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Chair

Mr. James Bezan

Standing Committee on National Defence

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•(1605)

[English]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): Good afternoon, everyone.

We're going to quickly proceed with our meeting. Pursuant to Standing Order 81(5), we are conducting a study on the supplementary estimates (C) for 2012-13, on votes 1c, 20c, and 30c under National Defence, which was referred to this committee by the House of Commons on Monday, February 25.

Appearing before us today is the Honourable Peter Gordon MacKay, who is the Minister of National Defence. He's joined by our newly appointed Associate Minister of National Defence, the Honourable Kerry-Lynne Findlay.

At the table along with the minister are Robert Fonberg, deputy minister; Michael Martin, senior associate deputy minister; Vice-Admiral Bruce Donaldson, Vice-Chief of the Defence Staff; Kevin Lindsey, assistant deputy minister, chief financial officer, finance and corporate services; and Rear-Admiral Patrick Finn, chief of staff for the materiel group.

Minister MacKay, please give us your opening comments.

Hon. Peter MacKay (Minister of National Defence): Thank you very much, Mr. Chair and colleagues.

I'm pleased to be here with you today to talk about supplementary estimates (C) for the fiscal year.

[Translation]

This is my 33rd appearance before committee since I was appointed minister and my 13th appearance before this particular committee as Minister of National Defence.

As you mentioned, Mr. Chair, I am joined here for the first time by Kerry-Lynne Findlay, who recently replaced Minister Valcourt as the Associate Minister of National Defence. Along with the other members of the team, we are ready to answer your questions.

[English]

Mr. Chair, as previous supplementary estimates have proven, the Department of National Defence has managed well within its expenditure planning levels for fiscal year 2012-13. In fact, the requirement for new funding this year is the first new funding since the 2010-11 supplementary estimates (B).

Over the next few minutes, I'd like to briefly go over some of the specifics that are contained in the supplementary estimates (C). Most

notably, this round of estimates requests an increase of \$1.607 billion in our operating expenditures budget.

Mr. Chair, just before I get into the details, the supplementary estimates (C) contain an error in coding in the supplementary tables. It was identified by officials responsible and corrective action was taken immediately.

I believe, Mr. Chair, you will have received a letter that was sent to the committee with respect to the reviewing of the estimates. It includes over \$1 billion in personnel expenses, related to the Manuge-SISIP class action lawsuit, as well as changes to severance payments that are incorrectly listed as professional and special services. That letter, I believe, should be circulated.

Having said that, Chair, this is a significant figure. It's offset, to a large degree, by a decrease of \$648.6 million in the department's capital expenditures budget and a decrease of \$50 million in our grants and contributions budget. I would hasten to add that these decreases will not impact our major capital projects or the readiness of the Canadian armed forces. Taken together, this means that the Department of National Defence is requesting an increase of approximately \$908.6 million in spending authority for the fiscal year 2012-13.

The increase in our operating expenditures is driven by a number of specific, unique, and, I would suggest, arguably one-time factors—the first and foremost I mentioned. Among these extraordinary items are the requirements for additional funding for the settlement of the Queen v. Manuge class action lawsuit, which alone accounts for just under \$726 million; for the continuing implementation of the Canada First defence strategy; and for the implementation of the change in policy for the payment in lieu of severance pay for members of the Canadian armed forces, to align the military structure with the broader public service and provide for future savings, which together account for another \$438 million.

•(1610)

[Translation]

In addition to a number of transfers to and from other government departments and agencies, this set of supplementary estimates also makes provisions for the evolution of our training mission in Afghanistan and for the development of important procurement projects for the Canadian Army and the Royal Canadian Navy—specifically specialized equipment for our military trucks—as well as planning and infrastructure linked to the Arctic/Offshore Patrol Ship project.

[English]

Mr. Chair, colleagues, the Department of National Defence and the Canadian armed forces recognize the fiscal environment in which we are operating and they understand to a person that they need to balance the requirements with the imperative of contributing to the government-wide efforts to constrain fiscal and federal spending.

As such, we have found ways to reduce the total number requested by internally reallocating funds within our budget and by following the Treasury Board directive instructing departments to identify any available funds they may have before requesting new moneys from Parliament.

All of this to say, Mr. Chair, that the Department of National Defence has worked very hard to manage its funds to offset the need for new moneys to the greatest possible degree. In this context and in this time of fiscal restraint, the department has sought to manage its resources in a way that allows us to continue to deliver excellence on pressing operational needs for today and into the future while ensuring the long-term health of the department.

