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# Standing Committee on Public Accounts

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Chair: Mrs. Kelly Block





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• (1105)

[*English*]

**The Chair (Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC)):** Good morning, everyone. I will call this meeting to order.

Welcome to meeting number seven of the Standing Committee on Public Accounts. The committee is meeting in public and is being televised today.

Pursuant to Standing Order 108(3)(g), the committee is meeting today to study “Report 3—Supplying the Canadian Armed Forces—National Defence”, of the 2020 spring reports of the Auditor General of Canada.

Today's meeting is taking place in a hybrid format pursuant to the House order of September 23, 2020. The proceedings will be made available via the House of Commons website. Just so you are aware, the webcast will show the person speaking rather than the entirety of the committee.

To ensure an orderly meeting, I would like to outline a few rules as follows. You may speak in the official language of your choice. Interpretation services are available for this meeting. You have the choice at the bottom of your screen of either floor, English or French. For those participating via Zoom, before speaking, click on the microphone icon to activate your own mike. When you are done speaking, please put your mike on mute to minimize any interference.

Should members need to request the floor outside of the time it has been given to them by me, you should activate your mike and state that you have a point of order. If a member wishes to intervene on a point of order that has been raised by another member, you should use the “raise hand” function. This will signal to the chair your interest to speak, and we will create a speakers list. In order to do so, you should click on “Participants” at the bottom of the screen. When the list pops up, you will see next to your name that you can click “Raise Hand”. This function creates a list of speakers for us.

Unless there are exceptional circumstances, the use of headsets with a boom microphone provided by the House of Commons is mandatory for everyone participating remotely who needs to speak.

Of course, should any technical challenges arise, please advise me.

I'd now like to welcome our witnesses.

**Mr. Greg Fergus (Hull—Aylmer, Lib.):** On a point of order, Madam Chair, I'm going to take advantage of your invitation to

raise issues of technical matters with you. I noticed that Mr. Green and I had difficulty logging on today due to the Zoom link.

I know that I've requested this before, but I'm going to ask, Madam Chair, if there is a possibility that when notices of meeting are sent out with the Zoom link, that can be immediately followed by the link with a pass code, so that we can easily find it in our emails. It just makes it a lot easier for us to put that information together in our own schedules so that we can arrive at the meeting on time.

**The Chair:** Thank you very much, Mr. Fergus. I do appreciate that intervention. I understand that the notice of meeting is probably more than likely circulated to more than the members who are attending and so—

**Mr. Greg Fergus:** Perhaps we can resolve that by having two notices of meeting that go out: one for members and one for the rest.

**The Chair:** Okay. The clerk has just advised me that they do plan on changing how the information is sent out, and it will be as you have indicated, Mr. Fergus.

**Mr. Greg Fergus:** Thank you, Madam Chair.

**The Chair:** You're welcome.

All right. I will now welcome our witnesses.

Joining us today from the office of the Auditor General are the Auditor General, Ms. Karen Hogan, and Mr. Nicholas Swales, principal. From the Department of National Defence, I would like to welcome Ms. Jody Thomas, deputy minister; Mr. Troy Crosby, assistant deputy minister, materiel group; and Major-General T.J. Cadieu, director of staff, strategic joint staff.

For those of you who are speaking, you will have five minutes to make your opening statements.

We'll begin with you, Ms. Hogan. You have the floor.

[*Translation*]

**Ms. Karen Hogan (Auditor General of Canada, Office of the Auditor General):** Madam Chair, thank you for this opportunity to discuss our audit report on supplying the Canadian Armed Forces.

Joining me is Nicholas Swales, who was the principal responsible for the audit.

The Canadian Armed Forces consist of 68,000 regular force members and 30,000 reserve force members. The government may call on them at any time to participate in Canadian military operations at home and abroad. To do so, the Canadian Armed Forces must be well equipped and trained. They must be supported by a supply chain that provides members with the materiel they need, when they need it.

Our audit examined whether National Defence delivered materiel items requested by Canadian Armed Forces members in a timely manner while avoiding needless transportation costs. We found that military units received materiel—such as spare parts, uniforms and rations—late 50% of the time. High-priority items needed to meet critical operational requirements were delivered late even more often, namely, 60% of the time. These delays affected National Defence's capacity to perform its duties and manage its resources efficiently.

• (1110)

[English]

We found that delays were often caused by poor stock management. Minimum stock levels were often not set, and when they were set, stocks were below that level half the time. The warehouses expected to supply military units often did not have the materiel requested in stock. One third of the time, supplies had to be found elsewhere and rerouted through the supply chain. These situations created bottlenecks and increased delivery times.

National Defence did not adequately forecast its needs for materiel to be able to position it close to where it would be needed, nor did National Defence have performance indicators to measure whether materiel was stocked in the right warehouses.

We also found problems in prioritizing requests for military supplies. National Defence could not demonstrate that 65% of its high-priority requests were actually high priority. Unjustified priority requests put an excessive burden on the supply chain and incur extra costs.

Moreover, we found that National Defence lacked the costing information necessary to make well-informed choices about transporting materiel within Canada. The costs of commercial shipments were available, but the costs of using military transport were not.

We made three recommendations. National Defence has agreed with all of them and has shared its action plan with us. The plan includes actions and timelines for our recommendations.

Madam Chair, this concludes my opening remarks.

We would be pleased to answer any questions the committee may have.

Thank you.

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

We will now move to our next witness, Deputy Minister Jody Thomas.

**Ms. Jody Thomas (Deputy Minister, Department of National Defence):** Madam Chair, thank you. Good morning.

Thank you for inviting us to discuss the findings of the Auditor General's Report, "Supplying the Canadian Armed Forces". I would like to thank the Auditor General for looking into the issue and for her three recommendations. As she noted, National Defence agrees with them all. Supplying our troops is a defence team effort today, as already noted by the chair.

I'm joined by Major-General Trevor Cadieu, director of staff for the strategic joint staff, and Mr. Troy Crosby, assistant deputy minister, materiel, for the Department of National Defence.

A fundamental part of our defence policy, "Strong, Secure, Engaged" is ensuring that our people in uniform have the right equipment to do the challenging work our country asks of them. A strong supply chain is critical to that. As COVID-19 has reinforced for all of us, a robust, effective supply chain is a strategic enabler for the Government of Canada and, in a national crisis, is therefore a lifeline, and the lack of one is a strategic risk.

More than that, a strong supply chain needs continuous oversight and evaluation, as does any critical capability across all military environments of land, sea, air and cyber. That is why, in 2019, the chief of the defence staff and I gave joint direction to establish a strategic supply chain governance committee within National Defence. It is overseen by Mr. Crosby and Major-General Cadieu, ensuring a collaborative and fully engaged approach. The committee also ensures that National Defence has oversight and accountability for the overarching direction of supply chain management.

It is important to understand that the updates I am giving today fit firmly within a much larger strategic approach to supply chain management, currently under way within the Department of National Defence and the Canadian Armed Forces.

As the committee is well aware, supply chain challenges have been a matter that National Defence has been wrestling with for many years, but there has been progress. In fact, since we tabled our inventory management action plan in 2016, the Auditor General has positively highlighted our progress in implementing the progress on time, every year, as part of the public accounts audit.

We have a lot more work to do. Meaningful change takes time, particularly when addressing deficiencies that have built up over decades. While the challenges identified are real, you can be confident that we always ensure that our Canadian Armed Forces members in active operations have what they need to do their jobs.

To the report itself, we agree that National Defence must have the right materiel in place at the right time and appropriate metrics in place to monitor whether stock levels are sufficient. We began two comprehensive reviews this summer to help address our materiel planning and forecasting challenges. One review will look at improving our inventory availability benchmarks. Doing so will give us a better indication of the health of our supply chain operating environment.

The second review is a more sizable project. At a high level, the end goal is to create standardized processes and leverage advanced tools in support of materiel planning and forecasting across the materiel group. Both reviews will be completed by June 2022 and will include implementation plans.

We're also in the process of ensuring that high-priority requests are only made when necessary and that these classifications are justified. First, we are reinforcing policy guidelines on how to properly classify requests with responsible personnel at our wings, bases and commands. Changing behaviour is as difficult as changing systems, and this is an area of specific focus.

At the same time we have begun a thorough assessment of how to reimagine the freight distribution system to improve efficiency and optimize costs. In February 2020, National Defence awarded a contract to PricewaterhouseCoopers Canada to identify potential options to modernize our supply chain network design. I note that a review of this scale has not been undertaken since early 2000. We are currently evaluating their initial recommendations. As we gain an understanding of how we can improve our systems, we will revise and clearly communicate guidance on costs and selecting shipping methods to our personnel. Our goal is that improvements to the distribution system will be complete by April 2024, paying particular attention to performance measurement and oversight.

