



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

A TIME FOR CHANGE: REFORMING DEFENCE PROCUREMENT IN CANADA

Report of the Standing Committee on National Defence

Honourable John McKay, Chair

**JUNE 2024
44th PARLIAMENT, 1st SESSION**

Published under the authority of the Speaker of the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its Committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its Committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Standing Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website
at the following address: www.ourcommons.ca

**A TIME FOR CHANGE: REFORMING DEFENCE
PROCUREMENT IN CANADA**

**Report of the Standing Committee on
National Defence**

**Hon. John McKay
Chair**

JUNE 2024

44th PARLIAMENT, 1st SESSION

NOTICE TO READER

Reports from committees presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

STANDING COMMITTEE ON NATIONAL DEFENCE

CHAIR

Hon. John McKay

VICE-CHAIRS

James Bezan

Christine Normandin

MEMBERS

Dean Allison

Chad Collins

Andy Fillmore

Cheryl Gallant

Pat Kelly

Marie-France Lalonde

Emmanuella Lambropoulos

Viviane Lapointe

Lindsay Mathyssen

OTHER MEMBERS OF PARLIAMENT WHO PARTICIPATED

Ziad Aboulaif

Charlie Angus

Yvan Baker

Hon. Bardish Chagger

Francis Drouin

Darren Fisher

Hon. Mona Fortier

Laila Goodridge

Lisa Hepfner

Shelby Kramp-Neuman

Bryan May

Yasir Naqvi
Jennifer O'Connell
Jeremy Patzer
Simon-Pierre Savard-Tremblay
Marc G. Serré
Brenda Shanahan
Terry Sheehan
Sonia Sidhu
Charles Sousa
Luc Thériault
Corey Tochor
Tony Van Bynen
Julie Vignola

CLERK OF THE COMMITTEE

Andrew Wilson

LIBRARY OF PARLIAMENT

Research and Education

Martin Auger, Analyst
Andrés León, Analyst
Katherine Simonds, Analyst

THE STANDING COMMITTEE ON NATIONAL DEFENCE

has the honour to present its

TWELFTH REPORT

Pursuant to its mandate under Standing Order 108(2), the committee has studied the review of the impact of Canada's procurement process on the Canadian Armed Forces and has agreed to report the following:

TABLE OF CONTENTS

LIST OF ACRONYMS.....	IX
LIST OF RECOMMENDATIONS	1
A TIME FOR CHANGE: REFORMING DEFENCE PROCUREMENT IN CANADA	7
Introduction.....	7
Defence Procurement Challenges	8
Bureaucratic Hurdles and the Complexity of Defence Procurement Processes	8
Risk Aversion and Politicization Issues	11
Defence Procurement Personnel Shortages	13
A Lack of Transparency and Accountability	14
Procurement Delays	18
Cost Overruns	21
Options for Improving Defence Procurement Processes.....	22
Making Defence Procurement a National Priority.....	23
Promoting a Sense of Urgency in the Defence Procurement System	24
Improving Data Collection, Analysis and Performance Measures Relating to Defence Procurement.....	25
Centralizing Defence Procurement.....	27
Increasing Defence Procurement Budgets	31
Accelerating the Pace of Defence Procurement.....	34
Streamlining Defence Procurement Processes	36
Learning Defence Procurement–Related Lessons from Allies.....	39
Depoliticizing Defence Procurement and Reducing Risk Aversion	41
Investing in the Defence Procurement Workforce.....	42
Enhancing Transparency and Oversight Concerning Defence Procurement.....	44

Investing in Defence Industrial Preparedness	47
Building a Strong Defence Industrial Base	48
Creating a Defence Industrial Strategy	50
Strengthening Cooperation Between the Federal Government and Canada’s Defence Industry	51
Simplifying Requests for Proposals.....	53
Placing Canada’s Defence Industry on a “Wartime Footing”	54
Favouring Made-in-Canada Technologies and Products	57
Investing in New Defence Industrial Capabilities.....	59
Reviewing the Industrial and Technological Benefits Policy	61
Developing Defence-Related Export Markets	63
The Committee’s Conclusions and Recommendations	66
APPENDIX A: LIST OF WITNESSES	75
APPENDIX B: LIST OF BRIEFS.....	79
REQUEST FOR GOVERNMENT RESPONSE	81
SUPPLEMENTARY OPINION OF THE CONSERVATIVE PARTY OF CANADA	83
SUPPLEMENTARY OPINION OF THE NEW DEMOCRATIC PARTY OF CANADA	89

LIST OF ACRONYMS

CADSI	Canadian Association of Defence and Security Industries
CAF	Canadian Armed Forces
CCC	Canadian Commercial Corporation
CMMA	Canadian Multi-Mission Aircraft Project
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
DND	Department of National Defence
GDP	Gross Domestic Product
ISED	Innovation, Science and Economic Development Canada
ITB	Industrial and Technological Benefits Policy
IRB	Industrial and Regional Benefits Policy
KIC	Key Industrial Capabilities
LOR	Letter of Request
NATO	North Atlantic Treaty Organization
OAG	Office of the Auditor General of Canada
PBO	Office of the Parliamentary Budget Officer
PCO	Privy Council Office
PRC	People's Republic of China
PSPC	Public Services and Procurement Canada
RCAF	Royal Canadian Air Force
RFI	Request for Information

RFP Request for Proposal

U.K. United Kingdom

U.S. United States

LIST OF RECOMMENDATIONS

As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

Recommendation 1

That the Government of Canada internally review and map the defence procurement process from start to finish, across all relevant departments and agencies, with the purpose of simplifying Treasury Board Secretariat guidelines and removing any points of duplication. 67

Recommendation 2

That the Government of Canada convene a Secretariat within the Privy Council Office to bring together all relevant public servants and ensure defence procurement remains a top priority for the Prime Minister’s Office. 67

Recommendation 3

That the Government of Canada depoliticize procurement decisions and increase the chances of them persisting across changes in government by redesigning the procurement process to allow specialists to create procurement policy subject to periodic review by Parliament. 67

Recommendation 4

That the Government of Canada increase defence funding to match planned defence priorities articulated in Canada’s defence policies..... 67

Recommendation 5

That the Government of Canada honour its commitments to its NATO Allies and meet the Alliance’s 2% defence spending target..... 68

Recommendation 6

That the Government of Canada prioritize the efforts to maintain a 20% minimum investment in capital projects, as defined by NATO’s minimum obligations laid out to members states in the Wales pledge in 2014..... 68

Recommendation 7

That the Government of Canada review the lifecycle costing of procurement to ensure the process for foreign bidders considers the relevant findings of international audit agencies. 68

Recommendation 8

That the Government of Canada acknowledge the danger posed by emerging geopolitical threats, the attendant urgency of replacing aging and/or obsolete platforms, such as ships for Arctic surveillance and security, and the need to keep pace with technological development and newer platforms like drones in a timely manner, and that it takes concrete steps to accelerate procurement. 68

Recommendation 9

That the Government of Canada move away from a transactional model of procurement for major platforms like ships and aircraft to a continuous replacement model in which new generations of platforms are designed and ready for delivery before current models reach the end of their useful lives. 68

Recommendation 10

That the Government of Canada sign firm contracts with the Canadian defence industry to produce materiel associated with the conflict in Ukraine and to re-equip the Canadian Armed Forces. 68

Recommendation 11

That the Government of Canada direct the Department of National Defence to review the process for contracting out base maintenance and service contracts to ensure the department can adequately complete a Value-For-Money analysis. 69

Recommendation 12

That the Government of Canada direct the Department of National Defence to establish an electronic system that accurately tracks, controls, and reports on its contracting activities, including documentation related to any ongoing and completed procurement projects, and ensures all contracts that are required to be proactively disclosed are disclosed..... 69

Recommendation 13

That the Government of Canada investigate the use of a procurement tracking software system to increase accountability between departments, reduce delays and track internal performance measures. 69

Recommendation 14

That the Government of Canada consider adopting a digital technology platform that would contribute to: standardized defence procurement processes; improved management of defence procurement projects; enhanced transparency and accountability; and the identification of cost-saving opportunities. 69

Recommendation 15

That the Government of Canada, when advisable, delegate some decision-making responsibilities for defence procurement to lower-level federal managers with the goal of meeting two objectives: reducing the number of approvals needed; and accelerating decisions relating to defence procurement projects. 69

Recommendation 16

That the Government of Canada make the Canadian procurement process more strategic and efficient by simplifying the criteria and focusing on performance-based criteria that will help deliver the mission rather than on prescriptive, detail-oriented criteria, so as to produce faster and better results that respond to the rapidly evolving international security threats and emerging capability requirements. 69

Recommendation 17

That the Government of Canada consider adopting a risk-based procurement approach and increasing the use of risk-based contract approvals to streamline defence procurement and reduce unnecessary process requirements. 70

Recommendation 18

That the Government of Canada update the defence procurement process to ensure that the use of the National Security Exception automatically triggers additional oversight by independent agencies. 70

Recommendation 19

That the Government of Canada re-examine the personnel posting structure to increase retention, continuity, and institutional memory in defence procurement, and ensure that an adequate number of qualified and trained procurement personnel are employed to perform all needed procurement duties..... 70

Recommendation 20

That the Government of Canada recognize the distinct needs of women in the Canadian Armed Forces by conducting and publicly reporting a GBA+ analysis..... 70

Recommendation 21

That the Government of Canada make a greater effort to communicate major procurement projects in a transparent manner that articulates the risks of cost overruns and other issues..... 70

Recommendation 22

That the Government of Canada adopt all six recommendations made by the Office of the Procurement Ombudsman in their report titled “Procurement practice review of the Department of National Defence.” 70

Recommendation 23

That the Government of Canada empower the Procurement Ombudsman with the authority to compel documentation from federal departments. 70

Recommendation 24

That the Government of Canada create a Defence Industrial Strategy to maintain and build Canada's defence industrial base. 71

Recommendation 25

That the Government of Canada create a framework for the establishment of a long-term National Aerospace Strategy that centers around collaboration between the government and industry to plan for and position Canada and the aerospace industry for the defence requirements of the future. 71

Recommendation 26

That the Government of Canada make the procurement process more open, unbiased, and transparent with objective and realistic selection criteria to acquire the best equipment possible, and that it prioritize Canadian companies before opening the competition to other global competitors, especially for industries that are well-developed, competitive globally, and where Canada is a leader, such as the Canadian aerospace industry..... 71

Recommendation 27

That the Government of Canada champion Canadian industry within NATO and to all of our allies to ensure that Canadian companies are benefiting from interoperability requirements. 71

Recommendation 28

That the Government of Canada recommend that NATO develop a database of NATO member defence equipment and supplies available for sale to NATO member countries. 71

Recommendation 29

That the Government of Canada support the domestic defence industry by increasing communication outside of specific procurement projects, assisting with international sales opportunities, and providing annual forecasts of what defence procurements will be needed in the short-, medium- and long-term..... 71

Recommendation 30

That the Government of Canada proactively collaborate with industry and universities early on to determine current capabilities and to come up with a made-in-Canada solution by leveraging our innovation and industrial strengths to meet our growing defence and security needs and to work collaboratively towards developing the tools and technology that will be needed by the Canadian Armed Forces in the years to come..... 72

Recommendation 31

That the Government of Canada build strong strategic relationships with industry and academia through ongoing and sustained engagement to enhance government procurement capacity through collaborative training and skills development by developing mechanisms for sharing skills, talent and risk management approaches. 72

Recommendation 32

That the Government of Canada undertake comprehensive measures to integrate industry and academia into the procurement process..... 72

Recommendation 33

That the Government of Canada work to bring our Request for Information (RFI) and Request for Proposal (RFP) requirements in line with allies to reduce overwhelming number of pages per application. 72

Recommendation 34

That the Government of Canada not base its conclusions regarding the capacity of the Canadian defence industry until an RFP is released and Canadian defence companies have had an opportunity to apply and be evaluated by a qualified defence engineer..... 72

Recommendation 35

That the Government of Canada facilitate more research through Defence Research and Development Canada to ensure Canada stays at the cutting edge of defence and security innovation. 72

Recommendation 36

That the Government of Canada conduct a review into the effectiveness of the Industrial Technological Benefits (ITBs) program and the impact it has had on growing Canada’s defence industry, and table this report with the House of Commons..... 73



A TIME FOR CHANGE: REFORMING DEFENCE PROCUREMENT IN CANADA

INTRODUCTION

In Canada, defence procurement is a complex process that involves multiple federal organizations, including the Department of National Defence (DND), Public Services and Procurement Canada (PSPC), Innovation, Science and Economic Development Canada (ISED) and the Treasury Board of Canada Secretariat.¹ Collectively, the federal organizations involved in defence procurement manage projects valued at billions of dollars, and these projects entail the acquisition and in-service support of various weapon systems and other military equipment for the Canadian Armed Forces (CAF).

Over time, delays, cost overruns, bureaucratic hurdles and other challenges encountered with key defence procurement projects have raised concerns about the overall efficiency and effectiveness of Canada's defence procurement system, and its ability to provide the CAF with the military equipment it needs in a timely and cost-effective manner. A number of initiatives aimed at reforming defence procurement have been implemented, including the introduction of a National Shipbuilding Strategy in 2010 and a Defence Procurement Strategy in 2014.² However, challenges continue to affect the delivery of major weapon systems and other military equipment to the CAF.

As Canada faces an era of rapid technological change that is affecting the conduct of warfare, as well as new threats and rising global insecurity, the CAF needs to be able to rely on an effective and reliable defence procurement system – supported by a strong domestic defence industrial base – both to acquire the latest military technologies, and to maintain its operational readiness and combat “edge” over potential adversaries in 21st century warfare.

In this context, on 21 April 2023, the House of Commons Standing Committee on National Defence (the Committee) adopted a [motion](#) to study defence procurement and defence industrial preparedness in Canada. In particular, the motion required the Committee “to review how the readiness of the Canadian Armed Forces is impacted by Canada’s

1 For more information about the defence procurement system in Canada, see Martin Auger, [The Evolution of Defence Procurement in Canada: A Hundred-Year History](#), Publication no. 2020-54-E, Library of Parliament, 14 December 2020, pp. 1–31.

2 For more information, see Public Services and Procurement Canada (PSPC), [“National Shipbuilding Strategy”](#) and [“Defence Procurement Strategy.”](#)



procurement processes and the capabilities of our defence industry to ensure that the Canadian military's needs are being met.”

Between 9 June and 7 November 2023, the Committee held nine meetings on this study and heard from 36 witnesses. The witnesses comprised Canadian federal department and military officials, representatives from Canada's aerospace and defence industries, academics and other stakeholders. The Committee also received written briefs submitted by individuals who did not appear.

This report summarizes witnesses' comments made when appearing before the Committee or in a brief, as well as relevant publicly available information. The first section describes some of Canada's defence procurement challenges and their impacts on the CAF's readiness. The second section outlines options for reforming the country's defence procurement processes, as well as for improving the acquisition and delivery of weapon systems and other military equipment to the CAF. The third section examines the role of Canada's defence industrial base in defence procurement processes, and discusses ways to strengthen the country's defence industrial preparedness. The final section contains the Committee's conclusions and recommendations.

DEFENCE PROCUREMENT CHALLENGES

In speaking to the Committee about defence procurement processes in Canada, witnesses identified a number of challenges that have been encountered to date. These include: bureaucratic hurdles and the complexity of defence procurement processes; risk aversion and politicization issues; defence procurement personnel shortages; a lack of transparency and accountability; procurement delays; and cost overruns.

Bureaucratic Hurdles and the Complexity of Defence Procurement Processes

Witnesses highlighted bureaucratic hurdles and the complexity of Canada's defence procurement processes. [Richard Fadden](#), former National Security Advisor to the Prime Minister of Canada, and [Richard Foster](#), Vice President at L3Harris Technologies Canada, agreed that Canada's defence procurement processes are “complex,” with the latter maintaining that such processes are “costly in terms of time and money.”

Similarly, [Anne-Marie Thibaudeau](#), Director of Capture and Proposal Management at Bombardier Inc., emphasized that Canada's defence procurement processes are “overly complicated.” [Dr. Philippe Lagassé](#), Associate Professor at Carleton University, argued that these processes “are too rigid and [people are too] risk-averse to keep pace with

technological change,” adding that the “acquisition system is designed to minimize risk and ensure the application of robust safeguards and controls,” with the result that it “cannot easily adapt to rapidly evolving technologies or changing operational needs.”

[Dr. Anessa Kimball](#), Professor at Université Laval, described the “bureaucratic steps and processes” that are required to procure defence goods and services for the CAF as “a labyrinth of procedures and processes” that are implemented and managed by several federal organizations. [Christyn Cianfarani](#), President and Chief Executive Officer of the Canadian Association of Defence and Security Industries (CADSI), drew attention to the “250-some steps” needed to “get a [defence procurement] project from project conception to requirements analysis, options analysis and then through to actual procurement.” Moreover, [Yana Lukashev](#), SAP Canada’s Vice-President of Government Affairs and Business Development, stated that defence procurement projects “are very inflexible in how they are phased and delivered.”

Although not questioning the Treasury Board of Canada Secretariat’s oversight of some of Canada’s defence procurement processes, [Yves Giroux](#) – Parliamentary Budget Officer – suggested that the Secretariat’s involvement in such processes does not “add that much value in terms of military procurement.” Yves Giroux also speculated that the Secretariat’s public servants involved in these processes do not have the “best skill set[s]” to address DND’s and PSPC’s defence procurement requirements, and noted that they are not military specialists. Moreover, [Dr. David Perry](#), President of the Canadian Global Affairs Institute, mentioned that the complexity and lack of clarity concerning the Secretariat’s defence procurement guidelines contribute to differing interpretations of those guidelines.

Some witnesses discussed the issue of “bottlenecks.” [Alan Williams](#), President of Williams Group and former Assistant Deputy Minister (Materiel) at DND, contended that duplicated roles and activities within DND and PSCP contribute to bottlenecks in defence procurement processes. [Christyn Cianfarani](#) asserted that, without a publicly available “mapping of Canada’s procurement system,” Canadian defence companies are not able to “identify where there are bottlenecks, misalignments, or perhaps duplications” in these processes. Moreover, in [Alan Williams](#)’ opinion, the lack of publicly available performance measures concerning the full life-cycle for defence procurement projects results in most Canadian legislators being unaware of defence project timelines or the source of bottlenecks within Canada’s defence procurement system.

[Lieutenant-General \(Retired\) Andrew Leslie](#), former member of the House of Commons, pointed out that defence procurement processes can be “hugely bureaucratic,” “slow”



and “complicated,” particularly for the procurement of “small stuff and relatively simple items.” In Lieutenant-General (Retired) Leslie’s view, “process, process, process and more process is choking the ability to get things done,” and is causing unnecessary delays that are expensive because of increased costs linked to inflation or supply chain challenges. Furthermore, [Richard Fadden](#) stated that regional economic development, military acquisition and other federal defence procurement objectives are “bureaucratized by the public service and add considerable complexity for everyone involved [in defence procurement processes], including the private sector.”

