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• (1640)

[English]

The Chair (Hon. John McKay (Scarborough—Guildwood, Lib.)): Colleagues, let's get started. We're ready to go. We have the room until six o'clock. You'll notice that the second panel has been cancelled. We'll have to reschedule it.

I'll urge colleagues to take note that a lot of people are watching this study, because it is an incredibly important study and the current situation with procurement can't continue. I think there's unanimous agreement on that.

With that, let's get ourselves started. This time we'll still go very quickly, but I'll try to run it right until six o'clock. We should be able to get in two full rounds and maybe a bit more.

I want to call on Mr. Mueller and Ms. Cianfarani. Mr. Mueller is president and CEO of the Aerospace Industries Association. Ms. Cianfarani is president and CEO of the Canadian Association of Defence and Security Industries.

You each have five minutes.

Mr. Mueller, you are listed as first on the order paper, so we'll hear from you first. You have five minutes, please.

Mr. Mike Mueller (President and Chief Executive Officer, Aerospace Industries Association of Canada): Thank you, Mr. Chair and committee members. Thank you for the opportunity to be here.

The Aerospace Industries Association of Canada represents more than 90% of the Canadian aerospace industry, including the defence sector. I want to thank the committee for this study, as it is of critical importance to our nation's defence and innovation potential and is truly a non-partisan issue. As you know, Canada's aerospace industry is a key contributor to our national and local economies from coast to coast. Our call for an industrial strategy and a greater investment in the industry will create the kind of business environment in this country that encourages investment, which creates high-value jobs. We also feel that an industrial strategy will help fix the current export permit system, which is a significant frustration for many of our members.

Procurement should be about better collaboration between government and industry. It should be about positioning Canada and our industry for the work, innovation and defence requirements of the future. It needs to be about creating more opportunities and it needs to be about better planning. It is our hope that your work in this committee will result in this government, or future govern-

ments, creating a framework that commits to the establishment of an industrial strategy. Internationally, we are seeing our friends and competitors have different relationships between industry and government. We require the same forethought here.

Members of the committee, in the past, decision-makers like you made aerospace and defence a priority. We need that same leadership and vision today. In fact, the NATO Secretary General put it very clearly last week, that "there is no defence without industry".

This is not a partisan issue. Rather, the threats to continental and world security are more complex and multi-faceted than they have ever been. The strategic environment requires a comprehensive approach. This is why industry is eagerly awaiting the promised defence policy update. We are also looking for a clear commitment through the defence policy update on how the government will be achieving our commitments to multinational organizations like NATO.

We do believe that there needs to be more investment to both provide the necessary equipment and speed up procurement. Today's procurement system is burdensome, complex and lengthy. It must be transformed into one that is efficient and strategic. In order to succeed and to ensure that we have domestic capability and capacity, we need a procurement system that operates effectively and efficiently and is capable of responding to rapidly evolving international security threats and emerging capability requirements.

This moment presents a unique opportunity for intensified collaboration between the government and industry to refine our procurement approaches and processes. If we fail to engage in early collaboration, Canada risks missing out on opportunities to leverage our innovation and industrial strengths to meet our growing defence and security needs.

To address these challenges and seize the opportunities, I want to give some ideas that the government should be considering.

First, we need to build stronger strategic relationships with industry through ongoing and sustained engagement. The federal government and industry should collaboratively develop a strategic relationship through more meaningful and sustained engagement practices.

Second, we need to better align requirements with needs. We need to work together to develop requirements to ensure capability relevance for current and future needs.

Third, we need to tailor procurement approaches to the nature of the acquisition. Match the approach with the nature of the acquisition, adapting when necessary to ensure an appropriate fit. The determination of this will require a strategy and advanced discussions so that there's clarity and transparency.

Fourth, we should consider adopting a risk-based procurement approach. Work should be done to increase the use of risk-based contract approvals to streamline defence procurement and reduce unnecessary process requirements.

Fifth, we need to work together to enhance government procurement capacity through collaborative training and skills development. We need a new relationship between the federal government and industry to enhance procurement capacity. We need to develop mechanisms for sharing skills, talent and risk management approaches. This goes to some of the required cultural changes that you've been hearing about.

In conclusion, many of these recommendations would be addressed through a comprehensive aerospace industrial strategy that would provide certainty, transparency and the identification of key industrial capabilities and capacities that we need here in Canada. Getting this right and optimizing defence procurement are essential for our nation's security and innovation potential. Together, we can harness innovation, maintain control over our defence capabilities and ensure that Canada in fact remains strong, secure and engaged.

• (1645)

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Mueller.

Ms. Cianfarani, the floor is yours.

Ms. Christyn Cianfarani (President and Chief Executive Officer, Canadian Association of Defence and Security Industries): Thank you for inviting me to speak to you today about procurement and the Canadian Armed Forces.

Russia's invasion of Ukraine has upset the long-standing security balance and architecture that Canada has invested in and that serves as a cornerstone of our national security. No NATO government, military or defence company was prepared for the event or the grinding conventional ground war that has followed. NATO states, including Canada, will need to supply munitions and defence technologies quickly, likely for years, in quantities not foreseen or planned for since World War II.

At Vilnius, NATO leaders reaffirmed a three-pronged defence investment pledge. It's called the "three Cs". The famous—or infamous—2% of GDP floor is one. To spend 20% on capital equipment and R and D is another. Canada has failed to meet both targets

since their launch in 2014, and has never set out a plan to meet them. NATO also wants and needs its member states and their defence industries to be part of the effort to arm Ukraine and replenish their own stockpiles. A new defence production action plan has been put in place for that purpose.

For the last 18 months, the global demand for defence industrial production has increased significantly. The commitments that I have just mentioned will amplify what we're seeing. The global defence industry will be shaped for years to come. This is a moment, one we have not seen in decades, for Canada to step forward and make generational investments in its own capabilities to share in the collective burden. It's time to step up or step aside.

Failure doesn't look like getting kicked out of NATO or the G7. Failure looks like AUKUS—being ghosted by our closest allies. It looks like not expanding our munitions production capacity in time to help Ukraine. It looks like holding on to old kit instead of donating it, because it takes us too long to replace it.

That brings me to the subject at hand—namely, Canadian defence procurement and how to reform the system. I have appeared in front of parliamentary committees before. I have said that there are no silver bullets. I do not believe that seemingly simple, elegant proposals will reform one of the most difficult and complex functions of public administration. I have said that a single agency is no panacea.

Meaningful reform will require laborious, painstaking, incremental and co-operative work by the departments involved. Canadian industry needs a seat at that table. The work begins with mapping the acquisition process and eliminating bottlenecks. Currently, there is little to no objective process performance data, or at least not in the public domain.

We've consulted and urged officials to move away from a one-size-fits-all model, especially for rapid technology adoption and services. If it's Canadian and a key industrial capability, or a KIC, use a national security exception. I have participated in reforms to identify KICs that were meant to favour and expedite acquisition in these areas.