This entire effort will be a multi-year process, but we are committed to getting it right so that our system is efficient and ready to support the Canadian Armed Forces. We are very open and willing to report back to this committee on our progress.

Thank you, and we would be very pleased to take your questions.

• (1115)

**The Chair:** Thank you very much, Ms. Thomas.

We will now go to Major-General Cadieu.

**Major-General T. J. Cadieu (Director of Staff, Strategic Joint Staff, Department of National Defence):** Madam Chair, I do not have any opening remarks. Deputy Minister Thomas is representing both the Department of National Defence and the Canadian Armed Forces. I'd be happy to answer any questions that you might have.

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

We will move directly to our rounds of questioning. Our first round is for six minutes, and I would like to welcome Mr. James Bezan to the committee today.

**Mr. James Bezan (Selkirk—Interlake—Eastman, CPC):** Thank you, Madam Chair. It is indeed a pleasure to be able to join everyone.

First, I want to thank the Auditor General and her office for this report. The great work that your office continues to do is definitely improving the functions of our military but also of the government across all spectrums as well. Thank you so much.

I want to thank our officials from the Department of National Defence for being here and for addressing the concerns that have been raised by the Auditor General.

I'm going to start off my first bit of questions, Madam Chair, with the Auditor General.

In your report, you say that, overall, supply chain management by National Defence is "poor". If you were to grade it as a schoolteacher, would that be a D, a D- or an F? I'm just trying to get a handle on how poor you consider the supply chain management to be at this point in time.

**Ms. Karen Hogan:** There's a reason I became an auditor: so I didn't have to grade individuals.

It's hard to say. If you look at some of the areas where we identified some weaknesses, we saw late deliveries, poor stock management and inefficient processing, but we also saw, in one of the case studies that we put in the chapter in exhibit 3.3, that the department finds ways to find solutions.

What we noted is that it's a very inefficient way of running a supply chain. It depends on what you want to grade, I guess. It's an ineffective use of the supply network, but they find solutions.

It's a hard grade to give.

**Mr. James Bezan:** Okay. I appreciate that, Ms. Hogan.

You said that there have been a lot of high-priority requests that weren't actually high priority. Can you give us an example of what that might entail? Was it, for instance, that somebody said, "okay, I need this right away", but it wasn't actually required to be there right away?

• (1120)

**Ms. Karen Hogan:** The definition of high priority is one that was set by the department. I think it depends on the circumstances of the situation, obviously.

I might ask Mr. Swales, who is with me, if he has some specifics.

We simply looked at whether the high priorities arrived on time. What we saw is that in 60% of the cases they were late.

Nick, did you want to add to that?

**Mr. Nicholas Swales (Principal, Office of the Auditor General):** I guess I can add a little bit. We were asking for the information that justified the high-priority cases.

We would find instances where there was no explanation or, also, instances where, on reviewing the information that was provided to us, the units themselves said, yes, we don't understand why that was a high-priority item, because, on review, the circumstances in which it was being asked for didn't seem to justify that. Those were some of the kinds of scenarios that we were observing.

**Mr. James Bezan:** In the report in paragraph 3.23, you talk about why late delivery “can impede the military's ability” and you specifically mentioned its ability to:

- conduct training operations as scheduled
- be efficient in its missions and operations
- act quickly to respond to emerging [threats]

I know that Ms. Thomas said in her opening comments that they “ensure that our [CAF] members in active operations have what they need to do their jobs”. I want to make sure that we square the circle here.

Were you able to confirm that for those who are currently deployed on operations—such as Operation Impact in Kuwait, Iraq and Lebanon, or in Palestine, or on NATO Operation Reassurance and stationed in Latvia, or on Operation Unifier in Ukraine—there were no delays in getting materiel into the hands of our forces who are currently deployed?

**Ms. Karen Hogan:** Perhaps Ms. Thomas will want to add to this, but what our audit looked at was the actual mechanics of the supply chain from requests to delivery, not at the impacts it might have had operationally. I do believe that question would be best answered by someone at National Defence or in the Canadian Armed Forces.

**Ms. Jody Thomas:** Our belief is that of course it is critical that equipment get to those who are deployed at all times to ensure that they are never at risk during the deployment, and that's everything from spare parts to food to uniforms to their mail. It is an essential part of overseas operations.

General Cadieu can speak to operations, but we believe that we ensure that operations do receive the equipment they require. There are complexities in the system, and mistakes are made. There is absolutely no doubt about it, but it is a complex operation.

If you take a ship at sea as an example during Operation Reassurance, and the ship needs something, you're often sending it to the next port they're going to be into, or it is going out by helicopter. The difficulty and the complexity of ensuring that something gets to an operation is not as simple as sending out mail.

**Mr. James Bezan:** I appreciate that, Ms. Thomas, because definitely for deployed troops especially our own.... We have our frigates in operations. It is very challenging. I get that.

I guess this is both for you and for the Auditor General's Office. When you look at the management of that supply chain, you've got a combination of procurement being done by National Defence as well as being done by military personnel. Is there kind of a breakdown in communications on getting those supplies?

**The Chair:** I'm sorry, Mr. Bezan, your time is more than up. Perhaps we can come back to that question.

**Mr. James Bezan:** I'll address that in my next round. Thank you.

**The Chair:** Great. Thank you.

We will move onto Ms. Yip for six minutes.

**Ms. Jean Yip (Scarborough—Agincourt, Lib.):** Thank you all for coming. I look forward to hearing your answers today.

I would like to direct my questions to Ms. Thomas and Major-General Cadieu.

In 2016, the Auditor General recommended that DND develop supply chain performance metrics and review how stock levels for materiel were established. Why hasn't that been fixed? It's now four years later.

• (1125)

**Ms. Jody Thomas:** I'm going to turn to assistant deputy minister of materiel, Troy Crosby, to answer that because that's more on the materiel management side of things.

The metrics in question are under development now. In 2017, we launched a 10-year program to repair, improve and modernize the supply chain, and we are three years into that program now. Some of it has to do with developing the standards and how we will measure, and some of it has to do with modernizing the system through an IT approach to things, because we do so much that is manual and we use multiple systems right now. There's no one input that says let's develop KPIs, and it is then a problem solved.

In fact, there are multiple layers to the situation, and what needs to get done is to ensure that we are providing the performance metrics, that we have reasonable standards, that we have reasonable processes and that we have an IT system to manage it.

Troy, would you like to continue?

**Mr. Troy Crosby (Assistant Deputy Minister, Materiel Group, Department of National Defence):** Thank you, Deputy.

What I'll add is that, at this point, our focus has been on stock out rates, the occasions where there is zero stock available to respond to a demand. Over time, as we bring in new technology, we have access to the information and we could really measure our performance, we're going to turn our minds more to performance metrics focused on reliability, on responsiveness of the supply chain, on optimizing where our inventory is located and on the accuracy of our stock-taking counts. All of those together will allow us to improve our performance in responding to the demands of the Canadian Armed Forces.

Thank you.

**Ms. Jean Yip:** I can see in the action plan that there is an expected completion date of December 31, 2028. It seems like a long time to be integrating your capital software project, given that the technology, as you said, needs to be improved now.

**Ms. Jody Thomas:** I'll go back to my colleagues, and ask them to expand on this, because they are leading the effort.

We're talking about 500,000 orders per year, 460 million items. There is complexity in the amount of materiel we're talking about. There is complexity in the number of locations from which it is managed. There is complexity in ensuring we have one system, from ordering to delivery, and performance metrics rather than the multiplicity of systems we use now.

We have decided to understand the problem before we rush in, and try to fix it. There have been attempts in the past, and those attempts have only looked at one or two aspects of the complexity, the range and depth of the problem. If we're going to do this, we're going to do it right. We have committed to timelines, and firm milestones on when things are going to get done, and we're happy to report back on those.

Troy, would you like to add anything else?

**Mr. Troy Crosby:** Some of the steps between now and 2028 have been mentioned. That culminates with the delivery of an enterprise-wide resource management information system that will allow us to make all that information come together and measure the performance effectively.

Between now and then, we'll grow across a number of fronts, as the deputy minister mentioned. For example, an automatic information technology program is coming to fruition. It was approved in the summer of 2019.

**Ms. Jean Yip:** I have a limited amount of time, so I want to get to my next question, which touches on what Mr. Bezan was saying with regard to the international level, taking it down to the more local level, and ensuring the military has sufficient stock to perform its operations and missions.

Given the delivery challenges, how has the COVID pandemic impacted the supply chain?

