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Chair

Mr. Stephen Fuhr

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• (1555)

[English]

The Chair (Mr. Stephen Fuhr (Kelowna—Lake Country, Lib.)): I'd like to welcome everybody to the defence committee's continuing discussion on the Royal Canadian Navy and naval readiness.

Today we have David Perry, James Boutilier, Michael Byers, and Joel Sokolsky. Thank you very much for coming.

I apologize for being late. We had votes in the House.

I believe each of you has about 10 minutes. Since we're starting a little bit late, I'm going to be a little ruthless with the time. I apologize, but if you see me gesturing, you have about 30 seconds left. At the end of that 30 seconds, I will kindly ask you to step aside so that we can get our next presenter in.

Joel, I think we'll go with you first. This is a brand new room, and I think the technology is sound, but just in case we lose you at some point, I'd like to give you the opportunity to go first.

That being said, sir, you have the floor...

We don't have audio. Just give us a second.

In fact, to save some time while they work out the audio, maybe I'll jump to the next presenter. We'll circle back to the video. Hopefully by then it will be resolved.

Michael Byers, welcome, sir. You have the floor.

Dr. Michael Byers (Professor, Department of Political Science, University of British Columbia, As an Individual): Thank you very much.

[Translation]

I'm very happy to be here with you.

[English]

I will speak in English today because it's my first language.

I'm going to keep it short by not talking about two possible subjects within this larger topic. I am not going to speak about submarines, although if you wish to ask me about submarines I'd be happy to talk with you. I have been very public for a number of years about my view that it's time for a serious discussion as to whether a procurement for new submarines should be launched in the near future, or whether we should get out of the submarine business altogether in this country. I can explain to you why I think the

Victoria class submarines should be decommissioned ASAP. I think they're a terrible waste of money.

But I'm not going to talk about the submarines today.

Voices: Oh, oh!

Dr. Michael Byers: I'm also not going to talk at length about the flaws in the national shipbuilding strategy. There is no use crying over spilled milk. I don't want to spend any time looking at mistakes that were made, at least not in any detail, but I'm happy to talk about what I think is wrong with the strategy or what decisions were badly made with regard to the strategy, most notably, choosing the shipyards first, before prime contractors; choosing shipyards as prime contractors; and then using a cost-plus basis for determining the financial obligations of the Government of Canada. Those were very serious mistakes. I can talk about those at length, if you would wish me to.

Instead, I want to look at a couple of suggestions I have to help get the Government of Canada out of what is a pretty serious set of problems.

The first subject I want to talk about here concerns the Canadian surface combatant procurement. I think the government made a very defensible decision to buy an off-the-shelf design for the Canadian surface combatants, but you risk denying the purpose of that decision if you now allow those ships to be seriously Canadianized. The purpose of going with an off-the-shelf design is to simplify the procurement. Modern complex warships are designed for specific systems provided by specific companies. If you start to replace the systems that were built into the design with new systems built in Canada, you're essentially creating a new warship; you are not buying an off-the-shelf design. You're doing a new design without starting from that basis. If you choose to buy an off-the-shelf design from a foreign company, you should take the view that you're in with that commitment and that there will be less Canadian involvement in the manufacturing of the different systems that end up in those ships.

If you wanted to have serious Canadianization, if you wanted to regard the Canadian surface combatants as an industrial economic generation project, then you should have allowed the design to take place in Canada. Having made the decision to buy an off-the-shelf design, you need now to say, okay, we're not going to have as much industrial economic benefit in Canada; we're going to get ships fast, that are proven, that will serve the needs of the Royal Canadian Navy. That's the choice. You can't have it both ways.

Right now you're doing what might be called a very Canadian thing in trying to find an awkward compromise in the middle with an off-the-shelf design that's not an off-the-shelf design. This could stretch the procurement for additional unnecessary years if you continue down that path.

Of course, the longer you continue down that path, the more likely you are to be making compromises on the capabilities of the ships, so you'd be compromising on the ability of the radar or the capability of the missile systems. You don't want to get into that kind of bind where you're compromising on capabilities because you're trying to mash together a combination of an off-the-shelf design with significant Canadian industrial benefits. This could turn into a disaster.

• (1600)

The second thing I want to talk about, now that I've dealt with the Halifax issue in that fairly blunt way, is the west coast issue, where you have Seaspan running into serious delays with regard to a number of different builds, some of which are extremely important, urgent. They haven't gotten to the really urgent ones yet, namely the joint support ships or the polar icebreaker.

The polar icebreaker was part of an election promise in 2005, and probably won't hit the water until sometime close to two decades later, at a time when the Arctic is becoming much more important for Canada. It's simply unacceptable to have a near 20-year delay for a vessel that is that important for Canadian sovereignty and Canadian capacity in the Arctic. Then you have the joint support ships, where right now the Canadian navy cannot mount a task group and won't be able to do so until ships are provided.

Someone has to make a tough decision as to how to actually move these things forward. I'm not suggesting that you tear up the umbrella agreement with Seaspan. I don't think that would be in anyone's interest. I do think the government should respect the agreement, even if there is no contract for these particular vessels yet.

I would encourage members here, and the government, to consider ordering a second refitted container ship from Davie, so that you get two ships out of Davie, while continuing to wait for the joint support ships to be delivered from Seaspan.

Something important happens if you do this. By having two refitted container ships turned into tankers, you can then flip the order on the west coast and get the polar icebreaker first. You respect the commitment to Seaspan, but you change the order by giving additional work to Davie for a ship that will be useful for the Royal Canadian Navy in future. You end up ultimately with four supply ships, two for each coast, which means one can be in port being maintained and refitted while the other is operational. I would suggest that is a nice way of solving the problem of the delays on the west coast, getting the capacity that the Royal Canadian Navy needs and providing some work for Davie, which I think is important.

Last but not least, coming back to Halifax, focus on getting the ships as fast as possible by sticking firmly to the decision that this government made to go with an off-the-shelf design. Don't let that decision be compromised now, because it will cause immense problems in the future.

Again, I'm happy to talk about any of this.

• (1605)

[*Translation*]

Thank you very much for your attention.

[*English*]

The Chair: Thank you for that, and thank you for keeping it brief.

Do we have audio with you now, Mr. Sokolsky?

Dr. Joel Sokolsky (Professor, Department of Political Science, Royal Military College of Canada, As an Individual): Can you hear me?

The Chair: Yes, I can hear you.

Okay, sir, you have the floor for 10 minutes, please.

Dr. Joel Sokolsky: What I'm going to talk about, overall, is the need for sea-power, which is simply an ability to use or deny the seas for your national purposes. Even though Canada has strong national economic interest in seaborne trade, and new threats have arisen in the form of piracy, when we look to the future of the RCN, it's not a question of protecting the sea lines of communication between Canada and its trading partners. First of all, most trade moves between Canada and the United States. Second, the seas on which it moves are basically secure.

The purpose for which we really maintain the RCN that we knew in the Cold War and beyond is a focus on multilateral operations with our allies, principally the United States Navy, in a transoceanic capacity where we use the RCN to project Canadian force over the seas into the littoral waters and near seas abroad. So it's a transoceanic navy.

This is seen for us as important in terms of overall national security, in terms of Canadian global identity, and in terms of providing assistance in humanitarian operations. Looking to the future, it's possible, and I think likely, that the relative importance of our own near seas on the east and west coasts, and especially in the Arctic, as you've heard, is going to become more important, requiring greater maritime attention. This will simply come alongside what has basically been a transoceanic orientation for the Royal Canadian Navy.

Overall, I think we face, in a certain sense, a very favourable maritime position in terms of our maritime security. This is particularly true for the main focus of the RCN: overseas operations. This position is that Canada and the government will retain a large measure of discretion when it comes to using its military maritime assets. The character of overseas threats, the nature of the operations, and the interests of our allies and our partners mean that Ottawa can often choose the nature of Canada's transoceanic naval commitments with regard to where it deploys those forces, the size of the contribution, and the duration. Canada may, for example, decide not to fully follow the United States in rebalancing towards the Asia-Pacific area, but instead pivot eastward toward the North Atlantic and the North Atlantic Treaty Organization, which still requires a maritime presence and capacity close to Europe.

For Canada, if we look at the future sea-power and what the RCN will need, it will need ships that can project power overseas. However, in the actual operations, we have a great deal of discretion, meaning that in a certain sense it's a matter of adjusting our commitments to meet our existing capabilities. They'll still provide Canada with flexible and credible instruments of policy, provided we bring our commitments in line with the capabilities that we're likely to have in view of the length of time it takes to build maritime forces and in view of the condition of the current maritime forces. Overall, we face a favourable maritime security environment.