The hard truth is that our defence procurement produces the outcomes our country wants, not the ones we pretend to collectively want. The rigid, risk-averse gyrations we see are reflections of a lack of priority at the national level. The current approach also undermines the capabilities, effectiveness and readiness of the CAF. Morale and the public image of the forces suffer, affecting recruitment and retention, which is arguably the biggest issue facing the Canadian Armed Forces today.

Defence procurement is an instrument of foreign policy, industrial policy and national security. If we were clear on what we wanted, we would drive the outcomes accordingly. The Prime Minister needs to identify defence procurement reform as a priority and then hold ministers accountable for improvements.

Lastly, we need to start thinking about our defence industry like our allies do—namely, as a fundamental component of national security and a collective tool of deterrence. To this end, procurement system outcomes need to develop and sustain a healthy Canadian industrial base. The neglect faced by the domestic industry must be replaced by a new approach and commitment to industry if we're going to be a meaningful contributor to Ukraine, NATO and our allies, and to ensure that we have a stake in the economic opportunities that present themselves. This was our main point in our submission to the defence policy update.

We've known for decades that Canadian defence procurement is slow. So what has changed? The world has changed. The status quo is now a real risk to Canada's national security and to that of our NATO allies.

Thank you.

• (1650)

The Chair: Thank you.

Mr. Kelly, you have six minutes, please.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you.

Over the last couple of meetings, I've asked a number of questions about the production of 155-millimetre shells.

Ms. Cianfarani, I don't know if you've heard the testimony that came up here, but we had a suggestion made at this table that it's industry that is not ramping up or investing in production and that there aren't long-term contracts available. That's despite 155-millimetre shells being in demand not just to replenish our own supplies and not just to supply Ukraine, but by all other allied militaries. What can industry do to get shell production increased in Canada?

Ms. Christyn Cianfarani: Industry is expecting to see demand signals that are firm, binding, signed contracts. These investments in production lines to ramp up will take capital investments that repay themselves in the order of 15 to 20 years. This means that they need to be backstopped by a procurement size that is large enough to, effectively, run the line for that long a period of time in order for them to recuperate their investment.

That's first and foremost: signed, legally binding contracts.

Mr. Pat Kelly: It's a year and a half into the conflict in Ukraine, and shell production has not gone up at all in Canada. We're the

same as we were before. General Eyre was very concerned about this and sounded the alarm.

Why can't this happen? Is it a matter of the government making this a priority and putting the contracts out? What will it take?

Ms. Christyn Cianfarani: As I understand it, proposals have been put to the Government of Canada. I have not seen these proposals, but I understand from companies that proposals have been put in to the Government of Canada to increase shell production and modify the lines, particularly for 155s. You'd have to ask the company to confirm this, but to my knowledge, there have been no legally signed contracts to increase production so that we can deliver to Ukraine.

Mr. Pat Kelly: Industry is waiting for the government.

Ms. Christyn Cianfarani: Of course it is.

Mr. Pat Kelly: Okay. Thank you.

You said that the exclusion of Canada from AUKUS is a symptom of the failure of Canada to take its national defence and its procurement seriously. Can you elaborate on that?

Ms. Christyn Cianfarani: I think it's an example of how Canada doesn't seem to be reading the tea leaves correctly. We went into AUKUS expecting, as I understand it, in the words of the Prime Minister, that this is a "submarine deal", and not understanding that allies speak through defence co-operation agreements, so this is more than just a purchase of submarines. There is a whole technology stream going on behind this whereby the three nations—Australia, the U.K. and the U.S.—will collaborate to produce emerging technologies far beyond a submarine deal.

Mr. Pat Kelly: And they will share intelligence amongst themselves without Canada being a part of it.

Ms. Christyn Cianfarani: We're not at the table.

Mr. Pat Kelly: That's right.

You said that eliminating bottlenecks is part of the key to fixing procurement. Can you identify some of those bottlenecks?

Ms. Christyn Cianfarani: First and foremost, before I go into hypothetical bottlenecks, we would need to map the system. Right now, there exists no mapping of the procurement system, in the public domain anyway, which means we cannot identify where there are bottlenecks, misalignments, or perhaps duplications to make determinations on how we would change that process.

Mr. Pat Kelly: Industry doesn't know how best to go about putting together a bid or a proposal, because they don't even understand—

• (1655)

Ms. Christyn Cianfarani: No, we understand in general how the system works, but if you actually want to do the hard work of eliminating steps that make this overall process highly complicated, you would have to be able to have exposure to the 250-some steps the Department of National Defence goes through to get a project from project conception to requirements analysis, options analysis and then through to actual procurement.

We have no visibility into those things, so we can't conjecture as to how the system might be repaired.

Mr. Pat Kelly: Only when the Prime Minister makes this a priority will it happen. You talk about the importance of the Prime Minister. Is it the weight of the Prime Minister's Office that's just not behind reforming procurement?

Ms. Christyn Cianfarani: We would expect to see something like this in mandate letters, and we would expect it to be very directive to the ministers in charge. There are effectively three ministers, but there are a few more who play within defence procurement and export, if you will.

We would expect to see it in all of the three ministers' mandate letters to take action to have procurement reform. Maybe they need to go a bit further to say "meaningful procurement reform that reduces the number of steps and the time that it takes from conception to acquisition".

Mr. Pat Kelly: The goal of reducing time is not stated as a priority of the government.

Ms. Christyn Cianfarani: It is not, as far as I know.

Mr. Pat Kelly: Okay.

The Chair: Thank you, Mr. Kelly.

Madame Lambropoulos, you have six minutes, please.

Ms. Emmanuella Lambropoulos (Saint-Laurent, Lib.): Thank you, Chair.

Thank you to both of our witnesses.

Mr. Mueller, you spoke a bit about how we need to refine the procurement process. I'm wondering if you can specify a bit more the ways in which we can do that. Can you also let us know what is most time-consuming and what is most burdensome in our procurement process?

Mr. Mike Mueller: Thank you for the question.

One of the main things I spoke about at the beginning of my remarks was the need for an industrial strategy for defence and aerospace. It goes to many of the things that were spoken about here before. Industry thrives on predictability. Industry thrives on transparency. Industry thrives on having an understanding of what and where the government wants to invest and where the government sees the key capacities and capabilities that are there. That, to me, is fundamental, right from the beginning; we need that long-term industrial strategy. If we can get those ingredients right, industry will respond and be up for the challenge on these things.

Some of the very specific pieces that I keep hearing from industry include greater collaboration between the government and industry when you're defining the capabilities that are required and

when you're putting together requests for information. I listened in attention to some of the other testimony you had here also. That, to me, is a key theme. The more you can have discussions with industry earlier on in the process, the more industry can respond. But it's not only that; industry can propose new solutions and new ideas. We have disruptive technologies happening right across the board, and we seem to be always late to the game here.

