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• (1620)

[English]

The Chair (Hon. John McKay (Scarborough—Guildwood, Lib.)): I bring this meeting to order.

Colleagues—

An hon. member: I have a point of order.

The Chair: Could I finish what I have to say before we have a point of order?

Thank you.

I see that we've already lost 20 minutes off the clock. We have a hard stop at six o'clock. I propose to divide the lost time equally between the panels so that we have 50 minutes available for each panel. We will try to make up some of the time on the second panel with respect to the amount of time allocated both to witnesses and to members.

With that, we have a point of order from Mr. Bezan.

Mr. James Bezan (Selkirk—Interlake—Eastman, CPC): Thank you, Mr. Chair.

At Thursday's meeting, you abruptly adjourned the meeting.

I just want to draw your attention to the fact that in our procedure and House affairs book by Bosc and Gagnon, it reads, on page 1099 in chapter 20, that:

A committee meeting may be adjourned by the adoption of a motion to that effect. However, most meetings are adjourned more informally, when the Chair receives the implied consent of members to adjourn. The committee Chair cannot adjourn the meeting without consent of a majority of the members, unless the Chair decides that a case of disorder or misconduct is so serious as to prevent the committee from continuing its work.

I have a copy of the blues here, and you even say, Mr. Chair, "I apologize for interrupting this vigorous debate, but it's 5:30." You dropped the gavel without giving a chance for those who were still on the speaking list to talk, and it was in the middle of Ms. Mathysen's time of speaking to the motion.

I just would ask that, in future considerations, you do look for consent from members before adjourning a meeting.

The Chair: Thank you for that point of order.

I take note that it is not a point of order. It pertains to another meeting. It's not a point of order with respect to today's meeting.

With that, I'm going to call upon the witnesses, and we can recommence what I thought was a really interesting and vigorous debate of a few weeks ago.

I'm assuming that we have no further statements on the part of the witnesses, so with that, Mr. Kelly, you have.... I think we can do six minutes on the first round.

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

I'm going to start, then, with Mr. Crosby. We had testimony in another panel from Christyn Cianfarani, who said this with respect to urgent procurement and the ability to procure on a war footing or urgently:

If [you] 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.

We were talking about—among other things—the ability to procure kit that was badly needed in Afghanistan. It was procured quickly and we got the equipment that was necessary because there was a will.

The frustration that many have is an absence of will from the government right now with respect to things like the 155-millimetre shells and the long delay in, for example, the design of ships. When we had this panel assembled before, there was a fairly strong defence of taking 10 years to design a ship.

In light of the change in world events that has taken place since then, of course, we have the United States diverting 155-millimetre shells to Israel that might have otherwise gone to Ukraine amid a worldwide shortage of this kit.

Can you comment on urgency and assure this committee that there actually exists urgency...? That's for perhaps both Mr. Crosby and Mr. Page.

Mr. Troy Crosby (Assistant Deputy Minister, Materiel Group, Department of National Defence): Thank you, Mr. Chair, for the question, and good afternoon. Thanks for the opportunity to appear again here with you this afternoon.

In the case of urgent operational requirements, there are a number of specific examples.

Since the start of the war in Ukraine in 2022, the Canadian Armed Forces identified an emergent need—more than one—that needed to be rapidly addressed and focused their efforts on determining the requirements for an appropriate solution for systems like counter uncrewed aircraft systems and air defence systems, those being two specific examples. Those procurements have already moved through and into the competitive procurement space. We have the bids in hand. They're under evaluation right now, and we would see the delivery of those capabilities and initial operating capabilities by mid-2024.

I would say that, where the Canadian Armed Forces have identified an urgent need, we apply ourselves to that requirement, and I think we can demonstrate that we are able to deliver on that need quite quickly.

• (1625)

Mr. Pat Kelly: Before we go to Mr. Page, what about 155 shells, then? General Eyre told us that it's urgent. His testimony was quite assertive here, that it's an urgent need. Has anything changed in the last month since you were here? Are contracts now under negotiation, or are contracts signed?

Mr. Troy Crosby: Specifically for the M795 variant of the artillery ammunition that I think the committee is now familiar with, we have put in place a contract to do the detailed design work required for the companies to be able to establish that manufacturing capacity in Canada. That work is under way right now.

Mr. Pat Kelly: Great. Thank you.

Mr. Page, do you want to add to that?

Mr. Simon Page (Assistant Deputy Minister, Defence and Marine Procurement, Department of Public Works and Government Services): Thank you for the question.

The only thing I would add is that we do have a process for urgent operational requirements, but it's very much commodity-dependent. There's a huge difference between being asked to purchase ammunition in an expedited fashion and doing ship design, for instance. Ship design should be taken with a very different eye. Most of the time, from your RFP release to when you want to cut steel, you should plan six or seven years. Those are known entities now. We can plan around that.

For process, is there a sense of urgency? I think that was your question. There is a sense of urgency, but if the commodity is not on the shelf, as Mr. Crosby was explaining in the case of ammunition, then the process is not as simple as a basic procurement process.

Mr. Pat Kelly: Okay.

To go back to Mr. Crosby, there is a contract signed. When will the facility upgrades and the retooling be complete? When will we see a significant increase in production?

Mr. Troy Crosby: Given the initial information that we were provided by industry, from the time the contracts are in place to establishing the production capacity, they're estimating in the order of three years.

Mr. Pat Kelly: Is that what has been signed? I'm not sure I fully understand what the current contract actually accomplishes.

Mr. Troy Crosby: I'll clarify. It's a bit of an iterative process.

In the beginning, we go to industry and we ask for a general concept of what will be required. Once we have a sense of what that looks like, we put in place a contract for them to do the detailed engineering work. That's the contract I referenced a moment ago. That detailed engineering work is under way right now, where they can provide us substantive cost estimates and schedules.

Mr. Pat Kelly: Industry says all they need is a long-term contract. Then they can produce and get production, or at least the process to increase, under way. It sounds like we're halfway there, at best.

Is there a firm contract for shell production?

Mr. Troy Crosby: We have contracts in place right now for an older variant of artillery ammunition, referred to as the M107. We've done work to put in place incremental or additional production capacity at one of the associated companies.

In the case of the M795, there was no domestic capacity for that specific variant, which has emerged over the past couple of years as being the one that's required. That capacity didn't exist.

The Chair: Thank you, Mr. Kelly.

Before I go to Ms. Lambropoulos for her six minutes, I've just received a note saying that we can go to 6:30 p.m. We can go two full hours now.

I hope that doesn't inconvenience any of the other witnesses. We have traded on your patience, and we appreciate it.

With that, Ms. Lambropoulos, you have six minutes, please.

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

Thank you to all of the witnesses who are here to answer some of our questions today.

Have you had a chance to study how procurement processes in other countries, especially our NATO allies, have an impact on the way in which capabilities are provided to armed forces around the world?

Mr. Simon Page: Thank you for the question.

Actually, we do that on a fairly continuous basis. I think at the last committee we mentioned that we are now working on a very specific initiative that will look at optimizing the defence procurement "machinery"—I'll call it that for now—or enterprise. This specific look at different pieces of the procurement system will actually include a detailed look at what other countries are doing.

We're very much in continuous conversation with partners in the United States, the U.K. and Australia for such things as shipbuilding, for instance. The U.K. and Australia are key partners. We're all building a similar ship based on the Type 26 design. There is commonality of intent on that, which really helps the conversation.

Mr. Crosby and I were in the United States last week, in Washington, talking to our counterparts about various topics, from actual procurement policies and cyber certification to such specific projects as ammunition and others. That dialogue with allies for defence procurement matters is alive and continues.

Thank you.

• (1630)

Ms. Emmanuella Lambropoulos: Thank you.

On that note, of course it's important to work with our allies and to make sure we're all on the same page and working towards a common effort and goal. However, oftentimes, perhaps, contracts may be prioritized in other countries, because countries are trying to work together in order to ensure they are working with similar equipment.

Can you see there being, in these conversations you have with your counterparts, opportunities to raise some of the strengths that Canadian companies have in order to ensure they're being included in the discussions as well, if there is something that Canada is really strong in on the industry side?

Mr. Troy Crosby: There are opportunities to have timely conversations with our allies about future requirements that will enable Canadian industry to participate. An example right now would be the participation of Canadian industry in F-35 production, which has been going on now for quite some time. I think the total is about 3.5 billion dollars' worth of economic activity already realized, in advance of our taking delivery of our first aircraft, of course.

There are other opportunities like that, and we do, through our engagement at NATO or in the U.S., look at those and try to make sure Canadian industry is aware of them and able to participate.

Ms. Emmanuella Lambropoulos: Thank you very much.

Another question I'll ask, if you're willing to share, is this: Is there any work under way to improve the current procurement process and make it more effective, anything that is being worked on to perhaps simplify the process?

Mr. Simon Page: Thank you for the question.

The short answer is absolutely. We actually have a very focused effort at the moment. It's a whole-of-government effort, including all the departments and agencies that you see at the table here this evening and more. We're looking at the entire spectrum of the defence procurement.

I characterize it as a system. We're looking at pre-procurement activities. We're looking at what I call the "pure procurement activities", which are more focused on the request for information, the request for proposals and bid evaluations leading to a contract award. We're also looking at post-procurement, post-contract-award activities. Those would include not only the implementation—i.e.,

building ships after the contract has been awarded—but also the sustainment of these assets.

One of the key initiatives we have under way now focuses on continuous capability sustainment. That would enable the enterprise to actually work with the supplier long term to maintain the capability and make it relevant with good contracting and equipment upgrade solutions for life. That's one of the initiatives we have. We're looking at many other things.

You mentioned partnerships and, maybe, collaborative projects. We're looking at those too.

On the pre-procurement side, we're focusing on really gaining a good understanding of what we need to do from a capability planning point of view. If we want to build ships, if we want to buy aircraft or if we want to buy ammunition, the earlier we get the signal and the earlier we plan for these, the easier the procurement strategy and the actual procurement thereafter will be.

Thank you.

The Chair: You have about 30 seconds.

Ms. Emmanuella Lambropoulos: Thank you.

I guess with that 30 seconds, I'm not going to get much of a response.

I'll just highlight the importance of continuing to have meetings with industry to make sure they're aware of what the future holds, so that they're prepared and able to contribute in the way they can given their expertise.

Thank you very much.