Mr. Chair, the spending adjustments being sought today for supplementary estimates (C) are necessary so that we can give the Canadian Armed Forces the resources they need to carry out the important work we ask them to do on behalf of Canadians. That means the department will be able to meet its obligations by serving our members, our veterans, and the military families.

Colleagues, I thank you for your work and I look forward to your questions on the specifics of the supplementary estimates being presented today.

Merci beaucoup.

The Chair: Thank you, Minister.

As everyone knows, according to our routine proceedings, when a minister is in attendance, our questioning time is 10 minutes in the first round.

Mr. Harris, you have that first question.

Mr. Jack Harris (St. John's East, NDP): Thank you, Chair, and thank you, Minister, for joining us today. I also want to welcome Associate Minister Findlay to our committee and to her new role in the government. Congratulations on your appointment.

Minister, I recognize that you've made a correction we've just received this moment, but you will understand that it's caused a considerable confusion with respect to the allocation of government moneys of large amounts. Of the \$1.4 billion increase requested here, in respect of authorities, at least half is related to the Manuge settlement and another several hundred million is related to one-time severance obligations.

I want to question the allocation to external contractors and professionals. Even before the supplementary estimates came out, retired General Andrew Leslie had been critical of the fact that the number of external consultants and contractors the department uses has been increased rather than reduced. General Leslie quoted a figure of \$450 million as a result of this increase.

Can you respond to that, please? It was a very significant recommendation in his transformation report, one that put numbers on things that a lot of people were concerned about.

• (1615)

Hon. Peter MacKay: In fact, you've answered part of your question. The letter that was provided to the chair and to members does in fact correct an error that was made in coding the supplementary tables, and it was identified by officials to me last evening. I suggested we write directly to the chair to correct that. It includes the Manuge class action lawsuit settlement. That is a big chunk of that money, \$1 billion, that was identified as professional expenses, which was improper.

With respect to General Leslie's work, when he was still a member of the Canadian Forces, he presented in a report certain suggestions on contracting. Much of that work in reducing contracts was well under way to coincide with the end of the combat mission in Afghanistan.

In fact, the department is reducing a number of the contractors and resources that were expended on contracting with expected savings in the range of \$455 million. We're delivering savings by centralizing and streamlining some of the services. We are taking steps to curtail some of the national procurement process in purchasing of equipment and spare parts, and we are centralizing some of that procedure. That will result in savings of some \$75 million.

Also, the department is centralizing and streamlining some of the human resources processes, and organizations are becoming more agile at delivering services across the country. That is to say, in a number of bases now across Canada, we are able to deliver services more efficiently, more effectively.

I spoke earlier about the end of the combat mission in Afghanistan and the eventual end of the training mission in March 2014. This will also result in considerable savings. The change in operational tempo will have a commensurate effect on savings.

Mr. Jack Harris: Can I ask a specific question on that, Minister?

Hon. Peter MacKay: Sure you can.

Mr. Jack Harris: You mentioned the \$455 million potentially in contracting. Is there a larger or more comprehensive number on the savings as a result of the withdrawal from Afghanistan, on an annual basis, that we can expect to see? And why is it, given that we are expecting reductions as a result of the change, that we're looking for an additional \$144 million for the training mission in Afghanistan?

Hon. Peter MacKay: It's because the training mission, to answer your last question first, as you know, is ongoing. We have personnel there, some 900-plus, who are continuing to play an important role as part of the Afghanistan contribution. We are still the second largest contributor to the Afghan training mission, and that is very much a part of our NATO, our ISAF, our international commitment to the continuing efforts to stabilize Afghanistan. So the money is directly attributable to those ongoing efforts.

As far as looking for future savings—

Mr. Jack Harris: The question I have is about more, sir, with respect. Why are we looking for more, an additional \$144 million? Are we doing more? Are we filling in for others who are leaving? What's happening?

Hon. Peter MacKay: The actual costs you're referring to, Mr. Harris, are incremental costs as part of the Canada First defence strategy, not directly attributable, as you're voicing it, to the Afghan training mission.

Mr. Jack Harris: So \$144 million is attributed to that.

It's a separate line on page 96 of the estimates.

Hon. Peter MacKay: This is a request under an increase in appropriation for vote 1. The training mission I have already referred to ends in March 2014, with the expected closure of activities to conclude by August. We expect the operating cost of the training mission in Afghanistan to be \$522 million, over the four-year duration of that mission.