**Ms. Jody Thomas:** COVID has impacted many aspects of the work in the Department of National Defence, just as it has with every other aspect of business and life in Canada. Some of the work on this project has been slowed. However, while we sent employees home to stop the spread, we have kept people in warehouses and supply depots working—

• (1130)

**Ms. Jean Yip:** Sorry. This past summer members of the CAF, through Operation Laser, were helping many vulnerable communities, like long-term care homes. Did they have enough supplies? Did they receive their supplies on time?

**Ms. Jody Thomas:** They did. I'll ask Major General Cadieu to respond, as he was critical in leading Op Laser.

**MGen T. J. Cadieu:** Ultimately, this is about better supporting men and women deployed on operations. Specific to Operation Laser, both our chief of the defence staff and deputy minister issued clear direction that before any CAF personnel integrated into operations to support our most vulnerable Canadians in their time of need, they'd have the personal protective equipment required for those operations, and that happened for those personnel integrating into long-term care facilities.

**The Chair:** I will now go to Mr. Blanchette-Joncas.

[*Translation*]

**Mr. Maxime Blanchette-Joncas (Rimouski-Neigette—Témiscouata—Les Basques, BQ):** Thank you, Madam Chair.

First, I want to acknowledge my colleagues and the witnesses here today.

Ms. Hogan, I'm pleased to see you again. Thank you for being here.

This is a very important topic. I took the time to carefully analyze the documents.

My first question is for you, Ms. Hogan. To say the least, your report goes into great detail. It helps shed light on situations that the average person would never have been able to see. Thank you.

What do you think about National Defence's various responses to your recommendations? What's your level of confidence? Are you satisfied with the follow-up?

**Ms. Karen Hogan:** As the National Defence officials said, we received an action plan in response to the recommendations in the report. We also have an action plan, which addresses the recommendations that we noted during our financial audits of the Public Accounts of Canada.

We're satisfied with the measures implemented to address the recommendations in the report. Of course, we can't comment right now on the progress made. We audited the department's progress in relation to the action plan and the recommendations in the Public Accounts of Canada.

We conduct a follow-up each year. At this point, we're satisfied with the department's progress. The action plan is long, and it will take years to follow up on it.

**Mr. Maxime Blanchette-Joncas:** Thank you for the clarifications, Ms. Hogan.

You said that the follow-up will take a long time. I can understand that changing a supply chain, especially in the military, requires planning and time.

The action plan was developed in 2016. The deadline for the implementation of the expected corrective measures could be 2024, or even 2028. Do you find these objectives realistic, or would greater diligence be required in the months and years ahead?

**Ms. Karen Hogan:** The department would be in the best position to tell you whether the date is realistic when it comes to implementing all the improvements that National Defence must make.

We like to see progress. For several years, when we commented on the Public Accounts of Canada audits, the department didn't follow up. We were pleased when they developed a very detailed plan in 2016.

We think that it's good to make progress each year.

**Mr. Maxime Blanchette-Joncas:** Thank you, Ms. Hogan.

I completely agree with your views on progress. We want results. However, we must measure this progress to determine whether there are actually results.

I'll turn to the witnesses from the Department of National Defence.

Can Ms. Thomas or her colleagues tell us more about the dates for the action plan? Are they realistic? Is greater diligence required? I'm trying to understand this. In terms of changing supply chains, we certainly aren't talking about retail operations, but rather military operations.

How could we ensure that the follow-up is conducted before these dates?

• (1135)

**Ms. Jody Thomas:** Thank you for the question.

[English]

I am always pushing for things to be done more quickly. It is frustrating in this department how long activities and responses, remedies, solutions to issues raised by the Auditor General or our own internal audit, and our own internal process review can take.

In this particular case, because of the complexity of the system, and the moving from essentially multiple, analogue, handwritten systems and very simplistic databases to one end-to-end solution, including the transportation aspects of it, this is reasonable.

What we do commit to is reporting back to this committee on our progress. We communicate regularly with the Auditor General on our progress. Our goal is to do it more quickly. We'd like to ensure that we do it correctly.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Thank you for the clarifications, Ms. Thomas.

In your opening remarks, you referred to the challenges associated with the current COVID-19 pandemic. We know that the audit dates back to 2017 and that there was no pandemic at that time.

How can you explain the issues identified by the Office of the Auditor General throughout the chain of command at National Defence? Could a lack of internal communication explain these gaps in the supply chain? Could other issues be involved?

[English]

**Ms. Jody Thomas:** I'll invite my two colleagues to comment, but there's a range of problems: old systems, processes we have not updated, no performance measurements, and old processes in stockrooms and storerooms, where we're not always sure what's in the facility.

The complexity of ensuring every location around the country can equip, repair and supply every piece of equipment is difficult. We've tried to do that. What we have to do now is look at automating the system. We need databases where we can find out where things are, and how quickly we can move them around the country.

We need to ensure we have centres of excellence that supply certain parts of the armed forces. That is the way to go in the future.

**The Chair:** We will now move to Mr. Green.

**Mr. Matthew Green (Hamilton Centre, NDP):** I want to begin by thanking my colleagues on this committee, who reached out with passwords, and with links to this meeting. I had technical difficulties, but our world-class IT staff got me back on pace.

I'm going to dive right in, and ask the question that's on the minds of perhaps the media, friends and family who are watching, and certainly my community.

The government has touted the vaccine distribution program being delivered by the military, and yet, we're hearing in this startling audit report that all processes are in storerooms and stockrooms. Action plans are leading into 2024 and 2028.

I'm going to ask a very direct question to members of the Department of National Defence. What conversations have they had on military preparedness to respond to the tens of millions of critical vaccines that are supposed to be distributed across the country to the provinces, long-term care facilities, hospitals, pharmacies, in order to combat COVID, which we are experiencing right now as the single most severe national threat to Canada?

**Ms. Jody Thomas:** Thank you, Madam Chair.

I'm happy to begin that answer, and then I'll turn to General Cadieu because he is a member of the ADM working group that is looking at vaccine distribution.

The Canadian Armed Forces will potentially be part of that solution. There are multiple vaccines being looked at, as everybody is aware, and each requires a different solution for distribution.

What is critical to understand is that vaccine would not come into the Canadian Armed Forces system. What we would use is the bar-coding technology or whatever distribution technology the owner of the vaccine uses. We would be a conduit for moving it, either from a logistics planning perspective or from a personnel perspective—actually unloading planes or potentially, our own aircraft.

That's all under review now. I have asked—

**Mr. Matthew Green:** May I interject and ask at what point this review started? How long has your department been working with the various health agencies and Public Services and Procurement on preparing for the distribution of this vaccination?

**Ms. Jody Thomas:** The Department of National Defence and the Canadian Armed Forces have been working—

• (1140)

**The Chair:** If I may, I just want to remind our members that while I know we are very interested in what is happening today as a result of the uncertainty we are living in, we need to focus on the report of the Auditor General.

Thank you.



**Mr. Matthew Green:** Madam Chair, with all due respect, the revelations that we are getting in the conversations around the lack of preparedness on logistics preparation are very much in keeping with the audit. The fact that they are talking about follow-up plans in 2024 and 2028—if we are not laser-focused on their ability to deliver socks and uniforms and nuts and bolts, then what are we looking at in terms of COVID vaccinations?

I will go back to the question, respectfully. Our mandate is broad, Madam Chair, so back through you to the Department of National Defence, could you please answer this question?

**Ms. Jody Thomas:** Madam Chair, I'm pleased to answer.

I am very confident that the Canadian Armed Forces would be able to participate, lead or be a part of any vaccine distribution should we be asked to do so.

We have been working with the Public Health Agency, PSPC, Health Canada and other government departments since the beginning of the pandemic to assist in any way possible. Some of that you saw in the long-term care facilities. Now planning is under way for vaccine distribution.

Canadian Armed Forces were very heavily involved in PPE distribution from the beginning of the pandemic. I'm going to turn to Major Cadieu to explain to you some of the things that have been done and could be done if we were asked to distribute vaccine.

**Mr. Matthew Green:** Major Cadieu, just as a caveat to that question, was the military also involved in the national emergency strategic stockpile distribution, or not at all?

**MGen T. J. Cadieu:** I want to start by reinforcing that our number one priority in the Canadian Armed Forces and the Department of National Defence is to get the materiel and equipment to the men and women who are conducting operations on behalf of the Government of Canada. I can say categorically that we get that right most of the time.

Consider the complexity of the challenge. We move about a half billion items of inventory and materiel. We procure it. We warehouse it. We move it out to the teams that require it. Often those teams are not static. Once we acquire a piece of equipment and materiel, we are responsible to look after it for the life cycle of that equipment, so we take that very seriously. For CAF members who are deployed on operations, we deliver each and every time.

**Mr. Matthew Green:** This is your mandate. I need to get directly to the question.

The Auditor General's report, section 3.11 says:

We found that a third of some 1 million requests were rerouted. Rerouted requests resulted in increased use of commercial transportation...