• (1635)

The Chair: Thank you.

[*Translation*]

Ms. Normandin, you have six minutes.

Ms. Christine Normandin (Saint-Jean, BQ): Thank you very much, Chair.

I'd like to thank the witnesses for being here.

My questions will focus mainly on replacing the CP-140 Aurora, and are addressed to Mr. Page. In particular, they relate to the testimony provided three weeks ago, on October 17th, before the Standing Committee on Government Operations and Estimates.

My first question has to do with the mandate given to Avascent, which was to provide information on replacement products for CP-140s.

When was Avascent given the mandate to review the options?

Mr. Simon Page: Mr. Chair, I thank the member for her question.

I don't have the specific date, but it was in 2021.

Ms. Christine Normandin: Was Avascent's mandate based strictly on an analysis of products available on the market? Was that part of Avascent's analysis mandate?

Mr. Simon Page: Mr. Chair, I thank the member for her question.

The mandate was divided into three phases. The overall mandate for the Avascent study was actually a detailed market analysis with an options analysis in phases two and three. It wasn't really focused on the military products already available on the market.

Ms. Christine Normandin: When did you receive the report confirming that no existing military products were available for the years 2030 to 2040, as was revealed three weeks ago and as concluded by Avascent?

When did you receive the report and its recommendations?

Mr. Simon Page: Mr. Chair, I thank the member for her question.

As I said, the report involved three phases. We received the last one in 2022. I don't have the exact date on hand, but I could provide it to the Committee later.

As I said, the mandate was a market analysis. Many figures, many facts and a great deal of data were gathered to culminate in a fairly detailed analysis.

I wouldn't say there were specific conclusions, but there were some very detailed facts. This was in addition to the request for information made to Public Services and Procurement Canada. All of this combined gave us a good sense of what was available on the market.

Ms. Christine Normandin: If I understand correctly, a report was submitted in 2022. In this report, Avascent confirmed that there were no military products readily available, apart from Boeing's. Yet, in 2022, a request for information was still sent to various industry members. That request did not specify that the products submitted had to be readily available.

I'd like to know why this clarification was not included in the request for information, since Avascent specifically recommended an existing product as a solution.

Mr. Simon Page: Mr. Chair, I thank the member for her question.

I wouldn't say that Avascent recommended an existing product. We really conducted a detailed market analysis, which included analyzing the options. That analysis looked at aircraft suppliers and systems suppliers. A combination of analyses was done in that regard.

The report provided us with a good understanding of military products available on the market, products that were not completed yet, and products from companies that manufacture mission systems rather than aircraft.

There were also options on how things might work if these companies' products were combined. However, we didn't really have a specific recommendation for any existing product. We had the required information on available products and on products under development.

Ms. Christine Normandin: Three weeks ago, at the Standing Committee on Government Operations and Estimates, you were asked whether, following the 23 responses to the request for infor-

mation, you had approached industry. You replied that, no, you had not formally approached industry for more information.

During that same committee meeting, you also mentioned that the request for information led you to conclude that the only existing aircraft that provided a solution to all "high-level mandatory requirements" was Boeing's P-8. You then stated the following:

As for the process, we went from gathering information to analyzing and then delving deeper into this potential solution, Boeing's P-8 Poseidon. [...]

[...] the only way to get additional information from Boeing regarding the [request for information] was through a government-to-government military sales agreement.

As I understand it, following Avascent's recommendation or analysis of the request for information, the only possible choice was offered by Boeing. Instead of consulting the whole industry, a way was found to go straight to Boeing's information by signing a contract with the government.

Why wasn't the rest of industry consulted in this context?

● (1640)

Mr. Simon Page: Mr. Chair, I thank the member for her question.

Our process led us to the conclusion that currently appears on our website, namely that the only available military aircraft that met all the high-level needs of the Canadian Armed Forces was the Boeing P-8 Poseidon.

As for my remarks before the other committee, and to answer the first part of your question, indeed, we did not request further information at that time.

We had a very good information base, a very good database. To obtain further information, following the conclusion we had drawn from the report, our request for information and other analyses carried out internally, we would have to ask the U.S. government...

[English]

The Chair: Unfortunately, we're going to have to leave it there. I'm sorry to interrupt this exchange.

Ms. Mathysen, you have six minutes.

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

The last time you appeared before the committee, I asked about the F-35 fighter jet contract.

Mr. Crosby, you stated you were actively engaged in governance committees around this project to monitor the experience of our allies with this jet. Then, when I asked about the U.S. Government Accountability Office's report, which was quite damning on the price gouging and inadequacies they saw baked into the F-35 program, you stated you weren't aware of any evidence that there was price gouging or public commentary there.

I find that contradictory, at best. This is a huge acquisition Canada is making, one I expect requires a lot of study, scrutiny and taking in of all that information from our allies, instead of just the information provided by the supplier.

I did an Order Paper question on this purchase. The response I received back stated that neither the Department of National Defence or ISED commissioned or produced any studies or reports on the life-cycle costs or economic impact of the acquisition.

I would like to ask both Mr. Crosby and Ms. Gregory this: Did this acquisition solely rely on reports and studies produced by the supplier Lockheed Martin, or did your department produce a report or study on the life-cycle costs and economic impact of this purchase?

Mr. Troy Crosby: When the acquisition of the F-35s was announced, we disclosed the forecast of through-life costs for the capability, which of course includes the in-service support costs. The information used by the subject matter experts who do these sorts of cost estimates came from a variety of sources—most importantly, from the U.S. government, from whom we're acquiring the capability. That same information was made available to all of the allies participating in the production, sustainment and follow-on development phase memorandum of understanding.

As everybody would be aware, earlier this week—or last week—the Parliamentary Budget Officer did an independent cost estimate. It was within a fairly narrow margin of the estimate DND disclosed in January.

Ms. Lindsay Mathysen: Do I pause, or does my time...?

The Chair: Keep going until we find out what it is about. It might be just a quorum call.

Ms. Lindsay Mathysen: Okay.

The government—industry or defence—did not do those cost estimates itself, internally. You relied upon outside sources for that information. You made the purchase. The purchase was made by the government before the Parliamentary Budget Officer, in fact, did that study.

• (1645)

Mr. Troy Crosby: It is true that the announcement of the purchase was made earlier in the year. Of course, the information that goes into the models that develop the cost estimates need a source: cost per flying hour, fuel consumption rates and those sorts of considerations. This is in addition to the Canadian Armed Forces' own estimates of how much flying they'll do with the aircraft, the number of people who will be involved and all the other elements, including infrastructure and other considerations, to put together a Canadian-specific estimate.

Ms. Mary Gregory (Associate Assistant Deputy Minister, Industry Sector, Department of Industry): Thank you for the question.

Our department, ISED, would track the economic impact of the procurement as it unfolds. In this case, the suppliers agreed to an economic benefits arrangement, so we have to track the activity going forward, as Mr. Crosby said earlier. There's been \$3.5 billion in

Canadian activity already, because Canada has been a partner on the F-35. Our department will continue to track that activity.

Because it has to unfold in the future, we don't have an estimate at the ready right now.

Ms. Lindsay Mathysen: Since your last appearance, have you had an opportunity to read that American government report in terms of accountability on the F-35s?

Mr. Troy Crosby: I have not read the report personally.

Ms. Lindsay Mathysen: That's too bad.

In terms of that Order Paper question, a member of Parliament has to specifically understand, before they get into it, exactly how the department is going to answer that question with a fulsome response. Is that correct?

Mr. Troy Crosby: I'm afraid I don't follow the question.

Ms. Lindsay Mathysen: Ultimately, I tried to ask a very simple question about what studies and reports were completed by the government to determine the life-cycle costs and economic impact of this purchase. I was told that neither department did any of that internal costing. You're saying that, to understand that, I would have to know that in advance in order to be able to ask the right questions to get the right answers.

Mr. Troy Crosby: I think I recall the work on the response to the Order Paper question. If I recall correctly—and please correct me if I'm wrong—there was a time element to it. To be clear, the model that was developed for doing the life-cycle cost estimate for the F-35 was actually put together quite a number of years ago.

That model has withstood the test of time and is the one that was updated to provide the around \$70-billion estimate that was disclosed earlier.

Ms. Lindsay Mathysen: In terms of the Order Paper question, I did not ask for the time restraint. It was placed upon the response given by the department.

The Chair: Thank you, Ms. Mathysen.

Mr. Bezan, you have five minutes.

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

I'd like to welcome our witnesses back to committee.

I want to go down the path a bit on the maritime multi-mission aircraft.

PSPC published a timeline on this, so 2021-22 would start the options analysis, 2023-24 would start the definition, 2027-28 would start the implementation of the contract, 2032-33 would be the initial delivery of the first of the aircraft, and the last of the new aircraft would be delivered in 2037-38.

However, if you look at what's happened, in February 2022, you guys did the request for information from potential contractors with an April 1 deadline. By March 2023, you guys had already sent a letter of request to purchase the Boeing P-8s.

What happened, because we're not on the same timeline that was originally laid out? I'm not against speed. I think speed is one of the things we've been talking about here. It seems to be that some steps were missed.

Mr. Simon Page: Thank you for the question, Mr. Chair.

I'll start and maybe I'll give the floor to Mr. Crosby to complement the answer.

The phases you mentioned are project phases. These come from the Department of National Defence. They're the option analysis, the definition and the implementation.

In PSPC, we start pretty much every procurement effort with a requirement. That requirement usually comes with a set of technical requirements, as we know them, for a specific piece of kit. It usually comes with some funds and an availability window—i.e., when is the aircraft needed?

As you mentioned, things can change. Sometimes speed is a factor. For this case here, it was not so much about speed, but the context that changed for DND. It conveyed to us a new window and we acted on—

• (1650)

Mr. James Bezan: What was the impetus or the catalyst to change the window, Mr. Crosby?

Mr. Troy Crosby: The timelines that we're working toward or that we're anchored around are based on the life of the CP-140 Aurora as it is right now. The reality is that there isn't a specific date on a calendar in the future when the CP-140 will suddenly no longer be able to fly or operate. What we see is a degradation in capability over time and an increase in the threat environment over time.

We're working toward a milestone that isn't terribly precise, despite the fact that there's an exact date put on it. The milestones are set to guide us in our work, and then we adjust based on what we think we can actually achieve.

