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Chair: Mr. Robert Kitchen



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• (1625)

[English]

The Chair (Mr. Robert Kitchen (Souris—Moose Mountain, CPC)): Good afternoon, everybody. Thank you for bearing with us while we went through the votes, etc.

Welcome, everyone, to the committee and to meeting number 27 of the House of Commons Standing Committee on Government Operations and Estimates. The committee is meeting today to hear from the Parliamentary Budget Officer regarding the Parliamentary Budget Officer's report on Canada's military expenditure.

For the last 30 minutes of the meeting, we will go in camera to discuss committee business.

Today's meeting is taking place in a hybrid format, pursuant to the House Order of November 25, 2021. Members are attending in person in the room and remotely using the Zoom application. Regarding the speaking list, the committee clerk and I will do our best to maintain a consolidated order of speaking for all members participating virtually or in person. I would like to take this opportunity to remind all participants of this meeting that taking screenshots or photos of your screen is not permitted.

Given the ongoing pandemic situation, and in light of the recommendations of public health authorities and the directive of the Board of Internal Economy on October 19, 2021, the following is recommended to remain healthy and safe: As we're all aware, there is hand sanitizer at the front of the room when you come in. Please use that. Recognize that we have mechanisms to wipe down your mikes, seats and tables. You're asked to wear a mask when circulating around the room and maintaining a distance during that time. As the chair, I will be enforcing these measures for the duration of the meeting, and I thank members in advance for their co-operation.

I would like to welcome Mr. Giroux back to the committee.

It's good to see you again, sir. Thank you very much for agreeing to attend and bearing with us during this last hour's delay. You have five minutes to make an opening statement.

[Translation]

Mr. Yves Giroux (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Thank you, Mr. Chair.

Good afternoon, members of the committee.

Thank you for the invitation to appear before you today. We are pleased to present the findings of our report entitled "Canada's Mil-

itary Expenditure and the NATO 2% Spending Target", which was published on June 9, 2022.

With me today I have the lead author of the report, Christopher Penney.

Consistent with the PBO's legislated mandate, my office prepared an independent forecast of the military expenditures needed for Canada to meet the North Atlantic Treaty Organization's (NATO) 2% defence spending target for the period from 2022-23 to 2026-27.

[English]

In 2006, NATO members agreed to the policy goal of setting their annual defence spending to at least 2% of GDP. This target includes, in addition to Department of National Defence spending, expenditures for veteran pensions and benefits, as well as the Coast Guard, among others.

We estimate that total Government of Canada military expenditures will increase from \$36.3 billion in the 2022-23 fiscal year to approximately \$51 billion in 2026-27. The corresponding increase in the share of military expenditures to GDP is from 1.33% in 2022-23 to 1.59% in 2026-27. In order for military expenditures to reach 2% of GDP, the Government of Canada would need to spend an additional \$75.3 billion over the next five years.

Chris and I would be pleased to respond to any questions you may have regarding this report or other PBO work.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Giroux.

We will now go to questioning. We'll start with Mr. McCauley.

Mr. Kelly McCauley (Edmonton West, CPC): Thanks, Mr. Chair.

Mr. Giroux and Mr. Penney, thanks for joining us again. I appreciate the report.

What year was it that the government changed how it calculates the 2% for the defence spending? I understand it was a change over pensions.

Mr. Christopher Penney (Adviser-Analyst, Office of the Parliamentary Budget Officer): That would be in the fiscal year ending in 2017.

Mr. Kelly McCauley: This report shows 2017 forward under the new numbers, but previous to that it's under the old numbers.

Mr. Christopher Penney: That's correct.

Mr. Kelly McCauley: Would we be able to get a similar report with the old numbers? What would be required to have that happen?

Mr. Christopher Penney: We could put forth an information request to National Defence to get that breakdown, in order to see whether there's any difference in the calculation between 2015-16 and the discontinuous break in 2017.

Mr. Kelly McCauley: You can probably imagine what I'm leading up to.

Do you require a committee motion to access those numbers from DND, or would they be readily available otherwise?

Mr. Yves Giroux: It would probably be easier to have a motion from the committee. They could be readily available otherwise, but it certainly facilitates our work to have a motion to back up a request for information.

Mr. Kelly McCauley: Chair, I'm going to introduce a matter-at-hand motion. That is what I was mentioning to Mr. Jowhari, and I'll read it into the record. I'll do it now, and I'll use up my time for the motion.

I move:

That the committee request that the Office of the Parliamentary Budget Officer update figure 2-1 and figure 2-2 in its June 2022 report, titled "Canada's Military Expenditure and the NATO 2% Spending Target", to reflect the reporting standard used prior to 2017; and that the update be provided to the committee by September 15, 2022.

This is just to get an apples-to-apples comparison of the spending so that we have a better idea.

The Chair: Thank you, Mr. McCauley.

Do you have that electronically so that you can...?

Mr. Kelly McCauley: I just have it on paper, but Paul had it electronically. I have it in French as well.

• (1630)

The Chair: Okay, thank you.

We'll circulate that as quickly as we can.

Mr. Kelly McCauley: Yes, it's a pretty straightforward motion, just solely to update two of the tables in the information to reflect pre-2017—so 2016, 2015 and 2014—so that we have an apples-to-apples comparison so we can see the increase or decrease.

The Chair: Thank you.

With that we will go to....

Are you done, Mr. McCauley?

Mr. Kelly McCauley: Yes.

If we can settle that, I'll just finish up my time.

The Chair: Okay.

Mr. Kelly McCauley: If my colleagues would agree or if they have any feedback on it...?

Do we need a vote on this or is that satisfactory?

The Chair: If we have agreement, then we don't need a debate on it.

Is there agreement around the room to...? It doesn't have to be unanimous.

Mr. Johns, you have your hand up.

Mr. Gord Johns (Courtenay—Alberni, NDP): I just always appreciate the motion being read back to us, if we could.

The Chair: Certainly. He's going to read the motion so we can hear it again.

Mr. Johns, the clerk will also send it out right away as well.

Mr. McCauley, can you read it back so we can hear it?

Mr. Kelly McCauley: Sure. The motion asks:

That the committee request that the Office of the Parliamentary Budget Officer update figure 2-1 and figure 2-2 in its June 2022 report, titled "Canada's Military Expenditure and the NATO 2% Spending Target", to reflect the reporting standard used prior to 2017; and that the update be provided to the committee by September 15, 2022.

That's three months from now, just before we return.

The Chair: Thank you.

Mr. Johns, did you have anything further? Thumbs-up, okay. I'm seeing thumbs up around the room.

(Motion agreed to)

The Chair: You have two minutes and 30 seconds.

Mr. Kelly McCauley: Gentlemen, how does the NORAD announcement of yesterday affect going-forward numbers? Does it make a significant difference or had you already considered some of these numbers in your report?

Mr. Yves Giroux: After seeing the announcement yesterday, we enquired with the public service as to whether these numbers were included in the budget announcement, and they were already included in budget 2022. Therefore, yesterday's announcement with respect to NORAD does not change the numbers in our report, as we already included budget 2022 expenditures in our report.

Mr. Kelly McCauley: Great.

On the last question, on inflation, generally what we've heard over the last several years with this committee is that procurement inflation for naval, air force, etc., is generally running double current inflation. Are those numbers still holding? If we're seeing the current inflation at 6.8%, are we expecting almost 14% inflation with our procurement?

Mr. Yves Giroux: The impact—

Mr. Kelly McCauley: I realize it's tough going forward 10 years, 20 years, but....

Mr. Yves Giroux: The impact of inflation is twofold.

On the one hand it reduces the real impact of the amounts that the government is budgeting for national defence, so it reduces the purchasing power of the amounts that are established by the government to DND. On the other hand, inflation increases the GDP so it makes it more difficult for the government to reach the 2% target under NATO. It has a double impact in that sense.