I put to you, if these were COVID vaccinations that were being rerouted, we'd have a problem.

How do you comment on that?

**MGen T. J. Cadieu:** We have taken direction from our deputy minister and our chief of the defence staff to start getting at some of these issues now. The deputy minister referred in her opening remarks to the fact that we have established in this department a defence supply chain oversight committee. The committee comprises

both the Canadian Armed Forces and the Department of National Defence, providing oversight to that supply chain.

Our vice chief of the defence staff, on the direction of our deputy minister and our chief of the defence staff, has made this supply chain reform one of our priorities.

We also recognize that getting at this needs us to do more than just address symptoms. We have to address long-term causes, so we are very focused on people, processes and systems. We could speak to some of those things.

**The Chair:** Thank you—

**Mr. Matthew Green:** Last question—

**The Chair:** No, thank you very much.

**Mr. Matthew Green:** As a point of order, Madam Chair, I just have a point of order for you to clarify.

When you intervene on my time, does the time stop? Because quite frankly, your editorial on my intervention took away from my time. I'm saying that with the utmost respect, Madam.

**The Chair:** One moment, Mr. Green.

All right, we did not stop the clock, but I'm happy to give you another 30 seconds.

**Mr. Matthew Green:** Thank you very much. I do appreciate it. I'm a New Democrat and I fight for every second.

Through you to National Defence, given the nature of these reports, were you surprised by the information found by the Auditor General, or were you aware of how badly the supply chain management system was operating?

● (1145)

**Ms. Jody Thomas:** We were aware that there were problems in the supply chain, and that's why a 10-year project was begun two years ago in order to rectify the problems and to look at automating the system. We have a new project, AIT, which is a bar-coding project in definition. We have been looking at the delivery routes and we've been looking at KPIs. That's why the oversight committee was put in place before the Auditor General's report came out. The Auditor General's report confirmed what we knew and what we were already beginning to work on.

**Mr. Matthew Green:** Thank you so much.

**The Chair:** I will now move to our second round of questioning, and the first speaker is Mr. Bezan for five minutes.

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

I'm going to continue on with that line of questioning on the vaccine distribution. Essentially, I think if you look at the Auditor General's report, Madam Chair, it talks about the problems being around materiel management, not necessarily logistics. As I told Major-General Cadieu when he made this announcement at the national defence committee on Monday, I have full confidence in our armed forces and the Department of National Defence getting this right in the COVID distribution.

In the Auditor General's spring report, she says in paragraph 3.30 that the delays have affected the capacity to perform duties of the Canadian Armed Forces, and we know that there are a number of requests, 162,000 requests, that were late over a year. Do any of those delays in requests for materiel affect the logistical ability of the Canadian Armed Forces to manage the logistical delivery of vaccines across this country?

**Ms. Jody Thomas:** I would say unequivocally, no. There is no impact on the ability to deliver vaccines should the Canadian Armed Forces be asked to do so.

**Mr. James Bezan:** When we are looking at the delivery of vaccines—and I know that this is still all at the discussion level right now, the planning is in place—we're talking that we're still 60 to 90 days out from receiving those first vaccines. Are there going to be specific resources that are going to be dedicated to this effort from the Canadian Armed Forces, such as outlined in the Auditor General's report, to ensure that these deliveries happen on time?

**Ms. Jody Thomas:** There are a number of oversight committees and working groups, and it's busy, heavy-lifting work to look at this from deputy minister and chief of the defence staff levels through the system. Major-General Cadieu sits on one of those committees, and he is very actively involved with PHAC on the logistical planning, so I'll ask him to give you some of the detail of what's being examined.

**MGen T. J. Cadieu:** The Department of National Defence and the Canadian Armed Forces are currently supporting the Public Health Agency with a detailed logistical planning effort to help better understand what the requirements are going to be for the eventual rollout of the COVID-19 vaccines. That work is still ongoing. The role that the Canadian Armed Forces is going to play or could potentially play in the rollout is yet to be confirmed.

What is almost a certainty is that no one entity in this nation is going to be able to take on this challenge independently. Again, various options are being considered right now, but the ultimate solution will likely be a combination between public and private collaboration in terms of getting this vaccine to where it needs to go in support of Canadians.

**Mr. James Bezan:** Madam Chair, through you to Major General Cadieu, is this a named operation yet by National Defence?

**MGen T. J. Cadieu:** Since the start of the pandemic, the Canadian Armed Forces and the Department of National Defence have been trying to do our part alongside whole-of-government partners. That includes through integration with the Public Health Agency at the start of the pandemic under the rubric of Operation Laser—

**Mr. James Bezan:** Okay. This would be part of Operation Laser, then?

**MGen T. J. Cadieu:** Madam Chair, at this time we do not yet know the extent of it or the role the Canadian Armed Forces could play in the actual rollout of the COVID vaccine. The logistical planning support and the liaison currently being provided to the Public Health Agency are under our existing operations.

• (1150)

**Mr. James Bezan:** Madam Chair, one of the things that has been reported as a major restraint on being able to disperse these vaccines when they start arriving is freezer space and freezer capacity and having those located in the right place. The Pfizer product they're talking about needs to be stored at -75°C.

Will National Defence be expected, using the defence procurement act, to acquire that type of freezer capacity to help with the logistical distribution of COVID-19 vaccines?

**Ms. Jody Thomas:** We haven't gotten into that kind of a request or discussion that I am aware of. We do have an RFP, or a request, out now on Canada Buyandsell to look at some storage capability, but that's for internal Canadian Armed Forces use when we get to the point of vaccinating our own troops.

In terms of national requirements, we've not been asked to participate or take any action that I am aware of, unless it's happening in the working group. I'll ask General Cadieu.

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

We will now move to Mr. Sorbara for five minutes.

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Thank you, Madam Chair.

Welcome, everyone.

First, I want to say thank you to the Canadian Armed Forces. During the COVID-19 pandemic, a number of them were at Woodbridge Vista, a long-term care facility in my riding, and performed duties that were exemplary.

[Translation]

I want to thank them.

[English]

When I read the Auditor General's audit, I went through the details of the audit objective. I'd like to turn my attention to what the audit objective was in terms of this being an “independent assurance report”, if I can use that term, and go back to what this committee is focused on.

Deputy Minister, in your opening comments, you had this reference in your notes:

In February 2020, National Defence awarded a contract to Price Waterhouse Coopers...to identify potential options to modernize our supply chain network design. I note that a review of this scale has not been undertaken since early 2000.

I found that very surprising. For most organizations, their supply chains are a critical component of the organization's success or failure—if not the most critical—be it a retail grocer or National Defence. Can you maybe elaborate on the terms of reference for the contract? I'm surprised that I'm not hearing something to the extent of what supply chain technology is utilized now in National Defence, if it's SAS or SAP or whatever technological....

Can you speak to that, please? Thank you.

**Ms. Jody Thomas:** Madam Chair, I don't know the name of the particular technology we use. I agree that a review of our supply chain system is well overdue. Leaving it for 20 years is far too long; technology has changed multiple times in that time frame. This is well overdue, and we will need to have an evergreen process to review it going forward.

I'm going to ask Mr. Crosby to give you the details of the contract. If he doesn't have them, we will get them to you.

**Mr. Troy Crosby:** To answer the question about the system we rely on, it's based on an SAP program. We call our system the “defence resource management information system”. That is going to be modernized, moving towards an S/4HANA solution, which really drives, ultimately, the timelines we were speaking about earlier in response to some of the questions.

The review that's going on right now with PricewaterhouseCoopers is really looking at optimizing the transportation system. They've looked at about five million data points to model that and to find a way of optimizing the solutions. That's one part of the solution.

As the deputy minister has said, there are other elements we've touched on, such as automatic information technology. We're about to sign a significant contract for bringing bar-coding to many of our items on a priority basis. Then, of course, there's the work around our business processes and making sure that our people are well trained and professionalized and that we are providing them with tools to get that work done, with all of this happening in parallel and under the supervision of multiple levels of governance across the department.

**Mr. Francesco Sorbara:** Thank you for that explanation. That was excellent information pertaining to the audit, and some of the material within the audit.

To the Office of the Auditor General and to the Auditor General, it's great to see you again. It's wonderful to be on this committee. I've sat on finance, public accounts, and a few other committees during the last five years for which I have a great deal of respect.

I have a question in terms of this review of the Canadian Armed Forces relative to the armed forces of other G7 nations, because benchmarking is very important for me. Is there any sort of comparison that is done, or that we can look at? It's easy to look at one organization and say how it's doing, but it's great to also extend it out to see how it's doing relative to its peers or other comparables.