Mr. James Bezan: There's a new term that I've heard starting to circulate around the Canadian Armed Forces and DND, which is “urgent operational requirement”, or UORs.

Would this qualify as a UOR?

Mr. Troy Crosby: This would not be a procurement that I would typically assign as UOR. In the case of our operations in Latvia, the Canadian Armed Forces has recognized an urgent operational requirement based on operational experience in Ukraine.

Mr. James Bezan: Based on what we know in Ukraine and what we know in Latvia, and some of the weapons systems we need on the front lines in Latvia, is there a UOR under way for shoulder-launched missiles?

Mr. Troy Crosby: There is an air defence UOR under way for PAXM. Think of an anti-tank capability, but it's more than that. There are a couple that might meet your description.

Mr. James Bezan: Would there be sole-sources involved in this? Do they require a national security exemption? More importantly, how are we testing these systems to ensure that we are getting the best kit for our Canadian Armed Forces?

Mr. Troy Crosby: Mr. Chair, in these cases, all three of the urgent operational requirements that are under way right now to support Operation Reassurance are competitive.

Mr. James Bezan: We're competitive, but are we also doing the testing?

There's supposed to be the aerospace engineering test establishment, the quality engineering test establishment and the naval engineering test establishment.

Are we going through those processes to ensure we are buying the best possible weapons and equipment for our Canadian Armed Forces, or are we skipping over that and just going with what's written up nicely on paper?

Mr. Troy Crosby: Mr. Chair, what we're aiming to do is to bring in the service-proven capabilities that our allies already have in service.

Mr. James Bezan: I again will impress upon our witnesses that the work they do is now more important than ever.

When you look at the dangerous world we live in, we have to buy equipment faster and get it in the hands of our military so that we're prepared for the worst-case scenario.

The Chair: Thank you, Mr. Bezan.

As a point of clarification, you talked about three UORs. I heard you talk about two. What's the third one?

Mr. Troy Crosby: The third one is the PAXM UOR which is a.... I can't remember what the acronym stands for, Mr. Chair, but I can get that for you. Think of it as an anti-tank weapon, but it has more applications than just the tanks.

The Chair: Thank you.

Mrs. Lalonde, you have five minutes.

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

I want to again thank our witnesses who are here and coming back to see us today. I have a couple of questions, so I'm going to try to stay as succinct as I can.

We know that in addition to some of the concerns of domestic challenges—flood, wildfires and other natural disasters—we're also experiencing different international pressures, such as the war in Ukraine and now the conflict in the Middle East, in Gaza.

I would like to hear from each of you, particularly if you can speak to how your department balances the pressures of meeting the urgent operational requirements while also continuing to meet the procurement needs at the same time.

Mr. Troy Crosby: I can start, Mr. Chair.

As Mr. Page has pointed out in the past, it starts with the definition of the requirements.

My organization and the materiel group at National Defence don't develop the requirements. That's done by the services—the army, air force, navy, special operations forces. They determine the urgency, and if something comes up that wasn't already in our work plan, there's a conversation internally about allocating the right human resources and subject matter expertise to be able to prioritize the work to put the procurement into the system—if I can put it that way. We then communicate that to PSPC, in the cases where the contracting authority will lie with the Minister of PSPC to progress. We work alongside them.

With that, I could maybe segue to Simon.

• (1655)

[*Translation*]

Mr. Simon Page: I thank the member for her question, Mr. Chair.

I would add that one of the overriding objectives of defence and naval procurement is to ensure that there are no capability gaps. We must always have the necessary capabilities for the men and women of the Canadian Armed Forces. That's not easy, given the wide range of capabilities. We always have to be on the lookout for all the things we want to do and all the needs we have to meet. One of our ultimate goals is to make sure there are no gaps.

To complete what Mr. Crosby said, I would add that, during events such as the ones the world is currently experiencing, there are concerted efforts that must be properly prioritized. We put the right resources in the right place and make sure we do things in a targeted way.

Mr. Crosby talked about ammunition requirements, and we also have vehicle requirements right now for Operation Reassurance in Latvia. We're reviewing this in a targeted way, and if we can take a little more risk than usual, we will.

[*English*]

Ms. Mary Gregory: Thank you for the question.

Our department works very closely and collaboratively with our procurement partners. We're available to apply the policy as needed. We regularly engage through our governance processes, and our policy is fairly flexible.

We determine application on a case-by-case basis, which applies to certain types of military procurement over \$100 million. There has been a lot of conversation about munitions supply. That's managed separately. The policy is not generally applied to munitions. However, we're available to participate as needed, and as quickly as needed, as things become urgent.

Thank you.

Ms. Samantha Tattersall (Assistant Comptroller General, Acquired Services and Assets Sector, Treasury Board Secretariat): I'll situate the role of the Treasury Board Secretariat. After you have the requirements, you do the procurement. If there are Treasury Board approvals needed, we work closely with PSPC and DND to make sure that those come forward at an expedited pace. As this committee's already discussed, sometimes we put in place

exceptional contracting limits that will also facilitate the speed at which things can occur.

Mrs. Marie-France Lalonde: Thank you.

From there, is there a recommendation that you could help us with as we navigate our process to identify where regulations and processes can be improved to help you with the challenges, both domestically and internationally, with the pressure that's sometimes on each department?

Mr. Crosby.

Mr. Troy Crosby: During the pandemic, we were able to exercise flexibilities in the government contract regulations that dealt with emergencies. Those don't normally apply in the case of defence procurement. Nevertheless, we can work with our colleagues to accelerate the processes with a concentrated effort and by being very disciplined around the requirements and the process itself.

The Chair: Thank you, Mrs. Lalonde.

[*Translation*]

Mr. Savard-Tremblay, welcome to the Committee.

You have the floor for two and half minutes.

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chair.

Hello everyone. I don't normally sit on this committee. Thank you for having me here today. I'd also like to thank the witnesses.

Mr. Page, the RFI submitted in February 2022 stated verbatim that participation was encouraged, but not mandatory, and that respondents should be aware that the RFI was not a prequalification process, that it would not lead to the establishment of a short list, and that potential suppliers were not being identified. In other words, it was not a condition and would not determine who would be eligible. So it implied that there would be a bidding process.

Some companies submitted information in good faith and were never subsequently contacted. Can you explain that?

• (1700)

Mr. Simon Page: Mr. Chair, I thank the member for his question.

We did indeed issue a request for information in February 2022. This provided us with substantial information. But there was no requirement for us to go down a certain path for the next steps.

The information obtained through this request, along with the data we received from Avascent and discussions with our allies, enabled us, following an analysis within the government, to determine that Boeing's P-8 Poseidon was the only aircraft that met all of Canada's high-level operational requirements as described in the request for information.

The main point I want to make is that the need was immediate, and this aircraft was the only one that met all the criteria. Subsequently, the only way for the government to gather further information—this should answer the question Ms. Normandin asked before she left—was to send a letter of request to the U.S. government for more information on the P-8 Poseidon aircraft in question.

[*English*]

The Chair: Thank you, Mr. Savard-Tremblay.

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

Ms. Lindsay Mathysen: When the procurement ombudsman appeared before this committee, he walked us through the review of the Department of National Defence procurement system. He stated that there were 10 instances where he “did not have sufficient evaluation information to determine whether...the contract had been rightfully awarded.” He found that there was a chronic, systemic issue of missing paper trails for procurement contracts.

Can you speak about whether this issue is unique to the Department of National Defence? More importantly, can you explain why these transparency mechanisms were not followed?

Mr. Troy Crosby: I can't speak about the experiences in other departments. At National Defence, we welcome the review from the OPO, the Office of the Procurement Ombudsman, because it takes an external look at our practices.

We were a bit challenged in responding to the OPO at the time because we were coming out of the pandemic. People weren't able to get into the offices to access the paper files in certain cases. The OPO was very accommodating to allow us to substitute files. However, it is true that there were occasions where we weren't able to locate all of the records. In response to the OPO's recommendations, we are going back to ensure that we have records as complete as we can, and we are leveraging electronic means, as well, going forward.

Ms. Lindsay Mathysen: The procurement ombudsman was also concerned about the overuse of the national security exemption—again, that loss of transparency within the procurement system when it's invoked. He stated that, in the United States, the national security exemption actually triggers “additional oversight” by the Government Accountability Office, which I referenced before.

Can you tell the committee if any additional oversight is triggered in Canada when the national security exemption is invoked?

[*Translation*]

Mr. Simon Page: Yes, certainly.

[*English*]

Thank you very much for that question.

I think the first statement I would make is that, for the defence and marine portfolio, I see all the national security exception requests. They are not numerous. There's a very good ratio of NSE, a ratio that I would expect for a country of our calibre trying to contribute on a very large spectrum of capabilities. The oversight remains the same. The transparency, the fairness, the openness—the oversight remains the same once the NSE has been invoked.

The Chair: Thank you, Ms. Mathysen.

Ms. Gallant, you have five minutes, please.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): What's the status of the upgrade for the Mk8 ejection seat for the CT-114?

Mr. Troy Crosby: At this point, there has been a study under way to look at the possibilities of a seat replacement for the Tutor aircraft. No decision has been made at this point to actually go ahead with that.

Mrs. Cheryl Gallant: Our understanding is that the RCAF wanted to procure these ejector seats, but DND said no. Why?

● (1705)

Mr. Troy Crosby: I think that's still under consideration. I don't think anybody has said no yet. There is a recognition that there are more modern, capable ejection seats available, but it has to be an investment that's made in light of the future plans for the fleet.

We are upgrading the cockpits of the aircraft right now. That work is under way. The flight testing is ongoing. The seat is still under consideration.

Mrs. Cheryl Gallant: Okay.

How often do the departments that each of you represent today actually meet with defence procurement industries and academia to discuss and update what the developments are and what the capabilities are in defence and technology in general with respect to defence, and to review the threat analysis on the horizon?

Mr. Troy Crosby: We have various opportunities to engage with industry. We have the good fortune of having the Canadian Association of Defence and Security Industries here in Canada, which arranges the CANSEC defence show every spring. That's an excellent opportunity to bring everybody together.

On a case-by-case basis, on a fleet-by-fleet basis, the industry involved can engage directly with our subject matter experts to talk about future investments. As we spoke about at our last appearance, this concept of continuous capability sustainment, involving industry and laying out a capability road map further into the future, is something that we're working toward now. We're in consultation.