Mr. Kelly McCauley: Okay.

Mr. Yves Giroux: I don't know if that answers your question.

Mr. Kelly McCauley: It does a bit. I understand that you have the denominator changing, as well as the other side.

I'm just curious whether, in your forecasting, you are keeping the general two for one, for procurement inflation over regular inflation.

Mr. Christopher Penney: It's difficult to know beforehand what the impact of this economy-wide inflation regime we've now entered would be on defence-specific inflation. Thus far, we've assumed that the defence-specific inflation would increase along with the economy-wide inflation, not as a function of it but increasing along with it.

• (1635)

Mr. Kelly McCauley: Is it easy to update this report when the updated PSC numbers come out for ship costs and that?

Mr. Christopher Penney: Yes, it should be straightforward.

Mr. Kelly McCauley: Wonderful.

Thanks, Chair.

Thanks, gentlemen.

The Chair: Thank you.

We'll now go to Mr. Housefather for six minutes.

Mr. Anthony Housefather (Mount Royal, Lib.): Thank you very much, Mr. Chair.

Thank you to the Parliamentary Budget Officer for being here.

Mr. Giroux, I want to ask a question related to the previous motion that Mr. McCauley put forward.

Mr. Kelly McCauley: Wait a minute, Mr. Housefather. We can't hear you.

The Chair: Bear with us for a second. There's no sound in the room.

Ms. Joanne Thompson (St. John's East, Lib.): I'm hearing him fine. Maybe we can use our headsets.

Mr. Kelly McCauley: We'll just go to headsets, then.

The Chair: Let's try that again.

Mr. Housefather, would you start again, please.

Mr. Anthony Housefather: Thank you so much, Chair.

Mr. Giroux, it's great to have you with us today.

I want to come back to the motion that Mr. McCauley just put forward. He talked about how, in 2017, Canada changed the way we calculate what is in defence spending. I guess the idea was that, because we did it that way, we were including new costs into de-

fence spending that previously weren't there, which might artificially increase the percentage of GDP that we're spending on defence.

Can you clarify whether that was a Canadian government decision or whether that was a NATO decision that allowed us to do that, and whether that is now being done throughout NATO?

Mr. Yves Giroux: The changes that were introduced in 2017 allowed governments, including the Canadian government, to include veterans benefits and pensions for consideration in reaching the 2% target of NATO. It was an application that Canada made to NATO seeking to include that, and it was accepted by NATO. Other countries are also doing the same. They include veterans benefits and pensions in the calculation of their defence spending for the purpose of the NATO definition.

Mr. Anthony Housefather: Again, basically this was a decision by NATO to allow this. When we're looking at the different numbers you've come up with to show us the percentage of GDP that different NATO allies are spending, we're comparing apples to apples, because all countries could do this if they want. Isn't that correct?

Mr. Yves Giroux: That is indeed my understanding. Yes.

Mr. Anthony Housefather: Perfect.

I want to go a different question.

As you know, with the purchase of 88 new jets, the national ship-building strategy and the new NORAD announcement yesterday, we're suddenly in the midst of managing a number of large, complex procurement projects that require significant capital investments all at once. This is significantly more than we've seen in the last couple of decades.

What are some of the complications you have noticed in your studies that arise from undertaking multiple large and complex procurements consecutively? Could you perhaps share some of the lessons you've learned from doing your reports on this?

Mr. Yves Giroux: That's an interesting question.

We did a report in March, I think, or maybe later than that, on capital spending under the "Strong, Secure, Engaged" defence policy. We looked at the planned spending, especially on the capital side, in 2017-18 compared to the most recent actual expenditures.

We find that the pace at which the Department of National Defence has spent was lower than initially planned, which has resulted in a re-profiling of these expenditures of about \$10 billion—if I am not mistaken—over the first four years of the defence policy. The Department of National Defence was behind schedule in these expenditures, which resulted in a re-profiling of these expenditures to later in the period.

That's probably as a result of challenges resulting from the procurement process and delays that the Department of National Defence encountered in procuring these major acquisition programs or launching these major acquisition programs. One can only speculate that, with additional or new equipment being purchased, as you referred to, the fighter jets and the surface combatants, notably, there could be further delays, but it's hard to predict at this time whether there will be additional delays in spending these amounts.

We have taken the Department of National Defence's spending profile going forward at face value. We did not adjust further what the Department of National Defence submitted to us for the purpose of this report.

• (1640)

[Translation]

Mr. Anthony Housefather: Understood.

I will now turn to military expenditures. How can we more easily increase the percentage of these expenditures?

According to NATO figures, Canada's military expenditures were 1.01% of GDP in 2014. In 2021, they were 1.36% of GDP.

According to your forecast, Canada's total military expenditures should reach \$51 billion in 2026-2027, rising to 1.59% of GDP. In order to reach 2% of GDP as quickly as possible, which expenditures would be the easiest to increase? Would it be materiel expenditures?

In your opinion, how could we reach 2% as quickly as possible and of course in a sound way?

Mr. Yves Giroux: National Defence and supply professionals would be better placed to answer your question better than I am. We have to consider both how quickly we can acquire materiel and recruit staff, as well as the effectiveness of measures and the operational needs of the armed forces, including those of Veterans Affairs and of the Canadian Coast Guard. All of these factors have to be considered in order to reach the target of 2% of GDP.

Mr. Anthony Housefather: So you do not have any advice at all for us.

Mr. Yves Giroux: Unfortunately, I am not in the best position to advise you on the exact nature of national defence expenditures.

[English]

Mr. Anthony Housefather: Thank you.

The Chair: Thank you, Mr. Housefather.

We will now go to Ms. Vignola for six minutes.

[Translation]

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

Mr. Giroux and Mr. Penny, thank you for being here once again.

On page 5 of your report, in the first paragraph of subsection 1.1, you say: "NATO itself identifies that its own measurements can materially diverge from those reported by national governments". You also state that NATO relies on public data published by Statistics Canada to determine Canada's level of involvement.

My next question is as follows. How does the Canadian government calculate its own defence expenditures in relation to the target to be reached as part of its role in NATO?

NATO uses Statistics Canada data. What data does the Canadian government use?

Mr. Christopher Penney: It uses Statistics Canada data.

Mrs. Julie Vignola: It uses the same data.

Mr. Christopher Penney: Yes.

Mrs. Julie Vignola: So the figures should ultimately be the same.

Mr. Christopher Penney: Yes.

Mrs. Julie Vignola: My next question might seem simplistic to you.

When a Canadian Coast Guard or Royal Canadian Navy ship is docked, are the the refit or repair costs for the ship also included when calculating defence expenditures?

Mr. Christopher Penney: Yes, absolutely.

Mrs. Julie Vignola: So it is not just construction costs. The costs for the entire lifespan of ships are considered.

Mr. Christopher Penney: Operating costs are included.

Mrs. Julie Vignola: Thank you.

You said before that the calculation method changed in 2017. I understand that veterans' pensions are the big change in the calculation. This morning, you published a note on survivors' pensions. Is that also included in your calculation, or has that been excluded from your calculation since 2017?

Mr. Yves Giroux: That is also included in the calculation of defence expenditures according to NATO's definition.

Mrs. Julie Vignola: Okay.

Even with these amounts, it is still not enough. It does not do much to increase the percentage...

Mr. Yves Giroux: No, because we are talking about 2% of GDP, which is between \$2,000 billion and \$2,500 billion. It is easy to increase it by several tens of billions of dollars. Our report indicates that we are about \$18 billion short of 2% of GDP this year. So even adding a few hundred million dollars in veterans' benefits, there is still a large shortfall in order to reach the 2% target.

• (1645)

Mrs. Julie Vignola: In the past, it has happened that National Defence was not able to spend the amounts allocated to it. In your opinion, why is the department unable to spend those amounts, knowing that in some cases members of the military do not receive their equipment in time for their training? This is not a political question.