The other piece that I see as a huge challenge is that there's a risk aversion with government on moving forward on some of these key procurements. We need to remove some of that risk. The old adage "fail fast, fail quickly" needs to be ingrained into the procurement system. There are lots of questions back and forth. You keep hearing, from industry in particular, that when you're in other countries, the procurement process, including the request for information, is quick, and then in Canada it's out the door. Some specific pieces need to be happening there.

In my mind, fundamentally, it's the need for that overall industrial strategy. Having the government come out with a clear policy, a clear industrial strategy, will address a lot of the issues that we're seeing right across the board.

Ms. Emmanuella Lambropoulos: Thank you very much.

Do you mind commenting on whether or not you think there are situations in which it's appropriate to use non-competitive contracting instead of competitive contracting? What do you think are the pros and cons of doing so?

Mr. Mike Mueller: I think that's on a case-by-case basis. Again, you need that industrial strategy and the policy from the government to make clear definitions. What are the key capabilities that we want to have here in the country? What's the capacity that we need to have? What makes the most sense?

In the absence of that, again, we're going on a transactional basis when we're recapitalizing the armed forces. That's a huge challenge. We need to do that heavy lifting and that hard work beforehand to have that industrial strategy, to sit down, both government and industry, and have those discussions on where we can be best suited to support the government. Once you have that industrial strategy, the decisions on where that procurement fits in and how we can best do it would be informed by the strategy.

Have these discussions earlier and have them with industry. That will inform the plan moving forward.

• (1700)

Ms. Emmanuella Lambropoulos: Thank you very much.

Ms. Cianfarani, would you like to comment on that last question as well, on forgoing competition in certain circumstances? What circumstances do you think that would be appropriate in?

Ms. Christyn Cianfarani: Sure thing.

Mike is very right to say that it starts off with identifying and prioritizing what we want in this country from a security and capability perspective. Then you drive that into the outcomes you want in your procurement model. We want an outcome of maintaining a certain capability with a Canadian vendor. We want a domestic supply of x. Then you would structure your procurement. In that case, it might be acceptable to have a sole source. You might use a national security exception for that, or you may use a clause we have that's called "not in the public interest". It's the same thing. You may choose to sole-source that because it is not in the public interest, in your national interest, to procure that in a competitive way.

You need to understand the outcome that you want first. Then you use the tools to get the desired outcome that you want.

Ms. Emmanuella Lambropoulos: I have less than a minute left, so I'll just say that I appreciate the fact that you guys have come to talk to us about the need for industry and government to work together in order to come up with these plans and to better fit the needs we have and to keep going. I've heard a lot of people testify to the same thing. I think we're going to see it in our report and in our recommendations.

Thank you very much.

[*Translation*]

The Chair: Ms. Vignola, welcome to the committee.

You have the floor for six minutes.

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

Mr. Mueller, I must confess that the situation in the aerospace industry worries me: the CP-140 Auroras are being replaced without a call for tenders; the Arctic is exposed and the radar system needs to be upgraded; the Kingfisher planes aren't flying; the contract for the F-35 fighter jets seems to particularly favour Americans over Quebec and Canadian companies.

That said, I'm going to focus on the CP-140 Aurora replacement. I'd like your opinion on the awarding of the contract to Boeing, without a call for tenders, as well as on the repercussions of this choice on Quebec and Canadian companies.

[*English*]

Mr. Mike Mueller: I don't want to comment on a specific active procurement, just because we do have members on both sides of these issues.

Again—and I'm going to sound a little bit like a broken record here—it goes back to the need for an aerospace strategy in Canada, to have had these types of conversations five years ago and to have the government clearly come out with a defined set of priorities, capability and capacity that they want to build here in Canada. That strategy would then inform the path forward. There are pros and cons on both sides of the issue here that we find ourselves in. That need for a long-term strategy is absolutely critical. The government needs to come to the table and start to have these types of conversations so we don't end up in situations where it's uncertain as to what's going on.

If you had that long-term strategy, if you had the key capabilities defined by the government, by the Canadian Armed Forces, you could have these discussions earlier. That, to me, is the core of all the procurement problems and potential different paths forward on some of these things.

[*Translation*]

Mrs. Julie Vignola: When it comes to strategic planning and cyclical planning, we should already be thinking about replacing the fleet when the last aircraft is put into service. Am I wrong?

• (1705)

[*English*]

Mr. Mike Mueller: I would say we are recapitalizing the air force on a case-by-case basis, through a transactional approach right now. Without a long-term strategy in place, we'll keep going through this process of having a transactional approach. That's one of the recommendations we've made in advance of the defence policy update coming forward: to have the government provide funding and to have the government provide that long-term plan.

Industry right across the country and supply chains on all sides depend on predictability, transparency and knowing where we're going to go next. That long-term industrial strategy is absolutely key. We see other countries doing it. For example, the defence policy update of the Australians is substantive. It identifies where they're going as a country and identifies the investments. Then also, straight from the top, from the Prime Minister down, there's a commitment for a long-term industrial strategy.

How do you utilize the industrial base? We have much to be proud of here in Canada with respect to aerospace. We're one of the very few countries that can design a plane from start to finish. That's something we should be incredibly proud of.

[*Translation*]

Mrs. Julie Vignola: Thank you.

Ms. Cianfarani, in your opening remarks, you mentioned the need for ammunition and Canada's lag in this regard. As far as I know, there are ammunition manufacturers in Canada and weapons have been sent to Ukraine. As I understand it, the ammunition has not followed the weapons. Now, these are not weapons you can throw in someone's face.

Is it possible to make up for this oversight? If so, how could it be done? If an allied country were to experience a situation similar to Ukraine's, what would you advise when the time comes to promise to send weapons, so as not to repeat current mistakes indefinitely, if there are any.

[*English*]

Ms. Christyn Cianfarani: I think you heard from the chief of the defence staff that they haven't increased munitions through the munitions supply program since, I think, 2022, or they haven't purchased additional munitions through that program. We were basically using stocks in order to send our contributions to Ukraine.

Right now, around the world, countries are getting together and looking at how to pool their munitions in order to get rapid production of munitions. In fact, NATO announced last week that it is providing framework contracts and firm orders for about 1.5 billion dollars' worth of ammunition, and it will continue to do that.

Countries around the world are bringing their defence industry arm—anywhere from 30 to 40 companies have been showing up at a run rate—in order to be able to look at how they can ramp up their ammunition to answer the call from Ukraine. To my knowledge, at this time, Canada is absent from those conversations. If we want to be present in those conversations, we would need to start talking with our ammunition providers—which the United States is doing, by the way. The United States has actually given Canadian firms contracts to increase ammunition for its own purposes and for its donations to Ukraine.

We would need to start having those conversations, and it would probably take some time—approximately two years is my guess—before we are in a state to even be producing additional operational rounds. However—

The Chair: We're going to have to leave that answer there. Thank you.

We'll go Ms. Mathysen for six minutes, please.

Ms. Lindsay Mathysen (London—Fanshawe, NDP): Thank you.

