to the many people who perhaps are not under your command right now, but will be on July 2. I understand that is the day you'll be sworn in. Congratulations, sir.

LGen Walter Natynczyk: Mr. Chairman, thank you very much, and I certainly will.

The Chair: The meeting is suspended.

[Proceedings continue in camera]

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