In relation to the bidding and tendering processes for defence procurement projects, [Christyn Cianfarani](#) remarked that most Canadian defence companies “understand in general how the [bidding process for defence contracts] works” in Canada. However, according to [Mike Mueller](#), President and Chief Executive Officer of the Aerospace Industries Association of Canada (AIAC), the country’s defence industry perceives the process for submitting bids for defence procurement projects as “complex ... and time-consuming,” including because of interactions with the federal government.

In discussing the role of small or medium-sized firms³ in defence procurement, [Michael Clark](#) – Manager at FELLFAB Limited – noted that these firms face a number of challenges in preparing and submitting a bid for a defence project. In Michael Clark’s opinion, such challenges include: differences in the tendering processes used by DND and PSPC for certain goods and services; lengthy and complex tendering processes; and Canada’s decentralized, multi-departmental approach to defence procurement. Moreover, Michael Clark underlined that DND’s restrictions “on how much they’re allowed to spend [on small-purchase orders] without having to go through a more formal process [of approvals]” affects DND’s ability to have timely access to certain goods and services at low cost from small and medium-sized firms, especially at a time when the prices of certain goods are “through the roof.”

[Eric Martel](#), President and Chief Executive Officer at Bombardier Inc., compared Canada’s defence procurement practices to those of other countries, contending that a Request for Proposal (RFP) document in Canada comprises “hundreds if not thousands of pages,” while similar documents in other countries are much shorter in length.

3 Innovation, Science and Economic Development Canada (ISED) defines small and medium-sized enterprises as companies that have between 1 and 499 employees. See ISED, “[Key Small Business Statistics 2022](#).”

Risk Aversion and Politicization Issues

Witnesses emphasized two issues affecting the efficiency and effectiveness of Canada's defence procurement processes: risk aversion among senior federal government officials and the politicization of such processes. For instance, [Mike Mueller](#) identified risk aversion as a "huge challenge" and a contributing factor to delays in delivering defence procurement projects. Moreover, [Lieutenant-General \(Retired\) Guy Thibault](#) observed that risk aversion has "been built into the entire [defence procurement] system [that] we have right now," including with respect to the long-term costing of projects. As well, in [Richard Fadden](#)'s view, some public servants have "become extraordinarily reticent to take any action [concerning defence procurement] that raises the possibility of litigation," which is contributing to "gridlocks" in procurement processes.

With a focus on the politicization of Canada's defence procurement processes, [Richard Fadden](#) maintained that ongoing concerns about the possible negative reactions of senior federal officials and politicians to defence procurement decisions and progress made on projects has "made [federal] public servants very rule- and process-oriented and very risk-averse," as well as reluctant to bend rules and regulations. [Richard Fadden](#) also suggested that, among public servants, there is a "fear that the slightest error" made while working on a defence procurement project could embarrass the federal government and become an issue of contentious political debate both among legislators and in the media.

Similarly, [Alan Williams](#) argued that the politicization of Canada's defence procurement system has hindered the implementation of needed reforms. As well, Alan Williams drew attention to the "lack of political will to make the organizational changes," the "lack of budget to do what the government says needs to be done" to reform defence procurement, and the "lack of people to make it happen."

In indicating that Canadians "do not prioritize national security" to the same extent as populations in other countries do, [Christyn Cianfarani](#) asserted that there is limited "public interest" in addressing issues that affect the CAF and Canada's defence procurement system. [Richard Fadden](#) contended that, because the Canadian public "writ large" has little interest in military affairs, some federal officials and legislators are similarly relatively disinterested in reforming Canada's processes.

Some witnesses highlighted the Prime Minister of Canada's influence over Canada's defence procurement system. [David Perry](#) stressed that, if the Prime Minister "doesn't care" about defence procurement, then "the rest of the government will respond accordingly." [Alan Williams](#) and [David Perry](#) suggested that reforms to Canada's defence procurement system have been a low priority for the current and previous



Prime Ministers. In [Alan William](#)'s opinion, over the past decades, "none of [Canada's Prime Ministers] have cared about" making major reforms to the defence procurement system. David Perry added that there is not "much evidence that [defence procurement] matters" to the current Prime Minister.

In providing a different view, [Lieutenant-General \(Retired\) Leslie](#) underscored the high level of interest among Prime Ministers Jean Chrétien, Paul Martin and Stephen Harper in facilitating and accelerating the procurement of new weapon systems and other military equipment for the CAF in times of "real emergencies," as was the case after the September 2001 terrorist attacks, and during the war in Afghanistan between 2001 and 2014. According to Lieutenant-General (Retired) Leslie, those examples demonstrate that, "when the Prime Minister is focused" and is "asking specific questions" about defence procurement processes and projects, the defence procurement system can work.

Witnesses also pointed out the lack of ministerial accountability within Canada's multi-department defence procurement system. In Canada, no single minister is responsible for defence procurement processes and projects. Instead, responsibilities are shared, and decisions are made, by a number of ministers.⁴ [Yves Giroux](#) remarked that the outcomes of defence procurement processes "are ultimately resting upon political decisions" by several ministers and senior federal officials who are responsible for defence procurement in Canada, particularly the ministers responsible for DND, PSPC and ISED, as well as the President of the Treasury Board of Canada Secretariat.

[Lieutenant-General \(Retired\) Thibault](#) emphasized that defence procurement is not the sole responsibility of each minister who has some role in such procurement, and described the "lack of a dedicated focus" by the various ministers involved in such procurement as a "problem." In providing a specific example, Lieutenant-General (Retired) Thibault acknowledged the challenges that the Minister of National Defence and the Deputy Minister of National Defence have in overseeing defence procurement processes at DND, characterizing these individuals as "part-time actors" who oversee a "big portfolio with lots of other things to do." As well, Lieutenant-General (Retired) Thibault observed that DND and CAF officials have experienced challenges in having new Ministers of National Defence "understand what [their] responsibilities are" in terms of defence procurement and "how to move [equipment projects] forward." The minister

4 For more information about Canada's multi-department defence procurement system, see Martin Auger, [The Evolution of Defence Procurement in Canada: A Hundred-Year History](#), Publication no. 2020-54-E, Library of Parliament, 14 December 2020, pp. 1–31

with responsibility for PSPC, as well as the other ministers involved in defence procurement processes, face similar challenges.

Defence Procurement Personnel Shortages

Some witnesses underlined the shortage of skilled and trained defence procurement personnel in the federal public service. [Yves Giroux](#) noted that the Office of the Parliamentary Budget Officer's reports routinely mention the "lack of procurement personnel at DND," which is "an impediment to an efficient procurement process." [Richard Fadden](#) contended that "there aren't enough people" in the public service working on defence procurement, which is "causing a lot of delays." [Alan Williams](#) agreed, commenting that "a lot of the work doesn't get done because there aren't enough people to marshal through all the [defence] projects."

[Dr. Perry](#) stated that there has been "a marginal, couple-of-hundred-person increase in the [defence] procurement workforce," but argued that this change has not been sufficient to meet the needs arising from the growing number of defence procurement projects. As well, Dr. Perry pointed out that DND's Materiel Group has about 350 more personnel than it had 20 years ago, when spending on defence procurement – at about \$2 billion annually – was less than the approximately \$12 billion that is spent today. Dr. Perry maintained that the expectations placed on this group's personnel "is dramatically different" today than was the case two decades ago.

In [Dr. Lagassé's](#) view, the shortage of defence procurement personnel will affect the delivery of defence procurement projects, with smaller procurements being a particular concern because they "don't get the same level of attention" as large capital projects, which have "tons of people dedicated to them." Dr. Lagassé asserted that efforts must be made to ensure a sufficient number of personnel who have the time and dedication to "shepherd" those small projects through the defence procurement process.

According to [Dr. Lagassé](#), CAF personnel rotations within DND's Materiel Group is another human resource challenge, especially because major defence procurement projects often take many years – and sometimes more than a decade – to be processed and delivered. Highlighting that CAF personnel tend to be rotated to new postings approximately every three years, which results in high turnover and an unstable workforce focused on defence procurement projects, Dr. Lagassé elaborated that:

The staying power of those people, given the CAF rotation system and how they are reposted after a certain period of time, removes the memory even from individual projects and often in the past has resulted in situations where there isn't that good understanding of how the project is tracking over time.



Dr. Lagassé suggested that the military posting system can be a cause of delays with defence procurement projects “because you're changing the people who are effectively responsible” for writing the requirements for the items that need to be acquired.

In a written response submitted to the Committee, the Union of National Defence Employees (UNDE) – the union that represents more than 20,000 civilian DND employees – noted that procurement personnel who are UNDE members have reported to the UNDE that Canada’s “procurement system is broken.”⁵ The UNDE indicated that those members drew attention to such issues affecting the defence procurement system as:

[C]hronic understaffing, ethical concerns with the granting of contracts, the unchecked bloating of invoices and quality control issues, the unnecessary erosion of the public service’s in-house capacity to perform facilities maintenance and base services, a lack of resources, and poor management and workload issues in the procurement sector as [DND’s] capacity for oversight cannot keep pace with the increasing rate of contracting out.⁶

Moreover, [June Winger](#), the National President of the UNDE, contended that “the contracting out of civilian defence work undermines [its] members’ work and greatly erodes the quality of services that Canadian taxpayers are paying for,” adding that the “union has observed, time and again, including [in] its ... ‘Uncover the Costs’ report, that contracting out civilian defence services is less efficient and effective than having the work done by public servants.” June Winger added that, within DND and the CAF, the “scale and scope of contracting out is increasing wildly, without adequate justification, planning or oversight.” June Winger also maintained that there is a lack of “transparency and accountability” concerning the contracting, and asserted that “contractors are not being held accountable for the accuracy, quality and timeliness of their work,” with the result that DND “continues to pay contractors a premium” and is “left with costly, dangerous errors and oversights, broken equipment left languishing with no one to repair it and dysfunctional workplaces.”

A Lack of Transparency and Accountability

Witnesses commented on transparency- and accountability-related issues concerning Canada’s defence procurement processes. Referring to the Office of the Procurement Ombudsman’s May 2022 report, entitled *Procurement and Practice Review of the*

5 Union of the National Defence Employees (UNDE), “UNDE Response to NDDN Follow Up Questions (November 7, 2023),” document submitted to the members of the House of Commons Standing Committee on National Defence (NDDN) on 18 December 2023.

6 Ibid.

Department of National Defence, [Alexander Jeglic](#) – Procurement Ombudsman – said that the report identifies several DND procurement practices that require improvement.⁷

In drawing attention to that report’s main conclusions about DND’s procurement practices, [Alexander Jeglic](#) observed that there were inconsistencies in some bid evaluation processes, including evaluation guidelines and results that were missing, and mentioned that some contracts were incorrectly awarded. Alexander Jeglic stated that, in 10 instances, the Office of the Procurement Ombudsman did not receive “sufficient evaluation information” from DND to determine whether a contract had been correctly awarded, which [Troy Crosby](#) – DND’s Assistant Deputy Minister (Materiel) – acknowledged as being the case. [Alexander Jeglic](#) noted that DND agreed with all six of the recommendations in the May 2022 report that are designed to improve DND’s procurement processes, and pointed out that the Office will be monitoring DND to assess its implementation of these recommendations.

Moreover, [Alexander Jeglic](#) underscored that the Office of the Procurement Ombudsman’s lack of authority to compel documentation from federal departments affects its review of procurement practices. In providing an example, Alexander Jeglic commented that, for its review of DND’s procurement practices, the Office experienced delays in receiving requested documentation from DND, which hindered its ability to conduct the review. Alexander Jeglic also indicated that, on several occasions, the Office had to submit follow-up requests to several federal departments, including DND, to acquire relevant and accurate information for its reviews.

[Alexander Jeglic](#) outlined a number of transparency and accountability issues affecting DND’s process for awarding defence procurement contracts. In Alexander Jeglic’s opinion, during the Office of the Procurement Ombudsman’s review of DND’s procurement practices, being able to access adequate information easily concerning contracts awarded was a “significant issue.” As well, Alexander Jeglic highlighted that a “lack of evaluation material” for some of contracting activities meant that DND was not able to “justify how [it] made decisions with awarding contracts.” More specifically, Alexander Jeglic said that the Office’s review of DND’s procurement practices found that 10 contracts had been awarded for which DND did not “have sufficient evaluation information to determine whether, in fact, [those contracts] had been rightfully awarded.”

With a focus on academic research regarding Canada’s defence procurement processes, [Dr. Kimball](#) drew attention to the lack of publicly available data and other information

7 For more information, see Office of the Procurement Ombudsman, [Procurement Practice Review of the Department of National Defence](#), May 2022.



about Canada's defence procurement projects. According to Dr. Kimball, for academics researching several of those projects, difficulties in accessing financial and other data affect their ability to identify alternative options for such projects.

Dr. Lagassé underlined that a lack of transparency, particularly about the budgets for defence procurement projects, affects Canadian parliamentarians' oversight of those projects. In Dr. Lagassé's view, part of the problem in Canada is related to the "culture of secrecy" within the federal government, with little information being shared with the public and the public having no real understanding of the rationale behind policies and decisions, as well as "no idea how budgets are spent." Dr. Lagassé contended that the lack of transparency about Canada's defence procurement processes and projects "breeds distrust, [which] creates delays over the long term," and also "breeds political controversy, [which] ultimately breeds delay." In providing an example, Dr. Lagassé suggested that there was a lack of transparency concerning sole sourcing and competitive processes to acquire a new fleet of jet fighters to replace the Royal Canadian Air Force's (RCAF's) aging CF-18s, which resulted in political controversies and significant delays over the last 15 years.

Alexander Jeglic argued that "a general lack of transparency [and accountability]" could affect the level of public trust in the defence procurement system.

However, Dr. Lagassé and Dr. Kimball maintained that excessive oversight of Canada's defence procurement processes could affect the acquisition and delivery timelines for certain defence projects. Dr. Lagassé noted that Canada has implemented "so many [oversight] controls around [these processes] that there's now no room for speed," with Dr. Kimball stating that there is a "trade-off" between oversight and the speed of defence procurement. Furthermore, Dr. Lagassé underscored that, "every single time there's a scandal or problem" concerning a defence procurement project, Canada's "solution is always to pile on more oversight and more controls" regarding defence procurement processes.

Eric Martel focused on the federal government's planned acquisition of Boeing's P-8A Poseidon aircraft to replace the RCAF's fleet of CP-140 Aurora aircraft under the Canadian Multi-Mission Aircraft (CMMA) project, asserting that there is "no transparency" in defence procurement processes.⁸ According to Eric Martel, although Bombardier Inc. had submitted a response to PSPC's February 2022 Request for Information (RFI) to industry in relation to this project, the federal government "went silent" after that date.

8 For more information about the Canadian Multi-Mission Aircraft (CMMA) project, see Department of National Defence (DND), "[Canadian Multi-Mission Aircraft Project](#)."

In describing the procurement process concerning the CMMA project as “deeply flawed and lacking transparency,” [Eric Martel](#) remarked that the federal government “has made critical changes to the CMMA procurement process without formally advising Canadian industry,” and identified such changes as abandoning plans to hold a competition, “expediting the final delivery timeline from 2040 to the early 2030s,” and “making military off-the-shelf products a mandatory criteria.” In Eric Martel’s view, these changes were deliberately made to “driv[e] a biased predetermined outcome in favour of Boeing” and its P-8A Poseidon.

In March 2023, PSPC announced that, “following engagements with industry and Canada’s closes allies, the government [has] determined that the P-8A Poseidon is the only currently available aircraft that meets all of the CMMA operational requirements, namely anti-submarine warfare and C4ISAR [Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance].”⁹ The announcement also stated that Canada’s federal government had “recently submitted a Letter of Request (LOR) through the United States government’s Foreign Military Sales program outlining Canada’s requirements and requesting an offer” for the possible purchase of “up to 16 P-8A Poseidon aircraft.”¹⁰

[Eric Martel](#) contended that the P-8A Poseidon is not the only aircraft that meets all of the CMMA project’s operational requirements, suggesting that a militarized version of Bombardier Inc.’s Global 6500 family of business jet aircraft would also do so. As well, [Eric Martel](#) mentioned that the acquisition and life-cycle costs for the Global 6500 aircraft would be much lower than for the P-8A Poseidon.

In providing a different perspective, [Simon Page](#) – PSPC’s Assistant Deputy Minister, Defence and Marine Procurement – commented that, after PSPC issued its RFI in February 2022, the federal government conducted an analysis that determined “that Boeing’s P-8 Poseidon [is] the only aircraft that [meets] all of Canada’s high-level operational requirements as described in the request for information.”

On 24 November 2023, the Committee tabled a [report](#) in the House of Commons concerning the “public procurement of the CP-140 Aurora replacement.” According to the report, it is the “Committee’s opinion that the government must proceed by way of a formal Request for Proposals before awarding any procurement contract of the new Canadian Multi-Mission Aircraft.” However, on 30 November 2023, the federal

9 PSPC, “[Statement on the Canadian Multi-Mission Aircraft \(CMMA\) for the Royal Canadian Air Force](#),” 27 March 2023.

10 Ibid.



government announced the finalization of a government-to-government agreement with the United States for the acquisition of up to 16 P-8A Poseidon aircraft to replace the RCAF's fleet of CP-140 Aurora aircraft.¹¹

Procurement Delays

With a focus on capital projects, [Lieutenant-General \(Retired\) Leslie](#) referred to the procurement processes for such projects as “broken and in a state of crisis.” Moreover, Lieutenant-General (Retired) Leslie argued that the complexity of such processes is “choking the ability to get things done,” thereby contributing to delays and cost overruns. Similarly, [Yana Lukashchik](#) highlighted that “multi-faceted and complex procurement processes” contribute to delays in implementing “efficient mission-critical operations.” Likewise, [Dr. Kimball](#) asserted that bureaucratic hurdles within federal organizations involved in defence procurement processes contribute to delays in procuring and delivering certain defence projects, with impacts on the CAF's operational needs and capabilities.

Furthermore, in its [brief](#) submitted to the Committee, Seaspan Shipyards indicated that the company has an “effective partnership” with the federal organizations involved with implementing Canada's National Shipbuilding Strategy, but maintained that a number of issues are limiting the federal government's ability to award defence procurement contracts in a timely manner. In particular, the brief stated that, “given the many steps involved in federal decision-making, and the incremental approach to project spending approvals, individual contract awards are not always as timely as they need to be.” Seaspan Shipyards' brief also underlined that delays in the awarding of defence procurement contracts could affect the ability of Canadian defence companies to retain skilled employees, contribute to cost overruns and delays, and “drive inefficiency.”

Witnesses pointed out major delays encountered with some key defence procurement projects. According to [Richard Shimooka](#), Senior Fellow at the Macdonald-Laurier Institute, Canada's “system of [defence] procurement is fundamentally broken,” and “deliveries of major capabilities can now be counted in decades, whereas years should be the norm.” In providing an example, [Richard Shimooka](#) and [Alan Williams](#) drew attention to the decade-long process to replace Canada's aging fleet of CF-18 Hornet jet fighters.