Mr. Mueller, your organization produced a report entitled “Vision 2025”, which called specifically for a “buy in Canada” procurement policy. It's something I've been pushing. I have a private member's bill on that, Bill C-300, which looks to establish that made-in-Canada procurement policy. Of course, we want to ensure that we're using those federal dollars to create good, community-building, family-sustaining jobs in Canada.

Can you elaborate on that specific made-in-Canada approach you outlined in your policy document? I was hoping you would be willing to table that report with the committee here today as well.

• (1710)

Mr. Mike Mueller: Absolutely. We would be willing to table that report. Thanks for the question.

I believe that report came out just before the pandemic. There is a section on defence procurement. It's “Buy for the benefit of Canada”, which is an important distinction on that side of things. We have workers right across the country—just over 200,000 workers in aerospace—and as you mentioned, these are absolutely good, family-supporting jobs. They're 30% to 40% higher than the average in manufacturing across the board.

Our challenge at the time—and it still is—to the Canadian government, in the context of a defence policy update and a long-term industrial strategy, was that you need to be buying for the benefit of Canada and the workers of Canada. There are supply chains right across the country. We see some pretty significant investments both by Canadian companies and by international companies in that workforce right across the country, and that spans from Vancouver Island right out to Newfoundland and everywhere in between. One of the amazing things is that you will find aerospace companies in

almost every riding in the country. They're everywhere. These are good, family-supporting jobs, as you said, so they're critically important, but again, it's the need for that industrial strategy.

We've been encouraging the government for years now to come forward with that strategy, to identify what the key capabilities are and what capacity we need to have here in the country, and then, through procurement, to buy for the benefit of Canada, for the benefit of Canadian workers and technological innovation. How do you drive forward some of the research and development domestically?

There's a whole host of pieces out there, but again, that strategy is absolutely critical. I want to thank a lot of the other House of Commons committees that have specifically called for the implementation of the strategy. It's my hope that it will be one of the recommendations that come out of the report from this committee.

Ms. Lindsay Mathysen: Thank you.

I see a bit of what I hope isn't a contradiction, and maybe there can be a bit more clarity from both witnesses on this. That streamlining we're talking about and that immediate need, because things have been so delayed in terms of procurement and bids and so on.... That streamlining seems to almost work against this idea, because that long-term planning hasn't happened and the long-term strategy isn't there.

Can you both talk about how you see them fitting together better so we're not just buying off the shelf and spending a lot of money on something like an F-35, which is now ballooning in the American system? They are already showing how many more trillions of dollars they're pouring into it, the forces, and that isn't Canadian-made and isn't part of that longer vision and that strategy.

Mr. Mike Mueller: Maybe I could start on that. It's not really a contradiction. You need to put that work into defining exactly where you want to go as a country with respect to a defence policy, and the government thus far has been lacking in that. That's really what's required here. In some cases, buying off the shelf makes sense. In some cases, developmental programs make sense. But without that piece there to guide industry and to help government make those decisions, it's very tough.

Ms. Lindsay Mathysen: If you're not investing now for that later term and you're spending all your money buying off the shelf, how can you invest now?

Ms. Christyn Cianfarani: I think there are some areas that I would call “quick hits” or low-hanging fruit, where we know we have resident capability within the country and, in the case of the war in Ukraine for example, we know we would need to restock. We have a lot of armoured vehicles. We're world leaders in armoured vehicles, so that would be identification of one capability that we know is resident in Canada, and if we needed to source that very quickly, we could source it. We know that's going to be a capability that we're going to need for the long haul.

Another example would be something like cyber, where you have a lot of nationalistic interest. We know that it evolves rapidly. We know there are people in this country who do it. If you wanted to procure it like a service, you would set up a long-term sourcing contract with a vendor in Canada and you would move forward on those things.

I think it's a sort of double-pronged approach, where you continue with your strategy on one side, because it's a very long-term item, and in the short term you look at where we already know we want to keep capability in this country, where it's world-leading already, and make an investment in the quick hit in that area.

• (1715)

The Chair: For the second round, you have five minutes, Mrs. Gallant.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Mr. Mueller, it took 20 years after the cancellation of the first Sea King replacement order to get the Cyclone helicopters in place. Given that it took that long and that the CH-146 Griffons are due to be replaced in the 2030s, should we not be placing that order now?

Mr. Mike Mueller: I'll give an example on this because, again, it goes to your question and also the previous question with respect to whether there is a disconnect here on some of these things. When the government puts in timelines, puts in key capacity and key capabilities, and puts in the funding, as we saw through the COVID-19 example, industry can do amazing things. It's incumbent upon the government to set forward those priorities, absolutely.

Mrs. Cheryl Gallant: Is there an order in place yet, yes or no, to the best of your knowledge?

Mr. Mike Mueller: I won't talk about specific procurements ongoing right now.

Mrs. Cheryl Gallant: Okay.

With that, would it be an idea to have these key procurements put in the mandate letters of the ministers? Maybe that's what they're waiting to release.

Mr. Mike Mueller: I would say so. We're eagerly awaiting the defence policy update to get a clear signal from the government on funding, timelines, capacity, capability and also that industrial strategy. It's absolutely key.

Mrs. Cheryl Gallant: Mr. Mueller, you were around when we acquired the Chinooks and the C-130s, as well as the Globemasters. We got those in record time. What is it that we didn't do then that we are doing now, or vice versa? How did we get those so quickly when we needed them and yet now, seemingly, it just drags on?

Mr. Mike Mueller: In terms of what's not happening now, I think we haven't identified the capacity. We haven't identified the capability. We have, in some respects, identified the budget and then the timelines. We need all those ingredients to come together, and then industry can respond in phenomenal ways.

Again, I look at the COVID-19 pandemic. We had aerospace companies that had never made a ventilator before. The government gave those ingredients, and within a few months we had ven-

tilators. Industry can respond if that plan is in place. It doesn't need to take a long time.

Mrs. Cheryl Gallant: To both of you, were you or your representatives of industry consulted on NORAD modernization needs? Were either of you consulted before the orders went in?

Mr. Mike Mueller: Not that I can recall.

Ms. Christyn Cianfarani: We have had a very top-level briefing on some of the technology planks under NORAD modernization, but at this point, we have not been involved in the actual planning and preparations for the equipment that's going to be purchased for NORAD modernization.

Some of our companies may have been involved in some of the procurements with regard to the North Warning System, but you'd have to speak to them directly. Certainly, we, at the association level, have not been given a big plan for all of the rollout for NORAD modernization.

Mr. Mike Mueller: However, again, you have \$38 billion. There are huge opportunities for Canadian industry, and we need support from the government to identify those opportunities in order to be able to chase them.

Mrs. Cheryl Gallant: Ms. Cianfarani, we have four submarines in our navy fleet, one of which we're lucky to have at sea at any given point in time.

Are you aware of any actual procurement in place? Are they even looking for a replacement?