Thank you.

• (1610)

The Chair: We will now move over to David Perry.

The floor is yours.

Mr. David Perry (Senior Analyst, Canadian Global Affairs Institute, As an Individual): Mr. Chair, members of the committee, thank you for the invitation today to speak about naval readiness.

In my opening remarks, which I'll try to keep quite short, I'll make some fairly broad comments about the navy writ large and DND, and then I'd be happy to focus on any areas you want to in the questions and answers.

I think the Canadian navy has turned a corner, in many respects. It's coming out of one of the lowest periods of fleet availability and some of the dimmest prospects it's had for fleet recapitalization in post-war history. It's now in a situation today where it effectively has its fleet back and is starting down the road to recapitalization.

Last November HMCS *Toronto*, the last frigate to enter the Halifax class modernization frigate life extension program, completed that upgrade on schedule. With that, the RCN is now back to a normal frigate readiness cycle with significantly enhanced warships.

Similarly, in the last two years, the Victoria class submarines reached the level of operational availability that was originally envisioned.

With both our frigate and submarine fleets, Canada has effectively regained a reasonable level of operational capability, albeit with no ability to sustain surface operations independently until the interim auxiliary oiler replenishment ship comes online.

Further, the innovative generating-forward concept that the RCN is using I think is effectively giving Canada and the Canadian government more foreign policy options with the same 12 ships in the fleet than it had before.

On the personnel front, the navy is still dealing with some deficiencies in the number of trained personnel, particularly related to skilled technical positions. As these problems were in part caused by limited availability, because we had effectively a very limited fleet, it should now be easier to rectify this with a much greater return to useable ships at sea.

In sum, I'd say that our navy is presently in pretty good shape if you're looking in terms of present fleet readiness, but there are significant points of concern with the navy as it relates to its future and future readiness in the context of the current naval procurement program and the prospects for future fleet recapitalization.

In my opinion, both the current government and the previous one together deserve significant praise for setting up and then continuing what is now being called the national shipbuilding strategy, which brought Canada's naval and defence and industrial policies into much closer alignment than they had been previously.

However, I do agree with the assessment of the first status report on that effort, which was published last spring. It recognized the need to do several things related to that file: increase government shipbuilding capacity and expertise; improve project budgeting; better measure progress and results; and in particular, improve communications on the file.

All of these aspects of the national shipbuilding strategy need improvement, and I think they have for some time, but even today, despite that announcement last spring, it's not really evident what has actually changed to try to implement any of those changes that were discussed and that are, I think, much needed.

The shipbuilding file is of critical defence and industrial importance. It's a multi-decade program of work, worth at least \$40 billion just in the acquisition stage alone, and well over \$100 billion overall, depending on what time horizon you want to pick and what you want to include.

Despite this, in my opinion it's being managed as a group of individual projects and it's being resourced with what seems to be a penny-wise, pound-foolish approach that's treating this file just like any other matter of routine public administration. However, having said that, I'd be happy to elaborate on any of the things I think need to be improved.

I would disagree with the notion that the shipbuilding file, or even the Canadian surface combatant project in particular, is a disaster. But given the inability or unwillingness on the part of the Government of Canada to effectively communicate about this file, I can understand why many are viewing this issue that way. I would suggest that if the communications are not improved, no one should be surprised if the national shipbuilding strategy is perceived to be a failure irrespective of whatever it actually achieves.

One issue that needs to be handled better, in particular, is the costs. This has been acknowledged. While the sum total of the shipbuilding project represents an enormous sum of money cumulatively, it's known to be insufficient. Similarly, if you look beyond the programs that are part of the national shipbuilding strategy alone, even within just the naval remit particularly, there are insufficient funds available to acquire the capabilities needed to deliver on existing defence policy and maintain the same basic type of navy that we have today.

Key among these shortfalls is sufficient funding to retain a capable fleet of submarines into the future. So one of the most needed outcomes of the defence policy review for the navy as well as the armed forces, writ large, in my opinion, is clear direction from the government about what it expects them to be able to do and the resources needed to achieve it. That's true for both the navy as well as the Canadian Armed Forces more broadly.

As this government prepares the federal budget, which we are all hearing is coming quite soon, I think it must give consideration to increasing in particular the capital funding that is available for the Department of National Defence. The navy especially, but DND more broadly, in the future will simply not be able to keep doing the same types of things it does now without an increase to its funding for capital equipment.

• (1615)

Canada made a commitment to the NATO alliance to spend 20% of its defence budget on new equipment and research and development, but for the last several years has spent only about 13%. Additional capital spending of roughly \$1.5 billion per year would more or less close this gap and increase the overall share of GDP that Canada spends on defence.

Phasing in an increase of about \$1.5 billion in additional capital funding incrementally over a few years, and matching it with a concerted effort to improve the defence procurement process so that money could actually be spent, would allow Canada to meet one of its NATO spending targets, have it come closer to meeting another NATO target, and keep the same broad level of military capability it has now.

Without this kind of injection of funding, the defence policy review will result in a contraction of the Canadian military, irrespective of whatever the defence policy actually says.

Thank you.

The Chair: That you for that testimony.

Mr. Boutilier, congratulations on the Vimy Award you received in November at the Canadian War Museum.

Dr. James Boutilier (Adjunct Professor, Pacific Studies, University of Victoria, As an Individual): Thank you so much, Mr. Chair, and committee members. I'm delighted to have the opportunity to address you in my private capacity, although it's one in which I have been associated with the Royal Canadian Navy over many years.

I'm going to drive a coach and horses through your remit in the sense that you were initially to look at the question of the RCN in the North American context. I want to step back and look at the global

situation, and then come back to the RCN. As I suggested in the notes I sent forward to your administration staff, there has been a shift of the most staggering profundity in terms of the global naval balance. We've all heard, of course, of the way in which the global economic centre of gravity has moved from the Euro-Atlantic to the Pacific, and this has been replicated in the maritime realm.

Furthermore, I would suggest to you that the old front-line navies are in a state of dramatic numerical decline as a result of budgetary disarmament. If we look at the Royal Navy, in 1962, which admittedly is a very long time ago, it had 152 frigates and destroyers. It now has 19. If you were to take the two carriers they're bringing into service, that would absorb virtually their entire surface fleet to provide support.

Similarly, if we look at the United States Navy, which is critical to our future military calculations, we see that over the past 30 years the largest navy on the face of the earth has been more than cut in two numerically, falling from 575 ships to about 273 ships. We can see, parenthetically, that the Trump administration is dedicated, rhetorically at least, to building the USN back to 350 ships.

What's interesting, of course, is to look at what's happened in East Asia. In the past 25 years, the Chinese have built the equivalent of 22 Royal Canadian Navies end-on-end. Think about it: 22 Royal Canadian Navies in the past quarter century, more than 330 surface combatants. That has nothing to do with submarines; they have 60 or 70 and they're building them probably two to three times as fast as the Americans are. It's interesting to see that one of the leading authorities in the United States on the Chinese navy has argued before Congress that the real priority for the USN should be on submarines.

I'm not a submariner, ladies and gentlemen, but submarines have become over the past quarter century the coin of the realm in the Asia-Pacific, or Indo-Pacific, region. There are now arguably more than 200 operational submarines. Even tiny, bankrupt, reclusive North Korea has some 70 submarines, albeit midget and small, but nonetheless sufficient, particularly because they're now in the process of attaching ballistic missiles to their submarines, to complicate the overall western calculus dramatically.

What we can see, then, is that we have a rising hegemon in China, which has discovered, in a profound intellectual revolution, the value of sea-power, something that the Chinese never embraced before. So there's a rising hegemon looking to the sea, building suddenly the second-largest navy on the face of the earth in the past quarter century while we've been thinking in Canada about what we're going to do about the future, and an existing hegemon, the United States, which has traditionally projected its power, influence, and authority around the world using the United States Navy as the vehicle.

What we're seeing, I would suggest to you, is that the future suggests that if there is a collision, if there are great power frictions, they will increasingly play out at sea. This is the quintessential maritime era, and naval vessels will be one of the keys to inter-state relations.

I go on to suggest in my notes that the navies across the region are not only modernizing but are engaged in an arms race, a reactive active policy in which, for example, the Indians are building aircraft carriers, the Chinese are building aircraft carriers. The Chinese have just fleshed out three quarters of a carrier in about 25 months. Leaving aside the fact that they're now the world's largest shipbuilders, they're putting that to good effect.