Mr. Yves Giroux: That is hard to answer definitively without an in-depth audit. The Auditor General might be able to answer that question more specifically.

On the other hand, I can say that National Defence does its own expenditure profile, with cabinet approval of course. One might expect that the person doing the planning would have a very good idea of what will actually be spent. If there is a significant gap between actual and planned expenditures right from the first years of the plans, one wonders whether the planning was done with due diligence, especially if there was no extraordinary event that disrupted planning, such as the COVID-19 pandemic.

There might be room to improve the planning, but as I said officials with National Defence and the Auditor General could probably provide a more specific and detailed answer.

Mrs. Julie Vignola: Thank you.

We sometimes receive petitions by email calling on Canada to stop selling certain countries arms and armoured equipment, among other things. We see them in the newspapers as well. I understand that the government does not manufacture equipment itself, but are there companies, without naming them, that specialize in manufacturing arms and armoured equipment? Are the activities of those companies included under defence expenditures, or are they part of GDP?

Mr. Yves Giroux: The purchase of weapons by other countries and the sale of Canadian weapons to other countries are not included in Canadian defence expenditures. As you said, they contribute to the GDP and, if they are NATO countries, they help those countries reach the 2% of GDP target recommended by NATO. If the countries are not NATO members and they have other obligations, those transactions might be included in their defence expenditures. So they are not included in Canada's defence expenditures.

Mrs. Julie Vignola: The budget for Canada's national shipbuilding strategy has increased significantly. What effect will that ultimately have on achieving the 2% of GDP target?

Mr. Yves Giroux: If the budget increase for the national shipbuilding strategy involves National Defence or the Coast Guard and the overall spending envelope for defence increases commensurately, that will increase defence expenditures.

If on the other hand the budget increase for the national shipbuilding strategy reduces expenditures in other sectors, it will have no effect. It depends whether they are interrelated or whether it is strictly new funding.

[English]

The Chair: Thank you.

We'll now go to Mr. Johns for six minutes.

Mr. Gord Johns: It's an honour to be joining you today from the homelands of the Nuu-chah-nulth people on the unceded lands of the Hupacasath and Tseshaht today, on National Indigenous Peoples Day. I'd like to also give a huge shout-out to all first nations, Inuit and Métis people on this important day.

Mr. Giroux, on a per-capita basis, how much would Canada need to spend in 2022-23 to meet the NATO 2% target?

• (1650)

Mr. Yves Giroux: I haven't done the calculation precisely, but we have \$18 billion in additional spending that would be necessary. Considering the Canadian population, that would be close to \$500 per capita, if I'm not mistaken. Chris is not kicking me under the table, so I'm probably approximately right.

Mr. Gord Johns: If Canada were to invest the \$18.2 billion shortfall needed to meet the NATO target in 2022-23, would defence spending surpass federal health care spending?

Mr. Yves Giroux: I'd need to look at health care, notably the Canada health transfer. I'm not sure if it would be above that, but it would certainly be very close.

Mr. Gord Johns: It's my understanding that it would exceed the Canada health transfer.

We know that our health care system is in a state of deep crisis. Too many Canadians don't have a family doctor or are suffering because of delayed surgeries or experiencing hallway medicine in overburdened hospitals. Meanwhile, health care workers are burning out and some are leaving health care altogether.

This year, the provinces asked for an immediate increase to the Canada health transfer of \$28 billion. Unfortunately, this year's budget missed that opportunity to provide a lifeline to our health care system.

For 2022-23, what percentage of Canada's GDP is the federal government spending on health care? Is it at least 2%?

Mr. Yves Giroux: Again, I don't know the answer off the top of my head, but I could certainly get back to you with that number.

Mr. Gord Johns: Do you have a rough idea, like a ballpark number?

Mr. Yves Giroux: It's probably above 2%, given the CHT, but it's close to 2% and maybe slightly above. That's a ballpark number.

Mr. Gord Johns: Thank you.

The 2% NATO target is intended to demonstrate military readiness and political will. If the government were to make significant new defence expenditures, potentially at the expense of other priorities like health care, what metrics could track whether Canada is achieving the goal of military readiness?

Mr. Yves Giroux: That's a very difficult question. The NATO spending target is a spending target. It's not a target or a metric that assesses military readiness.

In questions that your colleagues asked prior to yours, they asked what a quick way would be to reach the 2% target that would still make sense. Mr. Housefather asked that question. A quick way that would not necessarily make sense would be to increase eligibility for veterans' pensions or significantly increase veterans' pensions. That would help with reaching 2% of GDP on defence, but it would not help in any way for military readiness.

I'm not the best person to assess what the best metric is for military readiness. For that question, you'll need somebody who's a specialist in military doctrine and military operations. Unfortunately, I cannot answer whether the 2% spending target by NATO is also something that would materially contribute to military readiness. It depends where the spending is directed.

Mr. Gord Johns: I'd have to argue that taking care of our veterans would create better readiness, given the labour market shortage we're in, by attracting people to the military. I appreciate your comments.

Have you conducted an analysis on what community benefits, such as job creation, might be expected in Canada were the government to significantly increase defence spending in the short to medium term to meet the 2% NATO target? Is it possible that many of the benefits of such spending would be seen beyond our borders?

Mr. Yves Giroux: We have not done such a study. To do that, we would need to make certain assumptions as to the mix of spending that would be domestic. These would include military personnel stationed in Canada versus the proportion of military personnel stationed abroad, and the purchase of equipment and the proportion that would be produced and manufactured domestically versus the proportion that would be sourced from foreign countries.

We have not done that study. It would require a series of assumptions that would be questionable in some instances.

Mr. Gord Johns: The climate crisis is anticipated to be growing as a source of geopolitical conflict. What percentage of Canada's GDP is the federal government spending on mitigation and adaptation efforts, both here at home and abroad?

• (1655)

Mr. Yves Giroux: I don't have that number off the top of my head, but it's probably a very small fraction of the amounts that we are talking about today.

Mr. Gord Johns: Thanks so much.

Mr. Chair, how much time do I have?

The Chair: You have four seconds.

Mr. Gord Johns: Thank you Mr. Giroux.

The Chair: Thank you, Mr. Johns.

That ends our first round. Now we'll go to our second round.

We will start with Mr. Lobb for five minutes.

Mr. Ben Lobb (Huron—Bruce, CPC): Good afternoon, everybody. Good afternoon, Mr. Chair.

Thank you to Mr. Giroux again for coming to committee.

My first question is for him.

Mr. McCauley touched on the inflation piece. For 2022, 2023 and 2024, what inflation rates did you use in your calculations?

Mr. Christopher Penney: These inflation rates were from the "Economic and Fiscal Outlook—March 2022". As for the exact figures, I don't have those in front of me.

Mr. Ben Lobb: Thank you.

On table 3-3, the expenditure for 2022-23 is \$36.3 billion. In 2017, we know that NATO agreed to change the calculation and you note that \$7 billion in the increase was just due to that. Is that correct?

Mr. Christopher Penney: It is, more or less. Without having the data that this committee just passed a motion for us to retrieve, it's hard to break down exactly what makes up that difference.

I should also point out that the change that occurred in 2017 was something that was done at National Defence. It was allowed for a long period of time under NATO guidelines. It's just that the government, I suppose, finally acted on that. At least, this is what we suspect, and we will certainly find out more once we receive the data.

Mr. Ben Lobb: Obviously, the Veterans Affairs numbers are public numbers, with the pensions and everything else.

Would the wages at Veterans Affairs be calculated in the GDP number?

Mr. Yves Giroux: Yes, they are.

Mr. Ben Lobb: Would wages amongst non-military staff at DND also be calculated in this number?

Mr. Yves Giroux: Yes. Operating expenditures at the Department of Veterans Affairs are also included for the purpose of the NATO definition.