11 DND, “[Canada Purchasing Up to 16 P-8A Poseidon Multi-Mission Aircraft for the Royal Canadian Air Force](#),” 30 November 2023.

In 2008, the federal government stated its intention to replace the CF-18s – acquired in the 1980s – with 65 fifth-generation fighter aircraft.¹² In July 2010, the government announced the F-35 Lightning II – also known as the Joint Strike Fighter – as the replacement aircraft for the CF-18s, to be acquired from Lockheed Martin through a sole-source contract.¹³ The decision attracted political, media and public attention, with commentators questioning the need to acquire a fifth-generation stealth fighter for Canada, and criticizing the selection of the F-35, the lack of competitive bidding, the aircraft’s capabilities and – particularly – the estimated cost of the acquisition. Reports released by the Office of the Parliamentary Budget Officer and the Office of the Auditor General of Canada in March 2011 and April 2012, respectively, identified issues with the acquisition process and the estimated cost of acquiring the F-35s.¹⁴

In response to the Office of the Auditor General of Canada’s report, in April 2012, the federal government halted the acquisition process for the F-35s and, in December 2012, established an independent review panel to evaluate options for replacing the CF-18s.¹⁵ The panel evaluated the F/A-18 Super Hornet, the Rafale, the Typhoon and the F-35, among other jet fighters. The panel released its final report in December 2014.¹⁶ No decision about the CF-18’s replacement had been made before the October 2015 federal general election.

In November 2015, the federal government announced its intention to launch an “open and transparent competition” to replace the CF-18s.¹⁷ In December 2017, the government launched a competition to acquire 88 advanced jet fighter aircraft under the Future Fighter Capability Project.¹⁸ That same month, the government indicated that it would

12 DND, *Canada First Defence Strategy*, 2008, p. 17.

13 DND, *“Canada’s Next Generation Fighter Capability – The Joint Strike Fighter F-35 Lightning II,”* 16 July 2010.

14 See Office of the Parliamentary Budget Officer (PBO), *An Estimate of the Fiscal Impact of Canada’s Proposed Acquisition of the F-35 Lightning II Joint Strike Fighter*, 10 March 2011; and Office of the Auditor General of Canada, *“Chapter 2: Replacing Canada’s Fighter Jets,” Report of the Auditor General of Canada to the House of Commons*, Spring 2012.

15 See DND, *“Government of Canada Announces Comprehensive Response to Chapter 2 of the 2012 Spring Report of the Auditor General of Canada,”* 3 April 2012; and PSPC, *“Statement by the Independent Review Panel Regarding the Royal Canadian Air Force Report to Ministers on the Evaluation of Options to Sustain a Canadian Forces Fighter Capability,”* 28 February 2014.

16 See Government of Canada, *Summary Report – Evaluation of Options for the Replacement of the CF-18 Fighter Fleet*, December 2014; and DND, *Next Generation Fighter Capability Annual Update*, December 2014.

17 Office of the Prime Minister of Canada, *“Minister of National Defence Mandate Letter,”* 13 November 2015.

18 See DND, *“Government Launches Open and Transparent Competition to Replace Canada’s Fighter Aircraft,”* 12 December 2017; and DND, *“Future Fighter Capability Project.”*



acquire 18 used F/A-18 Hornets from Australia to supplement the CF-18 fleet in the interim to help fill the capability gap pending the delivery of a permanent jet fighter replacement. The Australian aircraft were transferred to Canada between February 2019 and April 2021.¹⁹

Following the competition, on 28 March 2022, the federal government announced its decision to acquire 88 F-35s to replace the CF-18s.²⁰ On 9 January 2023, an agreement was reached with the Government of the United States (U.S.), Lockheed Martin and Pratt & Whitney to acquire F-35s for the RCAF.²¹ DND expects the first aircraft to be delivered in 2026; all 88 aircraft are expected to be delivered and in service by 2032–2034.²²

[Alan Williams](#) emphasized that the process to replace the CF-18s had “gone on” for more than 13 years. As Alan Williams explained:

With respect to the jets, in 2010, the Conservative government tried to sole-source these jets without any legal authority, and spent years misleading the Canadian public as to why it wanted to do so. The Liberal government, after promising not to purchase the F-35, watered down the industrial and technical benefits policy to allow Lockheed Martin to participate, ruled Boeing's bid non-compliant and, earlier this year [January 2023], 12 and a half years since the start of this program, awarded the contract to Lockheed Martin.

When the first F-35 is delivered to the RCAF, the CF-18 replacement project will have lasted about 18 years (2008–2026); in comparison, the first CF-18 was delivered within five years (1977–1982).²³

19 DND, “[Supplementing the CF-18 Fleet.](#)”

20 PSPC, “[Canada Moves Closer to Delivering 88 Advanced Fighter Jets for the Royal Canadian Air Force as it Begins Negotiations with the Top-Ranked Bidder, the United States Government and Lockheed Martin, for the F-35.](#)” 28 March 2022.

21 PSPC, “[Canada Finalizes Agreement to Purchase New Fighter Jets for Royal Canadian Air Force.](#)” 9 January 2023.

22 See DND, “[Future Fighter Capability Project](#)”; PSPC, “[Future Fighter Capability Project.](#)”

23 The federal government’s decision to replace the Royal Canadian Air Force’s (RCAF’s) jet fighter fleet was announced in March 1977. Following extensive evaluation of various fighter designs, the government selected the F/A-18 Hornet in April 1980 and placed an order with U.S.-based McDonnell Douglas for 138 aircraft to be known as the CF-18. The CF-18s were delivered to the RCAF between October 1982 and September 1988. See René J. Francillon, *McDonnell Douglas Aircraft since 1920: Volume II*, London, Putnam, 1990, pp. 350–352; and U.S. Office of Management and Budget, “F/A-18 Aircraft Sales to Canada, Australia, and Spain: A Case Study of Offsets,” *DISAM Journal*, Vol. 13, No. 1, Fall 1990, p. 33.

As another example of the significant delays encountered with some defence procurement projects, [Richard Shimooka](#) noted the Remotely Piloted Aircraft System project – previously known as the Joint Unmanned Surveillance and Target Acquisition Systems project – to acquire a medium altitude and armed drone capability for the RCAF.²⁴ Richard Shimooka observed that the project is “about to enter its 17th year of existence without delivering a platform,” and mentioned that many of Canada’s allies – such as France, Germany and the United Kingdom (U.K.) – have “brought equivalent systems into service in under four years.” As well, Richard Shimooka also highlighted that the project started “basically, at the cusp” of the war in Afghanistan and added that, since then, “differing changes” in requirements, costs and multiple other factors have delayed the project for 17 years. In Richard Shimooka’s opinion, the Remotely Piloted Aircraft System project is a “good case study” of the numerous issues that cause delays with defence procurement projects.

According to [Richard Shimooka](#), the Future Fighter Capability Project and the Remotely Piloted Aircraft System project are evidence of a “broken” and “fundamentally misaligned [defence procurement system].” Richard Shimooka contended that, over the past four decades, this system has become “progressively slower and less able to meet our national defence needs,” attributing this outcome to such factors as the “increase in non-defence objectives in procurement, most notably for delivering economic and social benefits to Canadian society through these purchases,” which has caused projects to be delayed. As well, Richard Shimooka said that “perceived failures” with defence procurement processes over time have “resulted in ill-considered reforms” that have added “layers of unnecessary process, diluting individual accountability and increasing costs and delays in these programs.”

Cost Overruns

Witnesses drew attention to escalating costs for some key defence procurement projects because of delays and other challenges. [Alan Williams](#) expressed concern about the rising costs of the Future Fighter Capability Project over the last decade, suggesting that the costs to acquire new jet fighters to replace the RCAF’s CF-18s “have escalated from an initial estimate of \$9 billion to acquire [the aircraft] and \$18 billion to maintain them, to a current reported forecast of \$19 billion to purchase and over \$70 billion to maintain.”

[Alan Williams](#) also underscored the rising cost of the Canadian Surface Combatant project, which is DND’s most costly ongoing defence procurement project. The project will replace the Royal Canadian Navy’s destroyers and frigates with 15 new warships to be built by

24 For more information, see DND, “[Remotely Piloted Aircraft System](#).”



Irving Shipbuilding in Halifax, Nova Scotia. Construction of the first ship is expected to begin in 2024 for delivery in the early 2030s.²⁵ Alan Williams asserted that, over the last decade, the project’s “capital costs have risen from about \$26 billion to \$85 billion with a life-cycle cost now estimated at over \$300 billion.”

[Yves Giroux](#) also drew attention to the rising costs of Canada’s defence procurement projects, noting that reports by the Office of the Parliamentary Budget Officer have identified escalating costs and delays having operational impacts associated with several of the National Shipbuilding Strategy projects, including the Arctic and Offshore Patrol Ship, Canadian Surface Combatant, Joint Support Ship and Polar Icebreaker projects.²⁶

For example, the Office of the Parliamentary Budget Officer’s 2022 report about the Canadian Surface Combatant project claims that the project’s development and acquisition cost is likely to total almost \$85 billion.²⁷ DND and PSPC continue to provide a “current estimate of \$56 billion to \$60 billion” for the project, but note that a “more precise cost will be determined” at a later date.²⁸ According to the Office of the Parliamentary Budget Officer, the total life-cycle cost of the Canadian Surface Combatant project is estimated to be \$306.0 billion over a 65-year period.²⁹ About a decade ago, PSPC’s predecessor – Public Works and Government Services Canada – predicted the total life-cycle cost to be approximately \$90.2 billion.³⁰

25 For more information, see DND, “[Canadian Surface Combatant](#)”; and PSPC, “[Canadian Surface Combatant](#).”

26 For example, see PBO, *The Life Cycle Cost of the Canadian Surface Combatants: A Fiscal Analysis*, 27 October 2022; PBO, *The Polar Icebreaker Project: A Fiscal Analysis*, 16 December 2021; PBO, *The Cost of Canada’s Surface Combatants: 2021 Update and Options Analysis*, 24 February 2021; PBO, *The Joint Support Ship Program and the MV Asterix: A Fiscal Analysis*, 17 November 2020; PBO, *The Cost of Canada’s Surface Combatants: 2019 Update*, 21 June 2019; *The Cost of Canada’s Surface Combatants*, 1 June 2017; PBO, *Budget Analysis for the Acquisition of a Class of Arctic/Offshore Patrol Ships*, 28 October 2014; and PBO, *Feasibility of Budget for Acquisition of Two Joint Support Ships*, 28 February 2013.

27 PBO, *The Life Cycle Cost of the Canadian Surface Combatants – A Fiscal Analysis*, 27 October 2022.

28 See DND, “[Canadian Surface Combatant](#)”; and PSPC, “[Canadian Surface Combatant](#).”

29 That amount includes \$4.3 billion for the “development” phase, \$80.2 billion for the “acquisition” phase, \$219.8 billion for the “operations and sustainment” phase and \$1.7 billion for the “disposal” phase. See PBO, *The Life Cycle Cost of the Canadian Surface Combatants – A Fiscal Analysis*, 27 October 2022

30 That amount includes an estimated acquisition cost of \$26.2 billion for the 15 ships, and an additional \$64.0 billion for personnel, operations and in-service support and maintenance for a 25-year period. See Martin Auger, *The National Shipbuilding Procurement Strategy: A Five-Year Assessment*, Publication No. 2015-35-E, Library of Parliament, 15 June 2015, p. 10.

OPTIONS FOR IMPROVING DEFENCE PROCUREMENT PROCESSES

Witnesses underlined the need to reform Canada’s defence procurement processes, and to accelerate the delivery of new weapon systems and other military equipment to the CAF. They argued that the processes are too complicated, politicized, bureaucratic and slow, thereby limiting the extent to which the CAF can access the state-of-the-art technologies and tools urgently required to address ever-evolving threats, maintain a high level of operational readiness, and adapt continuously to a rapidly changing international security environment.

In identifying several challenges facing Canada’s defence procurement processes and proposing possible solutions, witnesses mentioned: making defence procurement a national priority; promoting a sense of urgency in the defence procurement system; improving data collection, analysis and performance measures relating to defence procurement; centralizing defence procurement; increasing defence procurement budgets; accelerating the pace of defence procurement; streamlining defence procurement processes; learning defence procurement–related lessons from allies; depoliticizing defence procurement and reducing risk aversion; investing in the defence procurement workforce; and enhancing transparency and oversight.

Making Defence Procurement a National Priority

To address challenges relating to Canada’s defence procurement system, most witnesses agreed that the system needs to be overhauled and reformed. Some indicated that doing so will not be easy or quick, and will require patience. [Dr. Perry](#) stated that it is “going to take significant time to make the dramatic changes to our [defence] procurement systems that are needed.” In agreeing, [Christyn Cianfarani](#) contended that “there are no silver bullets” for reforming defence procurement in Canada and no “seemingly simple, elegant proposals will reform one of the most difficult and complex functions of public administration.” In Christyn Cianfarani’s view, “meaningful reform” will require “laborious, painstaking, incremental and co-operative work” by the various federal departments involved in defence procurement and collaboration with Canada’s defence industry.

In the witnesses’ opinion, despite the challenges, reforming Canada’s defence procurement processes must occur so that the CAF can acquire the weapon systems and other military equipment it needs in a timely and cost-efficient manner, and avoid future capability gaps. Witnesses proposed that, as a first step in reforming the defence procurement system, the federal government should make defence procurement a national priority. [Dr. Perry](#) asserted that “much greater prioritization” would ensure that the “very limited and insufficient resources that currently exist can be focused on



the projects that need that attention and those resources the most.” Likewise, [Richard Fadden](#) suggested that defence procurement in Canada will not improve significantly until the government, Parliament and the Canadian population agree to make defence and associated procurement national priorities. Richard Fadden said that people can “talk about defence procurement until [they are] blue in the face,” but it will be difficult to “really reform” procurement until something is done to prioritize national defence policies.

In indicating that the complexity, risk aversion, bureaucratic hurdles, delays and other challenges encountered with Canada’s defence procurement processes largely reflect “a lack of priority at the national level,” [Christyn Cianfarani](#) argued that this lack of national prioritization “undermines the capabilities, effectiveness and readiness of the CAF.” In Christyn Cianfarani’s view, the “morale and the public image of the [CAF] ... suffer” as a consequence.

[Christyn Cianfarani](#) contended that prioritizing defence procurement must begin at the very top, with the Prime Minister of Canada’s leadership being imperative to bringing about meaningful changes. According to Christyn Cianfarani, defence procurement should be regarded as “an instrument of foreign policy, industrial policy and national security,” and the Prime Minister “needs to identify defence procurement reform as a priority and then hold ministers accountable for improvements.” Christyn Cianfarani mentioned that ministerial mandate letters should prioritize reform of defence procurement, with – in particular – the letters for the ministers responsible for DND, PSPC and ISED being clear about the need to “take action” in order to have “meaningful procurement reform that reduces the number of steps and the time that it takes from conception to acquisition.”

Promoting a Sense of Urgency in the Defence Procurement System

Witnesses highlighted the need for a sense of urgency concerning reform of defence procurement processes. [Dr. Perry](#) observed that there is currently “no detectable sense of urgency in our procurement system at all,” which is “problematic” for two reasons: first, in the “current interest and inflation environment,” the financial impacts of procurement delays are now “much more significant than they were in recent years,” with consequences for “lost buying power” regarding defence procurement projects; and second, the “strategic environment” has deteriorated rapidly and significantly in recent years because of new global threats and the brutal actions of authoritarian, aggressive and revisionist regimes in Russia and the People’s Republic of China (PRC).³¹

31 NDDN, [Evidence](#), 1st Session, 44th Parliament, 16 June 2023.

In Dr. Perry's opinion, "what seems to be a largely business as usual approach is just not sufficient to equip Canada for the return of great power competition [and] ... simply isn't good enough in the current environment."

Witnesses drew attention to the rapid deterioration in the international security environment in recent years as a key reason to instill a sense of urgency concerning Canada's defence procurement system. [Christyn Cianfarani](#) emphasized the extent to which the "world has changed" since Russia's invasion of Ukraine in February 2022, which has resulted in growing tensions between the North Atlantic Treaty Organization (NATO) and Russia. According to Christyn Cianfarani, the "status quo" in defence procurement and the slowness of associated processes is "now a real risk to Canada's national security and to that of our NATO allies," giving rise to a need to adapt processes to meet the urgency of today's international security situation. [Richard Foster](#) pointed out that "Canada has one of the most complex [defence] procurement processes" in the world, adding that these processes are "costly in terms of time and money." In Richard Foster's view, "faster and more effective procurement" is needed to ensure that the CAF remains ready and operationally relevant in the current geopolitical environment.

[Karen Hogan](#), Auditor General of Canada, questioned whether "there is a sense of urgency in Canada" to provide the CAF with the weapon systems and military equipment it requires, and whether Canada "fully understands how urgent it is that we equip" the CAF in the current international security environment. As well, Karen Hogan wondered why Canada is not "more proactive" in anticipating future defence procurement requirements. In Karen Hogan's opinion, Canada "needs to have a sense of urgency" regarding defence procurement, and such a sense of urgency "starts with having consensus on what the [CAF] needs," and then "going ahead with the procurements" while also "thinking about the whole life-cycle planning" for each project.

Improving Data Collection, Analysis and Performance Measures Relating to Defence Procurement

For some witnesses, before undertaking any reforms of the defence procurement system, there is a need to improve data collection, analysis and performance measures in order to understand better how the defence procurement system functions, and to identify what works and what does not.

[Dr. Perry](#) suggested that making "dramatic change that is meaningful" to defence procurement processes requires "much better data" about processes and about "all types of [defence procurement] projects," explaining that these data are needed to



identify where the problems are and to “look for examples of instances where there are best practices that could be replicated and applied elsewhere.” Dr. Perry stated:

We don't really have any idea of what has worked in the past and what the impact of previous efforts have been. All kinds of changes have been made [to defence procurement] just in the last decade. ... However, ... I don't know that anybody has ever collected any data to see whether or not that had any impact, good, bad or otherwise.

In agreeing with Dr. Perry, [Christyn Cianfarani](#) asserted that the federal government should begin substantive work on reforming defence procurement processes and eliminating bottlenecks by first “mapping the acquisition process.” With a focus on data, Christyn Cianfarani commented that there is currently “little to no objective process performance data, or at least not in the public domain,” and argued that the absence of a map of the procurement system “means we cannot identify where there are bottlenecks, misalignments, or perhaps duplications to make determinations on how we would change that process.” According to Christyn Cianfarani, doing the “hard work of eliminating steps that make this overall [defence procurement] process highly complicated” requires “exposure” to the hundreds of different steps that DND, PSPC and ISED undertake when working on defence procurement projects.