Mrs. Cheryl Gallant: The reason I asked is that successful countries work in collaboration all the time with industry and academia. It's ongoing. This seems to be a missing piece, something that just doesn't happen the same way in Canada. We'd like to see some improvements in that area.

What steps are you taking now so that future projects can be managed by an individual who will oversee and be responsible for major procurements from start to finish? We're told that you simply don't have the people who can do the procurement process.

What's being done now to ensure that we have a smooth process in the future?

Mr. Troy Crosby: For each project that's approved and is in either the definition or the implementation phase at National Defence, there is a project manager named. Through the assignment of responsibilities, that individual is often reporting to me, directly or indirectly, to advance the project in consideration of costs, capability and schedule.

There are times, depending on the length of the project, when people will of course make career decisions and move, but we do have enough depth in the organization to transfer the knowledge through these changes.

Mrs. Cheryl Gallant: You don't have someone in place for a full procurement for the length of time it takes.

For Treasury Board, with respect to the directive on terms and conditions of employment for students, did you determine the impact on the future ability to fill necessary jobs for the workforce and the ability to have the people ready for the jobs of the future?

Ms. Samantha Tattersall: Thank you for the question.

In terms of that directive, it falls under another area of the Treasury Board, but maybe what I can answer is that, in the context of procurement under my sector, we have a community development office. One of the things we're really stepping up and doing within this space is running collective staffing for procurement officers across the Government of Canada. We've been partnering to bring more students in so we can create that pipeline of procurement officers within the Government of Canada.

Mrs. Cheryl Gallant: Specifically I received the concern from the Union of National Defence Employees. They regularly brought in high school students for the pre-apprenticeship to decide whether or not these different Red Seal trades were for them. To a great extent, they have been able to fill the availabilities, the holes in their workforce, with these students who had been in the system years ago, got their actual papers and are working. Had it not been for that student program, we'd be missing a lot more people from those positions today.

The Chair: We're going to have to leave that question there.

Mr. Fisher, you have five minutes.

• (1710)

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

Thank you, folks, for being here today.

I represent the communities of Dartmouth and Cole Harbour, and we have an amazing group of defence contractors—some smaller groups, some small start-ups. They're mostly small defence-related companies.

During testimony on this study, we've heard from industry and we've also heard from the ombudsman about these smaller companies and how they feel that they're at a bit of a disadvantage when it comes to taking part in government defence procurement.

With so much innovation in Canada in the defence sector by smaller companies and start-ups, I'm interested in knowing whether—and, again, I'm focusing on the smaller companies—oth-

er than from the testimony for this committee, you folks are aware of those concerns.

Ms. Mary Gregory: Thank you for the question.

I'll start, and maybe Mr. Page will want to add something in.

Our department does work a lot with small businesses across the country. Obviously doing that is in the portfolio of the Minister of Small Business. Specifically around the industrial and technological benefits policy, we do participate in outreach with small businesses.

We also rely on the regional development agencies, which are in our portfolio as well. They're a great source of information and connection to the small businesses across the country. More than 99% of businesses in this country are small, so that's an important element.

I understand the concerns you've mentioned. Lots of small businesses say it is hard to enter global value chains for large companies. Companies want to share risk with bigger suppliers, usually, especially with respect to defence procurement, so we do undertake outreach. My colleague mentioned the Canadian Association of Defence and Security Industries. They're a good outreach tool as well.

We try to make sure we are open to small businesses and that they have some outreach with us when specific procurements get under way. The policy generally targets contractors with the obligation to provide 15% of the contract value in engagement with small businesses, so that's usually business activities with small companies. We also have a challenge program, which is designed around procurement undertaken today across all departments—and it would apply in the defence space as well—whereby if a small company has something innovative, as you've described, the government could act as a first buyer, for example.

I believe there are probably other small business elements in, say, IDEaS at the Department of National Defence, but certainly we try to ensure that we are well informed on the issues confronting small businesses across the country.

I don't know if you want to add anything, Simon.

Mr. Simon Page: Thank you for the question. I think that was really well explained.

The only thing I would add is that we do have specific vehicles also under the leadership of PSPC, such as the marine industry advisory committee. This committee links with small and medium-sized businesses across the nation in support of the marine industry here. We do business and have contacts with them. Also PSPC runs an organization called "Procurement Assistance Canada" to help all the small and medium-sized businesses integrate into projects in the defence and marine portfolio.

Thank you.

Mr. Darren Fisher: If they're stating at committee, on a procurement study, that they're frustrated and you have what sounds like some pretty sound assistance for some of these smaller businesses, why are they coming to us and saying they are frustrated? What should we do? What can we do? What are we doing?

Is it a communications issue, maybe? Is it us reaching out to them, or are we providing liaisons? I'm trying to think outside the box of how we can.... Again, if you have programs now and they don't feel like they have the ability to participate, what is it that we can do outside of what we're already doing?

I guess I'm leaning toward this being a communication issue.

Ms. Mary Gregory: Thank you for the question.

I could offer that some of the feedback we hear from small businesses is that the certification requirements, particularly in the defence industry—probably aerospace as well—are highly certified, relatively managed markets. That can be a barrier for a small firm, because achieving a certain level of certification to participate in an industrial supply chain can be quite challenging. It may require up-front investment for the company, which may be a lot for a small company to undertake by itself.

I believe my colleague Mr. Page mentioned the national security requirements. In the U.S., we have been working through his department to try to ensure that Canadian companies have access there as well, so that's another element. When the U.S. makes changes, we have to catch up to those changes. Otherwise, our companies are disadvantaged.

We try to keep up to date on what is challenging for small businesses. We try to ensure that they have the tools and access to resources in order to keep up to date and have access to those kinds of procurements. They're very important.

• (1715)

Mr. Darren Fisher: Thank you. That was helpful.

The Chair: That brings to an end our first panel and the first hour.

I want to thank you again for your patience and for the informative way in which you responded to members' questions.

With that, we'll suspend and repanel.

• (1715)

(Pause)

• (1720)

The Chair: Such as it is, we'll start. Hopefully, we'll be able to bring Mr. Lincourt in.

I notice that Ms. Lukashev is here on behalf of SAP Canada; and from Bombardier, we have Mr. Martel, Mr. Pyun, and Ms. Thibaudeau.

I see Ms. Winger is here. She has a hard stop at 5:40, so I'm going to ask her to make her opening statement first. We can possibly work out some accommodation at some other point, so that she can respond to members' concerns.

Because we're having troubles with the SAP representatives, we'll then go directly to Bombardier, and then hopefully, by that time the SAP issues will be resolved.

Ms. Winger, you have five minutes, please.

Ms. June Winger (National President, Union of National Defence Employees): Thank you very much for the opportunity to appear today, Mr. Chair.

The Union of National Defence Employees represents 20,000 civilian defence workers. Our members ensure that military operations are mission-ready at all times and that military members have safe and secure places to work and live.

Our members are experts who work on bases, in offices, warehouses, airports, labs and garages. They provide consistent and knowledgeable services so that the military can be agile and combat-ready.

The contracting out of civilian defence work undermines our members' work and greatly erodes the quality of services that Canadian taxpayers are paying for. Our union has observed, time and again, including in our 2022 "Uncover the Costs" report, that contracting out civilian defence services is less efficient and effective than having the work done by public servants.

Today we need to put a stop to the long-standing pattern of management decisions being made at National Defence, which is leading to a system-wide failure and is costing Canadians more. These decisions include intentional understaffing of needed public servant jobs, paired with an over-inflated budget for contracted-out services and an inappropriate amount of reliance on private contractors to do work that should be done by public servants.

For years, National Defence has been allotting meagre staffing budgets to bases while diverting funds towards contracted-out services. This makes it impossible to adequately staff the bases and it pressures management to use private contractors to do the work that public servants should be doing. As a result, we are faced with problematic and costly overreliance on private companies to support the functioning of our military bases. The scale and scope of contracting out is increasing wildly, without adequate justification, planning or oversight. Transparency and accountability are just missing.

Contractors are not being held accountable for the accuracy, quality and timeliness of their work. Rather than fill the vacant public service positions we have, National Defence continues to pay contractors a premium, and we are left with costly, dangerous errors and oversights, broken equipment left languishing with no one to repair it and dysfunctional workplaces.

We are concerned to see National Defence paying private firms, such as Deloitte, to provide recommendations on how the department should be delivering its services. Certainly, since one of Deloitte's publicly stated aims, which is published on its own website, includes identifying opportunities to partner with industry, one would expect that its recommendations would be biased. In fact, following a recommendation from Deloitte's November 2022 report to National Defence that more data collection and analysis needs to be conducted, the department is now in the process of procuring yet another contract with Deloitte in order to pay them to conduct this data collection.

I have examples that could go on and on.

At CFB Esquimalt, the purchase and installation of turnstile gates at a dockyard entryway and exit was contracted out through Defence Construction Canada. The private contractor was paid to complete the work, yet today the dockyard doesn't have an entryway turnstile and its exit turnstile is cordoned off and not operational. The contractor installed one that was far too narrow to allow military members carrying rucksacks and parcels to get through. As well, it prevented our military veterans, who have mobility challenges, from entering and exiting the base every day. The gate was completely unuseable and had to be removed.

Bizarrely, once the problem was raised, it seemed that DCC chose to rehire the very same contractor and paid them to do more work on the entryway. Furthermore, additional funds have been earmarked for the next two fiscal years to pay the same contractor for more work on the entryway. As well, I've just learned there is another problem with the turnstile installed on the exit. Now it's cordoned off with yellow tape and can't be used.

Often we hear individuals who are speaking in favour of contracting out complain about too much bureaucracy and cutting the red tape. This is a case where there is no red tape. What we have is an expensive bill and whole lot of yellow caution tape.

From its procurement practices, it appears that National Defence operates as though contracting out work to private companies can release the department from the burden of risk of something going wrong. Our message to you is that you cannot contract out risk when it comes to public services. When a contractor makes a costly error or fails to meet its commitments, the responsibility still falls on the department and the government responsible for providing those services.

• (1725)

Canadians trust our government to use our tax dollars wisely and ethically. When we needlessly contract out the public service work, this amounts to nothing other than money-making machines for private firms, and the weight of their added expense falls on the shoulders of the taxpayers, who deserve better.

Thank you. I look forward to answering your questions.

The Chair: Thank you, Ms. Winger.