Mr. Ben Lobb: Would the money and weapons contributed to the Ukrainian effort this year be included in our commitment for the NATO spending?

Mr. Yves Giroux: Yes, these numbers were also included in the NATO definition.

Mr. Ben Lobb: I think also the federal government did some matching dollars to the Red Cross. Would that be included in our NATO spending as well?

Mr. Christopher Penney: It's difficult to say. There are elements of transfers from our government to other organizations that are counted, but we don't have a breakdown of that.

Mr. Ben Lobb: For, say, the United Kingdom and also Poland, which would be two of the more significant countries that actually meet their targets, was any analysis done to see how they were able to achieve their 2% number?

Mr. Yves Giroux: We looked at the gap between what Canada spends and how much it would need to spend to get to 2%. We did not look at how other countries that have already met or surpassed that target reached it.

Mr. Ben Lobb: The other one is the analysis of delays. Obviously the F-35 is 2025, potentially. We've had some witnesses appear before committee on NORAD and some of the stuff they're looking to spend money on is not even.... I guess you could say it's in development, but you certainly couldn't buy it today.

What are the risks? As we move out in a number of years, the percentage of actual equipment is going to decrease and the amount of labour spending is going to be a larger percentage as we continue to move forward.

• (1700)

Mr. Yves Giroux: When there are delays in procurement, there are two big risks. The first risk is that there are amounts that are unspent and that get carried forward and forward. Eventually, that may lead to a big amount that remains to be spent after a certain period of time.

The other risk when there are delays is that costs increase. These pieces of equipment, these warships or fighter jets, become more expensive because of inflation. As some of your colleagues have mentioned, there is, at times, inflation in certain sectors, notably military procurement, that can be higher than general inflation, so the risk of that is cost increases.

The Chair: Thank you, Mr. Lobb.

We'll now go to Mr. Bains for five minutes.

Mr. Parm Bains (Steveston—Richmond East, Lib.): Thank you, Mr. Chair.

Thank you to our witnesses for coming.

I would also like to thank my colleague for the very important land acknowledgement. I'd also like to recognize that my questions are coming from the traditional territories of the Musqueam and the Coast Salish peoples.

National Defence reports that it introduced a new funding model, the capital investment fund, in 2017 that allows for flexibility to adapt the annual capital funding levels to align with the actual funding requirements of the projects. Can you describe how this new model works?

Mr. Christopher Penney: It's a very good question. I would think it's best directed to the ministry in question. I have not worked directly with the CIF, the capital investment fund.

Thank you.

Mr. Parm Bains: Would the same question be directed to the ministry? How does it help the government pay for complex multi-year projects?

Mr. Yves Giroux: Yes, I think that officials at the Department of National Defence would be in a better position to explain the complex workings of an envelope.

As a complement to that, I worked as a public servant in the Department of Finance and in the Privy Council Office, and it was al-

ways challenging to figure out how much was left in the capital envelope at the Department of National Defence because of the multiple projects that are funded by these envelopes and the regular or frequent re-profiles that complex procurement projects encounter.

For these reasons, I think the Department of National Defence would be in a better position to answer your question as to how exactly it works.

Mr. Parm Bains: Can one of you maybe explain how funding could lapse as opposed to funding being re-profiled to future years?

Mr. Yves Giroux: A lapse is usually an appropriation or an amount of funding that has been approved by Parliament that is not used and expires at the end of the year, whereas a re-profile is an amount of funding that has been approved and for which authority already exists or has been granted to not lose that but re-profile it, postponing its use to the subsequent year or years. That's what we call a re-profile, whereas a lapse is something that does not get used and is lost.

Mr. Parm Bains: Your report mentions that one of the shortcomings of NATO's GDP targets that assess member states' military capacity is that the ratio will vary based on factors unrelated to defence capacity, for example, inflation, exchange rates and economic conditions.

Is there a way that we can account for or otherwise see past these variables when we assess our NATO target spending in the future?

Mr. Yves Giroux: It's true that there are a number of factors, as you mentioned, that can affect the ratio and the overall perception of military readiness; however, having defence spending as a proportion of GDP is probably the easiest way to compare countries amongst themselves to get a sense of the order of magnitude of their effort related to defence spending. It is not a perfect metric, of course, because, as we have discussed, a country can spend a lot of money in specific areas without making that country's military more efficient or more effective at accomplishing its mission.

For that reason, I think NATO is keen on using defence spending as a share of GDP to compare countries amongst themselves when it comes to one aspect of military expenditures and effectiveness, but it's by no means the best or the only way to measure military expenditures.

• (1705)

Mr. Parm Bains: Thank you.

Those are all the questions I have.

The Chair: Thank you, Mr. Bains.

We will now go to Ms. Vignola for two and a half minutes.

[*Translation*]

Mrs. Julie Vignola: Thank you very much, Mr. Chair.

I have other questions for Mr. Giroux, but I would like to present a motion that was tabled within the required timeframe. I do not wish to take away from my colleagues' speaking time, so I propose that we discuss it in public, after the final round of questions, like we did last week or the week before. That way I will not prevent anyone from using their speaking time.

Is the committee agreeable to that?

[*English*]

The Chair: So that everyone is aware, I'll remind you that we have precedent, which we set out of respect for those who follow and may have questions. We allowed that to happen.

I'm looking around the room to see whether we have consensus on that. We had it last time, but I just want to be certain we do today. I see that heads are nodding yes.

Thank you very much. We'll move that to the very end.

With that said, Ms. Vignola, you have a minute left, but I would suggest you defer it to when we bring up your motion at the end.

Ms. Julie Vignola: I agree.

The Chair: Thank you.

We'll now go to Mr. Johns for two and a half minutes.

Mr. Gord Johns: Mr. Giroux, if Canada were to invest the \$18.2-billion shortfall needed to meet the NATO targets in 2022-23, how would that impact inflationary pressures? Could significant new defence spending exacerbate existing supply and demand and labour market challenges?

Mr. Yves Giroux: To answer that question, one would need to determine how the spending is allocated—what these amounts would be spent on. For example, if it was to increase the number of Canadian Forces members or even civilian personnel, that would create wage pressures. There would not be tremendous wage pressures, but it would contribute to labour shortages. However, if it was to acquire goods or military equipment produced abroad, it would add very little inflationary pressure.

The magnitude of the inflationary pressures created would depend on the type of spending made with this \$18 billion. If it's all on personnel, it will exacerbate or put additional pressure on inflation. It would be the same if it went to purchasing domestically produced goods.

Mr. Gord Johns: Mr. Bains talked about lapsed spending. Back in 2018, Parliament unanimously supported my motion to end all lapsed spending for Veterans Affairs.

Perhaps you can speak about the estimates in terms of the likelihood that some defence spending allocated to the current fiscal year will be lapsed. We know it's been typical, since 2015, for some portion of defence spending to be budgeted but not spent. Is lapsed funding more common for defence versus other areas of federal spending?

I know it's not just the Liberals. The Conservatives left a billion dollars unspent for Veterans Affairs during their term.

Mr. Yves Giroux: Thank you for the question.

It's not atypical. In fact, it's quite common for departments to lapse money for a variety of reasons: unforeseen events, spending that arrives relatively late in the year, decisions made in less than a timely manner and other factors. There's also an inherent built-in factor that almost forces departments to have a lapse. Departments cannot go above their budgets, so managers tend to be prudent and want to avoid going over their spending authorities.

With respect to defence, I don't think this year will be any different from previous years. We anticipate a lapse of similar magnitude to previous years in this year's Department of National Defence spending.

• (1710)

The Chair: Thank you, Mr. Johns.

We'll now go to Mr. Perkins for five minutes.

Mr. Rick Perkins (South Shore—St. Margarets, CPC): Thank you, Mr. Chair.

At the time of the announcement about surface combatant vessels, Dexter's NDP government gave Irving Shipbuilding an interest-free loan of more than \$300 million, of which, I believe, about \$260 million was nonrepayable.