In a document submitted to the Committee, CADSI proposed that a mapping of “the entire procurement system, from end to end,” should be followed by the identification of “objective data and metrics that provide insights into the performance of the system and reveal possible bottlenecks,” with that activity followed by efforts to “isolate and remove elements that are redundant or duplicative through a systematic and sustained effort involving all implicated departments, including central agencies.” CADSI also supported the participation of Canada’s defence industry in streamlining efforts because companies in that industry “interface with parts of the system every day.”³²

[June Winger](#) expressed concerns about DND’s decision to award contracts to Deloitte and other private-sector consulting companies to “provide recommendations on how the department should be delivering its services,” including with regards to defence procurement. In a written response submitted to the Committee, the UNDE stated that in 2021, DND’s Real Property Operations organization, which is responsible for the “facilities management of Canada’s military bases” and operates under the Assistant Deputy Minister (Infrastructure and Environment), hired Deloitte “to assess its conduct of facilities management nationally and to provide [DND] with recommendations on

32 Canadian Association of Defence and Security Industries (CADSI), “Meeting the Moment: Industry’s View on Improving Defence Procurement,” document submitted to members of NDDN on 3 October 2023.

how to modernize [those facilities management] operations.”³³ [June Winger](#) remarked that “following a recommendation from Deloitte’s November 2022 report to [DND] that more data collection and analysis needs to be conducted,” the department is “in the process of procuring yet another contract with Deloitte in order to pay them to conduct this data collection.”

Centralizing Defence Procurement

Witnesses underscored the need to strengthen ministerial accountability regarding defence procurement, and contended that Canada should centralize defence procurement under a single federal department or agency. In [Alan Williams’](#) view, one of the “most critical deficiencies” in existing defence procurement processes is the “lack of ministerial accountability.” In agreeing, [Lieutenant General \(Retired\) Thibault](#) noted that defence procurement is “complex by design and there’s nobody in charge and that has to be fixed.”

In Canada, defence procurement involves several federal departments and agencies, notably DND, PSPC, ISED and the Treasury Board of Canada Secretariat. This decentralized, multi-departmental approach to such procurement is unique to Canada and has existed since 1969. Previously, this procurement was centralized in a single federal department with its own Cabinet minister: the Department of Munitions and Supply from 1940 to 1945, and the Department of Defence Production from 1951 to 1969.³⁴ In other countries, defence procurement is undertaken by individual armed services, defence departments, centralized defence organizations, separate government organizations or independent civilian corporations. In recent years, the global trend has been the centralization of defence procurement processes under a single and independent organization solely dedicated to such procurement.³⁵ Debate about centralizing defence procurement in Canada under a single federal organization has been occurring for the last 20 years.³⁶

[Alan Williams](#) highlighted that, among its allies, “Canada stands alone with a system of dispersed accountability,” mentioning that the “roles and responsibilities for defence

33 UNDE, “UNDE Response to NDDN Follow Up Questions (November 7, 2023),” document submitted to the members of NDDN on 18 December 2023.

34 The Department of Defence Production was responsible for defence procurement, as well as defence industrial preparedness, defence exports, and defence research and development. It also managed seven Crown corporations, including the Canadian Commercial Corporation. See Martin Auger, *The Evolution of Defence Procurement in Canada: A Hundred-Year History*, Publication no. 2020-54-E, Library of Parliament, 14 December 2020, pp. 4–8.

35 Martin Auger, *Defence Procurement Organizations Worldwide: A Comparison*, Publication no. 2019-52-E, Library of Parliament, 28 April 2020, pp. 1–27.

36 Martin Auger, *The Evolution of Defence Procurement in Canada*, pp. 13, 26–28.



procurement are shared” between the ministers who have responsibility for DND and PSPC. In Alan Williams’ opinion, “unless and until one minister is placed in charge of defence procurement, it will never be as efficient and effective as it could or should be,” and the benefits of centralizing defence procurement under a single agency would “go beyond strengthening accountability.” Alan Williams explained those benefits by stating:

First, the process would be streamlined. Second, savings will emerge from the elimination of overhead and the duplication of functions. ... Third, without one minister accountable for defence procurement, it is difficult, if not impossible, to introduce system-wide performance measures. ... Defence procurement is a business. Let's begin to run it as such, with one minister accountable for results, with full disclosure of life-cycle costs, with appropriate plans and reports that measure performance, and with rigorous and timely oversight.

[Alan Williams](#) pointed out that, in December 2019, the federal government announced its intention to create Defence Procurement Canada as a centralized procurement agency. Prime Minister Justin Trudeau mandated the ministers responsible for DND and PSPC to “bring forward analyses and options” for the creation of this entity.³⁷ In June 2020, DND reported that the timelines for creating Defence Procurement Canada had “shifted” because of the COVID-19 pandemic and its impact on government operations, but indicated that the timelines would be “revised once the situation stabilizes.”³⁸ The ministerial letters provided to those ministers in December 2021 did not mention the possible establishment of Defence Procurement Canada.³⁹

In suggesting that the federal government should revisit the possibility of centralizing defence procurement under a new and single federal agency, [Alan Williams](#) observed that:

The overlap and duplication between [DND and PSPC are] significant. You're talking about tens of millions of dollars and people that are bottlenecks because they overlap and duplicate functions. ... I have no idea why this [centralization] isn't done. There is no reason not to do it, other than [people] don't care.

37 See Office of the Prime Minister of Canada, “[Minister of National Defence Mandate Letter](#),” 13 December 2019; and Office of the Prime Minister of Canada, “[Minister of Public Services and Procurement Mandate Letter](#),” 13 December 2019.

38 DND, *Procurement – General: Defence Procurement Canada*, 10 June 2020.

39 See Office of the Prime Minister of Canada, “[Minister of National Defence Mandate Letter](#),” 16 December 2021; and Office of the Prime Minister of Canada, “[Minister of Public Services and Procurement Mandate Letter](#),” 16 December 2021.

[Alan Williams](#) said that such a centralization has been a personal focus for more than 20 years, leading – for example – to the authoring of a book in 2006. According to Alan Williams, in 2009, CADSI similarly proposed this centralization.⁴⁰

Likewise, [Yves Giroux](#) asserted that “something that would favourably enhance the speed of [defence] procurement and the efficiency of the procurement process [would be] to have one single minister and one single senior official responsible,” rather than “at least two ministers in two departments involved in major procurement processes.” In Yves Giroux’s opinion, “the establishment of a specific agency” – the “ideal scenario” – could “solve a number of problems, on condition that defence procurement rested exclusively with that agency,” with “one single point of contact” and “point of accountability” helping to streamline processes and reduce duplication.

However, some witnesses maintained that the centralization of defence procurement under a new federal agency is not necessary because the current defence procurement system still works and just needs to be improved through reforms. [Richard Fadden](#) and [Lieutenant-General \(Retired\) Leslie](#) emphasized the extent to which defence procurement processes have been accelerated to acquire key items of military equipment for the CAF in times of emergency, such as after the 11 September 2001 terrorist attacks and during the war in Afghanistan.

That said, according to [Richard Fadden](#), in order for rapid defence procurement to occur today and for such procurement to be “treated seriously,” the federal government, public servants and the Canadian public need to be convinced that the war in Ukraine and the ongoing deterioration in the international security environment are sufficiently serious that investments in defence procurement must become a priority. In Richard Fadden’s view, Canadians are not “convinced collectively” that their country’s security is under threat and that Canada needs to rearm rapidly and allocate billions of dollars to acquire expensive state-of-the-art weapon systems and other military equipment for the CAF.

For some witnesses, creating a new defence procurement agency could lead to a period of adjustment and uncertainty, which could cause delays and other challenges at a time when the international security environment is deteriorating rapidly, and there is an urgent need to rearm and rebuild the CAF. In [Dr. Lagassé](#)’s opinion, creating such an agency would not result in faster and more efficient defence procurement processes,

40 For more information, see Alan S. Williams, *Reinventing Canadian Defence Procurement: A View from the Inside*, McGill-Queen's University Press, Montréal, Quebec and Kingston, Ontario, 2006; and CADSI, [*Canada's Defence Industry: A Vital Partner Supporting Canada's Economic and National Interests – Industry Engagement on the Opportunities and Challenges Facing the Defence Industry and Military Procurement*](#), December 2009, pp. vi, 15 and 18.



would be too risky at the present time and “would likely be disastrous” while recapitalization of the CAF is occurring.

[Richard Fadden](#) opposed the idea of centralizing defence procurement under a new federal organization, commenting that – based on defence procurement models in other countries – it is “clear there is no perfect model,” and adding that all defence procurement models must “take into account the political, legal and cultural environment.” Richard Fadden described the creation of a new defence procurement agency as risky, and would not necessarily resolve the systemic problems and inefficient processes that currently affect Canada’s defence procurement system. In Richard Fadden’s view, defence procurement must remain “a pan-government operation,” and the “biggest change required” is a cultural change.

Some witnesses contended that – at this time – defence procurement needs the Prime Minister’s guidance and support, not a new, single federal agency. [Richard Fadden](#) suggested that, for substantive defence procurement reforms to be effective and successful, there is a requirement for “a prime minister who takes interest and says that this needs to be done,” and for “a whole-of-government approach, starting at [the prime minister’s] level.”

According to a number of witnesses, a distinct secretariat within the Privy Council Office (PCO) should be created to manage defence procurement. [Yves Giroux](#) stated that, “whenever there is a group or a task force ... that’s housed at PCO, [which is] the Prime Minister’s department, it tends to focus the minds [within] the public service and it tends to signal the issue is very important to the Prime Minister,” with the result that “things happen ... as quickly and efficiently as possible.” In Yves Giroux’s opinion, having a “coordination group or a responsible secretariat within the Privy Council Office” would send a strong message “to the entire bureaucracy” that defence procurement is “very important.”

[Dr. Perry](#) supported the establishment of some sort of defence procurement structure within PCO and asserted that, in “trying to address systemic problems in government bureaucracy, something centralized and driven from [the] PCO has been an effective approach in the past” and provides an “opportunity to try to get a sense across government of where the issues are, to coordinate them better and align them with government priorities.” However, Dr. Perry said that, for this approach to bring about changes in an “effective way,” defence procurement needs to be important to the Prime Minister so that “direction [is] given to the bureaucracy and the Privy Council Office.”

In agreeing, [Lieutenant-General \(Retired\) Leslie](#) pointed out that the defence procurement system “responded magnificently” during the war in Afghanistan because Canada’s Prime

Ministers during that period made it a priority and there was an imperative to “getting things done quickly because lives [were] on the line.” According to Lieutenant-General (Retired) Leslie, the Prime Ministers asked the CAF for defence equipment lists relating to between 20 and 30 key defence procurement projects and then required the bureaucracy to provide regular updates about them, which “really energize[d] the system.” In Lieutenant-General (Retired) Leslie’s view, the procurement experience in relation to the war in Afghanistan is proof that the current defence procurement system “can work” when the Prime Minister is directly involved.

Increasing Defence Procurement Budgets

Witnesses underlined the need to increase spending on national defence and defence procurement, drawing attention to the aggressive actions of Russia, the People’s Republic of China (PRC) and other authoritarian and revisionist states that have caused wars and instability around the world, led to a rapid deterioration in the international security environment, and prompted countries worldwide to rearm and make substantial investments in their militaries and defence capabilities. [Christyn Cianfarani](#) stressed that Russia’s invasion of Ukraine in February 2022 has “upset the long-standing security balance,” and asserted that “no NATO government, military or defence company was prepared for the ... war that has followed,” or for the sudden “need to supply [Ukraine with] munitions and defence technologies quickly” and in “quantities not foreseen or planned for” since the Second World War.

In noting that – at the July 2023 Vilnius Summit – NATO countries reaffirmed the 2014 pledge to spend at least 2% of gross domestic product (GDP) each year on defence and to allocate at least 20% of annual defence budgets to capital equipment, including related research and development, [Christyn Cianfarani](#) observed that “Canada has failed to meet both targets since their launch in 2014, and has never set out a plan to meet them.”⁴¹ According to Christyn Cianfarani, Canada’s “Prime Minister has been very clear with our NATO allies that we have no intention of meeting the obligations we’ve signed up for,” which is detrimental to the country’s reputation within NATO.⁴²

Some witnesses argued that Canada should spend at least 2% of GDP on defence. [Yves Giroux](#) commented that, although the proportion of Canada’s GDP allocated to

41 North Atlantic Treaty Organization (NATO), [Vilnius Summit Communiqué](#), 11 July 2023.

42 According to NATO, Canada’s defence spending in 2023 totalled 1.33% of the country’s gross domestic product (GDP). NATO also reported that, in that year, 14.4% of Canada’s defence spending was allocated for defence equipment. See NATO, [“Defence Expenditures of NATO Countries \(2014–2023\)”](#), March 2024, pp. 3 and 8.



defence expenditures has “gone up” in recent years, the proportion “still falls short of the 2% target” and “results in a shortfall between \$13 billion and \$18 billion.”

[Dr. Lagassé](#) stated that there is a “mismatch between our defence policy and defence funding,” with “governments, be they Liberal or Conservative, want[ing] Canada to play an important part on the world stage, hence their embrac[ing] of ambitious [defence] policies, yet ... not ... willing to spend on par with their ambitions.” In Dr. Lagassé’s opinion, the defence policy objectives that Canada’s federal governments have established over the past 20 years “are considerable” and “would require a level of spending in excess of 2% of GDP.” Dr. Lagassé suggested that, because Canada’s defence spending “tends to be closer to 1.5% of GDP,” there is “a structural deficit in the development of our [defence] capabilities,” and Canada’s defence policy needs to be better aligned with associated funding.

Similarly, [Alan Williams](#) contended that there has “clearly been the lack of budget to do what [Canada’s federal] government says needs to be done.” In providing the examples of the rising costs of the Future Fighter Capability Project and the Canadian Surface Combatant project over the last 10 years, Alan Williams mentioned that the combined estimated capital costs to acquire 88 new jet fighters and 15 new warships under those projects has exceeded “\$100 billion over a 10-year period” and, “unless there is an injection of new monies,” these projects “will result in an annual \$5-billion capital shortfall.”

However, some witnesses argued that the commitment that NATO countries should spend at least 2% of GDP on defence is not an accurate metric. According to [Cesar Jaramillo](#), Executive Director of Project Ploughshares, there are “misconceptions regarding NATO’s GDP-based targets for military spending.” Cesar Jaramillo explained that:

[W]ithout denying the need to correct any structural deficiencies in the procurement processes, it bears noting that perceptions of Canada as a country with inadequate defence spending can be misleading and merit closer examination, as they are often based on the arbitrary metric of military spending as a percentage of GDP. This applies both to Canada’s defence spending in isolation and relative to its NATO allies. Even before the conflict in Ukraine, Canada’s defence expenditures totalled more than \$26 billion U.S. in 2021, ranking it as the sixth-largest contributor among NATO members. ... Canada was actually part of the top 20% of NATO’s military spenders. On a global scale, according to ... the Stockholm International Peace Research Institute, Canada ranked as the 14th-largest military spender in the world last year, well within the top 10% of worldwide military spenders.

Witnesses advocated a new costing model for defence procurement projects. [Dr. Lagassé](#) said that the costing of defence procurement projects in Canada is “undermined by a

pervasive optimism bias” and by capital projects being costed “too early in the procurement process, before any serious work has been done on requirements.” According to Dr. Lagassé, when requirements are developed and engagement with industry occurs, “too many projects are discovered to lack sufficient funding, which leads to either delays or compromises in the quality or quantity of the capabilities that are ultimately acquired.” Dr. Lagassé supported a “more robust” costing methodology and urged the federal government to “accept that the costs of some capabilities cannot be known in advance, and can only be realistically determined once the options analysis is complete.”

As well, witnesses highlighted the need for better planning to avoid costly delays and “lapsed” funding with defence procurement projects.⁴³ [Christopher Penney](#), Advisor-Analyst at the Office of the Parliamentary Budget Officer, stated that delays led DND to have a shortfall in capital spending of about \$1.5 billion in 2022–2023, adding that – in 2023–2024 – “the main estimates suggest that the shortfall will be about \$4 billion.” [Yves Giroux](#) explained the problems that occur with “lapsed” funding, maintaining that:

If you don’t spend money now and you spend the same amount in the upcoming years, with inflation that is specific to the defence sector, it reduces the absolute value of that money. If you spend \$4 billion now versus spending \$4 billion in five years, you can buy less gear with the same billions of dollars five years from now due to inflation.

According to the Office of the Parliamentary Budget Officer’s February 2024 report on the topic of DND’s planned capital spending, between 2017–2018 and 2022–2023, there was a “cumulative shortfall nearing \$12 billion between what DND spent on capital and what was originally planned” under *Strong, Secure, Engaged: Canada’s Defence Policy*, which is “suggesting delays in military procurements.”⁴⁴

[Dr. Perry](#) underscored that “upwards of two-thirds” of defence procurement projects “are delayed by at least a year and many by more than that,” with the result that Canada “spend[s] significant numbers of billions less on capital expenditures than intended year after year after year.” In drawing attention to the current interest rate and inflation environments, Dr. Perry asserted that the financial impacts of defence procurement delays are now much more significant than they were only a year and a half ago, and added that the “impact of failing to move forward in a timely manner” on such procurement is “much more consequential in terms of lost buying power.”

43 “Lapsed funding” means spending that is less than requested and authorized by Parliament in the estimates. See Office of the Parliamentary Budget Officer, *Planned Capital Spending Under Canada’s Defence Policy: 2024 Update*, 28 February 2024, p. 8.

44 See *Ibid.*, p. 8; and DND, *Strong, Secure, Engaged: Canada’s Defence Policy*, 2017.



Accelerating the Pace of Defence Procurement

Witnesses indicated that there is a need to accelerate the pace of defence procurement in Canada. [Richard Fadden](#) argued that, “in specific circumstances, not routinely but not rarely,” the public service should be able to recommend to the federal government – and the government should accept – that the application of specific defence procurement rules, regulations and requirements should be suspended if a particular project is urgent.

In [Richard Fadden](#)’s view, for defence procurement rules, regulations and requirements to be suspended, the Chief of the Defence Staff should have to certify that “whatever is needed is needed now and within a particular time frame,” and this certification should occur alongside “a clear elaboration of why [the procurement] can't be done with the existing rules, a clear indication of what specific rule is being suspended and for what specific purpose, and a clear indication of how this is going to speed things up.” Richard Fadden contended that Parliament should be involved in the decision to suspend defence procurement rules, regulations and requirements in support of urgent defence acquisitions.

[Richard Fadden](#) also suggested that defence procurement rules should be systematically reviewed, noting that some rules are old and have not been reviewed and should probably be updated or deleted. In Richard Fadden’s opinion, because DND, PSPC, ISED, the Treasury Board of Canada Secretariat and the PCO are “all adding rules to defence procurement” but that they “don't withdraw very many ... over the years,” a regular review of existing rules would be beneficial, and could help to streamline and accelerate defence procurement processes.