• (1620)

In the second part of my commentary, I come back to what I see as the critical issue with respect to Canada. I would suggest, ladies and gentlemen, that frankly we have been engaged in an exercise of self-congratulation, not to say delusion, about where we stand in this whole operation. We have got to get moving. Urgency: I see no urgency whatsoever. I think back to maritime helicopters. When Singaporeans said they needed a maritime helicopter, 36 months later they'd identified, adapted, and deployed a helicopter. For us it has been 33 years, and we're still waiting for delivery.

This is a new maritime era, and I would suggest to you that we really have to address this question of defence acquisition, which David outlined eloquently. We have created a Gordian knot in which everyone is included but no one is responsible. The process is frankly, in my estimation, dinosaurian. It's multi-layered, it's sclerotic, and it simply does not deliver.

Of course, we're in the process of articulating a defence policy absent of foreign policy, which is the wrong way around. We need to know what our national priorities are and where maritime interests figure in that respect. I would suggest, parenthetically, that we have failed abjectly, each and every one of us around this table and beyond, to explain to the public what through-life accounting constitutes. I always say it's like buying a Honda Civic and being charged a third of a million dollars for it because you're calculating the value of your time behind the wheel 40 years from now. We don't do that properly, I think. It's not rocket science, but I think it really is incumbent upon us to in fact explain much more clearly why frigates cost billions: because we're looking at a very complex weapon system that extends over a very long period of time.

We've failed, as suggested, to meet our NATO commitments, and of course it remains to be seen the degree to which the White House will apply pressure on us in that regard. We tend all too frequently to lapse into bumper sticker self-congratulation that we're doing more with less, or that we're punching above our weight. Frankly, a lot of that, ladies and gentlemen, is rubbish. Do we do an excellent job on the battlefield? Absolutely. Canadian sailors, soldiers, airmen, and airwomen are among the world's very best. Are we in fact fulfilling our responsibilities to provide them with the requisite equipment? Absolutely not, I would suggest.

Sadly, defence is a partisan issue in Canada. In Australia there's blood and fur all over the walls when it comes to defence, but in the final analysis everyone pulls together. Here it's held to ransom for cheap, short-term political gain. And we can't run the biggest, most expensive operation in the government that way. We have to step back if we're going to make any sort of coherent, long-term commitment. We're fooling ourselves in terms of our stature globally. At one time we were seen as a major middle-power navy,

but no longer; this is simply not the case. We're living on past glories.

The RCN itself, I would suggest, has been diminished by years of penny-pinching parsimony. We've parlayed prudence, financially, into paralysis. That's not the way to proceed. Quite clearly, we have to simplify and render, much more streamlined and swift, the whole question of defence acquisition. We've dithered in the defence of saving money, and we've spent 10 times as much in the final analysis.

Victoria class submarines are an illustration. We bought them on the cheap, and they came out of the darkness and bit us, big time. The navy's done a brilliant job of maintaining elderly vessels when they didn't have the spare parts and so forth. As I suggested in my opening comments, submarines are going to be the coin of the realm as we step forward.

The chair is about to "yellow card" me, so I thank you, ladies and gentlemen, for hearing my passionate, I hope, argument that we're standing in a completely different maritime era. We have to be prepared if we want to project power and influence, and we have to get our act together in terms of defence acquisition. We can't go on in this ham-fisted way, which has become increasingly entrenched and institutionalized.

Thank you.

• (1625)

The Chair: Thank you for your comments.

Thank you all for your discipline on the time aspect.

I'll now give the floor to Mark Gerretsen.

Mr. Mark Gerretsen (Kingston and the Islands, Lib.): Thank you, Mr. Chair.

I apologize in advance if I cut you off. I am limited in my time, and I have a number of questions.

First, Mr. Perry, do you agree with what Mr. Boutilier just said?

Mr. David Perry: Which part of it?

Voices: Oh, oh!

Mr. Mark Gerretsen: Well, his general—

Mr. David Perry: In general, yes.

Mr. Mark Gerretsen: You made the comment during your statement that the navy is in good shape—

Mr. David Perry: Today.

Mr. Mark Gerretsen: —today—but by what measure? We're ranked 38th in the world. We are the second-largest land mass, which we have to keep sovereign. I'm just curious how you come to that conclusion. Are you just referring literally to what we have?

Mr. David Perry: Yes. Relative to the current defence policy, we're in relatively good shape with the fleet we have right now. Depending on how you view the future and what you would wish the navy to do down the road, what I'm laying out is where I think the resources match up against policy.

Right now it's not so bad. At-sea replenishment is a clear deficiency that's being fixed. Some elements of the task group, in terms of the ability to provide long distance projection against air threats, don't have that capability, but on the whole it's not so bad. In the future, though, that's going to deteriorate.

Mr. Mark Gerretsen: You talked about raising the amount of spending to get closer to a more acceptable level of GDP. What level of GDP are you talking about?

Mr. David Perry: I think the most important metric is to look at what the government actually wants the armed forces to do and calibrate the budget against that rather than an arbitrary target. I just think that—

Mr. Mark Gerretsen: If you were to make the decision as to what you think the government should have, what would you say?

Mr. David Perry: I think it would be about 1.3% of GDP. That would give you something like a \$5-billion to \$6-billion increase overall to the budget, if I had my druthers.

Mr. Mark Gerretsen: You said that you believe more should be put into capital now. Yet we have 8,400 active personnel in the navy. Again, our reserve is what helps us get to 38th place, otherwise we would be much lower. Do you think the active personnel, the force, needs to be increased as well?

Mr. David Perry: I think there are definitely deficiencies there. I think the most acute problems are around the capital front, though. If the government could get an effective human resources system, that's something you could address in a relatively shorter time frame. The real deficiencies are on capital, because it takes, particularly in Canada, multiple decades when it should probably take a decade or less to buy big complex projects.

Mr. Mark Gerretsen: Just for clarification, you said 1.3% of GDP. We are right now at...?

Mr. David Perry: It depends on how you measure it.

Mr. Mark Gerretsen: I know; that's why I wanted you to tell me

Mr. David Perry: By the NATO metric it's 0.99%.

• (1630)

Mr. Mark Gerretsen: Okay.

Mr. Sokolsky, you talked about adjusting commitments to meet the requirements. I think one of the problems we face, just generally speaking now, is that those requirements are always changing so quickly. Especially in this day and age, the requirements seem to change. New threats are coming about that we weren't anticipating two years ago. How do you square that, in the sense that the requirements are always changing yet the commitments seem so long to take?

Mr. Byers mentioned how the icebreaker from 2005 is taking two decades. Have the requirements changed in the Arctic since that was originally thought out?

Dr. Joel Sokolsky: It's adjusting the commitments. If we're not going to have the navy that some others think we need, then perhaps we should reduce our commitments. The Chinese navy has grown. There's no doubt about it. But there are large navies in east Asia that are aligned with us: Japan, Korea, India, the United States. So if we

have to choose, maybe we choose another area to focus on the north Atlantic area, where our capabilities are relatively more important. This is what I'm saying.

With regard to China, China's naval capabilities are growing. Are they growing to control the high seas or to protect China, or to protect China against the very sort of force projection that the west wants to maintain near China? It's important to understand what the threat really is.

Also, with ships today our fleets are smaller but ships are more capable. In addition, there are land-based options; the Chinese use them with their missiles. What I'm saying is that given the track record of Canadian naval building, instead of hoping for the fleet that we should have, adjust our commitments so that where we commit we can have a relatively great advantage.

I'm just suggesting that given rising tensions in Europe we might want to pivot back to Europe, where we have allies that we're used to working with and where the Canadian contribution I think stands relatively more significant.

I also want to say that the percentage of GDP devoted to defence is not the only measure. As a NATO ally we have to project our force elsewhere. Other NATO allies are in Europe. Our commitments are always overseas, so it's always going to demand more on our part. We saw this in Afghanistan.

With regard to the Arctic, if the Arctic is a priority then let's redirect scarce resources to the Arctic. I agree with the building of the icebreaker.

As someone said, we're a large land mass. For most countries their navy has to do with the protection of their immediate sovereignty and defence. Our navy has a lot to do with the protection of other people's sovereignty and defence. That stretches us and makes us look like we're making even less of a contribution.

Mr. Mark Gerretsen: I hate to cut you off, because you're from my riding, and it might come back to bite me later on.

Voices: Oh, oh!

Mr. Mark Gerretsen: Before I run out of time, I want to go back to you, Mr. Boutilier. With everything you said about how we got to where we are—a very simple question, I hope—in your opinion, how much of that has to do with our dependence on the United States?