Is that included in this calculation?

Mr. Christopher Penney: In principle, if it accounts for defence spending, it would be included in here. If it's a loan, I don't think that would be included.

Mr. Rick Perkins: The forgivable portion probably would be, though.

Mr. Christopher Penney: It would be included, yes.

Mr. Rick Perkins: Mr. Chair, as a follow-up, Irving Shipbuilding recently announced that they would require another \$300 million to upgrade the facility at the Irving shipyard in Halifax for that program. Is that included in this estimate?

Mr. Yves Giroux: It's included to the extent that the government uses existing funding—funding that has already been set aside in the fiscal framework. If, however, the government were to use additional funding, new spending, then it would not be included. It would be on top of the amounts that we talked about in our report.

Mr. Rick Perkins: Thank you.

To change the subject, about the polar icebreaker project, on which the Parliamentary Budget Officer did a report in December, is that included in this estimate?

Mr. Yves Giroux: Yes, it is because it's part of the Coast Guard's capital spending projects.

Mr. Rick Perkins: In reading through this report, the original \$1.3 billion for the vessels has now exceeded a total project cost of \$7.25 billion, if the project starts cutting steel next year. Is that correct?

Mr. Christopher Penney: Yes, that's correct.

With respect to our projections, the major parts of that cost estimate come in mostly at the end of this five-year window, so it doesn't have a huge effect.

Mr. Rick Perkins: Okay.

Could you share with us the reasons for why that escalation happened?

Mr. Christopher Penney: We actually didn't have.... We requested information from Fisheries and Oceans. They didn't provide us with a breakdown of what was in that \$1.3 billion estimate at the start. Our exercise was to come up with an independent cost estimate with the project for where it was now, rather than to see how it went from \$1.3 billion to \$7.25 billion.

Mr. Rick Perkins: Thank you.

I think you said that if the project is delayed by a year, it will cost another \$235 million, and two years, \$472 million.

In terms of being prudent and the fact that we will probably be about 10 years into this before we do it, with regard to the likelihood of actually getting to that point, have you built that part into your estimate?

Mr. Yves Giroux: We have not, because there are a few ways that the government could deal with that. They could keep it a fixed envelope and reduce expenditures on other items to keep the overall expenses whole, or they could decide to replenish the capital envelope for these projects, for defence projects or for the Coast Guard. We have assumed that it's all within the existing envelope.

As Chris mentioned, it's beyond the five-year horizon for this report, so it would probably not have been captured had we done it in a different way in this report.

Mr. Rick Perkins: In any of your studies, have you had the opportunity to look at alternative procurement processes that might be more efficient, in comparison to what we've done in terms of buying these vessels the way we have?

Mr. Yves Giroux: In our reports, notably on the surface combatants, we looked at alternative designs, not necessarily different ways of procuring the ships, but different designs that were not identical but were comparable and were deemed comparable by other navies across the world.

We found that there are other designs that would be cheaper, with smaller ships or ships of slightly different designs, and there are alternatives to the Canadian surface combatant, which we mentioned in our report on that project. Off the top of my head, I don't remember all the details.

• (1715)

Mr. Rick Perkins: In terms of looking at this, I thought your report said that a duplication of the two shipyards was one of the major cost factors.

That obviously was a political decision and not necessarily a procurement decision. Is that correct?

Mr. Yves Giroux: I won't comment on what prompted the decision, but it is true that having more than one shipyard build the same type of ship increases cost. There are economies of scale and knowledge gains that cannot be accrued if two shipyards build the ships at the same time. However, there are other benefits. Obviously, faster—

Mr. Rick Perkins: Commissioner Pelletier of the Coast Guard confirmed that you were right.

The Chair: Thank you, Mr. Perkins.

We will now go to Mr. Kusmierczyk for five minutes.

Mr. Irek Kusmierczyk (Windsor—Tecumseh, Lib.): Thank you, Mr. Chair.

Thank you very much, Mr. Giroux, for your testimony today, for providing such excellent responses and for shedding a lot of light on our defence expenditures the last number of years.

Our discussion has delved into the nitty-gritty right from the get-go in our conversations today, but I wanted to pull the microscope lens back a bit and get a bit of context. In the last 30 years, has spending ever been higher on defence in Canada?

Mr. Christopher Penney: I can certainly speak to that.

It's higher than it has been at any point since 2000. There were some decreases in defence spending during the nineties, with the end of the Cold War, so it's safe to say that in the last 30 years, we're at a higher level, let's say, than at any point previous.

Mr. Irek Kusmierczyk: Looking at, for example, the last five years of spending and then projecting out, have we ever had growth in military spending at this rate?

Mr. Christopher Penney: I don't recall offhand if there's been this rapid an increase. However, again, our numbers are predicated on National Defence being able to spend according to their capital investment plan under "Strong, Secure, Engaged".

Mr. Irek Kusmierczyk: There are a lot of assumptions based in those calculations, I'm sure. Again, to reiterate, we've never seen this high a rate of growth in spending increases in the last 30 years. Would you call it ambitious?

Mr. Yves Giroux: I don't know about the rate of growth itself, but for the level in nominal terms, no, we haven't seen that.

Is it ambitious? I would say it's probably ambitious, given the last couple of years of "Strong, Secure, Engaged", where the department was not able to spend according to its plan. To see a further increase in capital spending over the next couple of years is certainly ambitious, but we'll see if it proves to be too ambitious.

Mr. Irek Kusmierczyk: Perfect.

According to NATO's March 31, 2022, defence expenditure report, 48% of Canada's budgeted NATO contribution is for personnel, 18% is for equipment, 3% is for infrastructure and 30% is for other spending.

What areas of spending could Canada, in your opinion, most readily increase in view of reaching the NATO target? Where do you think we have the most opportunity for growth? Is it in personnel, equipment or infrastructure? I'm curious.

Mr. Yves Giroux: Personnel is difficult to increase quickly if the way to achieve that is more Canadian Forces personnel. An easy way to increase spending on personnel is to increase the salaries and wages paid to CF personnel, which I'm sure they wouldn't say no to. It would increase the spending, but it wouldn't necessarily increase the capacities of the Canadian Forces.

With equipment, there are constraints related to supply. When it comes to operations, they're constrained by the equipment and the personnel.

One easy way would be to significantly increase veterans' benefits but, again, that would be an increase in spending. I'm not sure it would necessarily be related to a commensurate increase in military capabilities or readiness.

● (1720)

Mr. Irek Kusmierczyk: I understand that.

The minister made a \$4.9-billion announcement on NORAD spending. Do we have a sense at this point of how that might impact the balance of how much we spend for personnel, equipment and infrastructure?

Do we have a sense from the announcement of how that might change the balance?

Mr. Christopher Penney: We won't, until we have a breakdown of how the figures are spread out among those categories for the \$4.9 billion.

Mr. Irek Kusmierczyk: The details simply are not there yet for that spending.

According to an April 2022 NATO Association of Canada paper comparing the value of countries' defence procurement in U.S. dollars, it's not an accurate assessment of capabilities, because it does not account for purchasing power.

Can you tell us how we should think about how purchasing power impacts military preparedness? How are different countries investing in it?

Mr. Yves Giroux: The purchasing power is the concept that refers to the fact that costs are different in different countries. For example, if we compare Canada, which is a well-developed country, to other countries like India and China where military personnel pay is lower than in Canada, the purchasing power of a U.S. dollar spent in both countries does not buy you the same military capacity. That's probably what is referred to in the study you quoted.

There are also the effectiveness of the spending itself, how well integrated the different branches of the military are and the mix of spending between pensions and benefits, personnel, equipment and infrastructure.

The Chair: Thank you, Mr. Kusmierczyk. Thank you, Mr. Giroux.

With that, we are short on time here.