• (1155)

**Ms. Karen Hogan:** I will ask Nick to chime in, in a few minutes, in case he does have some additional information.

Whenever we undertake any audit, we always look to best practices, whether they be across our country or in other places.

I am not exactly sure to what extent that was done when it came to looking at other defence departments across the world, or other companies that manage supply chains, so I will turn to Nick to see if he can provide some additional insight on that.

**Mr. Nicholas Swales:** We did not do any comparative work with other organizations at any level of detail. We were focused on what reasonable expectations were for the Canadian Armed Forces themselves, and the results we got from that.

**The Chair:** We're going to move to our two-and-a-half-minute rounds.

We'll begin with Mr. Blanchette-Joncas.

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** Thank you, Madam Chair.

I have many questions. I find our colleagues' questions and the witnesses' comments very good. I heard Ms. Thomas talk about automating and updating systems. I also looked at Ms. Hogan's fairly comprehensive report. However, one thing missing from the report is the source of the issue. What caused all these issues?

The report contains many observations and recommendations. There's even an action plan. There seems to be goodwill on the part of the Department of National Defence. However, I'm trying to understand what led to all these supply issues that have been going on for years.

Ms. Hogan, can you shed some light on this?

I'm trying to understand how the current situation came about, despite the action plans, the recommendations, the analyses, the close monitoring that we're prepared to do and the transparency of the Department of National Defence, which also wants to report to us more often.

**Ms. Karen Hogan:** I believe that the department is in a better position to answer this question and to explain the cause.

You must understand that a supply chain is complicated. It's complex. It's even more complex when you include the logistics of delivering materiel across the country on ships, or abroad. We've noticed that the department has an action plan and that it's starting to make progress.

Again, in terms of the cause, I think that the department should answer the question.

**Mr. Maxime Blanchette-Joncas:** Can the department respond?

Look, it's a bit like a weed. If you just cut the top off and you don't remove the root, then you don't get to the source of the issue and the weed will grow back. I can see that the issue has been going on for years and that there are action plans and goodwill. However, in reality, we're just continuing, and meanwhile...

This is no small matter, Ms. Hogan. When I looked at the figures, I almost lost it. We're talking about the Canadian Armed Forces, National Defence, people who must respond to disasters. Military units receive spare parts, uniforms and rations late half the time, meaning 50% of the time. High-priority items needed to meet critical operational requirements were delivered late over 60% of the time. That's even more than half the time.

What can you tell us about this?

[English]

**Ms. Jody Thomas:** I'm going to respond, and then I'm going to turn to my colleagues.

The answer is both complex and simple. It is a massive system. We move 26,000 types of items across 19 missions in 25 countries. There have been boutique solutions for particular problems across the Canadian Armed Forces, but we've never had an end-to-end solution.

Why? Well, we've had manual systems. We've had very early database systems, but they've been individual things. They've become boutique; they have been siloed. As a result, mistakes are made, and items are lost. There have been some attempts to rectify that over the years, but on occasion, the urgent overtakes the fundamental institutional aspects of this department.

We now have an end-to-end joined-up approach with all parts of the department and the Canadian Armed Forces defence team. It has certainly been helped by the Auditor General's observations, which spurred us on to more activity, but we realized this had to be done before the audit.

• (1200)

**The Chair:** Thank you very much, Ms. Thomas. I'm sorry that we don't have time to refer to the other witnesses.

I need to move to Mr. Green, for two and a half minutes.

**Mr. Matthew Green:** Thank you, Madam Chair.

I believe we're synchronizing our timers now.

On March 13, 2020, the chief of the defence staff activated phase three of the pandemic response under Operation Laser, yet this morning, we've heard in testimony that the National Defence folks don't know the extent of the role that National Defence will play in the COVID vaccine distribution.

The Liberals are already suggesting that distribution will happen in Q1 of 2021. What is your timeline to be ready for distribution?

**Ms. Jody Thomas:** I'll ask General Cadieu to jump in. We will be ready when we're asked to be ready. There are multiple kinds of vaccine out there. Whatever the Canadian Armed Forces is asked to do, we will ensure that it's logistically and operationally possible. I don't actually think there is a correlation between this audit and our ability to distribute the vaccine, if I can be completely honest.

**Mr. Matthew Green:** Ms. Thomas, in my opinion, the fact that you have a 50% failure rate on prioritizing materiel, and all of the things that are identified in this audit as being problematic to your ability to distribute basic military things, given the pandemic we're in, have a direct correlation to your readiness.

I'm happy to hear from your colleagues, but it's concerning to me that the Liberal government is committing the military to be part of distribution systems, yet the military doesn't seem to know the role that it's playing. It creates confusion and undercuts the confidence.

**Ms. Jody Thomas:** I think the military will know the role its playing when it's asked to play a role. We haven't yet been asked to play a role in vaccine distribution.

It's just like the long-term care facilities. That was a brand new operation for the Canadian Armed Forces. They went in. They did a recce. They trained people, and they executed perfectly. I have absolutely zero doubt that this would be any different.

**Mr. Matthew Green:** Within Q1 of 2021, will your military be prepared to distribute whatever COVID vaccines are made available?

**Ms. Jody Thomas:** As General Cadieu said, it would be a combination of public and private distribution. It will not come into our supply chain. We would be a transport vehicle. We will help organize the logistics of bringing the vaccine into Canada through the lead at the Public Health Agency of Canada, and we would do anything else that is asked of us.

General Cadieu, do you have anything to add?

**MGen T. J. Cadieu:** Madam Chair, we are currently supporting thousands of Canadian Armed Forces men and women deployed on 20 operations around the globe. We do that very successfully. Any time we can improve our supply chains to better look after our men and women—

**Mr. Matthew Green:** I appreciate your mandate, Mr. Cadieu, but you haven't been asked for help to date on the supply of COVID vaccinations.

**MGen T. J. Cadieu:** The Public Health Agency is currently leading the COVID-19 vaccine task force and the planning effort behind that. The Canadian Armed Forces are contributing to the logistical planning for that effort. It's a very complex problem. That estimate is ongoing. It will take some additional time before we can determine what the potential role for the Canadian Armed Forces might be.

**Mr. Matthew Green:** Thank you.

**The Chair:** We will now move to our five-minute round, starting with Mr. Lawrence.

**Mr. Philip Lawrence (Northumberland—Peterborough South, CPC):** I just want to start off by saying that one of the great honours of being the representative for Northumberland—Peterborough South is that I get to sit, in some cases, shoulder to shoulder—in this case, camera to camera—with some very esteemed individuals.

I'd like to start by thanking all of you for your service. I absolutely believe that we have the best, most well-trained, most well-prepared, hardest working, most dedicated service people in the entire world, here in Canada.

I'd like to move on. I also would like to say—particularly you, Ms. Thomas—your openness, your willingness to share with the committee is greatly appreciated. Knowing that we have such great service people, what roadblocks do you face? What's stopping us from ramping things up and, as has been pointed out by a number of folks, getting from 2028 to 2024?

Is there financial support to redirect? Are there roadblocks? Is there legislation? If we could get unanimous consent in the House to say, "Hey, let's do what Ms. Thomas says. We need to get this fixed immediately," what advice would you give to us?

• (1205)

**Ms. Jody Thomas:** I'm going to ask Troy Crosby to weigh in on this question. At this point, while I want everything done more quickly so that we can provide the Armed Forces with what they need, and so that the department can fulfill its mandate to support the Canadian Armed Forces, what I'm very concerned about is making sure that we do it correctly, which doesn't mean that we should not be looking at ways to ensure that we can maybe advance milestones and do better than the milestones we've laid out. At this point in time, the complexity of the project ahead means that we need to understand it before I commit to anything.

Mr. Crosby, would you like to add anything?

**Mr. Troy Crosby:** I have to completely agree with the deputy. The thing that we most need right now is to focus on a very disciplined execution of the plan that we put in front of ourselves. We're absolutely seized with getting this done. Everyone is focused on supporting the Canadian Armed Forces, particularly when they're in operations but in training as well. We're all completely seized with that objective, and what we need is to be able to deliver methodically over time and build on our successes, test ourselves, check our assumptions and make sure that we're moving forward so that we deliver a long-term workable solution and we can measure our progress along the way. We'll focus on the high priority areas again such as deployed operations, and over time we'll deliver a very full-some solution.

**Mr. Philip Lawrence:** Thank you very much. Once again, I appreciate those answers. I guess the one bit of advice I would share with you is to please feel free to ask for more. We want to make sure that you are taken care of.

I do have to say that I think my colleague Mr. Green's questions were passionately delivered and certainly coming from the right place in that we want to get Canadians the vaccine. On the same question of what resources we can get you—and I realize that if the plan comes tomorrow, if it comes in 60 days or if it comes in 90 days, the military will be there and be ready—what else could we do? What else could this government do? What else could Parliament do to make sure that you're in the best possible position to help deliver that vaccine?