I'm going to go to Bombardier now. I'm assuming it's Mr. Martel.

You have five minutes, please.

[*Translation*]

Mr. Éric Martel (President and Chief Executive Officer, Bombardier Inc.): Mr. Éric Martel. Chair and members of the Committee, thank you for the opportunity to share our comments as part of your important study.

Many of you know that Bombardier is a leader in the aerospace industry. In fact, Bombardier designs, manufactures and services the world's finest business jets. We currently contribute \$5.7 billion to Canada's GDP and support 33,000 Canadian jobs.

[*English*]

Perhaps you don't know that Bombardier has a track record of delivering versatile defence solutions that are recognized globally for proven reliability, endurance, performance and capability in all areas of intelligence, surveillance and reconnaissance.

Bombardier has more than 550 special mission and defence jets in service worldwide, including with the United States air force and army. Therefore, we have a unique perspective on defence procurement processes around the world.

Before beginning any procurement process, the Government of Canada should proactively engage in a thorough consultation with Canadian industry to understand where homegrown innovation opportunities exist. When this is not done, government consistently defaults to off-the-shelf products—often imported and utilizing older technologies.

This is a crucial point in the context of answering military readiness. Too often, our current procurement approach starts too late, is not strategic and results in the acquisition of equipment that is just good enough, rather than the best most cutting-edge solution, and in an approach that is way too complicated.

One example of this is Canada's multi-mission aircraft procurement: CMMA. In February 2022, PSPC released a CMMA request for information outlining 13 high-level mandatory requirements and asking industry to deliver full operational capacity by 2040. Bombardier and our partner, General Dynamics Mission Systems-Canada, responded to this RFI in good faith. We put forward a made-in-Canada solution that exceeds all high-level requirements and the published delivery timeline.

Unfortunately, it turns out that this RFI was entirely misleading. The government went silent following our RFI responses, and in late 2022 news broke that they may be pursuing sole-source contracting for Boeing's American-made P-8.

The CMMA procurement process we've observed to date is deeply flawed and lacking transparency. Flaws were disclosed recently by government testimony to the standing committee on operations and governance. First, the RFI clearly states that it is not a pre-selection process and there would be no short-listing of potential suppliers based on responses, yet officials made clear that this was the RFI's very objective from day one.

Second, we learned that government has made critical changes to the CMMA procurement without formally advising Canadian industry, including expediting the final delivery timeline from 2040 to the early 2030s. Making military off-the-shelf products a mandatory criteria also was not initially mentioned. Both changes are clearly driving a biased predetermined outcome in favour of Boeing. By the way, Bombardier and GDMS can meet this expedited timeline, a fact that seems to fall on deaf ears at PSPC and DND.

Finally, we learned that officials concluded that Canadian industry cannot meet CMMA requirements before ever releasing the RFI, based on a third party study market assessment by Avascent, which has never been made public. We are completely rejecting this conclusion, as not one qualified aerospace engineer evaluated our solution—not to inform the Avascent report nor at any point afterward.

• (1730)

On behalf of the Canadian industry, we simply recommend what is required by Canadian law: an open, unbiased call for tender with objective and realistic selection criteria. Bombardier and GDMS want to compete, because we will win and deliver the next-generation global gold standard for decades to come to the Canadian Armed Forces.

Improving Canadian defence procurement to support military readiness must start with an open CMMA tender.

Thank you.

• (1735)

The Chair: Thank you, Mr. Martel.

Ms. Lukasheh, you have five minutes, please.

Ms. Yana Lukasheh (Vice-President, Government Affairs and Business Development, SAP Canada Inc.): Thanks, Mr. Chair, and good evening.

My name is Yana Lukasheh, and I'm vice-president of government affairs and business development at SAP Canada. I'm joined virtually by my colleague David Lincourt, who is the chief solution expert, global defence and security.

SAP is an enterprise application software company committed to enabling organizations in over 20 industries to become a network of intelligent, sustainable enterprises, bringing together the technology solutions and best practices needed to run integrated, AI-powered business processes in the cloud. Our applications are not just an enterprise resource management suite but also a readiness platform, covering planning, strategic management, force generation and deployment, capability planning, weapon platform life-cycle management, logistics, finance and total workforce management.

These solutions, at various degrees, are currently adopted by over 40% of the world's militaries, 70% of NATO allies and all Five Eyes countries. Overall, our 300-plus customers in defence and security share a trusted business network, leveraging the latest innovation, emerging technologies and data to achieve operational and mission excellence.

[*Translation*]

We would like to thank the Chair of the Standing Committee on National Defence for inviting us to participate in this review of the impact of Canada's procurement processes on the Canadian Armed Forces.

Our testimony includes two components. The first will address the issue of introducing digital technologies in a military context. The second will focus on how SAP is helping to optimize procurement processes.

I invite my colleague, Mr. Lincourt, to talk about the first component.

Mr. David Lincourt (Chief Expert, Global Defence & Security Industry Business Unit, SAP Canada Inc.): Thank you, Mr. Chair.

[*English*]

We all recognize that DND—and the Canadian Forces—is a large and complex organization, and it operates in a volatile, uncertain, dynamic and ambiguous world.

When it comes to digital technologies—

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Mr. Chair, he sound quality was poor, so there was no interpretation.

[*English*]

The Chair: Can you hang on for a second? There's an issue with the quality of Mr. Lincourt's sound.

Ms. Lukasheh, are you able to complete Mr. Lincourt's presentation?

Ms. Yana Lukasheh: I'll complete his remarks and he could maybe stay online to answer questions.

The Chair: We have a problem with his speaking, period, so it may be that you'll have to take all of the questions, or you'll have to respond to the questions in writing—one way or another.

Ms. Yana Lukasheh: I'll try my best.

The Chair: I'm sorry about this, Mr. Lincourt. You're going to have to enjoy New Orleans a little bit more.

Mr. David Lincourt: You have my apologies.

The Chair: Thank you.

Ms. Yana Lukasheh: I'll proceed.

The Chair: You have about three minutes left.

Ms. Yana Lukasheh: No problem.

We all recognize that DND is a large and complex organization that operates in a volatile, uncertain, dynamic and ambiguous world. DND can't approach these realities in the same way as was the case in the past. Speed of innovation is paramount, and I would say that continuous innovation is paramount. There is a need to constantly revisit, first, the concept of operations, because what worked yesterday won't work today; second, the processes and procedures to more effectively and efficiently do what needs to be done; and, third, the people, principally their skills.

Programs are very inflexible in how they are phased and delivered. Changes create perceived scope creep and risk to schedule and budgets. This is extremely unsuitable to bringing digital technologies into the department. We recommend an approach where requirements and solutions can naturally adapt to the need for new operating concepts, procedures and the skills of people in order to harness new digital technologies towards continuous innovation.

Programs are discouraged from leveraging each other. Programs are mandated to deliver against their own sets of requirements, and incorporating someone else's puts their metrics at risk. It also creates an environment of "not my problem". We recommend an approach that fosters horizontal integration of technologies where synergistic effects can lead to vast value to the department.

Introducing digital technologies is quasi exclusively restricted to large defence contractors. Innovation is stifled and precludes small and medium-sized businesses from contributing. Similarly, defence personnel find ways around the process to innovate. While solving local problems, these innovations introduce tremendous risks, particularly security risks. We recommend standardizing on a digital technology platform that permits all the members of the ecosystem to innovate within a well-managed governance framework.

Now I'll go back to the second point around procurement, and I will bring an example. Digital technologies can streamline procurement processes, enabling National Defence and the Canadian Armed Forces to better manage portfolios for horizontal integration, including de-risking major projects, enhancing transparency and accountability, identifying cost-saving opportunities by analyzing spending patterns, optimizing inventory and, ultimately, negotiating better contracts.

More importantly, digital technologies will also allow the department to integrate with other defence systems and data sources, providing a holistic view of procurement and supply chain operations; to monitor and evaluate the effectiveness of these processes; and, lastly, to leverage training and support services to ensure that defence personnel can effectively use the technology to drive procurement reform and unlock additional value.

Today, Canada's defence industry is affected by risk, complexity and diversity, regionally and nationally, coupled with dynamic changes in overall economics and constrained budgets. Multi-faceted and complex procurement processes are adding further burdens and delays in the implementation of efficient mission-critical operations.

I'll speed up, Mr. Chair.

Over the past—

• (1740)

The Chair: We're pretty well over the time, and we are running a hard clock here, unfortunately. Maybe you can work it in during your response to questions.

Before I ask Mr. Bezan for his six minutes, Ms. Mathysen, you had an idea about incorporating Ms. Winger's testimony. Do you want to present it?

Ms. Lindsay Mathysen: Yes, thank you.

It's my understanding that I have to move a motion. Because Ms. Winger had to leave to do the votes, if the committee would submit a series of questions that they may have had for her so that she can answer them, they will then become part of the testimony for this report.

The Chair: That's in order. It's part of the subject matter. Is there any discussion?

Some hon. members: Agreed.

The Chair: Thank you.

Mr. Bezan, you have six minutes.

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

I want to thank all of our witnesses for being here.

Mr. Martel, you were just in the room listening to testimony coming from both National Defence and PSPC. I believe that Mr. Crosby and Mr. Page are still in the room.

You mentioned the timeline in your presentation. The request for information went out in February 2022. I understand that there was an April 1 deadline to indicate interest. Did you respond in time to meet that April 1 deadline to say that Bombardier was interested?

Mr. Éric Martel: Yes, we did, sir.

Mr. James Bezan: However, you didn't come up with your announcement of partnering with General Dynamics Mission Systems-Canada until May 2023. Is that correct?

Mr. Éric Martel: That's correct. It became public in May 2022.

Mr. James Bezan: Okay.

You just heard both government officials here saying they were unaware that Bombardier was interested, or capable, of bidding for Canada's multi-mission aircraft for our maritime patrol.

Mr. Éric Martel: Clearly, the RFI came out in February 2022 as was mentioned before. We responded within the period of time that was prescribed. Nowhere in the RFP... There were 13 different levels, and we said that we could comply with every single one of them. There were no questions asked about who could be the partner or anything. We just said we could do it from A to Z.

To our surprise, as this was closing, we never heard anything back after other than that a decision was being made, which was extremely surprising. We would have expected—

Mr. James Bezan: You didn't hear anything back until you read in the papers about the rumours of the sole-source for the P-8s. Is that correct?