According to [Richard Foster](#), the launching of new defence procurement projects should not automatically result in competitions and sole-source purchases should be permitted more often. Richard Foster advocated the use of a competition only when this approach is required, and not for the sake of having a competition. In Richard Foster’s view, “competition is healthy and should be a matter of course when two products or capabilities have comparative offers,” but “if there is only one product or capability that meets the CAF's requirements and Canada is not prepared to appropriately fund a developmental program for another offering to create competition, then it should not be competed.” Richard Foster said that, for sole-source purchases, Canada should select well-proven and well-tested military technology and off-the-shelf products.

[Alexander Jeglic](#) asserted that competitions do not always lead to the anticipated results, commenting that 34% of Canada’s competitive defence procurement processes involve “only one bidder,” with the result that the country is not benefiting “from diverse solutions

and competitive pricing, so all that energy is for naught” and a sole-source purchase would result in more timely procurement. That said, regarding such purchases, Alexander Jeglic stressed the need both to “have robust justifications” about why only one contractor was available to supply the CAF with that capability and to “make those justifications transparent” to the public. Alexandre Jeglic urged the federal government to accelerate defence procurement further by “us[ing] accepted exceptions to competition where appropriate,” and by “mimic[ing] what worked [in] times of emergency procurement,” such as during the COVID-19 pandemic.

Some witnesses underlined that military equipment can be procured rapidly to meet critical operational needs, such as in times of emergency. [Troy Crosby](#) indicated that Canada’s defence procurement system responds “quite quickly” when there is an emergency or a crisis because of the Urgent Operational Requirement process. In providing an example, Troy Crosby mentioned that, since the beginning of the war in Ukraine, the CAF has ordered a number of items – including counter-uncrewed aircraft systems and air defence systems – on an Urgent Operational Requirement basis.

[Lieutenant-General \(Retired\) Leslie](#) provided another example of accelerated defence procurement, stating that – during the war in Afghanistan – urgent operational requirements meant that Canada was able to procure such equipment as guns, radars, night-fighting devices, mine-protected vehicles, sniper weapons, Chinook medium-to-heavy lift helicopters and C-17 heavy transport aircraft in about five to six months. In Lieutenant-General (Retired) Leslie’s opinion, this experience “proves” that Canada’s defence procurement system can work.

However, some witnesses emphasized that not all defence procurement projects can be acquired through the Urgent Operational Requirement process. [Lieutenant-General \(Retired\) Thibault](#) acknowledged that, “in times of crisis,” the defence procurement system can work well, but suggested that the system can be slow when there is not a crisis. However, [Dr. Lagassé](#) contended that “a good 75% of procurements” occur without problems, although the “big rocks” – the warships, military aircraft and other major capital projects – often experience delays and other challenges, leading to “a lot of controversy and ... attention,” with the smaller projects being less complex, easier to manage, and often delivered on time and on budget.

In focusing on the Urgent Operational Requirement process, [Simon Page](#) commented that the process is “very much commodity-dependent” and does not lend itself well to all defence procurement projects. According to Simon Page, there is a “huge difference” between purchasing small arms ammunition in an expedited fashion, and developing and building a new warship design, which takes years.



In highlighting that more timely decision making is needed to accelerate defence procurement processes, [Karen Hogan](#) observed that, when decision makers “take time” to decide on projects, technology often changes and the original decisions then need to be revisited, which further slows down processes. In Karen Hogan’s view, “more timely decision-making and knowing what the intended outcome is would help with mitigating procurement delays” and would accelerate processes. Karen Hogan said that, in each of the Office of the Auditor General’s audits concerning defence procurement projects, most delays are related to the timing of decision making. [Dr. Lagassé](#) asserted that the “only way ... to speed up” decision making about such projects would be to “delegat[e] some decision-making to lower-level individuals within the procurement process,” thereby eliminating some layers of approvals.

Streamlining Defence Procurement Processes

Witnesses generally agreed that defence procurement processes should be streamlined. Pointing out that Canada’s defence procurement system is “burdensome, complex and lengthy,” [Mike Mueller](#) advocated a “transformed” system that “operates effectively and efficiently,” and that is capable of “responding to rapidly evolving international security threats and emerging capability requirements.” With a focus on defence procurement processes, Mike Mueller argued that such processes should be streamlined, and [Dr. Lagassé](#) contended that PSPC and “DND must be allowed to take greater risks and move more quickly” regarding such processes in order to ensure that the CAF can access the latest technologies available.

That said, [Dr. Trevor Taylor](#) – Director of the Royal United Services Institute’s Defence, Industries and Society Programme – commented that defence procurement processes help to ensure that the right products are being purchased with the funds allocated and that the behaviour of all parties involved in the procurement is not “improper in any way.” However, Dr. Taylor also stated that complex processes, such as those in Canada, often have a negative impact on the speed of acquisitions, with the result that the delivery of military equipment is frequently delayed and the equipment can become obsolete by the time that it is fully operational. Dr Taylor drew particular attention to the challenges that can arise when rapidly changing technologies – such as software, cyber security systems and other informational technologies – are being procured.

[Simon Page](#) mentioned that “a whole-of-government effort” involving all relevant federal departments and agencies involved in defence procurement is currently underway, including with the goal of looking “at the entire spectrum of defence procurement” in order to streamline processes. According to Simon Page, the departments and agencies are “looking at pre-procurement activities,” which are focused on gaining an

understanding of the CAF's needs from a capability planning standpoint before any procurement process is launched. As well, Simon Page noted that the departments and agencies involved in defence procurement are also looking at "pure procurement activities," which focus on the RFIs, the RFPs and bid evaluations leading to the awarding of a contract, as well as "post-procurement, post-contract-award activities," which deal with the life-cycle sustainment of the ships, aircraft and other military assets procured.

Witnesses recognized ongoing efforts to streamline Canada's defence procurement processes, but urged greater action. [Richard Fadden](#) maintained that there is a need for fewer defence procurement rules, adding that ministers and public servants apply these rules "across the board, notwithstanding the size or complexity of specific acquisitions." In arguing that this approach should be re-visited, Richard Fadden proposed that the federal government should change delegated authorities and should "have fewer rules" to follow when defence procurement projects are "not particularly complex, or when not a great deal of money is involved."

[Alexander Jeglic](#) outlined a number of options for improving defence procurement processes, contending that the federal government should take the following nine actions:

- Publish an accurate, transparent project pipeline for non-National Security Exception projects, so a refreshed version of the DND's Defence Investment Plan can be relied upon and trusted by industry;
- Include full life-cycle planning in solicitations and contracts addressing obsolescence and interoperability;
- Apply a risk-based approach to all defence projects, increasing delegations;
- Embed a Treasury Board (TB) analyst as part of the major projects procurement teams, to raise any issues in real time and reduce Treasury Board sub-requirements;
- Create clear accountabilities between all of the respective actors in defence procurement;
- Reduce the number of mandatory criteria to only those that are essential;



- Use accepted exceptions to competition where appropriate and allow the dispute resolution mechanisms to play their roles. Mimic what worked during times of emergency procurement.
- Increase delegations; and
- Prioritize the creation of a government-wide vendor performance regime that will reward good performers and not reward poor performers.

Some witnesses highlighted the “Canadianization” of defence procurement products, particularly those acquired from foreign sources, and suggested that this “Canadianization” often causes delays and should be reduced. The term “Canadianization” refers to the process whereby extensive modifications are made to new weapon systems and other military equipment in order to customize those products to meet specific Canadian standards and rules.⁴⁵ [Alan Williams](#) asserted that federal government and military officials “spend a lot of wasted time” and “billions of dollars trying to Canadianize” defence products. In Alan Williams’ view, they should instead acquire only “highly developed assets” and the “best products” on the market, which should not require a “great deal of time and effort” and would result in both a reduced “integration risk” and timely delivery. Similarly, [Dr. Lagassé](#) commented that, if federal government and military officials “were to try to reduce the amount of Canadianization that we do for equipment, that would speed things up.”

[Yana Lukashchuk](#) underscored that “introducing digital technologies” in defence procurement should be part of streamlining efforts, explaining that – at present – digital technologies are “quasi exclusively restricted to large defence contractors.” In Yana Lukashchuk’s opinion, the federal government should standardize its defence procurement processes “on a digital technology platform” that would both permit all participants in the defence procurement “ecosystem” to evolve and innovate within a “well-managed governance framework,” and enable DND and the CAF “to better manage portfolios” by “de-risking major projects, enhancing transparency and accountability, identifying cost-

45 For instance, regarding “Canadianizing” naval ships, the Naval Association of Canada argues that “Canada has unique legislative rules and geographic and demographic circumstances that affect its warships,” which include “matters inside the ship as well as outside” and may differ from other countries. For example, “Canada has certain power supply standards and settings,” as well as “rules about the space provided for crew members and policies about the accommodation of women on board ships.” Canada also has “strict rules about the security of weapons on board ships” and “rules about how waste water is to be handled.” As well, “there has to be both heat and air-conditioning in Canadian ships.” Canadianization may also mean “adapting” the exterior of ships “so they can operate in a cold, unforgiving climate.” See Naval Association of Canada, “[Naval Shipbuilding in Canada: Why Does It Take So Long and Cost So Much?](#),” November 2020, pp. 3–4.

saving opportunities by analyzing spending patterns, optimizing inventory and, ultimately, negotiating better contracts.”

As well, Yana Lukashev indicated that digital technologies would allow DND: “to integrate with other defence systems and data sources, providing a holistic view of procurement and supply chain operations; to monitor and evaluate the effectiveness of these processes; and, to leverage training and support services to ensure that defence personnel can effectively use the technology to drive procurement reform and unlock additional value.” Moreover, Yana Lukashev argued that “adopting digital technologies” would permit DND, PSPC and defence contractors to put metrics on defence procurement processes and to measure the successes of these processes.

Learning Defence Procurement–Related Lessons from Allies

Witnesses underlined that Canada should analyze and learn lessons from allies’ defence procurement reforms, including those made in the United States and the United Kingdom. [Alexander Jeglic](#) noted that several of Canada’s allies are “working diligently” to ensure that defence procurement is occurring as efficiently as possible, and encouraged the federal government to obtain “timely information” from these allies about “best practices” regarding procurement.

[Dr. Alexis Ross](#), President of APEX Defense Strategies, focused on the U.S. experience in weapons acquisition, and drew attention to dozens of attempts to reform U.S. defence procurement policies, processes and organizational structures over the last 50 years. In providing an example of some “pitfalls” of the U.S. defence procurement system, Dr. Ross observed that “it can take 10 or more years to field a major weapon system,” and added that U.S. Department of Defense “procurement processes typically do not adapt quickly to emerging threats or evolving technologies.”

As well, [Dr. Ross](#) said that, since 2015, the U.S. defence procurement system has undergone “structural changes,” including: a “realignment of decision-making authority to accelerate the pace of defence procurement projects’ advancement through the process”; “procedural changes, including creating new pathways in the process that eliminated some of the procedural requirements for defence procurement projects and sped up their progress”; expanded use of “more flexible and more rapid contracting methods”; and the implementation of steps designed “to attract non-traditional vendors into the defence market.”

Based on the U.S. experience, [Dr. Ross](#) proposed that a number of factors be considered when defence procurement reforms are undertaken, stating that:



Any major reform effort must be bolstered by a sound implementation plan. ... It entails changes in the organization's culture, which take ... a lot of time. ... Next, the extent of the success of acquisition reform is inherently limited by the faults of adjacent systems that impact acquisition outcomes. ... Acquisition [cannot] go any faster without changes to the budgeting process, which is another rigid, slow and overly prescribed process. Finally, one must anticipate a change in focus in the near future. Just when ... changes are taking hold, something will inevitably happen, such as a sudden involvement in military operations that shifts priorities or a change in the political party in power. ... In acquisition it usually means shifting the priority between optimizing cost, schedule or performance.

Moreover, [Dr. Ross](#) urged Canada to learn from U.S. defence procurement reform efforts by avoiding too much legalization of defence procurement processes, which makes processes "very technical and hard for the workforce to adapt to and keep up with" and also "makes it very hard for them to be creative, dynamic and agile." Dr. Ross explained that:

[The U.S. defence procurement] system is very statutory-based. It's highly technical. Many of the rules are based in procurement law. Every time something goes wrong, Congress writes a new law. You could think of it as barnacles on a ship. They keep getting added and are never taken away. If you look at [the] United States code, it's like a graveyard of past acquisition mistakes.

According to [Dr. Ross](#), Canada should learn from the U.S. experience by streamlining and simplifying defence procurement decision making. Highlighting the "last round of acquisition reforms" in the U.S., when measures were implemented "to simplify the layers and to delegate some of the decision-making authority from the highest levels of the Pentagon down to the next-highest levels," Dr. Ross mentioned that, instead of "having the Secretary of Defense level making decisions on certain programs," decision-making authority has been delegated "to the secretaries of the military departments: the Army, Navy and Air Force," which has "decreased some of the time and burden of the process."

[Dr. Taylor](#) identified some lessons learned while studying the U.K. defence procurement system. In Dr. Taylor's opinion, "different things have to be bought or procured in different ways and need different acquisition strategies to deal with them." In providing an example, Dr. Taylor commented that buying office supplies is different than procuring a complex, state-of-the-art combat aircraft, and suggested that defence procurement requires flexibility and adaptation, which means that there cannot be a one-size-fits-all approach.

In that context, [Dr. Taylor](#) asserted that there is a need for more "expectation management" in defence procurement, emphasizing that "people have extraordinary

expectations” that weapon systems and other military equipment should always be delivered on “time with a particular performance for a particular amount of money.” According to Dr. Taylor, people do not appreciate how complex and difficult the acquisition of these defence products can be, or how quickly technology and world politics are evolving, which requires armed forces to adapt their capabilities on an ongoing basis, alter their equipment requirements and make changes to defence contracts.

With a focus on rapidly changing technologies and emerging threats, [Dr. Taylor](#) underscored that certain weapon systems and other military equipment “are going to need fairly regular, constant updates” so that they can remain operationally relevant. To facilitate that updating process, Dr. Taylor encouraged the adoption of a modular “open system” approach to defence procurement that would allow equipment to be improved throughout their life-cycle through “relatively simple processes” and without “taking the whole machine apart.” Recognizing that modifying software is much easier than integrating new weapons into a warship or combat aircraft, Dr. Taylor maintained that a flexible “open system” is needed so that governments can acquire military equipment that would enable their armed forces to respond to existing threats and to meet evolving operational requirements over the equipment’s life-cycle.

Depoliticizing Defence Procurement and Reducing Risk Aversion

Witnesses indicated that Canada’s defence procurement processes would be more efficient if they were depoliticized. For that reason, they proposed actions to depoliticize defence procurement and to give public servants more autonomy and flexibility concerning that procurement. [Yves Giroux](#) argued that, if decision-making processes for major Canadian defence procurement projects were to become depoliticized, Canada’s approach to defence procurement would become “much more neutral” and risk aversion within the public service would be reduced.

[Dr. Lagassé](#) urged parliamentarians and political parties to “arrive at common agreement” concerning defence procurement, with this agreement involving a commitment that “not every failure or error should be seized upon for partisan advantage.” According to Dr. Lagassé, “bipartisan consensus” about defence procurement is essential to reduce risk aversion within the bureaucracy, to develop and promote innovative ways to streamline and expedite defence procurement processes, to adapt Canada’s defence procurement system so that it can adjust to rapid technological changes, and to ensure that the CAF can be equipped in a timely manner to respond to an ever-changing threat environment. In response to a question from a member of the Committee about the Prime Minister of Canada’s influence over the awarding of defence procurement contracts, [Alexander Jeglic](#)



called for “segregation between the political arm and the procurement process,” arguing that there should be “no intervention from political actors whatsoever in procurement-related decisions.”

[Richard Fadden](#) said that the public service’s culture of risk aversion has become the “dominant culture with respect to any public servant who has anything to do with defence procurement,” and should be changed. While “not advocating irresponsible action,” Richard Fadden encouraged “an acceptance of some measure of risk and the possibility of error,” which would result in a work environment where “acceptance of exceptions to rules in favour of special arrangements can be sought, without being career-limiting.”

As a first step to changing culture in the public service, [Richard Fadden](#) proposed the release of a government-wide statement informing public servants that they are expected “to consider effectiveness as well as rules-based approaches,” and clearly conveying that mistakes would not have negative consequences for their career. In Richard Fadden’s view, the existing “behavioural” risk aversion can be changed over time by fostering a work culture that is more flexible, open-minded and tolerant of mistakes.

According to [Dr. Taylor](#), reducing risk aversion in the public service begins with establishing “trust among the people who are doing the work—trust in their judgment and in their integrity.” Dr. Taylor stated that, if politicians and government officials look for someone to blame when mistakes occur, “then people of course don’t speak accurately because they don’t want to put in evidence [anything] that leads to [mistakes] being put on them.” Dr. Taylor contended that “accountability” should be about asking people what they did, when they did it and why they did it in a particular way, and understanding “what grounds they had” for doing things a certain way.

[Dr. Ross](#) underlined that “leadership, people who are in senior positions,” have a key role to play in encouraging their employees to be less risk averse and less hesitant to communicate, and in proving to them that negative consequences will not result if mistakes occur when they try a different approach to procurement.

Investing in the Defence Procurement Workforce

Witnesses highlighted the need to hire more skilled and trained defence procurement personnel. According to [Yves Giroux](#), to improve Canada’s defence procurement processes, “DND—or whoever is ultimately responsible for the procurement process, if there were to be changes made—[must have] the appropriate number of persons in place with the right skill set.” In agreeing, [Karen Hogan](#) added that “there is a lack of

capacity and expertise across [the] federal public service ... in procurement,” and capacity needs to be increased.

In [Dr. Lagassé](#)’s opinion, defence procurement requires a stable, specialized, skilled, well-trained and experienced workforce, and the current lack of such a workforce is causing problems for DND’s Materiel Group, which should identify “people who are experts” in defence procurement and should “hire more of them.” Commenting that the CAF “are facing major capacity problems” because of the ongoing personnel crisis, with a current shortage of about 16,000 personnel within the CAF, Dr. Lagassé suggested that “increasing DND-CAF’s capacity to manage procurement—the human side of the equation—cannot be ignored and must be better appreciated,” and asserted that DND is “asking too much of too few people,” which is “not a recipe for success.” In noting that defence procurement experts are not “people you take off the shelf and just put into a position,” Dr. Lagassé pointed out that it “takes years to train these individuals.” [Dr. Kimball](#) agreed, stressing the need to recruit and retain people to work on defence procurement and underscoring the importance of that workforce’s “education and the professionalization.”