Dr. James Boutillier: I think it's a huge factor, in the sense that we've always gone into battle and always deployed as part of a coalition. Our reliance on the United States is enormously important in a whole host of ways, whether it's intelligence sharing, whether it's access to missile calibration, or whether it's mid-ocean oilers. With the Americans increasingly focused on the Pacific—I personally vary from Joel in the sense that I don't think the North Atlantic is really where the action is going to be over the next 20 years—I think the American relationship is exceedingly important. I would certainly support David's contention regarding an increased defence budget, because we have been nickel-and-diming the physical capital of our forces to a dangerous degree. You can't go much below 23% or whatever in terms of naval activities, because then it comes back to haunt you.

Mr. Mark Gerretsen: Okay.

Thank you, Mr. Chair.

The Chair: Ms. Gallant, you have the floor.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): First of all, Mr. Chairman, through you, were each of our witnesses today part of the national defence review?

• (1635)

Mr. David Perry: Yes.

Dr. James Boutillier: No.

Dr. Joel Sokolsky: I was not.

Dr. Michael Byers: Yes.

Mrs. Cheryl Gallant: For those who were, did anyone receive an advance copy of the defence review yet?

Mr. David Perry: No.

Mrs. Cheryl Gallant: There was a real push on last spring to get the aerial piece of our study on North American defence done, then it dragged for the naval piece, so it wouldn't be included. I'm wondering where that is right now. As Dr. Boutillier mentioned, it's kind of awkward making all these procurement decisions when not only do we not have our defence policy review done, we don't even have the foreign policy review upon which it should be based.

The first question will deal with the potential for conflict brewing in the South China Sea.

Dr. Boutillier, what role, if any, do you see the Royal Canadian Navy playing in that part of the world?

Dr. James Boutillier: Well, this, I would suggest, is quite clearly at the cabinet level in terms of a decision. If we look at the United States Navy and we look at the Royal Australian Navy, they have both in fact tested Chinese pretensions. I use the word "pretensions" with intent, because the Permanent Court of Arbitration ruling of July 16 indicated that Chinese claims were in fact almost entirely bogus in the South China Sea. Their sailing of naval vessels through what the Chinese would otherwise consider to be their waters has put that PCA ruling to the test.

We will have ships in fact transiting the South China Sea. I don't know whether the government has any intention to test Chinese claims in terms of maritime territory around these artificial creations in the South China Sea.

We were, long ago, one of the principal architects of UNCLOS. At the heart of the matter is not so much what we do but the degree to which the signatories to UNCLOS, of which China is one, observe their responsibilities under UNCLOS. UNCLOS requires China to accept in totality the PCA ruling out of Den Haag.

The Chinese have mounted a campaign designed to discredit that ruling. They've simply manifestly ignored what the court laid down. As a nation, we did come up with a statement, not terribly muscular but a statement, suggesting that we supported the PCA ruling. What was disheartening to me was the fact that only about seven nations globally actually came forward with something reasonably muscular in support of this international norm. There were a whole host of lukewarm comments and then fence-sitters—hardly reassuring in terms of sustaining an international system of legal norms.

Mrs. Cheryl Gallant: Is there a need to re-evaluate middle- or long-range Royal Canadian Navy procurement projects, given this potential for conflict in the Pacific?

Dr. James Boutillier: As I see it, the maritime realm is where a good many interstate frictions are going to play out over the next quarter of a century. Then it comes to the theological issue of how many ships do you need to execute your responsibilities in terms of power projection and so forth? Currently, I think we are looking at 15 surface combatants, down from an original 16, which was the 12 frigates plus four destroyers. My anxiety, speaking personally, is that frankly we are going to run out of money long before we get to 15. We'll see.

Various models have suggested that you should be looking really more at 18 or 19 surface vessels, in terms of the cycle in training and repair and so on, to have enough vessels to project your presence in the region.

Mrs. Cheryl Gallant: Okay.

The administration in the United States has indicated that in order for them....

Are those bells, Mr. Chair?

The Chair: Is that the new way they do it? I have never seen that.

Please continue, Madam Gallant, while I find out whether or not that's a bell.

Mrs. Cheryl Gallant: Okay.

The administration in the U.S. has indicated that they will only continue participating at the level they are in NATO if the other countries pull their weight. In order for Canada to be pulling its weight, we'd almost have to double our spending in defence, and you just said that we were probably going to run out of money before we met our goals with the national shipbuilding strategy.

I'd like to hear your thoughts, Dr. Perry, on whether or not we would be able to achieve what is being set out for us in terms of full funding requirements in NATO.

•(1640)

Mr. David Perry: If we were to meet it today, we'd need about another \$21 billion at the start of the next fiscal year. It's up to the politicians in the room to determine whether or not there's \$21 billion, whether or not it's borrowed or taxed or whatever, in the fiscal framework to fund that. But that's the level of additional spending that would be required for us to hit our 2% of GDP target on April 1.

Mrs. Cheryl Gallant: But you also say, Dr. Perry, that we leave billions of dollars unspent every year in procurement, so would we not have any left over from there? Then I'll go to Dr. Boutilier.

Mr. David Perry: That changes the amount a little bit. That's why I say that it depends on whether or not, when you talk about these shares of GDP, it's money actually spent or money allocated. If we were actually able to execute what's in the fiscal framework right now, that would push spending \$1 billion or \$2 billion a year higher, so that would move us about another 0.1% toward the 2% target, give or take. That would certainly help get to the overall number, but it wouldn't come anywhere close to totally closing the gap.

Mrs. Cheryl Gallant: Okay.

Dr. Boutilier, please.

Dr. James Boutilier: The Australian experience is well worth examining, I believe, in the sense that they're now heading toward 2% in the largest recapitalization of its armed forces since 1945. Whether this is necessarily the Canadian model remains to be seen, but it demonstrates that it's doable.

Mrs. Cheryl Gallant: And Dr. Sokolsky—

The Chair: I believe that's the end of your time, Ms. Gallant.

I'm going to give the floor over to Mr. Garrison.

Mr. Randall Garrison (Esquimalt—Saanich—Sooke, NDP): Thank you very much, Mr. Chair.

I guess I'll start by—I don't know what to call it—"musing" a bit. This committee had set its own goal of producing a report on our maritime readiness by December so we could feed into the defence review. We've missed our own deadline on that. The defence review isn't going to be finished until after the budget, or released until after the budget. The budget is clearly in its final phases, so the defence review has missed the budget. The concern I'm musing about here is that actual events are running way ahead of our ability to influence them from this committee, from the kind of testimony that you are giving.

What is the critical thing that needs to happen, in the absence of the defence review and in the absence of our report getting in, or what's the critical thing we need to either watch for or expect the government to do in the next few months with regard to our naval readiness?

I'll start with Mr. Perry.

Mr. David Perry: I would say it's the money. In the long term, if there isn't more money, the navy is going to lose capability and lose readiness over time. If there's more money, then it's a question of how it gets spent and what that's actually directed toward. Depending on the allocation, the navy could benefit more than some of the other services. Without increased funding, the

government will not be able to do the same things in the future that it does today.

Mr. Randall Garrison: When you say increased funding right now, do you mean beyond what's in the fiscal framework?

Mr. David Perry: Yes.

Mr. Randall Garrison: So it's beyond what's in the fiscal framework.

Mr. David Perry: Yes.

Mr. Randall Garrison: Okay.

Mr. Byers.

Dr. Michael Byers: I actually disagree with that. You have two umbrella agreements, with Seaspan and Irving, and although not all the contracts are signed, those are pretty firm plans. So it's not a question about getting more money, it's about fulfilling those plans as quickly as possible, and doing so in the most efficient way, to actually deliver vessels that two governments in a row here have promised to the Royal Canadian Navy.

My suggestions were directed at that. Having made the decision with regard to the Canadian surface combatants to buy an off-the-shelf design, stick with that plan. Do not let industrial lobbies in Canada take you in a different direction. That's how you get ships fast. That's how you get money out the door. And that in turn, as David did explain, will boost current defence spending slightly, which helps to answer critics in other NATO countries.

With regard to the joint support ships and fulfilling that essential capacity to be able to refuel our frigates at sea, the correct decision was made in contracting Davie to convert a single container ship to a temporary tanker. I'm suggesting that you should do that one more time with Davie and then flip the order of the procurement on the west coast so that you get the polar icebreaker first. Those are concrete suggestions that fit within the existing plans.

The navy doesn't need more money. You just need to get these procurements happening quickly. Every delay pushes up the cost, because the inflation in shipbuilding is so very high, and it just runs and runs and runs. You end up with a navy that can't do very much. You can't send out a task force right now. The submarines are 30 years old. There are some very serious problems with the Royal Canadian Navy. We have 12 beautiful, very capable, refitted frigates. That's our navy right now. Our marine coastal defence vehicles were deemed unworthy of a mid-life refit, and they can only sail 15 knots. We do not have a world-class navy. We have 12 frigates, and we need to fill in all the gaps around them as quickly as possible.