In December 2011, the Treasury Board approved funding of \$172.4 million for the fiscal year 2012-13. This was actually a decrease of \$28.4 million, to \$144 million, so the \$144 million that we are requesting today will be spent on the following items: salaries and allowances, \$36.6 million; real-life support, so food and supplies and accommodations, \$60 million; vehicle and equipment—much of the vehicle support there is rented SUVs, vehicle maintenance, supplies; communications equipment, so computers and satellite communication, accounts for \$4 million; the movement, so the in-and-out rotation of personnel, theatre visits, and relief; pre-deployment training accounts for \$7 million of that amount; and personnel support, which is \$15 million, for the morale, welfare, local engagement, home leave travel, etc.

• (1620)

Mr. Jack Harris: I asked why more, but perhaps you can answer this question, then. In relation to the \$648 million or \$649 million in capital expenditures as being transferred here, what equipment or capital expenditures are not being undertaken as a result of that transfer, which were planned in the budget and in the estimates?

Hon. Peter MacKay: Well, I just referred to the rented vehicles—\$15 million. That refers to SUVs, up-armoured vehicles that are used and rented while we have an ongoing presence of trainers in the theatre.

Mr. Jack Harris: We didn't get an answer to that one, but I'm asking for this one here, under—

Hon. Peter MacKay: I answered your question as to what that money is for Mr. Harris. I've answered it quite specifically, line by line.

Mr. Jack Harris: On the \$648 million that's being transferred out of capital, what programs or equipment are not being purchased this year as a result of the transfer of \$648 million?

Hon. Peter MacKay: There are seven projects that are being converted from A-base to accrual budget, so that is money that is not spent this year as a result of conversion from 2012 to 2013, with an additional eight that will be converted in next year's budget. This year it's the maritime helicopter replacement—you're familiar with the difficulties we've had in having Sikorsky meet its commitments

—projected military satellite installation, the land command support system life extension, the Aurora structural life extension project, the secure radio sub-project, the LAV reconnaissance surveillance system upgrade, and the land vehicle crew training system. Those seven projects converted from A-base to accrual budgeting—and you're familiar with accrual budgeting.

Mr. Jack Harris: So the authority is still there to be spent next year, I take it.

Hon. Peter MacKay: That's correct.

Mr. Jack Harris: How much time do I have left, sir?

The Chair: One minute.

Mr. Jack Harris: In that one minute I will ask you, sir, to tell us how it is that the PBO seems to be having trouble getting information from your department, amongst others, in finding out how exactly you plan to achieve the savings that have been allocated to your department.

Can you tell us why that is, and whether or not your department is prepared to cooperate with the PBO? We do have a problem in this Parliament in not getting information from the government.

Hon. Peter MacKay: We have provided voluminous amounts of information to the PBO over the years. With respect to cost savings, we've identified a number of contracts where savings will in fact be found. In fact, the number of contracts themselves are coming down.

I spoke earlier of the expected savings of \$455 million and the steps we're taking to streamline the process to identify ways in which we're able to provide services more effectively to members of the Canadian Forces.

Since Budget 2012 was announced after the main estimates, reductions were not listed in the estimates. However, in supplementary estimates (B), you may know that DND used some of the frozen allotment to reduce requirements for new funding, so there is, as you pointed out earlier, on some equipment purchases carryover from one year to the next, if you're not able to spend it in some cases because of contractual obligations that are not being met in the private sector.

The Chair: Thank you. Your time has expired.

Madam Gallant, you have the floor.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you, Mr. Chairman.

I will be sharing my time with Mr. Opitz.

Through you to Minister MacKay.

Minister, I see there is a request for an increase to appropriation in the amount of \$725.7 million regarding the settlement of the Manuge class action lawsuit. While I understand the approval of the settlement is currently pending before the court, are you able to speak further on what exactly these funds will do for those who are involved in this case?

• (1625)

Hon. Peter MacKay: Madam Gallant, before I say that, I want to thank you for the work you have done advocating on behalf of members, their families, and veterans, particularly in the Petawawa Base, where I know you represent them well.

This was a historic settlement, as you know. This was a case that was before the courts. It affected our military personnel, both serving and some retired members. This has been a priority for our government. After the Federal Court ruled in May 2012 on the Manuge class action lawsuit, we took immediate action. I announced we would not be appealing that decision.

We then worked to end the Pension Act offset, which was at the root of this issue. We followed up with the appointment of a federal representative who negotiated the settlement with class action counsel.

The \$725.7 million you refer to has been requested to support the implementation of the settlement in principle—that is, the action itself. That amount of money includes retroactive payments that in fact go back to 1976. It also includes interest on the payments.