Witnesses made proposals aimed at strengthening the education, training and skills of Canada’s defence procurement workforce. [Karen Hogan](#) observed that, because defence procurement is complex and requires people who have “some specialized expertise” and appropriate training, “what is really needed in a procurement process is the right skill set.” As well, Karen Hogan drew attention to audits conducted by the Office of the Auditor General of Canada that have revealed delays in defence procurement due to a shortage of procurement personnel. In Karen Hogan’s view, there should be a long-term focus that includes the development of a stable, skilled and well-trained “dedicated team” that would specialize in defence procurement. In a document submitted to the Committee, CADSI urged the government to “grow and professionalize” its procurement workforce, and to “continue training the workforce to better understand [the defence] industry and how to interact with it.”⁴⁶

Recognizing the importance of “recruit[ing] and invest[ing] in [Royal Military College of Canada, or RMC] recruits coming out of university now,” [Alexander Jeglic](#) called for the development of multiple procurement-related courses for RMC students so that “every graduate coming out of RMC [has] not just a basic introductory course on procurement but advanced knowledge of procurement,” which will help them throughout their military career. Alexander Jeglic also advocated the creation of more university programs focused on defence procurement, suggesting that such programs “could have sophisticated,

46 CADSI, “Meeting the Moment: Industry’s View on Improving Defence Procurement,” document submitted to NDDN members on 3 October 2023.



complex, defence-related procurement as their focus of study,” leading to more skilled and trained personnel to work in the area of defence procurement.

As well, witnesses encouraged the defence procurement workforce to think more about the impact of procurement decisions on the CAF personnel who will be using the equipment procured. [Dr. Kimball](#) argued that more should be done to consider the distinct needs of CAF women – including those who are pregnant – when developing uniforms, helmets, and personal kit and equipment. Dr. Kimball noted that, in Denmark and some other countries, procurement experts are putting “money towards developing resources for women in ways that are much more impressive” than is the case in Canada. In agreeing, [Alan Williams](#) highlighted both the “lack of gender-based analytics” in defence procurement and the extent to which diversity needs to be a “critical component of procurements.” As well, Alan Williams supported a gendered approach to defence procurement as something that should be “a simple thing to do” and “not overly complicated.” In Alan Williams’ opinion, the uniforms, as well as the personal kit and equipment, that are procured should “suit each [CAF member] appropriately.”

Enhancing Transparency and Oversight Concerning Defence Procurement

Witnesses underlined the need for enhanced transparency and oversight concerning defence procurement, and characterized the reviews and reports by the Office of the Parliamentary Budget Officer, the Office of the Auditor General of Canada and the Office of the Procurement Ombudsman about defence procurement policies and projects as valuable. [Karen Hogan](#) and [Yves Giroux](#) drew attention to some recent reports by the Office of the Auditor General of Canada and the Office of the Parliamentary Budget Officer concerning the cost and progress of defence procurement processes and projects.⁴⁷

For example, in recent years, the replacement of the CF-18 fleet with 88 new jet fighters has been the subject of reports by the Office of the Auditor General of Canada and the

47 For examples of reports released in the last five years, see Office of the Auditor General of Canada (OAG), [Arctic Waters Surveillance](#), 2022; [National Shipbuilding Strategy](#), 2021; PBO, [Planned Capital Spending Under Canada’s Defence Policy: 2024 Update](#), 28 February 2024; PBO, [The Life Cycle Cost of the Canadian Surface Combatants: A Fiscal Analysis](#), 27 October 2022; PBO, [The Industrial and Technological Benefits Policy: An Analysis of Contractor Obligations and Fulfillment](#), 12 May 2022; PBO, [Planned Capital Spending Under Strong, Secure, Engaged – Canada’s Defence Policy: 2022 Update](#), 11 March 2022; PBO, [The Polar Icebreaker Project: A Fiscal Analysis](#), 16 December 2021; PBO, [The Cost of Canada’s Surface Combatants: 2021 Update and Options Analysis](#), 24 February 2021; PBO, [The Joint Support Ship Program and the MV Asterix: A Fiscal Analysis](#), 17 November 2020; and PBO, [The Cost of Canada’s Surface Combatants: 2019 Update](#), 21 June 2019.

Office of the Parliamentary Budget Officer.⁴⁸ Their reports emphasized the important role played by such reports in alerting the federal government to delays, escalating costs, and other challenges with defence procurement processes and projects. Referring specifically to the February 2021 *National Shipbuilding Strategy* and November 2022 *Arctic Waters Surveillance* reports, [Karen Hogan](#) mentioned that recent Office of the Auditor General of Canada reports have identified capability gaps resulting from delays encountered with the delivery of certain defence procurement projects.⁴⁹

[Alexander Jeglic](#) outlined the Office of the Procurement Ombudsman’s roles and responsibilities, including to review complaints from Canadian suppliers and to conduct systemic reviews of the “procurement practices of federal departments to assess fairness, openness, transparency and consistency with laws, policies and guidelines.” According to Alexander Jeglic, in 2018, the Office produced a five-year procurement practice review plan that identified and described the systemic reviews that would be conducted. As part of the 17 reviews conducted under that plan, the Office reviewed DND and presented the results in the May 2022 report entitled *Procurement Practice Review of the Department of National Defence*.⁵⁰

In supporting systemic reviews of departments, [Alexander Jeglic](#) suggested that such reviews have two important functions:

First, they identify areas in which departments can take concrete steps to improve the overall fairness, openness and transparency of their procurement practices; second, they point out good practices that can be emulated by other departments. Any recommendations made in these reviews are designed to improve practices and do not focus on individual complainants or winning and losing bidders in the same way that reviews of specific complaints do.

[Alexander Jeglic](#) also noted efforts to monitor “issues associated with Indigenous suppliers,” pointing out “new requirements under the directive on the management of procurement that require a 5% allocation of federal contracts to be awarded to Indigenous suppliers.” In Alexander Jeglic’s view, part of the Office of the Procurement Ombudsman’s

48 See OAG, *Canada’s Fighter Force – National Defence*, Fall 2018; PBO, *Fiscal Analysis of the Interim F-18 Aircraft*, 28 February 2019; and PBO, *The Life Cycle Cost of Canada’s F-35 Program – A Fiscal Analysis*, 2 November 2023.

49 See OAG, “*National Shipbuilding Strategy Initially Slow to Deliver Ships, Further Delays Would Likely Threaten Fleet Renewal*,” 25 February 2021; OAG, *National Shipbuilding Strategy*, 2021; OAG, “*Federal Government Has Not Addressed Long-Standing Issues that Affect its Surveillance of Canada’s Arctic Waters*,” 15 November 2022; and OAG, *Arctic Waters Surveillance*, 2022.

50 Office of the Procurement Ombudsman, *Procurement Practice Review of the Department of National Defence*, May 2022.



role is “ensuring accountability that this is, in fact, happening” with defence procurement contracts.

Witnesses acknowledged the oversight functions currently performed by the Office of the Parliamentary Budget Officer, the Office of the Auditor General of Canada and the Office of the Procurement Ombudsman, but some contended that more should be done to strengthen defence procurement transparency and oversight. [Dr. Perry](#) asserted that “far too many conversations about Canadian defence procurement occur in a near information vacuum, and that work is too important to be done silently, behind closed doors.” In Dr. Perry’s opinion, the federal government has a responsibility to be transparent with the Canadian public about defence procurement decisions and to explain major purchases in a way that provides the rationale for such large financial expenditures. Arguing that federal communications in that regard “have actually gotten worse” in recent years, Dr. Perry called for annual reports about defence procurement that could analyze progress made with particular processes and projects, and that could provide status updates about the “top 10, 20 or 30 files.”

According to [Dr. Lagassé](#), the federal government must “make transparency in [defence] procurement a priority.” In recognizing that DND has recently made important advances in this regard, Dr. Lagassé emphasized – for example – that DND’s Defence Capabilities Blueprint “provides easily accessible information about where projects find themselves in the procurement system and what capabilities they are delivering.”⁵¹

However, [Dr. Lagassé](#) added that “Canada still lags behind its allies ... in providing detailed information on the financial status of the overall investment portfolio and the risks surrounding it, as well as on individual projects,” and should mirror Australia and the U.K. in publishing an annual defence procurement report. In Dr. Lagassé’s view, these reports provide “an overview of portfolio risks, costs and updates,” and lead to far greater transparency with the public and parliaments “about why they’re doing what they’re doing [with defence procurement] and how they’re trying to do it.” [Dr. Lagassé](#) contended that many political controversies and delays with defence procurement projects could be avoided if the federal government were to become more transparent with the public, including through providing – in advance – the rationale for and evidence underlying certain decisions.

Moreover, [Dr. Lagassé](#) commented that there should be greater transparency for parliamentarians, asserting that the work of parliamentary committees “is constantly hampered by a lack of information” about federal government decisions, policies and

51 For more information, see DND, “[Defence Capabilities Blueprint](#).”

budgets. In arguing that these committees “should all have access to classified information to do [their] jobs,” especially to analyze defence procurement processes and projects, Dr. Lagassé focused on members of the House of Commons Standing Committee on National Defence when stressing that they “should ... have access to classified information to know exactly where projects are, what they're doing and where the money is being spent.” Similarly, [Lieutenant-General \(Retired\) Leslie](#) observed that providing Canadian parliamentarians with security clearances would allow them to access classified information concerning defence procurement and to “make informed choices.”

[Alan Williams](#) underscored that the “lack of performance measures” and the “lack of adequate reporting” are among the most “critical deficiencies” of Canada’s defence procurement processes, mentioning that – at a minimum – there should be indicators that “measure timeliness and costs” because it is “impossible to make improvements if we don't have a clear understanding as to where the problems lie.” In making proposals designed to address these issues, Alan Williams advocated a “capital plan” outlining “the full life-cycle cost for each [defence procurement] project over a 30-year period, mapped against the projected available funds year by year.” Alan Williams noted that the acquisition cost for a project represents about 30% of the total life-cycle cost for that project, so considering the overall life-cycle cost is important.

Similarly, [Karen Hogan](#) pointed out that, because life-cycle planning regarding Canada’s defence procurement is “not very good,, the country should be considering life-cycle costs at the moment when a new defence procurement project is launched. In Karen Hogan’s opinion, if a particular item of equipment has a lifespan of 20 years, “we should say to ourselves that after about ten years, we'll determine whether it's time to start the contracting process to provide for its replacement.”

INVESTING IN DEFENCE INDUSTRIAL PREPAREDNESS

For witnesses, one issue connected to reform of Canada’s defence procurement system is the need to invest in defence industrial preparedness. They highlighted the need to rely more on domestic companies, and maintained that the war in Ukraine has demonstrated the extent to which self-sufficiency in defence production can be vital in times of emergency. According to them, investments in defence industrial preparedness are imperative, and there should be more cooperation and trust between the federal government and the defence industry, with both working together to strengthen defence procurement in Canada and to provide the CAF with the military equipment required to remain technologically ready to operate on the battlefields of the 21st century.



In this context, witnesses underlined the importance of: building a strong defence industrial base; creating a defence industrial strategy; strengthening cooperation between the federal government and Canada’s defence industry; simplifying RFPs; placing Canada’s defence industry on a “wartime footing”; favouring made-in-Canada technologies and products; investing in new defence industrial capabilities; reviewing the Industrial and Technological Benefits (ITB) policy; and developing defence-related export markets.

Building a Strong Defence Industrial Base

Witnesses drew attention to the important contributions that Canada’s defence and security companies make to Canada’s defence industrial base. [Christyn Cianfarani](#) commented that CADSI represents more than 700 of these companies, which together employ at least 100,000 Canadians and contribute more than \$12.4 billion annually to the country’s economy.⁵²

[Mike Mueller](#) provided an overview of the contributions that Canada’s aerospace companies make to the country’s defence industrial base, indicating that the Aerospace Industries Association of Canada represents “more than 90% of the Canadian aerospace industry, including the defence sector.” As well, Mike Mueller stated that the country’s aerospace companies employ more than 200,000 workers across Canada, with those companies located in “almost every [federal] riding in the country.”

Commenting on Bombardier Inc., [Eric Martel](#), [Anne-Marie Thibaudeau](#) and [Pierre Seïn Pyun](#), Bombardier Inc.’s Vice President of Government and Industry Affairs, underlined the company’s contributions to Canada’s defence industrial base. According to them, Bombardier Inc. employs 33,000 Canadians, contributes \$5.7 billion to Canada’s GDP – including through designing, manufacturing and servicing world-renowned business jets that are convertible for various intelligence, surveillance, reconnaissance and other multi-mission military uses – and “has more than 550 special mission and defence jets in service worldwide, including with the United States Air Force and [the United States] Army,” as well as the militaries of Germany, Sweden, the United Arab Emirates, the United Kingdom and other countries.

In their briefs submitted to the Committee, [Irving Shipbuilding](#), [Seaspan Shipyards](#) and [Chantier Davie Canada Inc.](#) (hereafter, Davie) stressed the importance of Canada’s naval shipbuilding sector to the country’s defence industrial base. [David Lincourt](#), Chief Expert

52 CADSI, “Meeting the Moment: Industry’s View on Improving Defence Procurement,” document submitted to NDDN members on 3 October 2023.

of SAP Canada Inc.'s Global Defence and Security Industry Business Unit, and [Yana Lukasheh](#) said that – as of 7 November 2023 – SAP Canada Inc.'s enterprise application software had been “adopted by over 40% of the world's militaries, 70% of NATO allies and all Five Eyes countries,” adding that the company has “300-plus customers in defence and security” worldwide. [Richard Foster](#) underscored L3Harris Technologies Canada's contributions to the country's defence industrial base, pointing out the “export success” of the company's WESCAM MX-series of air surveillance and reconnaissance cameras, which is the result of “government-industry research and development that started over 50 years ago.”

Witnesses also mentioned the contributions of small and medium-sized businesses to Canada's defence industrial base. [Michael Clark](#) noted that FELLFAB – a 72-year-old company that specializes in “innovative textile solutions” – employs 125 people and is an example of the small and medium-sized businesses that are part of Canada's defence industrial base. Michael Clark drew attention to a 2022 ISED report indicating that “firms with fewer than 250 employees represent nearly 90% of the companies in the Canadian defence sector.”

As well, witnesses commented on the extent to which Canadian companies benefit from defence procurement contracts. For example, various contracts have been awarded to Canada's defence industry as a result of the federal government participation in the development of U.S.-led Joint Strike Fighter (F-35) program since 1997.⁵³ According to Lockheed Martin, over the past 25 years, more than 110 Canadian companies “have already been awarded contracts and ... contributed to the development and production of the F-35,” and have – thus far – “invested approximately \$120 million in capital investment for facility upgrades to win F-35 [contracts] and maintain modern production equipment.”⁵⁴ As well, Lockheed Martin states that “Canadian companies have been awarded high-value contracts as part of the F-35 global supply chain amounting to \$2.8 billion [U.S dollars] as a result of Canada's partnership in the F-35 program.” Lockheed Martin also indicates that, “over the life of the [F-35] program,” Canada's participation is expected to contribute more than \$16.9 billion to the country's economy.⁵⁵ [Troy Crosby](#) and [Mary Gregory](#), ISED's Associate Assistant Deputy Minister, Industry Sector, suggest that Canada's participation in the F-35 program has generated economic activity in Canada valued at \$3.5 billion.

53 ISED, “[F-35 Joint Strike Fighter \(JSF\) Program: Canadian Industrial Participation.](#)”

54 Lockheed Martin, “[F-35: The Right Choice for Canada.](#)”

55 Ibid.



Witnesses also described the need for Canada’s defence companies to continue to provide government-supported skills training to their employees to ensure an experienced, knowledgeable and skilled workforce, especially in this era of rapid technological change. In their briefs, [Irving Shipbuilding](#) and [Seaspan Shipyards](#) emphasized their training and skills development initiatives for employees.

[Irving Shipbuilding](#)’s brief commented on the company’s Pathways to Shipbuilding program, which is provided in partnership with the Nova Scotia Community College. According to the brief, the program is “designed to recruit, train and retain people from groups traditionally under-represented in Canada’s shipbuilding industry,” including “Women, Indigenous Peoples and Black Canadians.”⁵⁶ [Seaspan Shipyards](#)’ brief highlighted the company’s “engagement with Indigenous communities” and the opportunities provided for members of those communities, including through “supporting Indigenous [small and medium-sized businesses] and bringing them into [Seaspan Shipyards’] supply chain.” As well, Seaspan Shipyards’ brief outlined that the company has a “multi-pillared strategy” focused on Indigenous “relationship building, education, investment, procurement and employment,” noted Seaspan Shipyards’ education and training program for Indigenous youth at Vancouver Shipyards, which is delivered in partnership with the Musqueam, Squamish and Tsleil-Waututh Nations, and underscored the company’s partnership with the Aboriginal Community Career Employment Services Society to provide training for Indigenous communities in the Vancouver area.

Creating a Defence Industrial Strategy

Witnesses called on Canada to develop a defence industrial strategy, as some other countries have done. In recent years, Australia,⁵⁷ Denmark,⁵⁸ the U.K.,⁵⁹ the U.S.⁶⁰ and other allied countries have developed strategies to strengthen their defence industrial base. As well, in March 2024, the European Commission launched a European

56 Irving Shipbuilding, “[Pathways to Shipbuilding](#).”

57 Government of Australia, Department of Defence, [Defence Industrial Capability Plan](#), April 2018.

58 Government of Denmark, [National Defence Industrial Strategy of the Danish Government](#), August 2021.

59 Government of the United Kingdom (U.K.), Ministry of Defence, [Defence and Security Industrial Strategy](#), March 2021.

60 See Government of the United States (U.S.), Department of Defense (DOD), “[DOD Releases First Defense Industrial Strategy](#),” 12 January 2024; DOD, [National Defense Industrial Strategy](#), 16 November 2003; and National Defense Industrial Association, “Vital Signs 2023: Posturing the U.S. Defense Industrial Base for Great Power Competition,” 2023.

Defence Industrial Strategy to enhance “defence industrial readiness in the European Union” and in response to “Russia’s unjustified ... war of aggression against Ukraine.”⁶¹

In drawing attention to the absence of a defence industrial strategy in Canada, [Alan Williams](#) said that “we have no 21st century defence industrial plan” to support the country’s defence industrial base, and “we need to have” that strategy “to support the kind of industries we think ought to be advanced in Canada.” In Alan Williams’ view, Canada should have already developed such a strategy.

[Dr. Perry](#) mentioned that the development of a long-term strategy for Canada’s defence industrial base would have benefits, stating that:

I think there would be a significant benefit to Canada, in a number of ways, as well as a contribution to the wider allied NATO defence industrial base. I think you see lots of evidence from the conflict in Ukraine that all of NATO's industrial capacity when it comes to national defence is insufficient. If Canada were to make an increase in our contribution, it would benefit not only our own country but our allies more broadly.

[Mike Mueller](#) urged the federal government to develop a defence industrial strategy that would lead to a domestic “business environment” characterized by high levels of investment, the creation of “high-value jobs” and the “fix[ing of] the current export permit system.” According to Mike Mueller, in developing such a strategy, the government should consider the need for: the government “to build stronger strategic relationships with industry”; “better align[ment of] requirements with needs”; “procurement approaches to [be tailored to] the nature of the acquisition”; the government to “consider adopting a risk-based procurement approach”; and the government and industry to “work together to enhance government procurement capacity.” Moreover, Mike Mueller contended that a “new relationship” is needed between the government and industry for two reasons: to “enhance procurement capacity” and to “develop mechanisms for sharing skills, talent and risk management approaches.”