Ms. Vignola has a motion that she has already presented, so before we get to that, I am going to thank Mr. Giroux and Mr. Penney for their attendance once again and for coming to us. We appreciate your being here. I wish you a safe and prosperous summer.

With that, Ms. Vignola, your motion was basically presented last Friday and was given notice. If you would like to read it, then we can move from there.

[*Translation*]

Mrs. Julie Vignola: Thank you, Mr. Chair.

Thank you, Mr. Giroux and Mr. Penney.

The motion is as follows:

That, pursuant to Standing Order 108(2), the committee undertakes a study of the expenditure of nearly \$100,000 in public funds for the Governor General of Canada for catering services during an eight day tour of the Middle East in March 2022; and that the committee invites the Governor General to appear before the committee for a period of two (2) hours on or before June 23, 2022; that if the Governor General is unable to appear before the committee herself, she appoint a member of her office who shall have the necessary authority to answer the questions of the members of the committee.

I know we cannot summon the Governor General as a witness. It violates protocol, and I understand that very well. That is why the motion refers to an invitation and the possibility that a member of her office appear to explain this expenditure of public funds if the Governor General does not wish to or cannot appear before the committee.

As I recall, we are talking about two lunches and three breakfasts that cost about \$80,000. That does not include alcohol, other meals or hotel bills. That is a large amount of money. I know very well we are talking about the Governor General. While people all across Quebec and Canada have to tighten their belts and spend \$150 or \$200 for two small bags of groceries that are barely enough to feed a family, I find this excessive. We are talking about taxpayers' money. So it would be appropriate to know the reason for these expenditures.

● (1725)

[*English*]

The Chair: Thank you, Ms. Vignola.

I saw some hands up. I did see Mr. McCauley, Mr. Johns and then Mr. Housefather.

Mr. McCauley.

Mr. Kelly McCauley: Thanks, Ms. Vignola, for this.

I mostly agree with this. I'm just wondering if perhaps I could offer an amendment that we change the date to September 23, because we won't get a meeting in this week, obviously.

I would also delete from the last line, “that if the Governor General is unable to appear before the committee herself, she appoint a member of her office who shall have the necessary authority”. Recognizing that we cannot call the GG, just change it to “ask her office to appear to discuss the expenses”.

The Chair: We have an amendment at this point in time. We're discussing the amendment.

Mr. Anthony Housefather: I have a point of order, Mr. Chair.

The Chair: Mr. Housefather.

Mr. Anthony Housefather: Mr. Chair, I'm so sorry. I didn't realize that you had necessarily accepted the motion.

I would like to raise a procedural issue for you to rule on. I'll leave it to your discretion, but I don't think I can do it unless I do it at the earliest opportunity. Certainly, if you agree to an amendment, I can't do that, so I was wondering if you would allow me to do that now.

The Chair: Just wait a minute.

Mr. Housefather, I will allow you to speak to your issue.

Mr. Anthony Housefather: Thank you so much, Mr. Chair.

Mr. Chair, I wanted to raise the fact that this same motion was brought up at the public accounts committee, and the committee ruled it out of order. In my view, it would be out of order here as well.

It's been made clear from all the different media reports and the response from the Department of National Defence that the Department of National Defence was the one responsible for the catering on the Governor General's plane, that she and her office had nothing whatsoever to do with it and that the decision on catering services was made by the Royal Canadian Air Force.

The national defence committee has the mandate to study all matters pertaining to the Royal Canadian Air Force, which we do not. I think we all agree that this is an excessive catering bill, which I believe was \$80,000 as opposed to \$100,000, but the appropriate people to ask about this would be the representatives of the Department of National Defence, not the Governor General. As such, Mr. Chair, I would humbly request that you consider that this motion is not appropriate before our committee, that it's appropriate before the defence committee and that it should be ruled out of order.

The Chair: Thank you, Mr. Housefather.

In response to you, when we first received the motion, there were some concerns about it when it was read. It is understood, as Ms. Vignola has pointed out, that we can't compel the Governor General to come to committee.

With that said, the Office of the Governor General does fall under the parameters of the committee on government operations and estimates. In fact, we voted on the estimates, and we continue to vote on the estimates on the Office of the Governor General.

Historically, it has happened where the Governor General or the Governor General's office has appeared, granted, in years gone by, but it has appeared before OGGO in the past. After seeing that, I do rule that this motion is in order.

• (1730)

Mr. Anthony Housefather: Mr. Chair, may I challenge your ruling, please?

The Chair: Yes.

A challenge is a non-debatable motion.

(Ruling of the chair sustained [*See Minutes of Proceedings*])

The Chair: At this point in time, we will entertain discussion of the amendment by Mr. McCauley.

I see Mr. Johns' hand is up. Then we'll have Ms. Vignola.

Mr. Gord Johns: Thank you, Mr. Chair.

Thank you, Ms. Vignola, for putting this motion forward. It's an excellent motion to get some accountability. It's a reckless amount of money that's been spent on this trip and it needs some accountability. We need better transparency. I share Mr. Housefather's rationale that all the media is saying this falls under DND. However, if the chair is consulted prior...that's why I supported the decision on the vote.

Mr. McCauley put forward an amendment for September 23, which I think is reasonable. That gives us time to come back in the fall and to have a witness, but I do think we should amend it so it doesn't read that it's the Governor General. It should be someone from DND who should be testifying at OGGO. I don't believe we have the power to summon the Governor General to the committee.

We should be requesting that someone from DND who is responsible for travel for the Governor General testify before the committee to explain themselves. That would be the change I think we should make.

I'd love to hear more from my colleagues.

The Chair: Thank you, Mr. Johns.

Just to be clear, in the amendment that was put forward it's the Office of the Governor General and not the Governor General. Just to be clear, that was what the amendment stated.

Ms. Vignola.

[*Translation*]

Mrs. Julie Vignola: Thank you very much.

I agree with Mr. McCauley's proposals because they simplify the motion.

I get the sense that Mr. Johns would also like us to invite someone from National Defence. Would he like to propose a subamendment?

When my colleagues have the chance, I would like them to consult our committee website, where states its mandate. It clearly states: “The Committee is mandated to examine and conduct studies related to the following organizations”, and the Office of the Governor General's Secretary is on that list. So we can ask questions about this. It is part of our mandate.

It is a lot of money, we can all agree on that. If you feel we need a subamendment to speak with National Defence officials, I see no problem with that.

Nonetheless, someone agreed to breakfasts and lunches that cost \$350 per person. That is a huge amount. I cannot afford that. I do not know if anyone here can afford that. We are not even talking about alcohol. Someone decided this would be a good idea and decided to go ahead with it because it would be fun.

We have to wonder. I understand the Governor General's role and I know she represents the Queen. Will we accept this for a long time? Will we allow our money to be spent that way?

If you would like to welcome someone from National Defence in connection with the decision by the Office of the Governor General's Secretary, I do not see a problem with that. I completely agree with what Mr. McCauley proposed. I always work towards consensus and will continue to do so.

It is unbelievable, \$80,000, and that does not even include the other expenses. I do not know if I am the only one, but to my mind that is simply too much.

• (1735)

[*English*]

The Chair: Thank you, Ms. Vignola.

Mr. Housefather.

[*Translation*]

Mr. Anthony Housefather: Thank you, Mr. Chair.

To answer Ms. Vignola's question, I would say we all find it excessive. That is not the issue. The question is who is responsible and which office made that decision. In my opinion, it is National Defence and not the Office of the Governor General's Secretary that is not responsible. So it should be up to the Standing Committee on National Defence to look into that.

The Governor General was on the flight, but it was not her or her office who committed or approved these expenditures. If our committee determines that it is within our mandate, even if the Office of the Governor General's Secretary did not make the decision on these expenditures, then I think we should modify the amendment.

[*English*]

Mr. Chair, just to briefly repeat what I was saying, I think we all find this excessive. I think we all find it absurd that meals at these amounts were charged and think that somebody should certainly look into it.