Ms. Christyn Cianfarani: I can't speak to the operational needs in the Canadian Armed Forces. I have not seen a copy of the defence policy update, but I understand that this asset may be discussed in the defence policy update.

Mrs. Cheryl Gallant: So it has to be in a policy paper when it's pretty obvious to most of us that we need a submarine replacement. We've had testimony before at this committee that we already have Chinese in the Arctic, and of course there's the Russian threat, our next-closest neighbour.

Two weeks ago, Major-General Paul Prévost told the committee, "That industry needs to recognize that there's a global market for this here. We're working with that industry now." Would you be able to comment on what's holding up the process for NORAD replacement?

• (1720)

Ms. Christyn Cianfarani: Do you mean for NORAD mod?

Mrs. Cheryl Gallant: Yes.

Ms. Christyn Cianfarani: I have no idea what's holding up NO-RAD mod. Again, I'm not in the conversations. If they are sourcing something from Canadian firms, I'm most certainly not involved in those discussions.

Mrs. Cheryl Gallant: Okay.

General Eyre—

The Chair: Thank you, Mrs. Gallant. That's it.

Mr. Fisher, you have five minutes.

Mr. Darren Fisher (Dartmouth—Cole Harbour, Lib.): Thank you, Mr. Chair.

Thank you to both our witnesses for being here.

Mr. Mueller, you're in the aerospace business. As you know, and I know, Dartmouth—Cole Harbour has a pretty strong aerospace sector. It's great to have you here, both of us being huge supporters of that sector.

At this committee, in the conversations generally, very often we talk about interoperability, specifically in the NATO context. Ms. Mathysen touched on buying off the shelf or buying existing platforms from our allies. I'm wondering if you could specify for us what steps we can take to ensure that the Canadian industrial base is integrated in these supply chains so that interoperability also supports the Canadian industry and its workers.

Mr. Mike Mueller: Interoperability is obviously a key requirement from the armed forces, which is there. I should say that there are some great aerospace companies outside of Halifax too that are proud members of ours and doing some phenomenal work out there.

Again, it goes back to identification through a strategy with respect to the interoperability piece, the benefits to Canada piece right across the board, and the advance conversations with the industry based in Canada on where the benefits would be on a lot of these procurements. We need to do that more often and we need to do that earlier to identify a lot of these pieces that are out there.

I would say that there's a huge opportunity there. You talk about NORAD modernization and the integration of the supply chain. Again, mapping it out through an industrial strategy, having government be a champion for our industry in Canada to take advantage of the opportunities that are out there, to ensure interoperability and to ensure that the good-paying jobs are coming to Canada, that's absolutely critical.

Mr. Darren Fisher: Thank you for that.

In your opening statement, you talked about moving towards a more risk-based approach. I had the opportunity to ask our last panel—I guess it was last Thursday—about a risk-based approach. Does your vision of moving more towards that approach include litigation? Some countries, we've heard, sort of see litigation as a cost of doing business, and they almost factor it into their costs or into their procurement. Canada, I guess, does that to a lesser extent; we're risk-averse.

Were you thinking of litigation, as well, when you talked about moving to a more risk-based approach?

Mr. Mike Mueller: No, I'm not sure that litigation benefits any of the parties if it's built into the system.

Reducing the risk or identifying the risk in some of the procurements would be to reduce the complexity, say, for certain procurements. Do we need to have the 300-page or 1,000-page application? Are there certain things that we can take out of it to reduce the complexity because the risk isn't there, depending on the procurement?

Really, it's analysis of each procurement as it comes out. What do we need to have? Where is the risk? Can it be managed? This is as opposed to having a one-size-fits-all approach for everything, which takes everything to the greatest common denominator, as opposed to lowering the thresholds and reducing some of the complexity in order to get some of these things through.

Mr. Darren Fisher: You used the term “the nature of the acquisition”. Do you think the procurement system should be designed to reflect the nature of the acquisition?

Mr. Mike Mueller: Absolutely. It depends on—

Mr. Darren Fisher: Then a 300-page application form for F-35s or for something major—

Mr. Mike Mueller: It may be appropriate, absolutely, depending on the nature of the acquisition. However, when it's smaller in nature—a simple maintenance contract as opposed to the overall purchase of a particular product—you would take a look at it and then reduce what would need to be reduced. Again, this would have to be discussed.

Again, it goes back to the need for that overarching industrial strategy: not reducing all the risk but taking a look with an informed approach, working with industry and reducing some of the complexity that's there.

● (1725)

Mr. Darren Fisher: Do I have time?

The Chair: You have 20 seconds.

Mr. Darren Fisher: Okay, I'll hand it back to Ms. Mathysen; she likes the extra seconds.

The Chair: Yes, it's very good of you to do that, and thank you for that plug from the Halifax Chamber of Commerce.

[Translation]

Ms. Vignola, you have the floor for two and a half minutes.

Mrs. Julie Vignola: Thank you very much.

Mr. Mueller, you mentioned the astronomical amount of documentation companies have to provide in order to have a contract. I'd especially like you to tell me, in 30 or 45 seconds, about the technology used for procurement, for filing a contract or for obtaining information. Is this technology easy to use for companies, no matter how big or how small?

[English]

Mr. Mike Mueller: I'm not the subject matter expert on that because I don't live the procurements every day. However, from what I hear from industry across the board, the complexity is high, and the back-and-forth that is required to put forward an application is very high and time-consuming, the back-and-forth of questions between government and industry.

That's why one of the recommendations we made is for greater transparency between industry and government. Why can't we have industry spend time in government and government spend time in industry, for example, in order to foster understanding of the requirements? Often, government will come to industry and ask for something, perhaps not realizing the amount of work and time that would go into that particular question. Therefore, I think greater understanding and greater collaboration are absolutely required.

[Translation]

Mrs. Julie Vignola: Thank you very much.

Ms. Cianfarani, I'm going to come back to the subject of ammunition. Some of our soldiers have never fired 84-millimetre ammunition for the Carl-Gustav gun. They're having a hard time getting ammunition for their own field exercises here.

How can we ensure that both our soldiers and those we want to help will now have enough ammunition to make their training as effective as possible?

[English]

The Chair: Unfortunately, the time has expired. You'll have to work it in some other way.

Ms. Mathysen, you have two and a half minutes.

Ms. Lindsay Mathysen: Plus the 20 seconds from Mr. Fisher, right?

The Chair: I didn't notarize the donation.

Ms. Lindsay Mathysen: In terms of these streamlining ideas, paperwork requirements and long-term industrial strategies, can both of you talk about the fact that there's a 30% vacancy rate within procurement in defence and how it's impacting that?

Maybe, with the additional time, we can hear from both of you as well about what you've heard from your members. I know there has been a delay in the updated defence policy. We spoke about it with the minister last week. I know that many of us thought it would happen before the summer break. Can you talk about what you've heard from your members on that as well?

Ms. Christyn Cianfarani: I can speak to the last one for sure.