**Ms. Jody Thomas:** We need to work with the Public Health Agency and our colleagues around town to look at what the delivery mechanisms required for each of the various vaccines will be. That's working with the health experts, it's working with contracting experts in PSPC and it's working with our colleagues in the Canadian Armed Forces to understand the modalities of transportation, storage and distribution and accounting for it.

There's a significant amount of work to be done, which doesn't mean we won't be ready when that vaccine needs to be picked up somewhere, and it doesn't mean necessarily that the Canadian Armed Forces would be picking it up, but maybe we will be. What we have to do is understand what the supplier of the vaccine requires for transportation and distribution, and then we'll be able to work backwards from that.

Major-General Cadieu, do you have anything to add?

**MGen T. J. Cadieu:** As has already been alluded to, the prospect of moving a COVID-19 vaccine across the country is a tremendous undertaking. It will require close collaboration, of course, at the federal level but also with all of our provinces and territories that are going to have to mobilize support. This will be a public and private endeavour. In essence it will be a whole-of-nation support, so we continue to backstop the Public Health Agency as it assesses what's going to be required for the distribution of this vaccine.

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

I will now move to Mr. Longfield for five minutes.

**Mr. Lloyd Longfield (Guelph, Lib.):** Thank you, Madam Chair.

Thank you to all of the witnesses. It's always great to see Ms. Hogan. It's the third time this week. What are you doing tomorrow?

As Mr. Lawrence said, at these committees we have the opportunity to talk to phenomenal people with great expertise, so we really appreciate this.

In my previous lives, I managed warehouses for hydraulic equipment distribution across Canada starting in Winnipeg, and then I had a warehouse in Mississauga. Eventually I took on a managing director role down in Welland, Ontario. We converted to SAP. That was an interesting memory for me, because SAP does have logistical software that's very powerful, but it needs to be fed properly.

My question is more along the lines of the inventory management theory that might be employed. We sent our staff down to Texas A&M, the army/navy university in Texas, where they learned ABC management. The top 80% of your volume comes from 20% of your line items, and you manage your stock out quantities accordingly.

One piece that always entered in was that, at some point, you have to invest in your inventory. You have to move things from your balance sheet, from your cash into stock. Over the years, when going to zero quantity on hand, quite often there's a culture of, "We don't have the money so we'll wait until we're out of stock before we reorder."

Is this any part of the audit in terms of the culture of having enough resource to order the stock that you need to have, rather than letting it get to zero, and the inventory management systems?

There are maybe several layers to that question. First of all, in terms of our audit, I see in sections 3.11 and 3.12, it's talking about systems in general, but did we look at the underlying systems that we employ that we then feed software?

Ms. Hogan.

• (1210)

**Ms. Karen Hogan:** It's my understanding that we did not look at all the underlying systems. We did look at the supply chain from the time a request is entered until its delivery point.

Over the years, through the public accounts audit, we do look at the challenges that the department has had in properly tracking the quantities and values of inventory, which is part of what you're talking about. Then it feeds into the supply chain and the logistics of moving things through the supply chain.

**Mr. Lloyd Longfield:** Right. Thank you.

My assumptions may not apply here, Ms. Thomas, but in terms of operations, you have procurement, warehousing and operations going on. Is there a resource component that needs to be addressed in terms of restocking the armed forces?

**Ms. Jody Thomas:** I would be incorrect if I said that there was not a resource implication, because that will happen at the local level. Somebody will make a local decision to let something go to zero. That doesn't mean that it was an incorrect decision, and I'm certainly not casting aspersions on those decisions, but if we have a national view, we have a better chance of managing and ensuring that there are no zero stock situations.

I'll ask Troy to jump in, as he manages the national inventory.

**Mr. Troy Crosby:** There are two opportunities here. One, to build on the answer that was just provided there, is that in certain cases there are deliberate choices made to leave stock levels at zero because the materiel can be acquired fairly rapidly at a local level and it's not worth storing. In other cases, there may be material that has shelf life, and we make decisions about just how much to stock so that we don't have materiel expiring.

The other element that I just thought I'd build on from the question is something that we haven't spoken about yet, and that is ensuring that below the bar codes the materiel identification information for every one of those half-billion items is correct. Without that, we won't know whether or not things are about to expire or whether or not they have a shelf life. That materiel information layer is yet another major part of our action plan to move forward and improve the system.

**Mr. Lloyd Longfield:** In terms of the distribution system review, is the authority to be able to make purchasing decisions, based on the requirements that are sent into the system, an issue?

**Mr. Troy Crosby:** The positioning is part of our action plan, of knowing where we're storing our equipment and whether we have it in the right numbers and the right places. I think the Auditor General's report has highlighted the importance of that, of making sure that we're resilient and responsive in our supply. That's a business choice that will have to be made and then will factor into the overall choices on the way forward.

**The Chair:** Thank you very much. We now need to move on to our third round of questioning, which is back to a six-minute round.

We will be starting with Mr. Bezan.

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

Briefly, I want to go back again to the distribution of COVID vaccines, as we've already heard about in testimony. I suspect that maybe Ms. Thomas or Major-General Cadieu would be able to confirm this or give this some context.

I suspect that one of the major roles that the Canadian Armed Forces is going to play in this is distribution to rural and remote communities where commercial options are not viable. If that is the case, do we have the ability to handle the vaccine, especially the Pfizer product at  $-75^{\circ}$  C, and to actually put that onto Hercules or Globemaster planes and into our trucks to get it distributed across the country, especially to first nations and rural and remote communities?

• (1215)

**Ms. Jody Thomas:** It is anticipated that the armed forces could well—and it has not been decided yet, but could well—be used for remote and rural communities. Certainly, transporting into the Arctic, for example, is something that the armed forces is very acquainted with doing and expert at. Do we have the capacity right now? No. Can we procure it? Yes.

There's a lot of work that needs to be done on the idea of moving a vaccine that requires that kind of temperature management, from the idea of it to the execution of it, including testing of airplanes—all that safety aspect of this. What we are doing is working through all of the options. There will be no stone left unturned, no aspect of this that the planners do not look at with the Public Health Agency.

Whether it is an armed forces transportation method or just an armed forces contribution to the planning, it will be very thorough, and we will ensure that rural and remote communities have the same access to the vaccine as the more populous areas of Canada.

General Cadieu.

**MGen T. J. Cadieu:** Throughout the duration of the Canadian Armed Forces and Department of National Defence contributions to the COVID-19 response, we have maintained the forces' posture. We are prepared to respond to Canadians in their time of need across the country, including northern and remote communities. That has not changed, and it will not change, as we continue to go through this crisis together as a nation.

The Public Health Agency continues to lead the estimate of what will be required to support the vaccine rollout logistically. We're looking forward to the out-takes of that work that we're backstopping, as well, to better understand the different roles that public and private partners may play in the distribution of that vaccine.

**Mr. James Bezan:** I have full confidence that the Canadian Armed Forces can get into those remote communities.

The bottleneck in all of this is going to be the equipment, and having to keep these vaccines at set temperatures. I'm glad to hear, Ms. Thomas, that you're looking at procurement possibilities, and getting those in place as quickly as possible.

I want to switch back to the AG report. We talk about how the supply has impacted some operations. Ms. Thomas has said that it didn't impact our forward deployed troops in international operations. Is it then disproportionately impacting training exercises, or is this lack of supply just impacting the day-to-day operation of our bases?

**Ms. Jody Thomas:** General Cadieu can speak to that, having run operations domestically and overseas.

We prioritize overseas operations where troops are deployed. When there are supply chain problems, they tend to affect domestic operations more with warehousing capabilities in bases and wings, as opposed to a ship not being able to go to sea, because we didn't get something to it. If widget x was required in 10 days, and it arrived in 15 days, it doesn't mean an operation, an exercise, a deployment, or the operation of that base was affected.

**Mr. James Bezan:** Have we had any exercises actually cancelled because of lack of supplies?

**Ms. Jody Thomas:** I'll ask General Cadieu. Not that I am aware of, but that doesn't necessarily mean it hasn't happened.

**MGen T. J. Cadieu:** Our deputy minister summarized it perfectly in terms of support to Canadian Armed Forces operations. We always privilege getting the materiel to the men and women who are deployed abroad in support of Canadians. We do that by ensuring we have robust operational stocks. If we require priority movement requests, we privilege them for deployed operations.

To answer your specific question, we need to move materiel to our training exercises as well, because that is where we train troops to deploy into the crucible of operations. Generally speaking, we have tremendous success doing that. We do not cancel exercises because of a lack of materiel. That has never been my experience. What we might have to do, from time to time, is find the innovative solutions to continue on with our mission. Frankly, part of our training is to be resilient and deploy operations.