The reason I raised that was that the Governor General's office has made it clear they had nothing to do with it, that it was the Department of Defence and the Royal Canadian Air Force. To me it would have been the defence committee that would have been the

most appropriate to study it, but if we want to study it the people we should be calling are not at the Governor General's office. They're at the defence department.

I would like to subamend Mr. McCauley's amendment to change the words, “the Office of the Governor General” to “a representative of the Department of National Defence”.

Mr. Gord Johns: Yes.

The Chair: I'm sorry. Mr. Johns has moved a subamendment to add the—

Mr. Anthony Housefather: It's not to add, Mr. Chair. Out of respect, Mr. Johns didn't actually propose a subamendment. He said he wanted to hear from his colleagues. I've proposed a subamendment, which is to strike the words “the Office of the Governor General” from Mr. McCauley's amendment and to replace it with “a representative of the Department of National Defence.”

The Chair: Okay, so right now we're discussing the subamendment as proposed by Mr. Housefather.

I have hands all over the place and I'm going to go with Mr. Johns first, then Mr. Lobb and then Mr. Perkins.

Mr. Gord Johns: This makes sense to me because what we're hearing and learning is that it is National Defence that's in charge, so they're the ones who need to be before our committee and be accountable. Again, I guess it's six of one and half a dozen of the other as to whether it's at defence or whether it's here, but having National Defence come and appear before us, we're going to be able to ask questions and probably make some recommendations from that. I don't believe that the Governor General's staff have anything to do with it.

That's what the media's saying and that's what we're hearing from all the research we've done as well.

Let's get the right people here. I don't want to play politics. I just want to get the answers and I want to do it right. I don't want to be disrespectful. Let's get DND here. That's why I support this amendment. I think it's the right way to go, and we're absolutely all appalled by what took place overall.

The Chair: Thank you, Mr. Johns.

To be clear, we're talking about a subamendment to change “the Office of the Governor General” to “the Department of National Defence.”

With that, I will go to Mr. Lobb, then Mr. Perkins and then Ms. Vignola.

• (1740)

Mr. Ben Lobb: Thanks very much, Mr. Chair. I think we should just get on with this and make a decision. It was for the Governor General. It wasn't for a general or anybody else. This isn't the Governor General's office's first rodeo. They certainly have many years of experience with these things. To just say, “Let's just go ahead and whatever it is you'll just surprise us. We didn't have any idea,” I think that's a bad defence.

If you want to include both offices, I would be open to that. You could have the military and the Governor General's office if you want as well, but if the same thing had happened to the Prime Minister.... It doesn't matter which political party, if you say, "I don't know. It's not my fault. These guys did it," no, it was for you and it was your responsibility. I think we all carry those same responsibilities.

I leave it at that. Again, this isn't until September so things might change. Maybe it gets resolved anyhow, so I just say let's move on here.

The Chair: Thank you, Mr. Lobb.

Mr. Perkins.

Mr. Rick Perkins: Thank you, Mr. Chair.

I think both offices are involved. I have in a past life worked for a minister and dealt with DND both on the Challenger jets—

The Chair: Excuse me for a second, Mr. Perkins, because we have the French translation on the English channel. We just need to correct that.

Would you like to start again, Mr. Perkins?

Mr. Rick Perkins: Thank you, Mr. Chair.

I actually think it's not either-or. I think it's both. Mr. Housefather's motion is to focus on DND rather than the Governor General. I know in a past life when I worked for a minister, I booked Challenger jets and I booked the larger jet as well. The office of the minister is involved in the discussion about what food is provided and of course in this case there was also, I believe, alcohol involved. DND does not handle alcohol, so the Governor General's office would have been involved in those decisions about the alcohol that was served.

I think DND manages the plane. They provide the pilots. They do all the logistics. They serve the food, but the choices usually of what happens on the plane, what food and beverages are served on the plane, are made by the office that is booking.

I think there is probably a bit of responsibility on both sides, DND and the Office of the Governor General. I would fear that, with the amendment on this, we'd be only getting a small part of the story and missing the ultimate accountability, which is the Office of the Governor General, which would have approved whatever was proposed for that plane.

The Chair: Thank you, Mr. Perkins.

We'll now go to Ms. Vignola.

[*Translation*]

Mrs. Julie Vignola: I would agree to adding National Defence so we can get to the bottom of the issue. I cannot believe, however, that National Defence decides what the Governor General will eat and that she has no say about her own menu. She is the Queen's representative. I find it hard to believe that the Queen would never have any say about what is on her plate.

I think it is a shared responsibility. For that reason, I am open to the idea of meeting the officials involved, from both organizations. If one of them is not involved, that would shed light on the situation

and the problem. Two organizations are involved in an event, but they do not communicate. Owing to this lack of communication, expenditures are made which, as someone who has had to use food banks in the past, I find more than excessive. If the organizations do not speak to each other, the study would at least show that and in particular highlight the importance of communication. We have to stop working in silos. It is important.

We are talking about taxpayers' money, public funds. As I said, I have had to use food banks in the past. I am holding back from saying certain words because I would like to use some typically swear-words from Quebec. It is insulting, to say the least.

I agree to adding National Defence, but we also have to talk to people from the Office of the Governor General's Secretary to get a clear and complete understanding of the decision-making process that led to these expenditures.

● (1745)

[*English*]

The Chair: Thank you, Ms. Vignola.

I see Mr. Housefather.

Mr. Anthony Housefather: Yes, Mr. Chair, I wish to respond to Mr. Perkins.

When he brought up the subject of alcohol, it's very clear from the Order Paper, in answer to Mr. Barrett, that "Catering costs include the cost of food, non-alcoholic beverages, and associated fees, including catering handling and delivery, storage, cleaning and disposal of international waste, airport taxes, administrative fees, security charges, and local taxes. There is no alcohol that was included in those costs.

The second thing is that I want to draw the committee's attention again to the statement from Rideau Hall where it says, "The Governor General shares the public's concern in regards to expenses" points out the fact that it's DND that is responsible and not her office.

Again, I fail to see the benefit of calling the Governor General or her office when it's clear that there's another group responsible. Indeed, again, if this committee hears from DND and the RCAF, and they say to us, "No, the Governor General was involved" or "The Governor General's office had a hand in deciding on the meals and knew the costs," or whatever else, the committee can then call the Governor General's office.

At this point, I don't think we have a basis to do that, because they've said they had nothing to do with it. I just don't think it's fair to call on people who have said they had nothing to do with the decision when we can call on the people who did.

Those are my points, Mr. Chair.

The Chair: Thank you, Mr. Housefather.

Go ahead, Mr. Doherty.

Mr. Todd Doherty (Cariboo—Prince George, CPC): I appreciate the opportunity to weigh in on this. Like many others, I was dismayed when we read the reports on the costs associated with those flights.

I take what my friend, Mr. Housefather, is saying, but I also know that, as members of Parliament, we are put into a place to hold those in higher offices to account and to find out those questions that our electors have. Canadians want to know.

Canadians have been going through some very troubling and difficult times in the last couple of years. To see two bills such as what was reported in the media reflects poorly on all of us—Liberals, Conservatives, Bloc, Green—who are elected officials. It also diminishes the trust that Canadians have in us, as elected officials, that we can manage taxpayers' money.

Once again, I'll remind those around this table that it is not our money; it is taxpayers' money.

My understanding is that the subamendment being proposed is to leave off the Governor General. The Governor General's is among the highest offices in this land, but it is not above scrutiny as well. We should have the Governor General come to answer this. If it is indeed her testimony that she had nothing to do with it, so be it. However, she should appear before this committee to have those words, so that the committee, using its authority as a parliamentary committee, can question and look into these matters, which are the matters that matter most to Canadians.

I believe it is fully appropriate to have the Governor General appear before this committee, as well as the RCAF and DND.