I think members are obviously worried that it hasn't been released. It is what we might call a "rallying document" for us, where we get a little more visibility on the direction that the armed forces are going in. We also understand that there are some improvements

expected, or structural improvements within procurement, some concepts or ideas that we've been working on with the Department of National Defence and PSPC. We're eager for it to come out. I think we are also disappointed that it has not come out already.

It also sometimes gives us a good view of the assets that the Canadian Forces is looking to procure. For example, if they are going to be interested in submarines or drones or whatever, we get a good view of that. If it comes on the heels of some budget reductions, I think we would wonder how those two interplay as well.

• (1730)

Mr. Mike Mueller: I think there's an opportunity for Canada to show leadership. We're looking to that DPU release to show the leadership that's there. I think it's an opportunity to step up, an opportunity to do more rather than less.

That would have an impact on the procurement side also. We're very concerned about the talk of cuts in the context of the situation in the world right now. I think we're waiting to see how that may impact the procurement side of things and where we're going as a country.

The Chair: Thank you, Ms. Mathysen.

You have five minutes, Mr. Bezan.

Mr. James Bezan (Selkirk—Interlake—Eastman, CPC): I want to thank both our witnesses for being here.

I want to keep on this track of the DPU. How disappointing is it that the government hasn't come forward with it? They're at least six months behind on the release of the DPU. How much do you think it has been influenced by the decision to cut a billion dollars in spending from the defence budget? Of course, that's on top of \$2.5 billion in lapsed spending last year, for a total of \$10 billion that's been lapsed under the defence policy that the Liberals came up with seven years ago.

That's for both of you.

Mr. Mike Mueller: Thank you for the question.

As I said before, we are very concerned about the defence policy update not coming out. It's a real opportunity for the government to signify defence as a priority for the country. Not only that, there's a huge opportunity for the defence policy update to also signify the need for an industrial strategy. Again, I think Canada can play a role internationally. We need to step up. I think the real question is, are we going to take that leadership role or not? Currently, I don't see defence as a priority.

Mr. James Bezan: Ms. Cianfarani, when you take the lack of a DPU and the absence of a ministerial mandate letter for our new defence minister, Bill Blair, what does that say about the priorities of this government when it comes to defence procurement?

Ms. Christyn Cianfarani: I think what it says is that Canadians don't prioritize national security in the way other countries do. That is the single biggest conclusion I can draw from the state of defence—both procurement and the Canadian Armed Forces.

Mr. James Bezan: You mentioned earlier the use of national security exemptions. I know for a fact that the procurement ombudsman in his report on security exemptions wrote, "In Canada, the NSE does not provide for an exception to full and open competition; procuring bodies would require another reason to limit competition or to sole source a procurement."

Do you think the current national security exemptions that we have in place are adequate, or do they need to be updated as well while we're going through this DPU process, or as the committee is doing this study right now on procurement?

Ms. Christyn Cianfarani: I suspect there may be some modifications that need to take place. I know that in Canada, sometimes, in lieu of a national security exception, we use the clause that's called "not in the public interest". This has been used before, but in a very limited capacity. That would probably need to be looked at as well, the use of that and under what conditions.

Mr. James Bezan: Thank you.

Let's switch gears a bit here and look at the ITBs, the industrial and technological benefits. Do ITBs penalize Canadian industry bidding on contracts? Do they increase the cost of procurement for the Government of Canada and, ultimately, for taxpayers?

Both of you can answer, because aerospace and the overall defence industry are impacted.

Ms. Christyn Cianfarani: I think there's a lot of confusion around the ITB regime. The ITB regime is a passive way of getting.... It's a blunt instrument that is used to get Canadian content or Canadian involvement within procurement. By its nature, it shouldn't penalize Canadian firms; it should be a way to incentivize and build domestic capacity.

By the way, every country does this with its defence market. It is a managed market. We just choose to do it through a very passive tool instead of a more aggressive tool that is absolutely preferencing your defence contractor prior to an acquisition even occurring. So I think that—

• (1735)

Mr. James Bezan: Mr. Mueller, would you agree with that, or would you say that Canadian companies have to create the product here and then they have to build the ITB as well?

It's meant to.... If you're buying out of the country, it ensures that there are some industrial benefits secured back in Canada, but a Canadian-based company.... Aren't they being penalized?

Mr. Mike Mueller: We see some circumstances where some companies are saying that.

One of the things about the ITB process is that often folks will say, "That's a strategy." We keep saying it's not a strategy; it's a tool, and it's an after-the-fact tool. We need to take a look at how to become a bit more proactive on some of these things and how to drive outcomes that make sense for the industry based in Canada across the board.

The Chair: Thank you, Mr. Bezan. You got your extra seven seconds.

We'll go Mr. Fillmore for five minutes.

Mr. Andy Fillmore (Halifax, Lib.): Thank you very much, Mr. Chair.

I want to clarify something so that the committee understands it. Defence spending fell to less than 1% under the previous Conservative government. We've doubled that since that time. In fact, the plan is.... We've consistently increased the defence spending. From \$18 billion in 2016-17, it's going to achieve \$40 billion in 2026-27. We're the seventh-largest member of NATO. We have the seventh-largest spend in NATO. I just wanted to make sure that the committee and our guests understand that.

Coming back to our panellists, it's lovely to see you again. Thank you for being with us.

I want to turn my mind to ITBs and carry that on. Of course, we know the government has many obligations, and defence is one of them, but growing the economy and creating jobs is another one that we take very seriously. We try to find the confluence of defence procurement and the economy through ITBs. Several witnesses during the study so far have identified that the ITB policy doesn't really succeed in achieving what it's setting out to do, or rather complicates or makes the process less efficient.

Here comes Halifax, Mr. Chair. More than a decade ago, I was involved, with many others, in an advocacy program to win the shipbuilding procurement strategy in Halifax. Today, we have 2,000 shipbuilders working on the Halifax waterfront. We're heading north to 3,000 as we switch to CSCs. We've managed to bring in training programs for women, for indigenous shipbuilders and for Black shipbuilders. Clearly, there's an enormous domestic impact that comes through the ITBs.

You both represent large organizations. I want to get a sense of your position, I guess, on whether it's reasonable to continue in some way with the ITB program through an industrial policy, for example. First of all, let's start with this question: How do you feel about ITBs?

Ms. Christyn Cianfarani: Well, there is no question that the policy isn't perfect, but I think the way in which we look at the defence industry.... We don't start from first principles to say, "We want to have a defence industry in this country and therefore we will protect it and we will manage it." Given that we start from an almost diametrically opposed premise, which is, "Hey, maybe we don't need a defence industry in this country", ITBs are an essential way in which we bring work to Canadian businesses all along the chain.

In some cases, prime contractors are incentivized to partner with Canadian firms and provide jobs in Canada. I do believe, in the absence of the use of other tools in a far more aggressive manner, that the ITB policy is absolutely essential to ensuring that we get work in Canada where, in some circumstances, foreign prime contractors might not be incentivized to do so.