• (1220)

**The Chair:** I will now move to Mr. Ferguson, for six minutes.

[*Translation*]

**Mr. Greg Ferguson:** Thank you, Madam Chair.

I want to start by thanking not only the Auditor General, but also the deputy minister and all members of the Canadian Forces.

As the member of Parliament for Hull—Aylmer and a resident of the Outaouais, I want to take a moment to thank the Canadian Forces for their exceptional work in my region during the 2017 and 2019 floods.

Your presence reassured many people here. You answered the call immediately to help your fellow Canadians. I'm very grateful for this.

My colleague Mr. Sorbara asked the Auditor General how Canada's system compared to the systems in other countries. She

responded that she hadn't done a comparative study on the materiel provided to military bases in other G7 countries.

Ms. Thomas, I want to ask you the following question. Canada is allied with other countries. Our military members participate in missions as part of these alliances around the world. Do you want to emulate any countries when it comes to supplying materiel to military bases? Do you have a model in mind that you want to emulate?

[*English*]

**Ms. Jody Thomas:** It's a very good question. I'm going to ask Troy Crosby to speak to it, as he works on NATO working groups that look at supply chains and materiel management.

I would note that we are a unique country. We are a small armed forces, a small population and a vast geographic area to supply. NATO countries are often difficult to compare ourselves to just because of our geographic expanse. We have a unique challenge in Canada. It's not insurmountable. We're working hard to make sure that we do this better, but it is a difficult comparison for Canada just because of our geography.

I'm going to ask Troy to jump in.

**Mr. Troy Crosby:** It's in an interesting area inasmuch as we take part in a number of international supply chain fora with our allies on an ongoing basis, whether it's the Five Eyes partners, the U.S., the U.K., Australia or New Zealand, for example. As well, we also are very well connected with industry partners, with industry working groups and with industry conferences where best practices are explored.

Being a military, not all of the commercial practices clearly apply in our circumstances, but we do share lessons and some of the initiatives that are under way. As the deputy minister mentioned, even just this week I was speaking with my counterpart, the national armaments director from the United States, and supply chain resilience and supply chain issues were on the agenda. This is an ongoing conversation. We're always all working together to do the best we can, and we're maintaining our interoperability at the same time. It's an area that we're bringing into our solution and determining the best way forward.

• (1225)

[*Translation*]

**Mr. Greg Ferguson:** Thank you for your response.

Mr. Crosby, you just compared Canada to the United States or its NATO partners. Do you want to share any specific aspects with this committee?

As parliamentarians, we can make recommendations to help you, as you did in my region during the floods. I forgot to mention your more recent assistance in CHSLDs during the pandemic. Your work in Quebec has been outstanding. Once again, thank you.

Do you want to suggest any specific processes so that we can advance your interests with the government?

[English]

**Mr. Troy Crosby:** The lessons we've taken away from these conversations with our allies are that, given the unique aspects of the military supply system, there aren't any particularly specific targets that are achievable in the sense that, where industry holds itself to a very high standard of responsiveness from a supply chain perspective, in our case a lot of the success goes to our resilience and our ability to be resourceful under challenging and unpredictable circumstances. It's that resourcefulness and the thinking around continuous improvement, lessons learned, always reflecting after operations on what was achieved, how we could have done better and sharing those lessons among our allies that is most important to us.

At the same time, you're seeing that some of the investments that have been approved are the outcomes of some of these conversations on how best to move forward. For example, over \$200 million was approved for the automatic information technology project in the summer of 2019. That sort of work and the definition work in exactly what we'll request in the request for proposal, taking into account security considerations, all come from those conversations as well.

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

We will now move to Mr. Blanchette-Joncas for six minutes.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Thank you, Madam Chair.

Ms. Thomas, I want to thank you for providing some clarifications in your response to a question that I asked you earlier. I know that the system is complex. You said that there are over 20,000 types of goods. Changing a military supply chain is much more complex than you might think.

I want to verify something. While preparing for this meeting, I came across a March 4, 2019, article by journalist Lee Berthiaume in *La Presse*. The article states that the Department of National Defence saved \$700 million as a result of efficiencies. I want to congratulate you. This is a good thing. However, the department spent \$2.3 billion less as a result of delays in the warship projects and the fact that some items cost less than expected.

Another aspect interested or intrigued me. I'm still looking for the source of National Defence's supply chain issue. The article states that "defence officials have previously blamed a shortage of procurement experts for some project delays and cost overruns."

Can you comment on this, Ms. Thomas?

[English]

**Ms. Jody Thomas:** I believe you're referring to vote 5 spending on capital projects.

On individual projects we did save approximately \$700 million that year, but we did not roll out the spending quite to the extent we intended to. I think it's important to note that the spending is not lost to the department. It is in our capital envelope and it will be spent.

We are proceeding with "Strong, Secure, Engaged" projects, as had been laid out in our investment plan.

Early on, as we launched "Strong, Secure, Engaged" and the range of capital investment required, we did have a shortage of procurement experts in ADM materiel. Troy and his predecessor, Pat Finn, have worked very hard at increasing the number of procurement professionals in both the Department of National Defence and in Public Services and Procurement Canada, so we're feeling much more comfortable with the level of employees and the competency and range of experience of our employees as we continue to proceed down the path of "Strong, Secure, Engaged".

• (1230)

[Translation]

**Mr. Maxime Blanchette-Joncas:** Thank you, Ms. Thomas.

Can you shed some light on the reason for the shortage of procurement experts?

[English]

**Ms. Jody Thomas:** Many had been laid off when we went through a period of cuts, so the numbers reduced. A lot of expertise retired, so that train the trainers approach to developing people was lost.

We ramped up very quickly a huge range of projects, and we had entry-level employees. We didn't have more mid- and senior-level employees to manage some of the large projects, but we are in a far better situation now.

We have a very robust development program for our procurement experts, led by Troy's team, and we work very closely with PSPC to ensure that there is a cross-pollination of expertise between the two departments.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Thank you, Ms. Thomas.

The same article states that this "shortage was created by successive cuts to the department" by various governments, both Liberal and Conservative, in the 1990s.



I'll go back to my question about the source of the issue. Do you really believe that a shortage of procurement experts is causing project delays and cost overruns, as stated in the Auditor General's report, or is the issue simply the result of budget cuts by various governments?

[English]

**Ms. Jody Thomas:** The decisions were all made within the department, making reductions in response to direction, so there were choices that were made within the Department of National Defence.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Ms. Thomas, I'm trying to find the source of the issue. A shortage of procurement experts is causing problems, and action plans must be developed. The Department of National Defence is receiving receive rations and goods late.

Did the hiring of additional experts or budget cuts cause all the issues that we're looking at today?

[English]

**Ms. Jody Thomas:** Some of those reductions were on the major project side of things in the capital envelope that Troy manages. As for some of the shortages in people, yes, more people would make a difference in some cases, but this is a systemic problem, the supply chain problem, within the Department of National Defence. There's no one year where you can say it all changed because we reduced the number of people.

Supply chain management has modernized, and we haven't invested in it. We are doing that now to ensure we have a system that can be updated and kept evergreen going forward.

[Translation]

**Mr. Maxime Blanchette-Joncas:** Thank you, Ms. Thomas.

Do we agree that, if there are fewer experts and operational resources to address the procurement issues raised today, there will be fewer results?

[English]

**Ms. Jody Thomas:** In terms of specific resources, I'll ask Troy to respond as to whether he believes he needs more people to manage this. When he does require more people, he comes to me through our formal budgeting process within the department, and more people are always needed.

Troy, is there anything specific you would like to add?

**Mr. Troy Crosby:** We've actually grown since "Strong, Secure, Engaged" was published. We've had an increase in the number of public servants involved in our capital acquisition program, which includes the purchase of spare parts that are delivered into the system to support our equipment, as we put it into service.

**The Chair:** I will now move to Mr. Green, for six minutes.

**Mr. Matthew Green:** You've heard me today passionately referring to COVID distribution. There may be some differences of opinion regarding whether it's germane to this report or not. I still strongly believe it is. I'll spend my time referencing specifically the issues brought up by the Auditor General's report with the frame and the understanding that I firmly believe it has a direct correla-

tion to the military preparedness, and ability for COVID vaccination distribution.

In section 3.27, the Auditor General found that 50% of all materiel requested during the period covered by the audit was received after the required date of delivery. Among the late deliveries, 50% were at least 15 days late, and 25% were at least 40 days late.

In section 3.28, among the high-priority requests, it found that 60% arrived after the required delivery date. Of these, 50% were at least six days late, and 25% were at least 20 days late.

What is the Department of National Defence's service standard for deliveries?