Mr. Éric Martel: Absolutely.

Nobody called anyone at Bombardier. We heard the rumour in December 2022, last year. We asked, "What's going on?" We filled out the paperwork. We said that we could be compliant with all of those things, and that we could do it. Nobody made any call to Bombardier. We were very surprised. Since then, we've been trying to be heard on that.

• (1745)

Mr. James Bezan: Have you been able to get an audience with National Defence, Canadian Armed Forces or PSPC?

Mr. Éric Martel: Yes, we have. We pretty much forced the different meetings and said that we wanted to explain what we could do. There have been several meetings throughout the year, not with me but with members of my team.

Clearly, we felt that we made the right presentation. We had the right partner. We were capable of doing this. As a CEO of a company that's listed on the public market and has a very strong code of ethics, if we say that we're capable, somebody should listen to us. I would never put my company in a position where we could not deliver on something we said we could deliver.

Mr. James Bezan: In light of the testimony we heard earlier, there was a change in the operational expectancy around our current CP-140 Auroras. That was the catalyst for changing that timeline.

Would Bombardier be able to meet that expedited timeline to replace the Auroras?

Mr. Éric Martel: I have to admit that the timeline remains a bit unclear. We heard things two weeks ago at a different committee, and again today. Based on the timeline that is still posted on the PSPC website, we can meet those timelines. That requires the first airplane to be delivered in 2032 and the remaining by 2035. We could do that.

Actually, there's plenty of time in front of us. We're in 2023. There's apparently a process that could take place with a selection in 2027. Hopefully, we can expedite that and do even better.

Mr. James Bezan: We know that PSPC and the government don't always get things right when it comes to awarding procurement contracts. Recently, we had the Canadian International Trade Tribunal rule against the government for sending a Coast Guard contract to Heddle. CITT found in favour of Davie, because there were violations in the procurement process.

Do you feel that is at play at this point in time, that there's been a violation of the proper procurement processes?

Mr. Éric Martel: There has clearly been a violation.

The RFI stated that this was not being made to select anyone. It was asking for information. It was confirmed earlier that they used that data and the data coming from a consultant to decide that the P-8 was the only option. That's not true. Actually, there were more options than the P-8A. There's one from Bombardier, and there are probably other people who can do that.

Mr. James Bezan: If you look at the process so far, would you say there's been a lack of transparency from the government to the industry partners here?

Mr. Éric Martel: Absolutely. There's no transparency.

We don't even have a lot of questions today, but we've never met officially. We hear people saying that there's no decision, but everything is trending towards the P-8. All of the discussion is about justifying why the P-8 is the right airplane.

The one thing I can offer here is that we have a more capable solution. Our airplane can fly faster, higher and farther. We are actually being approached by many other countries right now for a similar application. We have a lower cost. We believe we're going to be \$3 billion to \$4 billion cheaper.

This is taxpayer money we're talking about here. The cost of operating our airplane will be 30% to 40% less, with 40% fewer fuel emissions, which I believe should also be a criteria. We are creating 22,000 jobs in the country if we win this contract. We're going to probably bring, with the 22,000 jobs, about \$800 million of fiscal benefit and revenue to the government.

One important thing that we also bring to the table is a sovereign solution. If DND, in a few years from now, needs to make changes or improvements, it won't need to knock on the door of another country to ask permission. We're going to have a sovereign solution.

The Chair: Thank you, Mr. Bezan.

Ms. Hepfner, welcome to the committee. You have six minutes.

Ms. Lisa Hepfner (Hamilton Mountain, Lib.): Thank you. It's a pleasure to fill in on this committee.

Thank you to our witnesses for being here today.

I apologize. I haven't been here for the rest of the study, so if I ask a simplistic question, it's because of that.

I'd like to drill down on what you were just talking about, Mr. Martel. From your testimony here today, I understand that Bombardier does not believe that the Boeing P-8 Poseidon is the only currently available aircraft to meet all of the Canadian multi-mission aircraft's operational requirements.

Mr. Éric Martel: That's exactly true. That's what we said in the RFI in the first place in 2022. We told the PSPC at the time that we could meet all the requirements, so the P-8 is not the only solution. The P-8 is a much older platform that's been in service for decades now, and we're talking about offering a state-of-the-art solution that other countries today are approaching us about. You should know that countries like Korea are thinking about not taking all the deliveries of the P-8 because they are dissatisfied and considering other options. You may also add, Anne-Marie, that the Americans themselves have comments on the performance of the existing P-8.

• (1750)

Ms. Lisa Hepfner: Let me narrow that down a little bit more. Are you saying that Bombardier already has an aircraft that would suit this purpose, or are you saying that you would develop this aircraft in time?

Mr. Éric Martel: That's a very good question. The Global 6500 comes from a family of airplanes we launched years ago, and we just upgraded it with a new engine. We have about 1,000 of these flying in the world, so this is a robust platform with demonstrated capability. In fact, I was told at the Pentagon that this is the most reliable airplane, at 99.85%, of the entire fleet of the U.S. Air Force. That is a reliable aircraft that's been flying on the BACN program in Afghanistan for many years, and we're also flying on the GlobalEye.

This is what I was saying. Bombardier has modified 550 airplanes. When we modify an airplane for a project like this, what do we do? The engineers at Bombardier will review all the equipment that needs to be installed. It could be radar. It could be missiles, or whatever. We're going to reinforce the structure if needed, the wing or the fuselage, and we'll make the necessary modifications.

When this is done, our aerospace engineers will make sure that the airplane is still capable of flying, landing and doing all the stuff it's supposed to do. We've done this over and over—550 times. It could be an ambulance or something else. We have a GlobalEye flying today with Sweden with Saab as our partner, similar to what GDMS would be, installing equipment on our platform. It's being used by the EU. It will be used very soon by the Swedish. It's being used all around the world. There's a radar sitting on top of the fuselage that weighs a ton.

We know how to do this. We've done this over and over, and, with GDMS, we have one of the best partnerships based here in Ottawa, in Canada. Two leaders in the industry are knocking on the door saying that we're capable, we can do it and we've done it for other people, and we're not even being considered. That is a scandal.

Ms. Lisa Hepfner: How many DND contracts has Bombardier already fulfilled up until recently?

Mr. Éric Martel: Do you mean here in Canada?

Ms. Lisa Hepfner: Yes, exactly.

Mr. Éric Martel: Recently in Canada, there's nothing. We haven't done anything. GDMS has, though. Our partner has.

I think one important fact is that the CP-140s right now, the older airplanes in service the country wants to replace, are flying with GDMS equipment, which is renowned and performing extremely well. Taxpayers are spending \$2 billion right now to refurbish these airplanes to lengthen their lifespan to about 2035, so I don't understand what the rush is in getting the airplanes sooner.

Ms. Anne-Marie Thibault (Director of Capture and Proposal Management, Bombardier Inc.): The Canadian government has bought Challenger aircraft recently as well.

Mr. Éric Martel: Yes, they bought two Challengers.

Ms. Lisa Hepfner: Thank you.

Bombardier, I understand, has defence contracts with other countries like the U.S. and Sweden. Can you describe to us what the differences in procurement practices are between Canada and some of the other countries you deal with?

Mr. Éric Martel: That's a very interesting question, probably especially for this committee.

As I said in my introduction, we can compare with other countries because we deal with other countries a lot. As an example, for the same type of airplane, we have an RFP of 35 pages with one country I cannot name. If there is an RFP here, we are expecting hundreds if not thousands of pages, so there's a clear difference in terms of how detailed the specifications are. They need to leave room to the industry if they want to accelerate things. If they take three or four years to develop a specification, there's something wrong. We got 35 pages from that country, which allows us to be flexible. It allows us to have conversations with them and gives us a little bit of latitude and probably the ability to offer a lower-cost solution compared with all the criteria that exist here in Canada.

Ms. Lisa Hepfner: In 30 seconds, do you have any other advice for how the Government of Canada can collaborate better with the Canadian aerospace industry?

Mr. Éric Martel: Work with them and, as I think I mentioned, work with us and universities way earlier. We can develop technology. We should talk today about what we need in 10 and 15 years. We have the capability. There are not that many countries that can design and build an airplane. There are probably five or six in the world, and we're one of them.

● (1755)

Ms. Lisa Hepfner: Thank you.

Mr. Éric Martel: Thank you.

[*Translation*]

The Chair: Mr. Savard-Tremblay, you have six minutes.

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

I'd like to check something before beginning. Given the extended sitting, will we each have two turns, one for six minutes and the other for two and half minutes?

[*English*]

The Chair: We will likely have a second round, but it will be a shorter round.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Very well.

Mr. Martel, good morning. Thank you for being here and for your testimony on this whole story, which strikes me as rather incredible. I want to make sure I understood you correctly.

Initially, when this request for information was sent out, it included deadlines, and you stated clearly that you were able to meet them.

Mr. Éric Martel: Yes, we said we could during the first half of 2022.

Mr. Simon-Pierre Savard-Tremblay: So you indicated fairly clearly that you weren't worried about delays.

Bombardier has signed several defence procurement contracts with certain countries. Could you tell us a little about those?

Mr. Éric Martel: Of course.

We've been working with the United States, among others, for many years. We have extremely well-known programs. The name "Bombardier" resonates in the Pentagon, because some of our aircraft are used in Afghanistan. They each fly around 5,000 hours a year and have different capabilities. They're a little different from the ones we're discussing right now.

We also have a contract with the German army at the moment. I'd like to mention that we have a reputation for fulfilling our contracts on time or ahead of schedule. To this day, that's the reputation we have in the market, because we work well with our partners. Things are going very well with Germany, and that's an extremely complex contract involving several aircraft.

We've also delivered aircraft to the UK, and we'll be delivering to Sweden. In addition, we have built four GlobalEye aircraft that are flying in the United Arab Emirates to carry out surveillance and participate in communications missions.

So we have a great deal of expertise. As I said earlier, we have 550 aircraft, we've worked with several governments and we're currently in discussions with several others.

Mr. Simon-Pierre Savard-Tremblay: You mentioned the United States and Germany as examples. Those are hardly featherweights, obviously.

In the countries you do business with, what processes have you seen?

Mr. Éric Martel: We saw clear processes that were a little less complex, which had sometimes been initiated upstream. Before all that, we had conversations to understand what countries were looking for.