•(1645)

Mr. Randall Garrison: Dr. Boutilier.

Dr. James Boutilier: I would certainly come back to my original assertion, and it keys on what has already been said, that there's a need for dramatic urgency, in my estimation. I also think there's a need for more money. As Michael has quite rightly pointed out, defence inflation is probably 4% or 5% per annum.

I remember standing on a jetty in the bright August sun in 2007, when the Prime Minister was 10 feet away saying we're going to use it or lose it, and I'm going to have six to eight AOPS. Well, 10 years later, we're now beginning to move the modules for ship one into place.

We simply can't operate at that pace. Literally, the money in the imaginary pot in the sky is evaporating at an astonishing rate. I would emphasize the necessity for real urgency, because in the final analysis we're not being prudent. We're not saving the public the money that we say we're saving them. It's going to cost more.

Mr. Randall Garrison: Dr. Sokolsky.

Dr. Joel Sokolsky: Unless one believes, then, that the defence review is going to significantly alter the traditional Canadian roles of NATO, contributing to international coalitions, domestic operations, and North American security, we will simply fit the navy we have into those obligations and make the contributions.

I agree with Michael Byers that they should go ahead with the shipbuilding project. We don't know whether there's going to be a new emphasis on maritime security, as envisioned in the 2006 NORAD renewal, so there may be more obligations in North America. But we'll do what we've done: we'll fit the navy into what we've committed to and we'll make our contributions. As I argued at the beginning, we have that discretion. Given the nature of the threats, and I suspect given the mood in Washington, a little more emphasis will be put on allied obligations than UN obligations in the defence review, but importantly in the policy that the government has, and we will make whatever contribution we can while we're trying to rebuild the navy. But I don't see the defence review as fundamentally altering what the navy will be asked to do in the future.

The Chair: Thank you.

Mr. Fisher, you have the floor.

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

Thank you, gentlemen, for being here today and for this vast amount of knowledge that comes at us in 30 or 40 minutes.

Mr. Perry, you stated that a lack of capital funding for naval assets is the most significant defence policy issue with regard to the naval perspective. Mr. Byers sort took us down a road where he might go with regard to switching things up out west, and maybe a new container ship or another container ship in central Canada. I'm interested in your thoughts on this. How would you proceed with these naval assets that you believe we need?

Mr. David Perry: I would just start off by saying that I don't know anybody who is involved in the file who thinks we are going to get 15 of any of the proposed designs for a project budget of \$26.2 billion, regardless of what we do. So either that number changes or the allocation changes or we build something different, because I don't know anyone who thinks that's going to happen. When I say that we're going to end up with something different in the future in terms of a fleet composition and size, irrespective of what you do, that's part one. We're not going to have 15 surface vessels unless that project budget changes somehow. There is currently not money to either extend or replace the submarines, so that's another component.

With regard to the shipbuilding strategy, we're so far down this path already—even though we're not yet all the way over the hurdle—that it makes the most sense to continue with what we're doing. Michael raises a good point about trying to seek the right balance between taking an existing design and modifying it. It's not really clear to me exactly how much emphasis the government has put on the different components that they have to balance between cost, the project budget, getting the requirement for the navy as well as delivering on domestic industrial capability, both in terms of shipbuilding as well as the systems that go into it. Ultimately it's going to be a question of deciding what it is the government wants and then going ahead on that basis. It's not really clear to me that the decision has been made, but I think Michael is raising good points about the types of trade-offs.

The whole idea about off-the-shelf or developmental is a false dichotomy, I think. Those things don't exist in reality. As far as I'm aware, other than boots and socks, the only thing we've bought off the shelf, in terms of a big project, has been the C-17. Everything else is a kind of degree of developmental, degree of modification, so it's about doing it wisely, being conscious about what trade-offs you're making, because it won't go as fast and will introduce more risk, but the other side would be that you could get either/or a requirement more closely aligned to what the navy needs as well as more Canadian defence industrial involvement. The government needs to pick and decide what it wants.

• (1650)

Mr. Darren Fisher: I'm really interested in the whole discussion around the 2% of GDP, and whether that's the most efficient way to spend money or allocate money. You said we are at around 0.99%. I have heard as high as 1.2%. The U.S. includes their coast guard. We don't include our Coast Guard budget. If we combined the two, where would we be?

Mr. David Perry: Still nowhere close.

Mr. Darren Fisher: Would it be 1.01%, or...? Is it significant, our Coast Guard budget, or is it minuscule?

Mr. David Perry: I don't know off the top of my head what the Coast Guard's budget is.

Mr. Darren Fisher: Do you see any rationale for including our Coast Guard budget within our commitments, like the U.S. does?

Mr. David Perry: Not if we're aiming to actually increase capability. You can fudge the accounting any number of different ways. I don't personally see that there is much benefit in that. I think we should spend more if we want the armed forces to do the same types of things.

Mr. Darren Fisher: Okay.

Dr. Byers, you were reluctant to speak about submarines, even though you kind of did speak about submarines. It's clear that you're not a fan of submarines. Is it the current ones we have, or do you not believe we should be investing in submarines in the future? Every piece of testimony that I remember getting during our study seemed to be in favour of submarines, with the exception of you.

Dr. Michael Byers: Yes, and to some degree I'm playing the devil's advocate, because I think the question needs to be asked: should we have a submarine program? I think we either have a modern, highly capable submarine program or we stop this charade we have right now of pouring money into a hole and getting vessels that are not 21st century. This is the thing; we are just stringing out old vessels, pretending to have a submarine capability.

This new government spent another \$900 million on Babcock International to keep refitting and repairing these old submarines. For the same amount of money that has been spent over the course of the last decade, we could have three or four brand new German-made submarines with under-ice capability. We missed that opportunity by stringing along these old Victoria class vessels. That's my point.

I'm trying to challenge the groupthink that exists in the Royal Canadian Navy. Okay, you want submarines? So make a justification for having new submarines. Don't pretend.

I'm not an expert on the future of maritime warfare or the geopolitics of Asia. There are others who are better able to speak to the issue as to why we need new submarines, but we clearly don't need old submarines.

I have one last thing, very quickly, on the issue of icebreakers. If we put a deck gun on the front of our Coast Guard vessels, then we could justify calling them part of defence procurement, and we would take a serious burden off the Royal Canadian Navy with respect to the Arctic and coastal defence. We just bought a whole bunch of new Hero class midshore patrol vessels for the Coast Guard. They're fast, but they're not armed. The previous government considered very seriously putting guns on them. You get into issues as to what kind of personnel you need on board a Coast Guard vessel to actually operate the gun. But if you want to do that, yes; you solve a lot of problems. You don't need to envelop the Coast Guard within the Royal Canadian Navy, but you can change the operations a little bit and immediately boost our capacity.

In regard to a deck gun on the front deck of each of our icebreakers, again, what are you going to do if you get into a situation where there are smugglers who are armed—call out the Royal Canadian Navy, and they have an AOPS that's five days' sailing away?

• (1655)

Mr. Darren Fisher: Mr. Chair, do I have time for a short snapper?

The Chair: You have 40 seconds.

Mr. Darren Fisher: Okay.

Mr. Boutilier, you mentioned “middle-power navy”. Notwithstanding the number of ships we get from the NSS, after we complete the whole process and build all the ships that we're going to build, will we then be a middle-power navy or will we still be short?

Dr. James Boutilier: Yes, we will be, but currently we're certainly not.

Mr. Darren Fisher: Thank you.

Thanks, Mr. Chair.

The Chair: We'll go to five-minute questions.

Mr. Spengemann.

Mr. Sven Spengemann (Mississauga—Lakeshore, Lib.): Thank you very much, Mr. Chair.

Gentlemen, thank you for being with us and for sharing your expertise. I wanted to put three propositions to you—they're very simplified—in terms of the sequence of how we should think about this, putting aside political constraints for the moment. The questions are these: what do we know, what do we need, and how do we get it?

I won't in five minutes get all the way down the chain of even these three questions, but I wanted to start with what we know in terms of our strategic setting. I want to ask you about unknown unknowns. The world is changing very quickly, and you made reference to China. There are all sorts of currents of instability, not the least of which are forced migration and climate change and humanitarian work that may or may not need to be done. What do you have in mind in terms of the things that we do not know that we have to be speculative on? How could they change our strategic setting?

My second question is to ask you about domain awareness and RADARSAT and the related questions, just being aware of what our setting is before we proceed in terms of what we need.