It also includes the additional amount to ease the income tax implication for retroactive payments, because, as you know, under the income tax rules there could be significant penalties.

As well, this sum includes a \$10 million scholarship fund for class members and their families. I should note that in accordance with the terms of the agreement, it sets aside funds to cover future claim payments should they arise.

The decision, as you would know, is being finalized by the court. It's there for review. There is an issue of payment to legal representation that has been somewhat contentious. We've filed our objections as to the percentage the lawyers were seeking in this case.

It's a landmark case. Mr. Manuge himself and many of the claimants have expressed certainly their relief that this court action is now settled favourably, and I think it has been seen quite widely as a generous settlement.

Mrs. Cheryl Gallant: Thank you.

Mr. Ted Opitz (Etobicoke Centre, CPC): First of all, I'd like to welcome Minister Findlay. I've had the opportunity to work with her before, and I know the members of the Canadian armed forces are going to be exceptionally well served. Thank you very much.

Minister, welcome. I'd like you to give us some detail, if you can, about the request of an increase to the vote 1 appropriation in the sum of about \$438 million shown on page 96, relating to the Canada First defence strategy. Clearly that's a large amount. Can you clarify how that will be used there?

Hon. Peter MacKay: Thank you, Mr. Opitz.

That is a very specific question and a good one. As you know, the Canada First defence strategy provides a road map, a detailed plan, a costed plan that includes long-term funding to rebuild and modernize the Canadian armed forces, an organization with which you are very familiar.

Part of the vote 1 appropriation, the \$234.9 million, will be used to fund critical Canada First defence strategy-related activities that include operational costs. They include such things as support to force generation, continued support for personnel readiness, something that I know this committee studied in considerable detail and has produced a very helpful report on. This is an important element of everything we do. It's one of the pillars of the Canada First defence strategy, the readiness component.

As well, we have requested part of this sum that you've identified, the \$438 million figure. We have identified \$203.5 million to support the implementation of payment in lieu of severance. So again, this is a very specific allotment. This is done in order to align the severance payments, the pay system for military members, with that of the current public service. It's done in a way that will lead to significant savings in the long term in what I believe is a system that is fair to all. Canadian Forces members may now have the option of cashing out their existing accrued severance, either immediately or at the end of their careers. This may be something that you yourself might avail yourself of, Mr. Opitz.

• (1630)

Mr. Ted Opitz: Thank you, Minister. I think it's important to know where we've been, where we are, and where we're going.

I'd like you to comment on how this compares to pre-2006 budgets.

Hon. Peter MacKay: Again, that's a great question.

As you know, as a result of changes in the operational tempo and changes that we have seen in the economic outlook, we are required to be very prudent with every dollar. Having said that, we're still in a significantly better position than we were just a few short years ago. We've made investments across the board as a result of this Canada First defence strategy, first put in place in 2008. This is a long-term plan that provides for investments in infrastructure, in equipment and personnel, and in this readiness component. We have seen growth in the number of both regular and reserve force members. We have seen significant investments across the country at our bases and in our training programs, all of which will enable us, as you heard before this committee in evidence from people like Peter Devlin, the head of the Canadian army, to be in a place where we can provide the type of outstanding service that we have come to expect from members of the Canadian Forces. They're better trained, better led, better equipped, and better able to meet a very volatile security environment that we know is out there.

Mr. Ted Opitz: Minister, there is a cumulative transfer out of vote 5 of roughly \$1.7 million to the Canadian safety and security program. Could you explain, sir, this transfer and the breakdown of the security programs that are going to see an increase in this funding?

Hon. Peter MacKay: That is a very specific question, and I'm just going to refer to my notes.

Mr. Opitz, this is related specifically to the Canadian safety and security program. It's a program that's federally funded and has been allocated \$43.5 million. This deals specifically with programs that provide science and technology solutions in support of our government's efforts to strengthen response to or prevent or mitigate in all circumstances serious incidents and acts of terrorism, crime, and natural disasters. It's a program that was transferred out of vote 5. These initiatives include the acquisition of tools to better analyze Internet traffic and defend against attacks on telecommunications. We've heard a lot internationally and here at home about the perils of cyber attacks, and this is all about further arming ourselves, quite literally and figuratively, against some of those threats.

It's also for the acquisition of high-speed cameras to analyze high-energy events, including blast responses to material and structures, as well as for upgrades to the Canadian Network for Public Health Intelligence to increase synergy among authorities for disease surveillance and response. So it's money that goes to the very root of much of the work that is being done when we transfer some of our funds to other organizations that we work very closely with on the subjects of safety and security.