In Canada, there is a process that consists of sending a request for information, which clearly states, in article 1.9, that it will not be used to select anyone. But we never received a call, even though we stated that we were capable of fulfilling the contract, and all of a sudden we learned through the grapevine that someone had been selected without a call for tenders.

In our country, an invitation to tender must first be issued; that's the law. There has to be an excellent reason not to. Today, we've been trying for a whole year to understand why that wasn't done, and I still can't see the reason.

Mr. Simon-Pierre Savard-Tremblay: We just learned, at another committee, that a study was conducted by an American firm and concluded that the American company was best suited to fulfill this mandate.

Were you called in as part of this study?

Mr. Éric Martel: No, never. None of the American consultants who conducted this study and who have an office here in Ottawa called us to find out what we were capable of producing or not.

Mr. Pyun, do you have anything to add?

Mr. Pierre Seïn Pyun (Vice President, Government and Industry Affairs, Bombardier Inc.): I'd like to say one thing in response to the previous question.

The approach we've seen other countries take, especially those that have a local aerospace industry, is to start by having a dialogue with the industry regarding its capacity. If we're talking about maritime patrol aircraft, France is a good example. It recently awarded two private contracts to Airbus and Dassault to build maritime patrol aircraft based on their platforms.

It's all backwards, here. Canada's industry has to ask for the chance to compete in a process for a project that's Canadian. I just wanted to point that out.

The approach here is very different from that of other countries with domestic industries. Their strategy is to engage locally first.

Mr. Simon-Pierre Savard-Tremblay: Most trade agreements even stipulate that exceptions are allowed to deviate from the competitive process for national security and defence reasons.

Canada, however, makes an exception to give a foreign industry a leg-up over its own.

I would think—

• (1800)

Mr. Éric Martel: We've never seen this before. It's unheard of. I've never heard of another country doing things this way.

Mr. Pierre Seïn Pyun: What's more, this is a field where Canada has a significant advantage over the whole world, not only in terms of equipment, the airplanes we manufacture, but also in terms of systems. Canada has decades' worth of expertise and investment in a field where we really excel—surveillance, anti-submarine equipment and maritime patrol.

We are active in those areas, and that's why we are calling for a competitive bidding process.

Mr. Simon-Pierre Savard-Tremblay: I have just half a minute left, but I wish I could ask other questions.

We know that you support an open competition. We know that that probably should have been the approach from the start, but that said, we have to stop living in the past.

If it were to happen today, would it be too late, or would you be able to respond quickly?

Mr. Éric Martel: It's important to move as quickly as possible, but the short answer is yes, Mr. Savard-Tremblay.

[English]

The Chair: Thank you, Monsieur Savard-Tremblay.

Ms. Mathysen, you have six minutes.

Ms. Lindsay Mathysen: Thank you to the witnesses for attending today.

One of the concerns—and I've tried to bring this up at other times—is the government's movement toward this idea of sole-source and how that seems to be a contradiction.

It's not exactly what you're dealing with, but in terms of that F-35 contract, the Conservative government came forward and said, "We are going to sole-source."

Then the Liberals said, "No, that's never going to happen." Then they opened up, and they wanted to.... They said, "Under all of that transparency, we have to have an open bidding process." It took years, and it took quite a lot more money only to end up in the same position at the end.

Could you talk about that switch you're seeing and how difficult that is? They've gone from defending this open-source bidding to, again, sole-sourcing. How are you seeing that? They tend to use keywords such as "urgent operating requirements" and this pressure that they seem to be under. Can you talk about how that's impacting your industry overall? We've certainly heard that from others.

Mr. Éric Martel: That's a great question.

Clearly, I think we see—because, as I said earlier we're working with other countries—that unless other countries have the capability themselves, like we have here, they may decide to sole-source. Overall, other countries don't have.... As I said, five or six countries in the world can build and design airplanes, make them fly and certify them. We can do it in Canada, and we should be extremely proud of that. There's a lot of history behind this—decades. We could offer that solution.

Other countries are going through an RFP. They are usually not sole-sourcing. If you do benchmark other countries, they'll come and ask for advice and get around, but they'll do an RFP. We're doing a few right now, as we speak.

Ms. Lindsay Mathysen: It seems to be fairly reactionary. This is about building for the very long term. These are obviously very long-term contracts. It's a government having longer-term plans, seeing and being able to see 50 years into the future what they need, what the people in the armed forces need to keep them safe, to keep us safe.

Is it a scrambling? Is it purely reactionary? There is no planning process that seems to actually be at play here.

Mr. Éric Martel: As we said earlier, there's clearly a lack of working together before the need happens.

Right now, I think it's a bit of a reaction. I still don't understand, even in the situation we're in today, why that reaction exists. As I said, we just spent \$2 billion on the CP-140s today, which have been there since the eighties, to extend their life to 2035. That was the plan, which gives us time.

The CP-140 especially is a good airplane, better than the P-8. You should know as a committee that the P-8 is competing with the CP-140 and others. The military is doing a competition among themselves. The CP-140 is winning over the P-8, over and over, year after year.

What new capability are we talking about? We have a better product today. We're going to be buying an older product that

doesn't perform as well and that other countries are thinking about letting go.

Ms. Lindsay Mathysen: One of the actual benefits of the Boeing P-8 that was described to me—and, I'm sure, to many other members around this table, if not more—was that it was off the line, that it was off-the-shelf produced, and that in fact it would be so much cheaper.

You said in your testimony just now, however, that your model would be much cheaper. Can you go into more detail about that? I'm a bit confused.

• (1805)

Mr. Éric Martel: There has been a transformation over the last few years in our industry. Bombardier builds business jets. They are not as big as the big Boeing and big Airbus jets. They are the best performing jet in the world. They are the ones that fly farther, faster and higher than anybody else's. We're extremely proud as a Canadian industry to be able to design and build these here.

Also, I think one of the things that happened is a big change. The equipment you put on board these airplanes—communications equipment, surveillance and radar—is becoming smaller and smaller. What we have in our phones today would have been bigger than this room 30 or 40 years ago in terms of capability. Today, we can put on a smaller airplane—which is what we're offering—as much capability as they used to put on the old ones when they developed the P-8.

Of course, the airplane is smaller, so it's going to burn less fuel. It's going to cost much less to operate, and it's going to have a lot more capability in terms of the distance we can fly, the speed and the landing in tough airports. Our airplane is more capable. It's a smaller airplane, but we can do it today because the technology in all the systems has become smaller and smaller. There is no need for the bigger airplane anymore.

Right now, unfortunately, the P-8 is a big airplane because it is an older technology. This is the airplane that.... The Americans themselves are talking about when they will start replacing the P-8. We were the last one to buy it, so we should know that.

Ms. Lindsay Mathysen: Because the technology is smaller, more efficient and, as you've said, newer, does that make it environmentally better than an older version?

Mr. Éric Martel: Absolutely. This is a better product.

Our airplane versus the CP-140 Aurora today or, especially, the P-8 will burn 40% less fuel. Imagine, after years and decades of operation on a daily basis and thousands of hours of flying, how much fuel burn we're going to be saving and how much more environmentally friendly that solution is.

The Chair: Thank you, Ms. Mathysen.

Colleagues, given that we have a hard stop at 6:30, if we shave a minute off everybody's time, we may get through another round. I take note that there is another witness here.

Go ahead, Mr. Kelly.

Mr. Pat Kelly: Thank you.

I'm going to try to get this focused so that we get information that can help inform our study, which is on the process for procurement and recommendations to improve the process, because we have plenty of evidence of how broken the process would seem to be, given the challenges over decades to procure on a timely basis.

Earlier in this meeting, officials seemed to be unaware of or surprised about the readiness of your company to bid on this particular procurement.

Can you tell the committee about the process? Has the process been followed? If the process has not been followed, that's a problem, but if the process has been followed, what are the recommendations for this committee on how procurement processes can better serve Canadians?

Mr. Éric Martel: I will start and then let Anne-Marie answer, because she's the one who actually leads the bid team at Bombardier that receives the proposals from all around the world.

Clearly, there was a flaw in the process here. PSPC went out with an RFI, which we answered in good faith. As a very responsible company, we said we can do A, B, C, D...all the 13 criteria they had. We said we were capable of doing it. Our partner, GDMS, was also capable of doing the work with us.

To answer your first question, yes, there was a flaw in the process because, since that, we haven't heard from anybody. There's been nobody. They are referring now.... It's a new thing that we heard about for the first time a couple weeks ago. There was a study done by engineers who have never knocked on our door to ask any questions. I don't know how they can appreciate and make comments in a report about our capability, as we don't know these guys.

It was the same thing. We never had anybody from PSPC—an engineer who is knowledgeable—who could say whether Bombardier could do it or not.

I'll let Anne-Marie add about other countries' processes versus ours.

• (1810)

Ms. Anne-Marie Thibaudeau: I think the process in Canada is overly complex and overly complicated. As you mentioned before, it takes time and money. I think there's a way to simplify that and to put the onus back on industry to show what they can deliver in a fair and open competition, especially with a procurement of this importance.

Our priority is to deliver the capability to the war fighter and show what we can deliver. We can't do that without being able to bid, to propose a bid to the government, to show our solution, to give our timeline and to give our price officially, instead of by unofficial means.

Mr. Pat Kelly: What do you mean by “unofficial meetings”?

Ms. Anne-Marie Thibaudeau: Without a formal RFP response....

Mr. Pat Kelly: Is it your testimony that this procurement is not being done through official meetings, that there's an unofficial process under way?

Ms. Anne-Marie Thibaudeau: It seems that way, yes. It seems that the government is swaying towards a decision. It seems that a decision has been made without seeing all available solutions, so that the government can do its due diligence on available choices.

Mr. Pat Kelly: Okay.

Mr. Éric Martel: You heard in the first hour before us that they had a study from a consulting firm. They got the information from the RFI, and they thought that with this information they could make a decision that the P-8 is the only one, which is totally untrue.

The Chair: Thank you, Mr. Kelly.

Mr. Fillmore, you have four minutes.

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

Thanks to the witnesses.

Mr. Martel, you've distracted me from the questions that I wanted to ask you, because of something you said. Hopefully I'll come back to them.