Mr. Andy Fillmore: Mr. Mueller, go ahead.

Mr. Mike Mueller: I would agree with that analysis.

ITB is a tool. Does the tool need a bit of work? Absolutely it does. We need to become more proactive. We need to identify or maybe remove some of the restrictions with respect to investment in the country.

But again, going back, you need that overarching industrial strategy to really drive where we're going to go on some of these things. It's absolutely critical. ITB is a good tool to accomplish that, but it's not the strategy overall.

• (1740)

Mr. Andy Fillmore: Okay.

Defence procurement is a good way as well to grow skills in the workforce to make Canada more competitive when we procure domestically. Do the ITBs play a role in spurring that innovation as well?

Mr. Mike Mueller: Absolutely, there is a role there. We've had lots of discussions, even with you, on the labour market side of things and how we can drive that forward. Any investment into the country, either domestic investment or international investment, is absolutely critical to driving some of those skills forward.

We have amazing companies doing some pretty innovative things on different training mechanisms. You're seeing industry really taking on a leadership role with respect to some of this, because we need to.

Mr. Andy Fillmore: Okay. I have 40 seconds.

On the industrial strategy that you mentioned, if you were going to put one or two improvements to the ITB program in there, what specifically might those be?

Mr. Mike Mueller: Proactivity would be number one, and then the identification of the key capacity and capabilities we want to have here in Canada. Those would then drive the ITB forward.

Mr. Andy Fillmore: Would that be capacity in the workforce?

Mr. Mike Mueller: It could be in the workforce. It could be technology, skill sets, programs—anything like this—but we need to have that clear identification and work with the government on some of these things.

Mr. Andy Fillmore: Thanks very much.

The Chair: Thank you, Mr. Fillmore.

Colleagues, we have a 25-minute round coming up and we have 15 minutes or thereabouts. If we do three minutes, three minutes, one and a half, and one and a half, and then three minutes and three minutes, we will get somewhat close to just after six o'clock.

With that, Mr. Bezan, you have three minutes. Go ahead, please.

Mr. James Bezan: First, I just want to give notice of the following motion:

That, pursuant to Standing Order 108(2), the committee undertake a study of the almost-one-billion dollar cuts to the Canadian Armed Forces and the impact this will have; that the committee hold a minimum of three meetings on the topic; that the committee invite the President of the Treasury Board, the Minister of National Defence, and the Chief of the Defence Staff to appear before the committee; and that the committee report its findings and recommendations to the House.

That's just a notice.

Ms. Cianfarani, you talked about Canada being ghosted by AUKUS. Then you went on to talk about the NATO framework contracts that are out there right now in a number of different areas and Canada, again, not being part of that discussion even though we're a member of NATO.

Why are we being ghosted at NATO?

Ms. Christyn Cianfarani: I think we've been, in our behaviour...and to some extent from what I've seen reported in the newspapers, the Prime Minister has been very clear with our NATO allies that we have no intention of meeting the obligations we've signed up for.

I believe that NATO allies have taken that in a very serious way. Their behaviour, accordingly, is that Canada doesn't deserve or isn't going to be a reliable partner on the world stage. They will take what we are willing to put forward, but if they need someone to rely on to meet their commitments, it isn't going to be Canada.

Mr. James Bezan: That is unfortunate. I appreciate your candour.

We talk about the U.S. giving Canadian companies military contracts. We know that they often work quite differently than the Government of Canada in how they approach it. RFPs, as was mentioned, mean volumes of documents to satisfy the risk-averse bureaucracy within the Government of Canada, whereas down in the States a hundred pages are usually more than enough, and they'll work side by side with industry to develop new military products.

I'm wondering what experiences Canadian companies are having, in working with the U.S. military, that we should be taking as lessons learned to apply to how we procure our own equipment here in Canada.

Ms. Christyn Cianfarani: It's tough, because we obviously have different acquisition rules, and we have, I think, a narrative in our country of "fair, open competition at almost any cost". That is not a mantra most other countries have. As I've said, most other countries start from a position of "We will preference our domestic industry first and foremost", and then comes the conversation of "How do we involve our partners and allies or other nations if we're going to be providing this equipment to the rest of the world?"

First and foremost, we would have to change the nature of the way in which we interact, from first principles, with our own industry.

With that being said, there are lessons you can learn from the Americans, and the Australians to some extent, where even before they conceptualize what they're going to make or build—the next airframe, for example—they are already working side by side with their industry on what is in the art of the possible. That usually becomes a research and development project, which then gets funded by firm contracts.

Those are some ideas, starting with, perhaps, our next generation of armoured vehicles.

• (1745)

The Chair: Thank you, Mr. Bezan.

You have three minutes, Mr. Collins.

Mr. Chad Collins (Hamilton East—Stoney Creek, Lib.): Thanks, Mr. Chair.

Welcome to both witnesses.

Last week, former deputy minister of defence Richard Fadden appeared before the committee and talked about how, for some of the very large and pricey contracts that we put out, we might want to look at pushing the pause button on some of the internal controls and purchasing policies we have in place. What are your thoughts on that suggestion and recommendation?

Ms. Christyn Cianfarani: I don't know exactly to what he was referring. He may have just meant.... I truly don't know which part

of the process he was referring to with regard to internal controls of government, whether that is extra oversight or governance models.

Mr. Chad Collins: He referenced the fact that the process is very slow and cumbersome, as I think you've both highlighted here today, so in order to get around that, we might want to look at addressing that with the current regulations we have in place that make up part of the procurement process. In order to gain time in that process, it might mean forgoing some of those internal controls we have that make up the procurement process.

Ms. Christyn Cianfarani: Again, if it's an internal control that potentially can be either combined or omitted, it would be nice to know which ones we're looking at and then determine whether eliminating that control would have ramifications elsewhere.

Mr. Mike Mueller: I think it goes a little bit to the recommendation we have about risk-based procurement. Again, how do you streamline the defence procurement process? How do you reduce some of the unnecessary processes that are there—again, depending on the risk? I listened quite attentively to Mr. Fadden on that. I was sort of struck by....

Again, I don't know exactly what he was referring to, but I think it's incumbent upon the government to take a look at how we can streamline these things where the risk is perhaps lower, as opposed to that one-size-fits-all procurement solution for everything, which may be a little bit overboard in some respects. I think there's a nugget there that we should be looking at. I'd be very hesitant to say that we should get rid of that control or this control, but there is opportunity for improvement.

Mr. Chad Collins: On the issue of resources, some witnesses have recommended increasing capacity at PSPC. The CADSI recommendation was very explicit, Ms. Cianfarani, that we grow, to use your word, the government's workforce. Is it absolutely necessary to do that in terms of building the bureaucracy, or are there better ways, through technological improvements, to improve the procurement process?

Ms. Christyn Cianfarani: I think it's a two-pronged approach. I mean, you do have to study where there is an overly complex process and eliminate additional steps, redundancies and other areas, but I think it is fair to say that one of the challenges is maintaining that workforce in order to absorb the volume of procurement that is coming down the pipe, one way or another, whether it's the current finishing of "Strong, Secure, Engaged" or a new and even greater defence policy update.