Mr. Ted Opitz: Minister Findlay, would you be able to inform the committee about the increase to the vote 5 appropriation regarding the definition phase of the arctic/offshore patrol ship project and its infrastructure projects?

Hon. Kerry-Lynne D. Findlay (Associate Minister of National Defence): Yes, thank you, I can.

As this is my first occasion to be here with you all, I'd like to thank you for your welcome and say that I am certainly looking forward to working with Minister MacKay and the department in a time of transformation and adjustment. I'm looking forward to being part of maintaining the excellence that we know and have come to expect from our Canadian armed forces.

With respect to your question specifically, as you know, the government has committed to building and maintaining effective fleets for the Royal Canadian Navy and the Canadian Coast Guard. With this commitment, we are investing billions of dollars to renew the federal fleets for the future. These ships, the arctic/offshore patrol ships—or AOPS, as I've come to learn it—will enhance Canada's ability to exercise our sovereignty and surveillance of our waters, particularly off our northern coastline. This request for funds will be used for the definition phase of the AOPS project, which will see Irving Shipbuilding mature the ship's design. It is anticipated that the first ship for the navy will be delivered by 2018.

I should also note that this funding allows for progress to be made on implementing three infrastructure components of this project for jetty work in Esquimalt, in my home province of British Columbia, and in Halifax, and to build the Nanisivik naval facility.

•(1635)

The Chair: Thank you. Time has expired, and the bells are ringing. According to Standing Order 115(5), it's my duty to suspend the meeting so that we can go to the bells, unless there's unanimous consent to continue on.

I'll ask for that and give Mr. McKay his chance to ask his round of questions.

Do I have unanimous consent to continue for another 10 minutes?

Some hon. members: Agreed.

The Chair: Mr. McKay, you have the floor.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you for that generosity.

Minister, you've moved some money out of capital and put it into operating for the settlement of the Manuge lawsuit—\$725 million, the better end of three quarters of a billion dollars—and yet the settlement figure, by the crown's estimates, are said to be \$887 million. There's a discrepancy between supplementary (C)s of \$725 million and \$887 million of about \$162 million.

I wonder if you could explain the discrepancy between what the crown says the cost of settling is going to be and what your appropriations are.

Hon. Peter MacKay: Yes. Mr. McKay, the short answer to that is that somewhere in the range of \$200 million was paid up front. That money has already been transferred to the class action group. This is the further amount. The \$725.7 million you refer to is now the second payment. There was a previous payment and an offset.

Hon. John McKay: Thank you for that.

The second number has to do with \$438 million going into operating. It's a payment in lieu of severance. Can you advise the committee how many people in the military will be opting into this program and what this means in terms of retirement of actual soldiers, sailors, and airmen?

Hon. Peter MacKay: Mr. McKay, I'll have to take that under advisement because it is an ongoing number. There's a rolling total here, but we can give you the latest figures we have.

As far as those who are opting into this program now in lieu of severance, as I indicated to Mr. Opitz, there is a period of time in which members can choose whether to opt for this payment in lieu of severance. This is all, as I mentioned, about aligning the way in which the military provides these payments in concert with how the public service is currently treated.

Hon. John McKay: What does this mean in terms of your necessary drawdown post-Afghanistan? Is it an annual figure, a regular figure, or is it a figure that has increased substantially by virtue of something? In theory, at least, you've got fewer people coming in and more people going out. Is this the cost of the people going out? Is this the differential?

Hon. Peter MacKay: There's an estimated amount for the voluntary severance payout of \$850 million, and \$203.5 million will be contributed toward the one-time cashout of severance pay.

I'm going to allow Kevin Lindsey to speak to that, to give you some of the greater detail and fidelity on that.

Mr. Kevin Lindsey (Assistant Deputy Minister, Chief Financial Officer, Finance and Corporate Services, Department of National Defence): Thank you, Minister.

Mr. Chair, this severance payment really has nothing to do with members of the military coming and leaving. As you may recall, the government announced it would retire its severance liability for civilians by offering civilians the opportunity to take cash immediately or to defer it to some point in the future. The option existed to take the cash immediately without retiring, and in that way the government retired that liability. That same regime—

•(1640)

Hon. John McKay: So from my simple-minded understanding, someone who is a civilian in the military would presumably have this option, and instead of working on severance, they would take this money as a lump sum, but could potentially continue to work for the military?