• (1235)

**Ms. Jody Thomas:** Our service standard for deliveries depends on both the priority assigned to the object, and the delivery methodology, whether we're doing it ourselves or contracting that delivery.

I'll ask Troy and General Cadieu to both respond, because this is a very joint process between the department and the Canadian Armed Forces.

**Mr. Troy Crosby:** In certain cases, where we can foresee, or need to position ourselves to react quickly, we actually put together packages of spare parts that are pre-positioned in order to allow us to respond quickly on need. Beyond that, as the deputy minister had mentioned, the requirement is on a case-by-case basis in most cases, where requesters specify when they need the equipment in order to support their ongoing activities.

**Mr. Matthew Green:** What are the reasons, then, for missing them so badly? Do the service standards need to be reconsidered?

**Mr. Troy Crosby:** In certain cases, per the response to the Auditor General's report, where we need to introduce additional discipline into the establishment of those high-priority requests to ensure they are in fact reflective of an urgent need and that we're not diverting resources where they could be best served somewhere else, that's part of our response. That's part of what we'll be doing in the near term: ensuring that clarity exists.

**Mr. Matthew Green:** There's an old saying that an army marches on its stomach. According to the AG report, given the need to be well provisioned with food and with materiel and other supplies, I'm not sure that we're able to march very far, very fast.

I think about the Argyll and Sutherland Highlanders and the Royal Hamilton Light Infantry housed at the John Weir Foote Armoury in my riding of Hamilton Centre. We want to make sure that these men and women who are stationed there get the supplies and the equipment they need.

Section 3.47 says that for “129 high-priority materiel requests”, National Defence was asked “to provide the supply forms that were completed” and other documents, “such as emails and work orders”. The auditors found that “on the basis of the information [they] received, including explanations and supporting documentation, National Defence could not justify the high-priority status of 65% of the requests that were reviewed”.

Do you think high-priority requests are being made for things that may not be considered high priority so that they arrive only 20 days late, say, instead of 40 days late? Because this sounds like a way for our Canadian Forces members to try to find a workaround to this supply management system that doesn't work.

**Ms. Jody Thomas:** I'll refer to General Cadieu, but that is entirely possible, and that is why we are looking at the service standards and reviewing the documentation, the requirement and the justification for high-priority items.

If we divert attention from things that are truly high priority to those that are not, we take away resources from where they're most needed, so that entire governance and oversight has to be reviewed as a part of this audit and a part of our action plan for the audit.

**Mr. Matthew Green:** That answer actually suffices quite well, Ms. Thomas.

In the event that the Liberals or the Conservatives try to privatize delivery services, including the COVID vaccination, is it still fair to say that it would be cheaper for the Department of National Defence to be delivering its own materiel rather than using commercial services?

**Ms. Jody Thomas:** General Cadieu is responsible for transportation, so I'll ask him to respond.

**MGen T. J. Cadieu:** We move materiel based on the operational necessity, so there will be times—if, for example, we need to get equipment parts, food or additional resources to deployed troops—where we might have to rely on commercial means if that's going to be quicker than what we refer to as the “national freight run” or the green trucks to move our equipment.

We assess the criticality of the operational requirement and the imperative to get it into the hands of the men and women who are serving on behalf of the nation as we make these determinations.

• (1240)

**Mr. Matthew Green:** How are you able to budget for the cost overruns for the use of commercial delivery services and what pool of money do you have to pull from to cover your delivery overrun costs?

**MGen T. J. Cadieu:** Madam Chair, in all of the operations we conduct, we plan in great detail, including for the financial resources that are required and including for the use of commercial transport if and when we need to use it to push materiel out to our deployed troops.

**The Chair:** Thank you very much, General Cadieu.

Members, that takes us to the end of our third round.

Before we move into the next portion of our meeting, I do have a question that was prepared by the analyst from the Library of Parliament regarding recommendation 3.57.

That recommendation states:

National Defence should communicate the costs of all available transportation methods and provide clear guidance on how to select the mode of transportation to ensure that decisions are founded on a full understanding of costs.

What progress has been made with respect to defining the problem and determining the best methodology to query the existing data? I'll pose that to Ms. Thomas.

**Ms. Jody Thomas:** This is part of the holistic review that is being done of the entire process to look at our end-to-end delivery. We need to be completely transparent on costs. We need to make cost-effective decisions. We need to be able to manage the inventory and the movement of goods around the country in a way that is cost-effective, and we will be publishing results of studies as they become available.

**The Chair:** Thank you very much for that answer.

Because we are so close to 12:45, and that's the time that we designated for committee business, I want to thank our witnesses for joining us today. It's been a tremendous time here with you, hearing the very good questions of our members and the answers that we've received.

I will thank you and let you know that you are free to leave this meeting at this time.

We will then go into committee business.

Seeing that the witnesses have all left, we have two orders of business in front of us for the next 15 minutes.

The first is the budgets, and I believe they were all circulated to you. I think what we will do, if the committee members agree, is to just go through each one asking for whether or not it is the will of the committee to adopt the budgets as presented. We then have a service contract that the clerk has sent to all members.

Are there any questions before we begin?

Go ahead, Mr. Longfield.

**Mr. Lloyd Longfield:** I just wanted to say thank you to the clerk. The estimates are a lot lower than they normally come in at when you don't have travel. I wonder whether we're able to approve them in one shot rather than do each one individually.

**The Chair:** Absolutely, we could take care of this in one motion if it is unanimous to just adopt the budgets as presented.

**Mr. Lloyd Longfield:** In that case, I would so move that we adopt all the budgets.

• (1245)

**The Chair:** Are there any questions around that?

Go ahead, Mr. Blanchette-Joncas.

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** Thank you, Madam Chair.

I'll ask a simple question.

I've noticed that several of our colleagues are participating in this meeting virtually. Project budget requests always include an "other expenses" category for working meals. We could save money if we were to bring our own meals. I understand that this money might not be spent. That said, even if the money is included in the budget, it constitutes allocated amounts that we could save. Since the start of this parliamentary session, most of my colleagues have been attending meetings virtually. Meals can be prepared. However, if people aren't here to eat them, money will be wasted.

[*English*]

**The Chair:** Madame Clerk, would you like to speak to that issue? I know that there is a process for determining what is needed to be ordered.

**The Clerk of the Committee (Ms. Angela Crandall):** Certainly, thank you, Chair.

I've included meals in the budget, one for each meeting that we normally would have on the study. We don't necessarily spend that money or have to spend it. If we don't, it goes directly back into the budget for committees. It's a question of being able to order meals if members indicate that they're going to be present. Even if we had half the members here, it probably wouldn't cost the full amount, but it's a question of having the money available so we don't have to go back and ask for more in a budget.

It's the same with the headsets. The number may be a little bit higher than what we may actually spend. We may not have the actual number of headsets for witnesses, but it's a question of being prepared so that we don't have to come back to you and say we need a budget for \$75 to pay for something.

As I said, the money goes back into the general committee budget, the directorate, if it's not spent. That's usually fairly quickly after the end of a study.

**The Chair:** Does that answer your question, Mr. Blanchette-Joncas?

[*Translation*]

**Mr. Maxime Blanchette-Joncas:** Yes.

Thank you, Madam Chair and Madam Clerk.

[*English*]

**The Chair:** All in favour of adopting the budgets as presented?

(Motion agreed to)

**The Chair:** The next item on our agenda is the calendar.

After the last meeting and pursuant to the motion adopted by the committee, the clerk, analysts and myself had a discussion and I would like to propose the following changes to the calendar. I do believe that it was circulated to you ahead of time. I hope you have had the opportunity to look at it.

The first change would be that the committee invite the appropriate witnesses to appear on Thursday, December 3, in relation to "Report 3—Taxation of E-Commerce" of the 2019 spring reports of the Auditor General of Canada. That directly relates to a motion that was adopted at the last meeting.

Number two is that the committee study any available draft reports on Tuesday, December 8.

Is it the will of the committee to adopt the amended calendar as presented?

**Some hon. members:** Agreed.

**The Chair:** Seeing that everyone has agreed to that, we will adopt this calendar.

I believe that takes care of our business for this period during our meeting.

I would remind you that our next meeting will be on Tuesday, November 24, with Mr. Longfield chairing it. I think you're in for a treat with Mr. Longfield chairing.

**Ms. Jean Yip:** Madam Chair, I just have one question.

Is there any update on the training that was scheduled?

**The Chair:** Yes, that is on the calendar, I believe. It is scheduled for Thursday, the 26th. I believe it was scheduled on that day, so that didn't change from the original calendar.

**Ms. Jean Yip:** Thank you.

**The Chair:** You're welcome.

If there are no other questions, I will adjourn the meeting.

Thank you so much.





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