Mr. Chair, I'll leave it at that. I think it's important to do this. I've already stated that I think a number of things diminish the trust of Canadians. What we do as parliamentarians and as leaders of this country... The 338 members of Parliament are elected to be the voices and to be the eyes and ears of Canadians. I think it's imperative that this committee does the just job that they have been selected to do.

● (1750)

The Chair: Thank you, Mr. Doherty.

I am looking around the room to see if there is any further discussion. I am not seeing any at this point in time.

Mr. Perkins.

Mr. Rick Perkins: I appreciate what all the members have said on both sides. I'm wondering if there's an ability in this discussion to find a compromise between the proposed subamendment and what the mover of the main amendment is putting.

The mere fact is that we have perhaps a bit of... I won't call it confusion, but uncertainty as to where the actual lines are drawn and how this happens. If DND is responsible for everything, then it would be advantageous to hear from the Office of the Governor General, so we understand their process in the booking of the flights and how all of that works in the relationship between the two entities.

Having some transparency and clarity for the sake of taxpayers in this whole process and how it works obviously is about the Governor General, but I'm sure it reflects on how all of the executive fleet is used when booked by government officials. It's having some understanding of the relationship between those who book, the

choices that are offered to them, how they get made and who is responsible for actually executing it.

For example, is the food a series of menu options with prices that the office that is booking is considering? Is it, as seems to be the implication, that people in the Department of National Defence just choose for those who are the clients essentially—whether it's the Prime Minister or the Governor General or others—and they just accept whatever is given at whatever price?

I would think those on the other end who are booking the facilities would want to understand the cost structure of the flight they're embarking on, each person who comes onto the plane with them and what the cost per person is going forward, in order to understand what amount of taxpayer dollars are being spent in the effort to do whatever it is that they are venturing to do on this travel, whether it's within Canada or abroad.

Perhaps if they don't know that, it's an area for the committee to look at in terms of transparency, because obviously something would need to be changed as a recommendation of this committee in taking a look at it. The decisions about how many people travel and how many people come on the aircraft might actually change with regard to the thoughts of those booking, if they understood the value or the cost of each individual. I would hope, anyway, that the individual would be looking at that and saying that, in this case, it's going to be \$80,000 if they add up all the bits and pieces.

Perhaps we should be aware of that and be more conscious of that and ask DND if there are less exorbitant ways to achieve the same thing in terms of the choices being made. I find it difficult to believe. Again, things may have changed since I was a ministerial assistant, way back when I had a lot more hair. We were aware of those choices and we were part of that decision-making process.

It's critical for all of our accountability, as Mr. Doherty outlined, to make sure—I assume that's the primary purpose of this committee—that we're getting value for taxpayer money. It's critical that all those who are benefiting from the support of the taxpayer in the jobs that we do going forward are very conscious every time that we are just people holding an office, that others will come after us to hold those same offices, that we have the highest regard for the choices we make, and that we're not here to live an exorbitant life off of the taxpayer, particularly when we travel. That part of it, in understanding the relationship, would be extremely helpful.

● (1755)

I would ask whether the mover of the subamendment would consider a friendly amendment, perhaps, which would see both of those areas, the Office of the Governor General... Obviously it's not the Governor General herself, because we can't call the representative of the sovereign before Parliament in that way. Kings have lost their heads over that. It's the office obviously, the people making these decisions.

I have no doubt the Governor General herself was totally unaware of this. Have both of those organizations put before us to get clarity. I'm perfectly willing to hear the answer, of course, that the Governor General and her office, for the record, had absolutely no role. I think it would be interesting to have an understanding of that relationship.

Thank you very much for this consideration. I'm just wondering whether the member, Mr. Housefather, would consider putting that as a friendly amendment—to combine it with the Office of the Governor General. I'll just leave it there and pose that question. Whether or not the member wants to address it, it's obviously up to him.

The Chair: Thank you, Mr. Perkins.

I see that Mr. Doherty's hand is up.

Mr. Todd Doherty: Briefly, Mr. Chair, I appreciate the interventions by Mr. Perkins and Mr. Housefather.

I will remind our colleagues that we all travel to get to Ottawa. Back in 2019, my good friend Mr. Johns, who is on this committee.... He and I have some of the highest travel costs among parliamentarians. Back in 2019, it was.... We're always under scrutiny about our travel claims and the travel we have. It is for us to answer to.

As the Governor General is the commander-in-chief of our Canadian Armed Forces, she is among the highest for that. She is in charge of this, and she needs to answer to it. I know all my colleagues travel extensively to get to Ottawa, but I would have to say that Mr. Johns and I—and maybe some others from the west—probably have among the highest travel costs, so we know the scrutiny we are put under on an annual basis for that travel. However, it is imperative that we answer for it. I think it's no different for the Governor General. She needs to be able to come to this committee and explain these bills.

Thanks.

The Chair: Thank you, Mr. Doherty.

Go ahead, Mr. Johns.

Mr. Gord Johns: I appreciate the comment by my colleague. I had the lowest travel among all B.C. MPs, and it was a lot of work to do that. I flew economy, and I was really frugal in looking for the cheapest flights possible to save taxpayer money. We are accountable.

I do believe, though, that we need to start somewhere at this committee. We don't have to go straight to the Governor General. Let's find out from DND and her staff, first, who makes the decisions. We can ask that. What oversight does the Governor General have for her travel, office and decision-making when it relates to DND making decisions like this? I believe that would be the right place to start.

Mr. Doherty, I know you're shaking your head, but I am actually not afraid to go there. I'm just saying that I think that starting at the beginning and having someone from her office attend and someone from DND.... I think you can appreciate this, too, Ms. Vignola. Getting some understanding of what the procedures and protocols are, and what kind of oversight exists, I think that would be something basic we could start with. I'm not saying we don't need to expand it, but let's start with ensuring we get the right information.

I still believe DND could have provided all of that. That would have been the right place to go, since they're the ones with authority for all of the catering and planning around those flights. They're under oath. They're not going to lie to us. We can get DND to com-

mittee and they're going to explain the process and how the process works. We can then continue to invite witnesses. Nothing precludes us, on this committee, demanding we go further into an investigation into something like this.

• (1800)

The Chair: Thank you, Mr. Johns.

Mr. Housefather.

Mr. Anthony Housefather: Mr. Chair, I'm listening to my colleagues, and while I honestly find that it should be DND that answers for their own decisions, if the will from other people on the committee is to invite somebody from DND, particularly the Royal Canadian Air Force, to come to committee, together with a representative of the Governor General's office—not her but a representative of her office—I'm fine with varying my amendment. Instead of striking “the Office of the Governor General”, I'll say, “a representative of the Office of the Governor General and a representative of the RCAF from the Department of National Defence”, or whatever, to come. It's clear that the RCAF, the Department of National Defence, is the one that can provide the answers, not the Governor General's office.

If the committee wants to have them here, I'm not going to block that. I just think that we have to have the people who can really answer the questions. I'm willing to listen to my colleagues and change the subamendment, if you allow, Mr. Chair. Rather than striking, I would add the words “and a representative from the Department of National Defence”.

I know I probably need to get unanimous consent to withdraw it and put it back, but if there's consensus, maybe, Mr. Chair, you can just allow it.

The Chair: Thank you. I was about to touch on that issue.

I'm going to look around the room to see if there's consensus to make that change. I'm seeing thumbs up all around the room, which is great.

With that said, I'm going to call the vote on the subamendment.

(Subamendment agreed to: 10 yeas; 0 nays)

(Amendment as amended agreed to)

(Motion as amended agreed to)

The Chair: Thank you very much, everybody. We managed to do this.

I want to thank the interpreters, the technicians and everybody for allowing us to go longer. It's greatly appreciated.

I want to thank you all, and wish you all a very exciting and enlightening time over the summer with your families. On behalf of the committee, thank you, everybody, for everything.

With that, we're adjourned.

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