Mr. Kevin Lindsey: Yes, and then that same option was extended to military members because the military had the same benefit as the public service. Serving military members have the option to take their severance payment while they continue to serve, rather than waiting until they retire. In that way, the government reduces the liability for that amount because they cease to accrue—

Hon. John McKay: There's a liability. I see. Okay.

Mr. Kevin Lindsey: Exactly.

Hon. John McKay: Thank you.

Minister, the Prime Minister has been pretty explicit about avoiding budgetary reductions on operational capabilities, part-time reserves, and training, etc.

Budget 2013-14, for most of the units, is out now, and some of them are receiving quite considerably less than they had the previous year. Some are in the order of 25% less.

The cuts will inevitably impact on the part-time reservists, and the long-term implication is lower operational capability and fewer well-trained soldiers. That seems to be specifically contrary to both General Leslie's report and to what the Prime Minister has said publicly about how to handle this contraction.

I'm not quite sure how you can square this circle, but I'd be interested in your response.

Hon. Peter MacKay: Thank you, Mr. McKay.

Much of that response is found in the words and the letter from the head of the army, Peter Devlin. We have a very strong commitment from the head of the army. I might add that the army now operates with \$500 million more in its budget since we took office.

So your characterization of having to do more with less is incorrect. There is more money in their base budget, therefore more money for training, including the training done by reserves. They will have the same number of training days made available to them annually, Mr. McKay. I can assure you of that.

There is an increase, as you know, in the overall number of reservists and regular force members now serving in the Canadian armed forces, and in the army in particular, in the infantry, to go a little deeper.

Hon. John McKay: So is General Leslie just blowing smoke?

Hon. Peter MacKay: I don't want to characterize General Leslie as blowing smoke. He's—

Hon. John McKay: He's pretty upset with you, and upset with the fact that the way we're imposing the necessary fiscal realities on the military are exactly the opposite of what he'd recommended.

Hon. Peter MacKay: I have nothing but respect for General Leslie. I've never, ever, been given the impression that he was upset with me. He has given us recommendations, some of which were already in the works and well under way. Other recommendations are still being acted upon.

But I can tell you that our focus remains very much on having a modern military capable of multi-tasking. As everyone knows, we are in a much slower operational tempo, having come out of the combat mission in Afghanistan. That has provided not only monetary savings, but it has allowed us to refocus our energies on the priorities that we feel we have to focus on, and that is on reducing full-time reserves and protecting part-time reserves.

The standard we have had was 37.5 training days per year. Those rotations that were going through Afghanistan obviously led not only to a higher tempo in operations but also to a higher tempo in training.

So it's not really fair to compare the training days and the tempo that was taking place during that period of combat in Kandahar province to today's reality.

•(1645)

Hon. John McKay: Nevertheless—

The Chair: Mr. Alexander.

Mr. Chris Alexander (Ajax—Pickering, CPC): On a point of order, Mr. Chair, with apologies to the committee, it has just been brought to my attention that the ministers are late for a previous obligation. We have made them late because our schedule is later due to the votes we had earlier in the House.

With your permission, I would propose that we allow the ministers to go and that the officials take up the remaining time.

The Chair: We are in bells as well. You have—

Hon. John McKay: Could I maybe finish off my questioning?

Hon. Peter MacKay: Sure.

The Chair: If the minister is okay with that, you do have one minute left.

Hon. John McKay: I'll leave it that both John Selkirk of Reserves 2000 and General Leslie believe, and I think for good reason, that the contraction taking place is on the backs of the reserves.

The final question, however, has to do with the movement of the money from capital allocations to accrual. Does that effectively mean that no money will be spent on the seven programs you outlined—the helicopters, the Auroras, the LAVs—so that, in this fiscal year, that's it for all those programs?

Hon. Peter MacKay: It doesn't mean no money; it means less money. With accrual funding, accrual accounting, which, as you know, is quite complex, those projects—we were unable to spend the allotted money in this fiscal year, in some cases because of contractual obligations that were not met.

Hon. John McKay: And how does that impact on—

The Chair: Your time has expired. I'm going to cut it off.

The bells are ringing. We do have obligations to get to the House.

The Chair: It is so moved. Thank you.

Usually we suspend, but by the time we get back it will almost be time to adjourn. We've had our time here with the ministers, so I'll just ask for a motion to adjourn now.

We'll probably have time in the future for officials to return if we want to study supplementary estimates (C) further.

An hon. member: I so move.

With that, we're out of here.

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