I'm afraid this will gobble up a good chunk of time, but I would ask you to briefly comment on that, whoever is interested.

Dr. Michael Byers: I'll take it first, very briefly.

We have the longest coastline in the world. Coastal defence is therefore quite important. The new AOPS will have a top speed of only 17 knots. They're not particularly suited for the Atlantic Ocean in winter. We need to think about how we beef up our offshore patrol capacity with purpose-built offshore patrol vessels. Then, as I said, we need to make use of the Coast Guard in a much fuller sense, because we do have Coast Guard vessels, including new fast ones for midshore patrol.

The other thing, in terms of what you mentioned in terms of unpredictability, is that we do need new surface combatants. Let's make sure they're good, well-equipped, high-technology surface combatants that can participate in combat situations in 20 or 30 years. Don't compromise on these vessels.

Mr. Sven Spengemann: Is that with respect to overseas work and international missions and also the defence of Canada's coastline?

Dr. Michael Byers: Absolutely, which is why I'm worried, if this procurement drags on, that compromises will be made and we'll end up with subpar vessels. That would be the worst.

The final thing to say about surveillance is that RADARSAT is phenomenal technology. We built it for Canada's maritime zones and Arctic zones. It's fabulous technology. RADARSAT Constellation will serve this country for the next 15 to 20 years. But we need more than three in that constellation. The proposal was for six, and you should fund six.

The other thing to look at in this context, and I urge especially the government members to think about this, is the polar weather and communications satellite project. It has been scaled back significantly in the last year and it requires re-examination. It was one cross-government project that combined Environment Canada, civilian communication, and military needs in the Arctic. It was a good thing. Your government has pulled back funding for the civilian and weather components of that, and I urge you to reconsider.

Mr. Sven Spengemann: Okay.

Perhaps I can just sharpen the focus a bit. The likelihood of navy-on-navy conflict in which the Canadian Forces would be involved, now and maybe 10 or 15 years out: how do you gauge that likelihood? Be speculative, if you feel so bold.

Dr. James Boutlier: One of the points made by my colleague Dr. Sokolsky was that in the Pacific region we already have major navies—Japanese, Australian, Indian, and so forth. As I suggest in my brief set of notes, what's beginning to emerge is a containment strategy, although all the players will put their hands to their heart and deny that's what's happening. Canada's capacity to contribute to that containment strategy I think is critical. It plays out at a number of different levels. It is not just hard hulls in the water in Asia as distinct from somewhere else in the world, but in terms of our larger diplomatic posture, what is it that we hope to achieve in different parts of the world? I know that the navy leadership is dedicated to putting more ships into the region as an illustration of naval and national resolve, so it plays out at a number of different levels. Clearly, what role we would play in the event of hostilities would be a decision that government would have to make.

I think one of the red herrings, to a degree, is that, yes, we have fewer ships, but they're more sophisticated. I had a long, muscular discussion with Secretary of Defense Rumsfeld about this very issue, because you can't have a cruiser in two different locations at the same time. There is a certain bare minimum that we have to have. With two huge oceans, not to mention a third ocean, what are we going to do in terms of allocation of hulls in order to make some contribution?

• (1700)

Dr. Joel Sokolsky: I don't think you're going to see navy-to-navy on the high seas. The U.S. focus is on undoing or meeting what it calls Chinese "anti-access" capabilities. They have come up with a new capability, called "anti anti-access". This means getting access to the very waters that China is concerned about, the waters near China. It will be in the forward areas and it may not be just ship-on-ship. The Chinese have a tremendous land-based anti-naval, anti-access capability.

The Chair: You'll have to hold it there, Mr. Sokolsky. Perhaps we can circle back on that.

Mr. Paul-Hus has the floor.

[*Translation*]

Mr. Pierre Paul-Hus (Charlesbourg—Haute-Saint-Charles, CPC): Thank you, Mr. Chair.

Welcome, gentlemen. Thank you for taking part in our hearing.

I feel like I am reliving a bad episode from my days as an infantry officer. When we received new equipment, we wondered why we were being sent this type of totally obsolete, useless and ineffectual equipment. As a politician now, I hope to be able to affect certain things and bring about some changes.

Before the holidays, I was at a conference in Istanbul. The Secretary General of NATO said that budgets indeed have to be increased, but that the most important thing was to spend more wisely. His message was addressed to all of the countries present. Just spending more and more money is not necessarily the best way to proceed. We have to spend it better.

A document was also produced. I don't know if you consulted it, but I would imagine you did. It was produced by the navy and is entitled "Leadmark 2050". It is a 75-page document presenting the overall vision of the Royal Canadian Navy up to 2050.

In a context where we know that we have to spend smarter, navy people are in the best position to know what the navy needs, because they have the information and they know how things work.

I want to understand what the procurement-process-related issues are. We are aware of the needs currently. We have a naval strategy that allows us to conduct good negotiations with shipyards, and in principle to avoid having politics involved in the choice of shipyard. Then there are the last elements, such as funding and the final decision to do or not do something. We know that the navy knows how things work. The shipyards have said to us that the strategy only concerns acquisition, and not the strategic side of things necessarily.

In your opinion, where is the basic problem? Is it a political one, or something else?

[*English*]

Dr. Michael Byers: I touched on this, but let me make it explicit. Defence procurement is the single largest discretionary item in the federal budget. Generations of politicians have seen opportunity in this. Defence spending is not governed by international trade agreements or international foreign investment agreements. You actually have an enormous amount of leeway. This can be used for regional development, for the promotion of high-technology industry, and also for political purposes: for rewarding or encouraging certain regions to vote in certain ways. I'm being very frank here.

In normal circumstances, all of those additional considerations could coexist with the need to build new ships for the navy. In fact, those kinds of considerations were present when we built the Halifax class frigates, for instance, fabulous ships built more or less on time. The problem is that, because of successive delays, we're now in a crisis situation with regard to the joint support ships and with regard to the Canadian surface combatants, particularly those surface combatants that will provide area air defence, the replacements for the destroyers. We don't have any destroyers right now. We need that capability.

We need to pull the plug out here and get moving. The additional considerations that we used to be able to play with—the politics, the industrial development, and all of that—need to be pushed back a little bit further than would normally be the case.

Again, I hate to say this, because you would want to have a comprehensive vision of how to do industrial development and regional development as part of defence procurement, but I don't think you have the luxury to do all of that right now. The decision to buy an off-the-shelf design for the Canadian surface combatants makes sense if you want to expedite this procurement. If that was the purpose—and I think it's a good purpose—then don't allow the local industrial lobbies to slow you down as they fight for more and more Canadianization. It's harsh to say that, but buy these ships as they were more or less intended, as proven vessels, and get them in the water. Then we can move on.

• (1705)

[Translation]

Mr. Pierre Paul-Hus: Thank you.

[English]

Dr. James Boutilier: I think the navy has put a lot of time and effort into what it wants. That said, I think the navy is understaffed in terms of its technical staff that can provide the expertise to say this is what the warship needs and so forth. The navy is operating under severe constraints.

Politically, I think the armed forces have been cannibalized endlessly, and this is the result—the high cost of saving money.

Then administratively, we've created a culture which is dinosaurian. It's so slow, so multi-layered. Public Works couldn't build a bus shelter without help, and we're looking at a decade-long construction project of the most complex sort. We need to streamline that process.

So I think there are three levels—naval, political, and administrative—and collectively this is one of the reasons why the process is slow.

[Translation]

Mr. Pierre Paul-Hus: Thank you.

[English]

The Chair: Thank you.

Ms. Alleslev, you have the floor.

Ms. Leona Alleslev (Aurora—Oak Ridges—Richmond Hill, Lib.): Thank you very much.

Oh, my gosh, you guys: incredible. I come from a defence procurement background, and I think we can all agree on the challenges facing defence procurement, but please, tell us how we fix it. What are the top three things we need to focus on immediately to fix it?

Mr. David Perry: I think, number one, there's a need to treat defence procurement, or the procurement of any large, complex activity in government, like it's something that important and it's something that's unique. We tend to treat it in a number of different ways. We hire procurement officials to run multi-billion dollar projects the same way we hire an administrator to run a line department on something that's relatively straightforward. We need to recognize that it's a different type of activity. You need a specialized skill set for it. You don't just wing it.