Strengthening Cooperation Between the Federal Government and Canada’s Defence Industry

Witnesses asserted that Canada’s defence procurement processes could be strengthened with more and earlier discussion and cooperation between the federal government and Canada’s defence industry. [Eric Martel](#) advocated proactive engagement by the

61 See European Commission, “[Press Release: First-Ever Defence Industrial Strategy and a New Defence Industry Programme to Enhance Europe’s Readiness and Security](#),” 5 March 2024; European Commission, “[European Defence Industrial Strategy](#)”; and European Union, [EDIS: European Defence Industrial Strategy](#), 5 March 2024.



government with industry, and – in agreeing – [Richard Fadden](#) encouraged “an open dialogue between the public service in particular and the private sector.”

Similarly, [Mike Mueller](#) argued that defence procurement “should be about better collaboration between [the federal] government and [Canada’s defence] industry,” and about positioning them “for the work, innovation and defence requirements of the future.” As well, in Mike Mueller’s view, “better planning” should occur between them as part of defence procurement processes, and there is an “opportunity for intensified collaboration between the government and industry to refine ... procurement approaches and processes.” Mike Mueller suggested that such collaboration would allow the government to “leverage” the country’s “innovation and industrial strengths to meet [the] growing defence and security needs.”

In [Dr. Taylor](#)’s view, the federal government and Canada’s defence industry should not have an “adversarial relationship.” Dr. Taylor proposed a “closer dialogue” and better partnership between the government and industry, contending that the government “knows more about needs” and industry “knows more about the technology.” Similarly, [Dr. Ross](#) supported a closer relationship between DND and Canada’s defence industrial base, describing such a relationship as “critical for keeping the cost, schedule and performance in the right balance.” Moreover, according to Dr. Ross, their interactions should occur “in the early phases” of defence projects so that industry would have valuable insights into the development of requirements, and could advise “what is possible,” provide information about technological capabilities, and – prior to the drafting of requirements – help the government think about the procurement “in a way that [it] might not have” otherwise.

In agreeing, [Richard Foster](#) asserted that, if “enough industry captains” were involved in “a transparent discussion [with the federal government] up front” and before a competition is launched, many problems could be avoided. In Richard Foster’s opinion, at present, the government tends to “put a fence up right away and then ... throw RFIs over the fence” and ask industry if the requirements can be met, leading to a “back and forth” process. Richard Foster also said that “constant communication” between the government and industry about defence procurement processes and projects is “critically important.”

[Christyn Cianfarani](#) argued that Canada’s defence industry should be involved in federal efforts to reform defence procurement processes. According to Christyn Cianfarani, industry generally understands how the defence procurement system works, and companies that bid on contracts are well positioned to make process-related suggestions about what works and what does not. [Alexander Jeglic](#) agreed, and suggested that the

federal government should undertake “frank” discussions with industry, including about Canada’s existing and future industrial capacity. In Alexander Jeglic’s view, developing a “trusted pipeline” between the government and industry would both foster good working relationships and assist with timely identification of solutions to some challenges relating to procurement processes and projects.

Simplifying Requests for Proposals

Witnesses highlighted the need to simplify RFPs for companies interested in bidding on defence procurement contracts in Canada. They drew particular attention to the rigidity of requirements, the lack of flexibility in processes and the burdensome amount of documentation that must be prepared. [Michael Clark](#) underlined the complicated nature of requirements, noting that some are “fairly straightforward and simple,” but others are quite complex and “have a lot of moving parts to them.”

In agreeing, [Anne-Marie Thibaudeau](#) described Canada’s bidding process for defence contracts as “overly complex and overly complicated,” with the result that companies must spend a considerable amount of time and money when preparing bids. In Anne-Marie Thibaudeau’s opinion, the federal government could simplify defence procurement processes by being less rigid with RFPs, and “put the onus ... on industry to show what they can deliver in a fair and open competition.”

[Eric Martel](#) commented that RFPs are much simpler in other countries, and provided the example of Bombardier Inc. having an RFP of 35 pages for a bid in another country that would probably involve “hundreds if not thousands of pages” if the bid were in Canada. According to Eric Martel, shorter RFPs allow the company to have constructive discussions with the client about the product, as well as “a little bit of latitude and probably the ability to offer a lower-cost solution.” In mentioning the more detailed specifications that exist in defence-related RFPs in Canada, Eric Martel stated that the requirements in many other countries “are not specific to the smallest detail” and normally do not indicate the preferred colour of the wiring or the company that should supply the bolts to be used to build an aircraft. In Eric Martel’s view, these other countries are concerned that the aircraft they acquire has the capability they seek and can perform the intended missions.

As well, [Eric Martel](#) asserted that devising complex, lengthy, detailed and onerous specifications is not an effective and efficient way of doing business. In Eric Martel’s opinion, if the federal government “take[s] three or four years to develop a specification, there’s something wrong.” Eric Martel contended that the government should simplify RFPs, give industry some flexibility and reduce the amount of documentation that must be prepared as part of a defence procurement process.



[Richard Fadden](#) argued that, instead of “giving a particular company a set of requirements of 1,500 pages,” the federal government should provide “100 pages that require a result.” In noting that some of Canada’s allies have reduced the requirements they provide to industry, Richard Fadden suggested that the government continues to believe “that every detailed requirement should be set out for the company to meet.” In Richard Fadden’s view, if the government were to give companies more flexibility, while still making it very clear what it wants to procure, companies would have an incentive to “find efficiencies and economies while still reaching the end product.” Similarly, [Alexander Jeglic](#) said that the number of mandatory requirements in RFPs should be reduced to only those that are essential because being “overly restrictive” deters companies from bidding.

[Yana Lukasheh](#) commented that discussions between the federal government and industry about requirements should occur at the pre-RFP phase or the pre-procurement phase, when requirements are still being defined. According to Yana Lukasheh, with the sharing of information about innovations, research and development, emerging technologies and best practices, such a discussion “inadvertently expedites ... the procurement process, because a lot of the details about industry products and solutions has already been discussed before RFPs are officially released.”

Placing Canada’s Defence Industry on a “Wartime Footing”

In the context of the rapid deterioration in the international security situation and growing tensions between NATO and Russia about the latter’s invasion of – and ongoing war against – Ukraine, witnesses proposed the development of plans to prepare the country’s defence industry for war and to ensure that Canadian companies can rapidly manufacture a wide range of defence products in large quantities for the CAF and allied countries’ militaries in the event of war, a national emergency or some other crisis. As such, witnesses urged the federal government to make substantial investments in defence industrial preparedness and to build the production capabilities of Canada’s defence industrial base.

Since the war in Ukraine began in February 2022, Canada’s Chief of the Defence Staff and the President of CADSI have urged the federal government to consider placing the country’s defence industry on a “wartime footing” and to increase Canada’s production of military equipment.⁶² [Christyn Cianfarani](#) observed that, since the war started, the

62 For example, see David Pugliese, “[Canadian Generals Push for Industry to Go to ‘War Footing,’ But Hurdles Remain](#),” *Ottawa Citizen*, 17 October 2022; and Christyn Cianfarani, [Getting Canada to a Wartime Footing: Clear Parameters are Required](#), Canadian Global Affairs Institute, January 2023.

government has not taken this action, which it could and should do through “firm, government-backed contracts” for a wide range of defence products. According to Christyn Cianfarani, with both the deterioration in the international security environment in recent years and rapid advancements in military technologies, there is an urgent need to recapitalize the CAF, and NATO countries’ growing need for weapons and military equipment to supply to Ukraine and to rebuild their own armed forces represents “a moment, one that we have not seen in decades, for Canada to step forward and make generational investments in its own [defence industrial] capabilities to share in the collective burden.”

Similarly, in a document submitted to the Committee, CADSI asserted that “Russia’s invasion of Ukraine has changed the game for allied defence production need.” CADSI also contended that the “return of high-intensity conflict has meant favouring mass and scale for some defence materiel and systems, moving away from the focus on efficiency that has prevailed since the end of the Cold War.”⁶³

As well, [Christyn Cianfarani](#) suggested that the federal government and Canadians “need to start thinking about [Canada’s] defence industry like our allies do—namely, as a fundamental component of national security and a collective tool of deterrence.” In that context, Christyn Cianfari maintained that the “neglect” experienced by the country’s defence industry “must be replaced by a new approach and commitment” if Canada is to remain a “meaningful contributor to Ukraine, NATO and our allies, and to ensure that we have a stake in the economic opportunities that present themselves.” In agreeing, [Richard Foster](#) underscored that the current war situation requires “faster and more effective procurement.”

In [Dr. Perry](#)’s view, Canada is “underutilizing” its own defence industrial base, and greater investments are needed in defence industrial capabilities in order to acquire weapon systems and other military equipment for the CAF and the armed forces of its NATO allies, especially because NATO countries individually and collectively lack sufficient production capacity “to meet the demands of Ukraine and re-equip ourselves as well as our allies.” In particular, Russia’s war against Ukraine and NATO’s support for Ukraine have increased the demand for weapon systems and other military equipment in NATO countries, including

63 CADSI, “Meeting the Moment: Industry’s View on Improving Defence Procurement,” document submitted to NDDN members on 3 October 2023.



Canada.⁶⁴ According to [Dr. Perry](#), there are opportunities “to better use our own national production capacity.”

[Dr. Lagassé](#), [Dr. Ross](#) and [Dr. Taylor](#) stressed the importance for Canada of both defence industrial preparedness and the development of adequate capabilities to produce defence-related products rapidly and in large quantities. They commented that, in France, the United Kingdom, the United States and other countries around the world, defence industrial preparedness is an intrinsic component of defence procurement processes, with investments in the country’s defence industrial base considered to be important for national security and economic reasons.

[Dr. Lagassé](#) drew attention to France’s “nationalized defence procurement system” and the extent to which that country “invest[s] heavily in maintaining its own domestic defence industry – and at great cost.” France’s well-established defence industrial base tends to favour domestic design, development and production of most surface warships, submarines, combat aircraft, tanks, armoured and automotive vehicles, guns, missiles and other military equipment that the country’s armed forces require. The country’s defence industry is one of the world’s largest, and it exports defence products. Companies in the industry are capable of domestically manufacturing almost any type of weapon systems required, regardless of complexity. According to the Direction Générale de l’Armement, which is France’s centralized defence procurement agency, the country’s defence industry is considered a “strategic industry” whose prime mission is to provide France with “industrial autonomy” and a “sovereign” capability to equip its armed forces.⁶⁵

According to [Dr. Lagassé](#), to keep its defence industrial base strong and ready to meet urgent needs, the Government of France has – for decades – made substantial investments in the capabilities of the country’s defence companies. In providing an example, Dr. Lagassé indicated that the Government of France recently placed orders with Dassault Aviation to “produce only a couple of Rafale” jet fighters to “keep the production line going” because it is “important nationally to maintain that industry” for national security and economic reasons. Moreover, Dr. Lagassé stated that the Government of France has also been actively promoting the country’s domestically

64 See Pieter D. Wezerman et al., “[Trends in International Arms Transfers, 2022](#),” Stockholm International Peace Research Institute (SIPRI), March 2023; SIPRI, “[Surge in Arms Imports to Europe, while U.S. Dominance of the Global Arms Trade Increases](#),” 13 March 2023; and “[War in Ukraine has Triggered a Boom in Europe’s Defence Industry](#),” *The Economist*, 17 August 2023.

65 See Government of France, Direction Générale de l’Armement (DGA), “[Orienter et soutenir la base industrielle de défense](#)”; DGA, “[Informations aux entreprises: Je m’informe sur le lien entre la DGA et l’industrie](#)”; and DGA, “[Equiper et soutenir](#).”

produced defence products worldwide in an effort to secure export sales, which will ensure that the defence industrial base continues operations.

[Dr. Taylor](#) noted that self-reliance in defence industrial production is important to the Government of the United Kingdom and the country's defence industry, with "the U.K. want[ing] to present itself as an operationally independent major international power," which requires that the United Kingdom not be "depend[ent] entirely or excessively on a foreign supplier." In Dr. Taylor's opinion, in the United Kingdom, the war in Ukraine has "brought out the importance" of the country's defence industry and supply chains as a "defence capability," and of the need to be able to rely on a strong domestic defence industrial base in order to ensure that the U.K.'s armed forces can be as autonomous as possible militarily, especially in times of crisis.

With a focus on defence industrial preparedness in the United States, [Dr. Ross](#) mentioned that the U.S. places "great importance" on "domestic [defence] manufacturing facilities and capabilities" to support that country's armed forces.

In acknowledging the rapidly deteriorating international security environment, [Dr. Ross](#) encouraged Canada and its allies to rely more on their domestic defence industrial bases and to "seek innovation domestically." Dr. Ross explained:

One of our greatest strengths in the western world is that we have incredible innovation in engineering and a lot of scientists and tech talent that we need to leverage. ... When we look at near-peer adversaries, we're seeing that they don't have quite that talent, so we need to make sure we leverage this while we can, before those other forces do catch up.

Favouring Made-in-Canada Technologies and Products

In addition to proposing that DND and the CAF should increase their reliance on Canada's defence industrial base, witnesses encouraged DND and the CAF to favour Canadian-made defence products and to promote domestic defence technologies. [Mike Mueller](#) and [Christyn Cianfarani](#), as well as the briefs submitted by [Irving Shipbuilding](#), [Seaspan Shipyards](#) and [Davie](#), emphasized the strategic and economic importance of purchasing domestic defence products in order to foster a strong Canadian defence industrial base that can provide the CAF with the equipment it needs without depending completely on foreign suppliers.

In particular, [Seaspan Shipyards'](#) brief stressed the extent to which the National Shipbuilding Strategy has established strategic naval shipbuilding, and ship repair and refitting, capabilities on Canada's East Coast and its West Coast, and highlighted that these capabilities are "important for our country ... from a strategic and economic



standpoint.” The brief also stated that the National Shipbuilding Strategy has facilitated the establishment of an “advanced” and “state-of-the-art shipyard and marine ecosystem with capacity to build ships” in Canada to meet the current and future needs of the Royal Canadian Navy and the Canadian Coast Guard.

As well, [Seaspan Shipyards](#)’ brief highlighted the economic benefits to Canada of producing ships domestically, emphasizing – for example – that the National Shipbuilding Strategy has enabled Seaspan Shipyards to contribute \$3.9 billion to Canada’s GDP over the course of 11 years and to sustain or create “5,300 jobs annually.” The brief added that, through the work that the company is doing under the National Shipbuilding Strategy, \$2.4 billion in contracts have been “delivered” to more than 700 Canadian suppliers in all regions of Canada, with more than two-thirds of those suppliers being a small or medium-sized business. The brief indicated that Seaspan Shipyards projects a “continued contribution” to Canada’s GDP of \$16.5 billion over the next 12 years because of contracts relating to the National Shipbuilding Strategy.

Similarly, the briefs submitted by [Irving Shipbuilding](#) and [Davie](#) underlined the contributions that those companies make to Canada’s GDP through the National Shipbuilding Strategy. According to PSPC, between 2012 and 2022, the federal government awarded approximately \$24.83 billion in contracts under the National Shipbuilding Strategy to Canada’s shipbuilding sector.⁶⁶

In a document submitted to the Committee, CADSI urged the federal government to leverage “procurement tools more effectively” in order to favour the acquisition of Canadian-made defence technologies over similar foreign options. The brief asserted that there are “many policy instruments” that could be “better and more assertively used when procuring” defence products for the CAF, which would allow the government to accelerate procurement and/or increase or preference Canadian industrial participation” while respecting the country’s international trade obligations.⁶⁷ CADSI’s document provided examples of such policy instruments.

In drawing attention to policy instruments, CADSI pointed to National Security Exceptions, which allow Canada to “exclude a procurement from some or all the

66 This amount comprises the following contract amounts relating to the three pillars of the National Shipbuilding Strategy: \$12.63 billion (\$1.52 billion annually) under the large-ship construction pillar; \$389.4 million (\$34.2 million annually) under the small-ship construction pillar; and \$11.81 billion (\$984.3 million annually) under the ship repair, refit and maintenance pillar. See PSPC, “[Year in Review 2022: National Shipbuilding Strategy](#).”

67 CADSI, “Meeting the Moment: Industry’s View on Improving Defence Procurement,” document submitted to NDDN members on 3 October 2023.

obligations of a trade agreement, where it's considered necessary to protect national security interests." According to CADSI's document, the National Security Exceptions give "more flexibility to preference Canadian suppliers."⁶⁸ Moreover, the document highlighted the Canadian Content Policy, which is "a Cabinet-mandated policy" that "encourages industrial development in Canada by limiting, in specific circumstances, competition for government procurement opportunities to suppliers of Canadian goods and services." The document asserts that, "if two or more Canadian companies can provide the good in question, the competition can be limited to only Canadian firms."⁶⁹

Investing in New Defence Industrial Capabilities

Witnesses underscored the need for the development of new defence industrial capabilities in Canada, including through innovation and investments in defence research and development. [Richard Foster](#) proposed that the federal government should both invest more in defence research and development, and work with industry in a more integrated manner to develop new defence industrial capabilities and defence products in Canada. Moreover, Richard Foster contended that Canadian investments in such research and development should be "more focused and longer term," and should "support those capabilities that have the best chance to succeed in a competitive global market." According to [Dr. Kimball](#), one thing that Canada does not do sufficiently well is think about how the country can undertake more defence research and development.

However, in recognizing that Canada could better use its defence industrial capabilities, [Karen Hogan](#) argued that "not everything the [CAF] needs can be built in Canada." From that perspective, Karen Hogan drew attention to the priority that should be given to "figur[ing] out exactly, from a strategic point of view, what should be built in Canada and what should be procured outside of Canada" and, following consultations between the federal government and industry, to selecting – as a strategic decision – the defence industrial capabilities that should exist in Canada.

That said, [Dr. Ross](#) observed that developing new defence industrial capabilities takes time, and commented that "industry cannot turn on a dime." According to Dr. Ross, great efforts should be made to maintain and support Canada's existing defence production capabilities because "ramp[ing] up production on something that has been turned off or turned down is a very big challenge," with between 18 months and two years being required to start up a production capability or facility and perhaps longer for such complex weapon systems as jet fighters, warships and submarines. The

68 Ibid.

69 Ibid.



briefs submitted by [Irving Shipbuilding](#), [Seaspan Shipyards](#) and [Davie](#) noted that, through the National Shipbuilding Strategy, Canada has taken more than a decade to rebuild its naval shipbuilding capabilities completely in order to eliminate the “boom and bust” cycles of naval shipbuilding in Canada and to recapitalize the fleets of the Royal Canadian Navy and Canadian Coast Guard.

[Dr. Lagassé](#) characterized the National Shipbuilding Strategy as a good example of the type of policy decision, guidance and funding that the federal government can provide to foster the development of new defence industrial capabilities in Canada. In Dr. Lagassé’s view,

[the National Shipbuilding Strategy] comes with political pressure to keep those lines going. It comes with, in some cases, a higher cost and a reduction of capability, but ultimately, you build the ships in Canada; you get the expertise and you know that you can rely on that [ship]yard. All of this comes down to trade-offs.