The Chair: Thank you, Mr. Collins.

Madame Vignola, you have one and a half minutes.

[*Translation*]

Mrs. Julie Vignola: Thank you very much.

Ms. Cianfarani, if you could send the committee clerk a written response in relation to the previous question, I would be most grateful.

The following question is addressed to the two witnesses. There is no perfect system; everyone agrees on that. The supply system isn't perfect either. To your knowledge, does the government consult with industries to find out where the flaws are and what needs to be improved? If so, what form does this consultation take? If not, what form should it take?

• (1750)

[English]

Ms. Christyn Cianfarani: Generally, we consult with the government on the areas where it overlaps with industry. For example, within the procurement process there is a part that's called "industry consultations". They would ask for our feedback: How do you feel the industry consultations happened? How can we improve it? Are there areas where you don't like it or are not getting the right information?

As for the whole process that goes on within each individual department within government, we are rarely asked to comment on their inner workings or on their inefficiencies within that process.

Mr. Mike Mueller: I would agree that the engagement hasn't been the best in the past, but we do have a defence industry advisory group where we are starting to have these types of discussions on the overall basis of the procurement piece. We're starting to feed into this. There is perhaps a little bit more of a willingness to have these types of discussions, such as how you modernize some of the procurement, so we're optimistic about some of those things.

Does more work need to be done? Yes. Do we need to see that process evolve and come forward? Absolutely. But there is some positive movement there that I've seen.

The Chair: Thank you.

Ms. Mathysen, you have one and a half minutes.

Ms. Lindsay Mathysen: I just want to shift things a little bit, building on some of the answers I've already heard.

You talked about amazing companies innovating, showing leadership and improving on systems where they can. The Department of National Defence is exempt from the federal government's climate change targets. I'm wondering if you could talk to this committee about whether, in terms of that procurement strategy, industry is filling that void itself, how they're having a bigger impact in terms of climate change, or if the government is working together with industry. Is it something that you expect out of the update from the defence policy?

Mr. Mike Mueller: I would say that industry is looking at this on its own. It's a big focus of aerospace in particular, net-zero goals, specifically on the civil side, which is good. But again, through the defence industrial strategy, and through the defence policy update, we would expect to see some signals on how we can contribute to that fight also, which is incredibly important.

Again, from an industry perspective, especially on the civil side, Canadian companies are absolute world leaders. I think that with some research and development there are applications that you can share back and forth, which is good.

The Chair: Thank you, Ms. Mathysen.

Mr. Kelly, you have three minutes, please.

Mr. Pat Kelly: A year ago, the chief of the defence staff and Minister Anand said that we must prepare to be on a "war footing". Has industry received any further signals about the "war footing" type of procurement?

Ms. Christyn Cianfarani: We have received signals from other nations.

Mr. Pat Kelly: Okay, so that statement was the only one we got in Canada.

Ms. Christyn Cianfarani: Yes. We are not on a war footing. Our industry has not been put on a war footing, which you would do through firm, government-backed contracts.

Mr. Pat Kelly: Okay.

When Canada was at war in Afghanistan, there were successful quick procurements for Chinook helicopters, Hercules aircraft, Globemasters, new Leopard tanks and new LAV upgrades. The issue of war footing, is that an expedient for procurement?

Ms. Christyn Cianfarani: No. It is the issue that, from the top on down, it was, "Make this procurement happen." It was a demand and a contract that followed that procured the equipment you're talking about.

Mr. Pat Kelly: Okay. So it's simply a matter of—

Ms. Christyn Cianfarani: If we want it to happen, it can happen. It will take time for the companies to ramp up to production volume, but if we want it to happen, we need to provide firm contracts for production ramp-up.

• (1755)

Mr. Pat Kelly: Is that entirely on government to do so?

Ms. Christyn Cianfarani: Well, yes. It's not going to come out of a commercial industry.

Mr. Pat Kelly: I know, but we've had testimony.... That's why it's important that we hear this, because when we asked the question why—because we were incredulous that shell production hasn't been ramped up—the witnesses we had basically blamed industry.

Ms. Christyn Cianfarani: Munitions are controlled items. The munitions supply program exists in Canada. The rate at which we produce, whether it's training rounds or operational rounds, is a long-term contract with the Government of Canada.

To change that rate or to modify that production line will require a change order from the Government of Canada and an acceptance, if we are to divert ammunition to another country at volume.... It would most likely require—and I'm not an expert in this field—in-depth conversations with the Government of Canada about its own strategic source of supply, which means that we cannot do it alone.

Mr. Pat Kelly: Yes, indeed, yet we've been dithering for a year and a half and the government has not yet done it.

The Chair: Thank you, Mr. Kelly.

Mrs. Lalonde, you have three minutes.

Mrs. Marie-France Lalonde (Orléans, Lib.): Thank you very much.

Thank you very much for being here today. It's a real honour.

I was looking at some of the notes I have here and at some of the latest initiatives that the Government of Canada, our government, has made regarding the new F-35 fighter jets. I think my colleague made reference to the warships. We're also looking at our decision to support Ukraine within, I would say, the best of our ability.

I heard many times that you talked about the fact that we need the DPU, but there's a war. I heard before from other stakeholders that sometimes.... I came from the private sector before entering politics. I understand the significance and the magnitude from your perspective of having fair contracts signed, but is it also a responsibility of the private sector to look at the possibilities going forward? It's very sad that I'm saying this, because countries are at war. I'm looking at this from a private entity aspect. What are you doing to maybe improve that capacity in the long term?

Ms. Christyn Cianfarani: Most certainly, I think it is up to industry to put proposals on the table as to how it can ramp up production, which, as I understand it, these companies have done. There have been proposals submitted to the Government of Canada to increase production that require anything from line changes to agreements on production volumes and backstopping it, because governments are our only customer with respect to munitions supply.

We also need to understand that other countries are positioning their industry to make this volume production. For example, France is not going to buy from Canada if it can produce munitions in that order of magnitude. It understands that it will be an investment in its own industrial base to do so and then provide those munitions to Ukraine, as an example.

France is not going to come to Canada unless the Canadian government steps forward and says, "We have a source of supply that we are willing to share with our NATO partners and Ukraine, and we are willing to backstop getting that up to production rate and diverting our operational volumes to another country"—to multiple other countries, for that matter, because the volume of product that would be required would be significantly historical highs.

Mrs. Marie-France Lalonde: Thank you very much.

The Chair: Thank you, colleagues, for your co-operation in maintaining some time discipline.

Ms. Cianfarani and Mr. Mueller, thank you for your testimony. We're very pleased that you were able to adjust your schedules in order to be here and accommodate our unique day, shall we say.

Colleagues, I remind you that next Thursday, it's one panel for two hours with the various representatives of the four departments.

With that, the meeting is adjourned.

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