With regard to the companies you had in last week, when you were holding your hearing, I would commend you for doing that. I

would strongly encourage you to do it again, on a much more regular basis than has happened in the past. The companies that are building that activity have gone to the open market to hire people, because they didn't have the right capacity in-house to actually deliver on these big files. The Government of Canada, to the best of my knowledge, still hasn't done that. We've tried to bring in some expertise from outside of government episodically instead of actually hiring it into government. There are different parts of the procurement world they've been trying to staff up. The process has been taking multiple years, which I think is just absurd. We should do what the private sector does, which is to go out and bring in and pay people with the right skill set so that they know what they're doing.

There's also a need to align the overall financial piece. We've been trying to cram 15 ships of a high level of capability into a \$26.2-billion project budget for the surface combatants, and that's not going to work. I think there's a recognition now that this is the case, but there's been an awareness, effectively everywhere but officially from government positions, for years, that this was simply an untenable position.

If you can't make the math work, then you need to reassess that. We need to quickly bring skill sets and the people with the right kind of expertise into government.

Ms. Leona Alleslev: Okay.

Dr. James Boutilier: I think the navy has to make a firm decision: this is what we want—*point final*.

The problem with defence technology is that it's moving so fast. We're on the brink of Star Wars, literally, with a whole world of drones in the sky, in the sea, on the surface, and so forth fast coming up over the horizon. I can understand why navies succumb to the seduction of one more widget or one more whatever. In some cases, it's visited upon them when they suddenly discover that the enemy has a certain type of weapon system that they have to counteract.

Then, I think, so far as possible, you have to have someone in charge.

Ms. Leona Alleslev: Distributed accountability.

• (1710)

Dr. James Boutilier: Someone has to hang by their thumbs if they don't deliver. Now when the thing goes down the tubes, everyone looks around for who's responsible. No one's responsible; it's "he said, they did". We have to have much clearer lines of responsibility, in my assessment, in terms of delivering the product.

Ms. Leona Alleslev: Right.

Do you have anything to add?

Dr. Michael Byers: I would get Public Works out of defence procurement, put all the responsibility on the defence minister, perhaps have a subcommittee of this committee to specialize on oversight of defence procurement, and then insist that the minister is responsible for questioning every single statement of operational requirements. That's where the generals will try to Canadianize, and that's where the discipline needs to be exercised. If you do that, you streamline it and you move forward.

The other point, and I've already made it, is do not make these things too complicated. Buy proven off-the-shelf designs or equipment.

Ms. Leona Alleslev: I want to ask you about that. Ultimately we're talking defence procurement, and ultimately there's a certain element of sovereignty that must also be incorporated into any kind of equipment purchase, so command-and-control systems and the military industrial base looking after our own capability in that sovereignty. Do you not feel that this plays a role at all?

Dr. Michael Byers: There is some room for Canadian industrial involvement, absolutely, but sometimes we make it too complicated. The clearest example I can give you is the maritime helicopter procurement. For some reason, the Sikorsky Seahawk was deemed to be too small for Canada's purposes, even though there are hundreds of these helicopters operating off of U.S. naval vessels. Again, someone had to ask the question early on: sorry, if it's good enough for the U.S. Navy, why isn't it good enough for us? Instead, we go down the whole process of having Sikorsky build a brand new, larger helicopter for Canada. Those are the sorts of tough questions to be asked.

Absolutely there should be Canadian industrial activity, but we have to keep it rational.

The Chair: That was perfect timing.

I'm going to give the floor to Mr. Bezan.

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

I want to thank all you gentlemen for joining us today and sharing your expertise.

To follow up on Leona's comments and the comments you've made as well, that we need to centralize where the decision-making process is happening, the Australian model is that there is a defence procurement minister and an agency that takes care of it. There's one reporting and communications line that works with the industrial base, making sure that the defence needs are met, ultimately taking the partisanship out of it, and making sure there is that accountability in both cabinet and Parliament. It all comes through one minister. I think that's something we really need to look at. I'm more than happy to champion that cause to see whether or not we can get down that path here in Canada as well.

Professor Byers, you mentioned the destroyers, and I've raised this question with multiple people who have come to committee. The new surface combatant is supposed to become some sort of hybrid between a frigate and a destroyer, and maybe have the capabilities we need. Do you believe we should still have destroyers to deal with aerial threats to our navy?

Dr. Michael Byers: The point of the Canadian surface combatant is to have a single hull design for all of our large combat vessels. Within that single hull design, you can put different capabilities. The area air defence capability enables us to operate without allies providing that capability for us, so going into a dangerous area where there might be hostile aircraft wanting to attack our ships.

Yes, I think that should be a component. It involves a fairly advanced radar, and it involves more capable longer-range missiles than exist on the Halifax class frigates, but the answer is yes.

Mr. James Bezan: Thank you.

Dr. Perry, you were at all the hearings last week. I know you watched with interest. You are the procurement expert out there today. It was interesting to listen to both Seaspan and Irving to some degree slagging Davie, who had appeared earlier and had slagged them earlier in the week.

Do you see any opportunities for Davie to advance the build of the ships we need or to augment some of the other challenges that the navy is facing? We have right now a dozen Kingston class coastal vessels, but Seaspan will only be building five. What are we going to do with the rest? And when does Seaspan even get to the five they have? I don't even see that in their allotment, going down the pipe.

● (1715)

Mr. David Perry: I totally think there's room for three shipyards, given the potential work that would exist right now just to simply replace things in the federal inventory that need to be replaced. The national shipbuilding procurement strategy, when it was called that, only covered certain types of fleets. It didn't cover everything. There's been other work announced that would provide different types of interim or potentially permanent increases to the Coast Guard down the road.

I would agree with Michael that we should look at building another interim auxiliary oiler capability. I'm thinking—

Mr. James Bezan: Resolve class, yes.

Mr. David Perry: Exactly. We could debate the timing, but I think the original project and the original requirement for that particular capability was for three or four ships. I would still build the joint support ships, though, because they'll do different things than the interim AOR can.

Beyond that, I would agree with Jim's assessment about the overall future in sea-power. I'm a big sea-power proponent. I think Canada should also acquire some kind of vessel that can provide humanitarian assistance, disaster relief, call it whatever you want—a big little honking ship of some kind.

The thing that the government needs to balance, though, is that there was a logic behind the national shipbuilding strategy about apportioning work over a long period of time to eliminate boom-and-bust cycles. When they did the assessment looking at the packages of work for the two yards, I don't believe that encompassed all the potential fleet replacement. I don't know if long term there's enough work for three yards or not. I think that's really the fundamental question. There is a logic in going with two, to eliminate that, but you also have to weigh that against....

If you're not going to get something for 20 years, then you have to take into account the capability deficiency you'll have if you don't buy it quickly.

Mr. James Bezan: Okay.

My final question is for both Dr. Boutilier and Dr. Sokolsky.

Each of you has expertise, one on Asia-Pacific and one on the North Atlantic. We've talked a little bit about emerging threats and China and their growing geopolitical influence in the region. We haven't talked in this session at all about Russia. How do we see them, especially from the standpoint of our own coastal defence and defending Arctic sovereignty?

The Chair: Be as brief as you can, please.

Dr. James Boutillier: Joel, do you want to go with that?

Dr. Joel Sokolsky: Yes.

I think Russia still certainly remains a threat. It's an emerging threat. It's a particular threat in the waters around Europe, where we've been traditionally...looking for. It may well be a new threat in terms of North American defence. NATO is looking toward NORAD...looking toward maritime threat or maritime domain awareness. If that in fact emerges, what I'm saying, not that the Asia-Pacific area isn't important, is that we're not going to have the navy to do everything, and that may well be the focus.

Charlie Foxtrot, a recent book by my colleague Kim Nossal, looks at problems with defence procurement. I think you've all seen it. There's no political cost for not getting defence procurement right. As well, we measure procurement against what seem to be unrealistic projections of what we should have rather than what we are likely to have. It may mean adjusting the expectations and focusing in.

I too like the navy, because it can fulfill North American roles, it can fulfill those humanitarian roles, and it can fulfill our commitment to the North Atlantic Treaty Organization. The navy is particularly flexible in that way, and that can be our important contribution in a number of different areas.

In North America, remember, we've also taken on commitments in the Caribbean, under USSOUTHCOM, in counter-narcotics. We have our plate full.

The Chair: That's time on that one.

Mr. Aldag, you have the floor.

Mr. John Aldag (Cloverdale—Langley City, Lib.): Thanks, but I will be turning the time over to Ms. Alleslev. She was just getting started when she ran out of time.

The Chair: Okay.

Ms. Leona Alleslev: Thank you very much.

I'd like to build on what Mr. Bezan was talking about. Perhaps we can get some perspective on that.

You made a comment, Mr. Boutillier, about the largest recapitalization for Australia since 1945. You identified some of the incredible capitalization, both for Asia and for the United States. We've just heard that Russia is also perhaps becoming more of a situation than it has been, and we have a changing relationship in Europe and of course around the world.