To you and your colleagues, you mentioned the unnamed country's RFP at 35 pages, and you compared that to perhaps a hypothetical Canadian RFP of 1,000 pages. You talked about how the shorter RFP gives industry more flexibility to respond and so forth. I would like to give you an opportunity to expand on that.

Mr. Éric Martel: Maybe Anne-Marie can also complement that, but some countries are clearly having conversations with us. They say, “Here's the airplane we want. Here's the capability we want the airplane to have. Here are all the systems we're looking for.” They give us the range they need to fly. They will say that they need to fly at x altitude. Here are all the short runways they need to have the capability to operate on. The airplane has to have all the systems to do surveillance or communications, or whatever the requirement is.

The requirements are not specific to the smallest detail we would like to see. We shouldn't care about the colour of the wire at some point, or which company we're buying the bolts from. We should be giving them an airplane that performs and delivers the mission they're looking for.

I think there is a bit of a middle ground here that needs to happen. Anne-Marie works with other countries that have a much simpler process. Then we're having a conversation where we say, here's how we think we'll do that, and they say, yes, they like it or that they would like us to consider other options. That's a dialogue that takes place, and that's what we should be doing now.

Right now we don't even know if there will be an RFP. They seem to have made up their minds on flawed information. The information they had was not right.

Mr. Andy Fillmore: I want to stay away from the P-8 issue and just focus on the procurement process.

Is there an implication, and perhaps Ms. Thibaudeau could help, to the speed at which a product could be delivered with a shorter or more flexible RFP? Is there consideration around accelerating the opportunity for innovation? Are there other implications that would be beneficial through a more concise RFP?

Ms. Anne-Marie Thibaudeau: I believe so. With an open dialogue and us helping to shape those requirements, we can definitely be able to provide a more innovative and more competitive solution, especially.

Mr. Andy Fillmore: Okay.

Mr. Pierre Seïn Pyun: If I may, there are models that exist in Europe, like innovation partnerships in the context of public procurement, including defence procurement. I think on the point about criteria, I don't want to oversimplify this, but it's performance-based criteria versus the very prescriptive, detail-oriented criteria that Mr. Martel was referring to.

I think we've been able to observe that, when you focus on performance and you have a dialogue with the industry, that can produce better and faster results as well.

Mr. Andy Fillmore: Thank you.

There's a moment to hear from SAP.

Ms. Yana Lukasheh: I'm happy to start, and then I'll pass over to my colleague.

A lot of what's been said today is on better aligning with industry. Whether that's in the manufacturing industry or the digital space or the technology space, the consistent dialogue with industry is going to be super important at the pre-RFP phase or pre-procurement phases. That's when a lot of the shared information about innovation, about how digital is being used, about the best practices that are evolving.... A lot of that dialogue happens there, which inadvertently expedites almost, if you will, the procurement process, because a lot of that discovery has already happened.

The second point that I'll make is on the technology as well. Adopting digital technologies that allow you visibility from end to end throughout the whole procurement process is going to be super important. You're able to put metrics around it. You're able to measure the successes of these processes. This is important information, I would assume, for departments like National Defence and PSPC, as well, as they're contracting with external vendors.

I'll turn it over to my colleague.

• (1815)

The Chair: I'm sorry. I realize it's somewhat bizarre that this is the only question you have been asked in the hour or so, but Mr. Fillmore is past his time.

Thank you.

[Translation]

You have a minute and a half, Mr. Savard-Tremblay.

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

Given the importance of ensuring that the Department of National Defence has the best possible equipment for many years into the future, I am asking the committee to support this motion, as put forward by Ms. Normandin:

That, considering the joint statement of the respective Premiers of Quebec and Ontario dated November 7, 2023, concerning the public procurement of CP-140 Aurora by the federal government, the committee is of the opinion that the government must proceed by way of a formal call for tenders before awarding any procurement contract to this effect.

That the Chair of the committee immediately report this resolution of the committee to the House.

You should receive the motion in the next couple of seconds.

[English]

The Chair: That motion is in order. It doesn't need time. It doesn't need 48 hours. It's relevant to the subject matter. I prefer to debate it at some other point, so we can continue with the witnesses.

Is there an appetite to defer the debate on the motion to some other point?

Monsieur Savard-Tremblay, go ahead.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I think this is a fairly urgent motion, given that a decision is likely imminent. We also aren't sitting next week.

I think we need to debate the motion as soon as possible.

[English]

The Chair: Okay.

It's up to the committee. What do you want to do?

Mrs. Marie-France Lalonde: Mr. Chair, I don't want to do this, but I would like to suspend.

The Chair: We can't suspend. Not without the consent of the committee, for some extraordinary reason.

Mrs. Marie-France Lalonde: We didn't receive the motion. We have not read it.

The Chair: That's legitimate. We haven't seen the motion.

Mr. Pat Kelly: I would like to have it repeated, but I see no reason to suspend.

If you repeat it, we can all hear it.

The Chair: I'm going to give them two minutes to at least take a look at the thing.

We will suspend and be back in two minutes.

Mrs. Marie-France Lalonde: Thank you. I'm sorry.

The Chair: We'll suspend for two minutes while we look at the motion.

• (1815)

(Pause)

• (1820)

The Chair: Does anybody want to debate this motion?

Go ahead, Mrs. Lalonde.

Mrs. Marie-France Lalonde: I'm going to try to be as collaborative as possible.

Can we adjourn the debate, so we can go back to our witnesses?

I'm asking the chair to adjourn the debate.

The Chair: It's a dilatory motion.

(Motion agreed to)

The Chair: The debate is suspended. We can go back to the witnesses.

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

Ain't democracy grand?

Ms. Lindsay Mathysen: That was exciting.

Ms. Lukasheh, I want to give my minute and a half to you, because you had those three recommendations. I would like to provide you with the opportunity to get those in there.

Ms. Yana Lukasheh: I appreciate that. Thank you very much for the floor.

I discussed earlier the acceleration of the adoption of digital technologies for that continuous innovation that includes procurement processes.

The second is around defence procurement, and it should be seen as a separate category that is inclusive of IT software and services.

The third is that Canada should develop and sustain its in-country digital capabilities and ensure it's harnessing the innovative strength in Canada.

Last—and I will end with this—engage industry in non-project-specific discussions in the pre-procurement phase. We've obviously discussed that a bit throughout the committee. Not only is it to include capacity assessments within the industrial base but also to leverage the existing and emerging programs that can support DND's and the CAF's projects.

Thank you.

The Chair: Thank you, Ms. Mathysen.

Mrs. Gallant, you have four minutes.

Mrs. Cheryl Gallant: Thank you.

Ms. Lukasheh, I'm going to ask you three quick questions. If you cannot answer them all in the time left, would you please provide fulsome responses to our committee in writing at a later date?

Number one, how has the threat landscape evolved over the past year with respect to cyber-attacks? Do CAF and our military-industrial complex have sufficient protection against cyber-attacks? What does CAF need to develop its active cyber-capabilities and make it more active so that we can fulfill our NATO commitments?

• (1825)

Ms. Yana Lukasheh: I appreciate the question. I'll probably turn to the expert—David—with the time we have left, and we'll certainly provide a lot in writing.

The Chair: We have a problem with his sound, so you're going to have to answer the questions yourself.

Ms. Yana Lukasheh: No problem. We'll endeavour to provide that in writing.

Certainly, the threat landscape has created a lot of change, specifically with cybersecurity. Technology has a role to play in supporting the defence organization and the defence organizations, as well as the Canadian Armed Forces. That adoption of the technology piece and innovation is going to be super important.

Chair, we'll provide that in writing in more detail. Thank you.

Mrs. Cheryl Gallant: What has changed? What developments and new threats are out there that haven't been out there in the previous years?

Ms. Yana Lukasheh: I think cybersecurity is a major one. That is leaving a lot of our departments vulnerable these days. Adopting technologies that are innovative and safe can support in that threat landscape and defend in that threat landscape. That's one major one.

Mrs. Cheryl Gallant: We see that some companies are going back to an in-house computer, away from the cloud, because of security concerns. Is this something that you're seeing Canadian industry doing or, for that matter, the defence department?

Ms. Yana Lukasheh: Technology adoption within the federal government has been lagging. When we compare it to other jurisdictions and global allies, they are far ahead in adopting innovative, safe and trusted technologies in the cloud, so there's a misinformation that has to be demystified here in Canada.

If I remember—and I can provide that confirmation in writing—less than 10% of government departments have adopted innovative technologies in the cloud. That leaves them susceptible to cybersecurity attacks and threats. We have seen these threats in public media lately with the Canada Revenue Agency and Global Affairs Canada. That technology adoption in the cloud is going to be extremely important in safeguarding our Canadian organizations.

Mrs. Cheryl Gallant: Are we up to the same level as the United States, for example, and other allies with respect to encryption technology and the methods we use, or are we still behind there as well?

Ms. Yana Lukasheh: I would argue that we're still behind. I don't want to take the thunder away from David, so we'll probably provide a more elaborate answer in writing.

Mrs. Cheryl Gallant: Okay.

In terms of specific threats, are there any besides the usual, Iran, Russia...? Are there any new emerging belligerents on the landscape?

Ms. Yana Lukasheh: Chair, I'm not able to answer that question at the moment, but I'm happy to take it back and provide that in writing.

The Chair: Thank you, Mrs. Gallant.

Mrs. Lalonde, you have two minutes.

[*Translation*]

Mrs. Marie-France Lalonde: I'd like to thank the witnesses who've come here today. It's always interesting to see the parliamentary workings of the committee in action.

My question is for Mr. Martel, Ms. Thibaudeau and Ms. Lukasheh. What would you recommend to make Canada's procurement system better? Please keep your answers brief.

Mr. Éric Martel: I'll try to be quick, since we don't have a lot of time.

Simplifying the specifications would be a major improvement with respect to the time we need to put together a response. I mentioned earlier the RFP we have with another country that's 35 pages long, versus RFPs that are hundreds of pages here. This is something that I think would help with the process.

I also think it would be good for the government to do more to engage with industry proactively.

Ms. Yana Lukasheh: I would add two things to that: better coordination with industry around capacity and faster adoption of technology by the Department of National Defence and the Canadian Armed Forces.

● (1830)

Mrs. Marie-France Lalonde: Thank you.

[*English*]

The Chair: Thank you, witnesses. We appreciate your patience. This has been very informative, and I'm not quite sure where it will lead.

Thank you again.

The meeting is adjourned.

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