Give us a sense of the sense of urgency. Are we in a different time? Are the times changing, or is this the same old same old that we've had for the last 50 years since the last war?

● (1720)

Dr. James Boutillier: That's a good question indeed.

Let me talk about Russia for half a minute. I think we are all genetically coded to think of Russia as a superpower and a superpower that is re-emerging, but if you look at the Russian GDP, it's about the equivalent to that of Italy or Australia. It's a second-class power on its way to third-class status. It has huge demographic and economic issues. Now it's scaling back on its defence expenditures, and the transit of the *Kuznetsov* was perhaps in a way an icon of pretension but not of real substance. The Russians in fact are relying heavily on the Chinese and doing exercises in the Pacific.

I think what we're seeing in the Mediterranean, for example, is the beginning of the new phenomenon, the osmotic pressure into Europe as a result of what's happening in Africa. Africa is going to be increasingly critical in terms of what's happening in Europe in the future. We can see the efforts of the Italian navy to deal with that issue, which have been inadequate because they didn't get the support from other European powers.

There are a series of forces at work particularly related to climate change that are going to change the dynamics of international politics. Navies, I think, will still play a significant part, in humanitarian assistance, for example. I was talking to a senior colleague in Bangladesh, where they're expecting over the next quarter century to lose upwards of a third of the land area as a result of rising sea levels and storm inundations. There will be a lot of roles, I think, for navy vessels. We saw that with HMCS *Vancouver* and its disaster relief exercises in New Zealand, real-life exercises.

Ms. Leona Alleslev: So it will not necessarily be same old same old.

Dr. James Boutillier: No.

Mr. David Perry: I agree. I think we're seeing a return to the need to be at least cognizant of the potential for great power conflict in a way we haven't been in the past. It doesn't mean it will necessarily occur, but I think Canada needs to be cognizant, given our position in the world. I'm putting particular focus on the potential threat from Russia to North America. We need to make the right kinds of preparations in case that evolves from being a light or potential threat, as it is now, to one that's a lot more actualized. I would again set that against the total lack of urgency in government public administration right now. When it takes a year plus to figure out how to pay civil servants, we shouldn't be surprised that it's taken a decade or two to figure how to buy multi-billion dollar complex equipment systems. We have to change that focus, because your government is still trying to deliver on Paul Martin's defence projects.

Ms. Leona Alleslev: I think that's critically important.

To the other two, can you give us some idea of how we can, other than in this room, communicate that sense of urgency and help the Canadian public to understand why there is a sense of urgency and why this should be a priority?

Dr. Michael Byers: I would agree that there's more uncertainty in international relations today than there was just a few years ago. Just look at what's happened in the United States in the last two and a half weeks. I think it is important that the current naval procurements be expedited as much as possible. Let's get these ships so that the navy is a full-capacity navy in the next 10 to 20 years.

Additionally to that, let's have an urgent discussion as to whether we need submarines and not pretend that 30-year-old submarines are going to do the job for this country in conceivable crises in the future. Let's have that discussion and then if we decide to get submarines, let's get submarines.

The world is always changing and people tend to inflate the latest crisis, but there certainly is a substantial amount of uncertainty, and therefore you as a government should deliver on your existing plans.

Ms. Leona Alleslev: Mr. Sokolsky.

Dr. Joel Sokolsky: Well, I think it is a more uncertain world. As to whether or not it's a more dangerous one than the time we were threatened with nuclear annihilation because of the crisis in Europe, I would say, no, it's not as dangerous, but it's more uncertain. But even in a benign strategic environment for Canada, certain things are going to be needed. One of them is the navy. I think the government should avoid exaggerating the threat. On the other hand, it should make clear that Canada has interests abroad that can be served by naval procurement in the best possible fiscal way. But I don't think one should exaggerate the nature of the threats or what the navy or any armed forces can do to address them.

If terrorism is the major threat now apart from piracy, navies don't do that much. It's ground forces, special operations forces. From a grand strategic point of view, if you think China is a threat, I want us to realize that the west is financing the Chinese military buildup by buying its products. On the one hand we're encouraging trade with China, seeking its investment, seeking to invest there, and making China more wealthy, giving them more available resources to invest in the navy. If you're looking for consistency, it isn't there, but I think in any future, particularly one regarding our sovereignty in North America and North American defence co-operation with the U.S., I do think we need a better naval capability and we should go ahead with the existing projects.

• (1725)

Ms. Leona Alleslev: Thank you.

The Chair: Mr. Garrison, you get the last question. Feel free to run a little longer, if you'd like. The last two questioners went over a bit.

Mr. Randall Garrison: Thank you.

We've heard a reference to the Australian example, and I have a very practical question. Is there some place you could point the committee or our researchers to? Are there papers that explain what Australians have done on procurement that's allowed them to succeed? Is there someplace we could do that, or do we have to assign that to our analysts?

Mr. David Perry: I would just say that I don't think there would be universal agreement that Australia has actually succeeded on a lot of different projects. If you look around, there are different things you could take from different jurisdictions. There's not any particular

place, that I'm aware of, where there's some kind of panacea that all just works. Australia's done a bunch of different things. They've changed their institutional model and gone back to the way things had worked in a different direction, and they've had a number of different projects not go well.

Dr. James Boutilier: I would agree with David. If we look at the history of the Collins class submarine, just for example, that was ill-fated and so forth. Nevertheless, I think that when Australia does defence reviews, they're broad, they're deep, and they're comprehensive. There's a lot of documentation and a lot of thought that goes into them. There are no silver bullets in Australia, but they're in fact putting their money where their mouth is; they're moving ahead and taking delivery of vessels at a quite remarkable rate.

There's a lot of documentation. I could certainly share with you, Randall, some of my contacts in Australia in terms of the reports that are coming out on defence.

Mr. Randall Garrison: Having run aground on that one, let me try something here. I think we've heard some agreement from the four of you that's important to this committee. One thing I think I've heard all of you say, or no one has contradicted, is that the government needs to stay the course on the shipbuilding strategy at this point. We're so far down the road that staying the course, even though there are some improvements that could be made, is still the right thing to do. Is everybody really on board with that?

Dr. Joel Sokolsky: Yes.

A voice: And foster it.

Dr. Michael Byers: And stay tightly focused. Resist the temptation to politicize and to turn this into a large-scale industrial boondoggle.

Mr. Randall Garrison: The second thing I think I heard from all of you is that there needs to be someone who's actually responsible. I know there's frustration around the table about that one. When we ask these questions, who's actually going to answer these questions? We have too many ministers and too many deputy ministers.

Mr. David Perry: If I could just go quickly on that one, it's a good idea in principle, but it doesn't make a difference if you don't actually hold anyone accountable. There are lots of examples I can think of right off the top of my head in government, even related to procurement, where there's one minister who's theoretically responsible for projects that I would be charitable in saying aren't going all that well, and there doesn't seem to be any accountability within that single department.

Mr. Randall Garrison: It would be an improvement in this area to try that.

Mr. David Perry: Not if it doesn't actually.... You could create a perfect model where, theoretically, you could hold somebody accountable, but if you're not actually prepared to do that, it won't make a difference. It would increase a huge amount of churn while you're going through the process of rewiring the organizational charts of how the federal government works.

Mr. Randall Garrison: Okay.

Dr. Byers.

Dr. Michael Byers: I'd just say that, if you follow my suggestion and give it to the Department of National Defence, then the people responsible for procuring the equipment are friends and colleagues of the people who will actually be using that equipment and desperately want that equipment, so you'd bring it closer to home.

You still need oversight, and especially at the stage of the definition of the statement of operational requirements, because that's where things slip up, right at the beginning, almost every single time. You can address that issue and provide oversight right at the beginning, and then let the men and women who are actually going to be using this equipment be part of the implementation process and not someone in Public Works who will never get on a ship or fly in a military aircraft.

Mr. Randall Garrison: Then I guess the last thing I would say is that I think you've told all of us to look carefully at the budget that's about to come out and see if the funding is there to match the commitments we've actually made.

For me, this has been a really useful session. I just want to thank all four of you for being here today. I'm sorry we didn't have a bit more time.

• (1730)

The Chair: Thank you very much.

Third party expert opinion matters. Just from listening—I don't get to ask questions, unfortunately—I thought this was fantastic. Obviously, this committee's going to come out with recommendations after we get this report sorted out. We have a lot to think about.

I want to thank you very much for coming.

I'll take a motion to adjourn.

Thank you, Mr. Garrison.

This meeting is adjourned.

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