[Christyn Cianfarani](#) stressed that the federal government’s strategic decisions concerning defence production should always be made in consultation with industry. In pointing out that it “will take time for the companies to ramp up to production volume,” Christyn Cianfarani asserted that, if the government truly wants to develop new defence industrial capabilities in Canada, it must provide industry with “firm, binding, signed contracts.”

[Dr. Perry](#) provided an example of the time needed to develop such new capabilities in Canada, drawing attention to Canada’s current “chronic shortage” of ammunition production. In recognizing that the U.S. and other NATO allies are “stepping up” production of ammunition, Dr. Perry maintained that Canada’s “ammunition capacity” remains “underutilized,” and both could and should be increased.

[General Wayne D. Eyre](#), Chief of the Defence Staff, stated that – as of 28 September 2023 – Canada’s monthly production of M107 155-millimetre artillery shells was 3,000 units, which is “not enough” to meet the demand and is the same quantity that was being produced before the beginning of the war in Ukraine. [Troy Crosby](#) indicated that DND has “done work” with Canadian defence companies “to put in place incremental or additional production capacity” for M107 shell production, and also has a contract “to do the detailed design [and engineering] work required for the companies to be able to establish ... manufacturing capacity in Canada” for a new and more advanced type of 155-millimetre shell: the M795. Troy Crosby emphasized that the M795 is not currently produced domestically, although “work is underway” to prepare industry for its manufacture. [General Eyre](#) explained that the M107 shell is older and less capable than the M795, which has a range that is 5 kilometres longer, is more precise and has a wider “kill radius” on impact. According to General Eyre, the “M107 will still work, but not as well as the M795.” General Eyre added that the M795 is considered the “operational round” and is the round that the CAF prefers to “use in operations.”

In the opinion of witnesses, because the demand for M-795 shells is continuously growing because of the war in Ukraine, there is an urgent need for Canadian production of these shells to begin. However, [Troy Crosby](#) cautioned that developing a domestic capacity to produce the M-795 will take time and mentioned that, once the detailed engineering work is completed, industry will need to provide DND with “substantive cost estimates and schedules” before production contracts can be signed and companies can prepare assembly lines for production. Troy Crosby added that, based on “initial information” that industry provided to DND, the estimated time period between contracts being signed and production capacity being established is three years.

Reviewing the Industrial and Technological Benefits Policy

Witnesses highlighted the Industrial and Technological Benefits (ITB) policy, which was announced in the 2014 federal Defence Procurement Strategy to replace the Industrial and Regional Benefits (IRB) policy, which continues to apply to defence contracts signed before the Defence Procurement Strategy was introduced. The main difference between the IRB policy and the ITB policy is a shift in focus from investments in regions to investments in technologies that are strategic for Canada and its defence industry. ISED coordinates and administers the ITB policy.⁷⁰

Like the IRB policy, the ITB policy allows the federal government to use defence procurement contracts to leverage domestic economic, industrial and technological benefits. Contractors are still required to make business investments in Canada in an amount equal to 100% of the contract’s value. Companies bidding for defence contracts are now rated and weighted based on the value of the expected economic, industrial and technological benefits, or their “value proposition.” The ITB policy applies to all defence procurement projects that have a value exceeding \$100 million, although projects valued between \$20 million and \$100 million are reviewed to determine whether a value proposition assessment should also apply to them.⁷¹ First introduced in 2014, the *Value Proposition Guide* provides guidance about the federal approach to leveraging economic, industrial and technological benefits under the ITB policy. The latest edition of the guide was released in May 2022.⁷²

According to ISED, as of 2022, there were 99 active ITB projects with total ITB economic obligations valued at approximately \$48.1 billion. ISED estimates that the ITB policy

70 For more information, see ISED, “[Industrial and Technological Benefits](#).”

71 Ibid.

72 ISED, [Industrial and Technological Benefits Policy: Value Proposition Guide](#), May 2022.



leads to about 44,700 domestic jobs and contributes more than \$5.0 billion to Canada's GDP annually. More than 730 Canadian companies have been awarded contracts through ITB projects, of which almost 65% are small and medium-sized businesses.⁷³

[Christyn Cianfarani](#) characterized the ITB policy as a federal instrument that is used “to get Canadian content or Canadian involvement within procurement,” and suggested that it “should be a way to incentivize and build domestic capacity.” In particular, Christyn Cianfarani referred to the ITB policy's Key Industrial Capabilities (KICs), which are “a tool to set priorities for where Canadian industry should specialize and where the [federal] government could more assertively preference domestic sovereign supply.”⁷⁴ Christyn Cianfarani explained that, “to ensure adequate and sustained production,” many foreign governments “create sourcing agreements” with their domestic firms that invest in KICs that are deemed important from an economic and security perspective. In Christyn Cianfarani's opinion, Canada should take the same approach regarding the ITB policy's KICs.⁷⁵

Some witnesses acknowledged the economic, industrial and technological benefits of the ITB policy, but others questioned the need to apply the policy to most major defence procurement contracts in Canada. [Richard Fadden](#) argued that, in certain cases, ITB requirements should not be considered, such as when the CAF urgently needs weapon systems and other military equipment. In Richard Fadden's view, although ITB requirements should not be “disengaged or disconnected in every single case,” there should be “acceptance that in some cases defence acquisition is more important than regional economic development.” Richard Fadden supported “the elaboration of criteria that would allow the suspension of regional development considerations,” and said that those criteria should be discussed in an open, transparent and public manner.

[Dr. Kimball](#) contended that Canada's defence procurement processes would be accelerated if there were no ITB policy, asserting that requiring suppliers to invest a

73 For the purpose of the ITB policy, small and medium-sized businesses are firms with 249 or fewer employees. See ISED, “[ITB Policy 2023 Annual Report](#).”

74 There are 17 Key Industrial Capabilities (KICs). Six KICs are classified as “Emerging Technologies”: Advanced Materials; Artificial Intelligence; Clean Technology; Cyber Resilience; Remotely Piloted Systems and Autonomous Technologies; and Space Systems. The other 11 KICs are classified as “Leading Competencies and Critical Industrial Services”: Aerospace Systems and Components; Armour; Defence Systems Integration; Electro-Optical/Infrared Systems; Ground Vehicle Solutions; In-Service Support; Marine Ship-Borne Mission and Platform Systems; Munitions; Shipbuilding Design and Engineering Services; Sonar and Acoustic Systems; and Training and Simulation. See ISED, [Industrial and Technological Benefits Policy: Value Proposition Guide](#), May 2022, pp. 19–22.

75 CADSI, “Meeting the Moment: Industry's View on Improving Defence Procurement,” document submitted to NDDN members on 3 October 2023.

proportion of their defence procurement contracts in the domestic economy through defence offset programs – such as the ITB policy – “complicate[s] the production of defence goods” and “delays” the delivery of essential defence products to the CAF, thereby affecting military readiness. [Dr. Kimball](#) maintained that “Canada is wasting time and resources” with the ITB policy.

Witnesses drew attention to their concerns about the application of the ITB policy. [Yves Giroux](#) noted some findings included in the Office of the Parliamentary Budget Officer’s May 2022 report concerning the ITB policy,⁷⁶ pointing out the report’s conclusion that the “benefits were often generated in areas not directly related to defence policy,” which “suggests that the expenditures or investments that meet the industrial benefit criteria would probably have occurred in any case, or would not add anything to what would have been done without the policy.” According to Yves Giroux, the report also stated that the “majority of these ITB [transactions] were to larger corporations” and that “only less than 20% of ITB [transactions] went to small and medium-sized businesses.”

[Yves Giroux](#) also commented that, notwithstanding the existence of “credits” for companies “if they spend in categories that are high value, such as post-secondary education and research and development,” the May 2022 report indicated that “only 5% [of ITB transactions] was effectively spent on these categories.” In Yves Giroux’s view, “the ITB [policy] may not be working fully as intended when it comes to multiplying the economic impacts” in “high-value sectors.”

Some witnesses mentioned that more reviews of the ITB policy should occur in the future. [Alexander Jeglic](#) observed that the Office of the Procurement Ombudsman has not yet reviewed the policy.

Developing Defence-Related Export Markets

Witnesses encouraged the federal government to develop and promote exports by Canada’s defence industry, mentioning that the domestic market is too small to enable companies to justify the significant investments required to design and/or produce weapon systems and other military equipment in Canada. They suggested that, for domestic production to be economically viable, the country’s defence industry must be able to rely on both domestic and export sales. [Dr. Lagassé](#) explained that it is “good to

76 PBO, “[The Industrial and Technological Benefits Policy: An Analysis of Contractor Obligations and Fulfillment](#),” 12 May 2022.



buy Canadian when we can,” but observed that Canada does not produce every type of weapon system and other military equipment that the CAF requires.

[Dr. Lagassé](#) speculated that, if the federal government wanted to meet strategic and national security priorities by developing new defence production capabilities for certain types of defence products, and were to ask companies in Canada’s defence industry to manufacture those items domestically for the CAF, it might be challenging to convince those companies “to invest in something that [the CAF is] going to buy [in] very limited” quantities. According to Dr. Lagassé, in order to make those investments profitable, those companies would also “need to sell [those products] internationally” in order to supplement orders from the CAF.

For decades, Canadian defence companies have been exporting to the U.S., other NATO allies and additional countries. Global Affairs Canada’s most recent report on exports of military goods indicates that the value of “Canadian exports of controlled military goods and technology to non-U.S. destinations” totalled more than \$2.12 billion in 2022. Europe was the primary destination for those products.⁷⁷ In addition, exports of Canadian defence products to the U.S. were substantial, partly because of defence procurement cooperation agreements between Canada and the U.S., which integrate the defence industrial bases of the two countries.⁷⁸

[Dr. Lagassé](#) pointed out the federal support that the Canadian Commercial Corporation (CCC) – a federal Crown corporation – provides to Canadian defence companies in exporting their products. Established in 1946, the CCC has helped Canadian companies to secure defence contracts with foreign governments valued at billions of dollars.⁷⁹

Witnesses said that the federal government could take greater efforts to help promote exports of Canadian defence products, particularly those relating to naval shipbuilding. In its brief submitted to the Committee, [Davie](#) described the National Shipbuilding Strategy as a “highly commendable, necessary and generational program” to rebuild the fleets of the Royal Canadian Navy and the Canadian Coast Guard. However, the brief also stated that the National Shipbuilding Strategy “must not be seen as the be all and end all,” and added that “what is essential for breaking the ‘boom and bust’ cycle [of shipbuilding] in Canada” is to build “an export industry.” Moreover, the brief contended that, “to be successful, domestic shipbuilding projects must be considered as a baseload of work to

77 Global Affairs Canada (GAC), “[2022 Exports of Military Goods](#),” p. 4.

78 Canadian Commercial Cooperation (CCC), “[Government to Government Contracting Made Easy](#).”

79 CCC, “[About Us: CCC is Canada’s Government to Government Contracting Agency](#)”; CCC, [Annual Report 2022–2023](#), pp. 4–11.

create the stability needed from which to develop the kind of sustainable and competitive export opportunities that we see shipyards in Europe thriving from.”

As well, [Davie](#)’s brief proposed that Canada should use the United Kingdom as a model, emphasizing that the United Kingdom recently revised its National Shipbuilding Strategy to place a “heavy emphasis on creating an ‘exit plan’ for the [U.K.’s shipbuilding] industry to ensure continued work for shipyards after all domestically required ships have been built,” specifically by “building competitively priced ships now in order to develop an exportable product later on.”⁸⁰

However, some witnesses urged caution when pursuing new export markets for Canadian defence products, stressing the downsides of such exports. [Dr. Lagassé](#) commented that foreign military sales can be risky, particularly when defence products are exported to dictatorships or countries that abuse human rights, or are re-exported to war zones or embargoed states.

According to [Cesar Jaramillo](#), a “healthy” defence industrial base should be balanced with “responsible arms exports,” and a balance must also be struck between supporting domestic industries and upholding legal and ethical obligations. Acknowledging that “sustaining a reliable defence industrial base is undeniably essential,” Cesar Jaramillo encouraged Canada to “exercise caution in relying on questionable arms exports to support this goal, whether this happens as a matter of strategy, poorly implemented export control regulations, inertia or a combination of these factors.” In Cesar Jaramillo’s opinion, Canada’s commitment to responsible arms trade and effective export controls “must remain unwavering,” and the country “must ensure that [its] exports do not inadvertently contribute to global instability or human rights abuses.” Cesar Jaramillo observed that Canada is a party to the *Arms Trade Treaty* and its legal obligations, and noted that the country has domestic export controls that it “needs to abide by when it makes its export decisions.”

As well, [Cesar Jaramillo](#) argued that, in the current era of rapid technological advancements, Canada should be proactively “establishing normative safeguards for new technologies” in order to prevent potential human rights violations and misuse. In recognizing that technological innovation will be an “increasingly crucial element” of defence procurement for the CAF in the coming years, Cesar Jaramillo asserted that it is “equally imperative” to establish a “regulatory framework that upholds the rights of Canadians, respects international norms and ensures accountability.” Cesar Jaramillo

80 Ibid. For more information about the U.K.’s National Shipbuilding Strategy, see U.K. National Shipbuilding Office, [National Shipbuilding Strategy: A Refreshed Strategy for a Globally Successful, Innovative and Sustainable Shipbuilding Enterprise](#), March 2022.



maintained that there is “every need to maintain a healthy and reliable industrial base here in Canada,” but also contended that Canadian arms have recently been exported to “authoritarian regimes and questionable recipients,” and suggested Canadian-made defence products have been “misused” by certain countries.

THE COMMITTEE’S CONCLUSIONS AND RECOMMENDATIONS

Over the past several decades, Canada’s approach to defence procurement has involved a number of federal departments and agencies with specific roles and responsibilities. The initial aims of this approach were maximizing the use of resources, ensuring significant cost savings and achieving administrative efficiency. However, Canada’s defence procurement processes have experienced rising challenges over time. These challenges include bureaucratic hurdles, growing complexity, risk aversion within the public service, personnel shortages, the politicization of defence procurement, a lack of transparency and accountability, and delays and cost overruns with key defence procurement projects.

Resolving the challenges affecting defence procurement in Canada will require a range of solutions. The Committee emphasizes that the solutions must be chosen and implemented with a focus on meeting the CAF’s operational needs – quickly, cost-effectively and with military assets that are of the highest possible quality – in a rapidly changing and deteriorating international security environment. Canada requires a well-functioning defence procurement system in which key defence procurement projects are delivered in a timely manner, with this outcome facilitated by a stable, highly skilled and experienced defence workforce. The country also needs a strong defence industrial base, as well as enhanced defence capabilities that can adapt quickly to new and emerging threats.

The complexity of Canada’s defence procurement processes affects not only the delivery of defence projects on time and on budget, but also transparency and oversight regarding them. The Committee heard the benefits of improved transparency and oversight of such processes, from conception to delivery, and supports enhanced access to information about federal decisions, policies and budgets relating to defence projects. Parliamentarians, Canadian defence companies, the public and other stakeholders should have a clear understanding of the dozens – perhaps even hundreds – of steps that various federal department and agencies undertake regarding these projects, and information should be readily available about their status, including costs and timelines. That said, greater transparency and oversight should not compromise the CAF’s ability to acquire the military assets it needs, at the very moment that it needs them.

In Canada, one role of the legislative branch of government is to examine the decisions made by the executive branch, including about defence procurement processes and projects. As parliamentarians, Committee members are aware of limits on their access to the information needed to fulfil their responsibilities to those they represent. For example, most Canadian parliamentarians do not have a high-level security clearance, making it difficult for parliamentarians to do their work concerning defence procurement.

Finally, the war in Ukraine and the ongoing deterioration in the international security environment have led Canada and its allies to increase their demand for military assets to address existing, new and emerging threats. The Committee acknowledges that the CAF has both domestic and international obligations – including through NATO – that must be considered when budgetary, procurement and other decisions are made. A reliable, responsive and streamlined defence procurement system is required to support the CAF's ability to meet those obligations, to ensure its operational readiness and to enhance its interoperability with the armed forces of allies, particularly other NATO countries.

In light of the foregoing, the Committee recommends:

Recommendation 1

That the Government of Canada internally review and map the defence procurement process from start to finish, across all relevant departments and agencies, with the purpose of simplifying Treasury Board Secretariat guidelines and removing any points of duplication.

Recommendation 2

That the Government of Canada convene a Secretariat within the Privy Council Office to bring together all relevant public servants and ensure defence procurement remains a top priority for the Prime Minister's Office.

Recommendation 3

That the Government of Canada depoliticize procurement decisions and increase the chances of them persisting across changes in government by redesigning the procurement process to allow specialists to create procurement policy subject to periodic review by Parliament.



Recommendation 4

That the Government of Canada increase defence funding to match planned defence priorities articulated in Canada's defence policies.

Recommendation 5

That the Government of Canada honour its commitments to its NATO Allies and meet the Alliance's 2% defence spending target.

Recommendation 6

That the Government of Canada prioritize the efforts to maintain a 20% minimum investment in capital projects, as defined by NATO's minimum obligations laid out to members states in the Wales pledge in 2014.

Recommendation 7

That the Government of Canada review the lifecycle costing of procurement to ensure the process for foreign bidders considers the relevant findings of international audit agencies.

Recommendation 8

That the Government of Canada acknowledge the danger posed by emerging geopolitical threats, the attendant urgency of replacing aging and/or obsolete platforms, such as ships for Arctic surveillance and security, and the need to keep pace with technological development and newer platforms like drones in a timely manner, and that it takes concrete steps to accelerate procurement.

Recommendation 9

That the Government of Canada move away from a transactional model of procurement for major platforms like ships and aircraft to a continuous replacement model in which new generations of platforms are designed and ready for delivery before current models reach the end of their useful lives.

Recommendation 10

That the Government of Canada sign firm contracts with the Canadian defence industry to produce materiel associated with the conflict in Ukraine and to re-equip the Canadian Armed Forces.

Recommendation 11

That the Government of Canada direct the Department of National Defence to review the process for contracting out base maintenance and service contracts to ensure the department can adequately complete a Value-For-Money analysis.

Recommendation 12

That the Government of Canada direct the Department of National Defence to establish an electronic system that accurately tracks, controls, and reports on its contracting activities, including documentation related to any ongoing and completed procurement projects, and ensures all contracts that are required to be proactively disclosed are disclosed.

Recommendation 13

That the Government of Canada investigate the use of a procurement tracking software system to increase accountability between departments, reduce delays and track internal performance measures.

Recommendation 14

That the Government of Canada consider adopting a digital technology platform that would contribute to: standardized defence procurement processes; improved management of defence procurement projects; enhanced transparency and accountability; and the identification of cost-saving opportunities.

Recommendation 15

That the Government of Canada, when advisable, delegate some decision-making responsibilities for defence procurement to lower-level federal managers with the goal of meeting two objectives: reducing the number of approvals needed; and accelerating decisions relating to defence procurement projects.

Recommendation 16

That the Government of Canada make the Canadian procurement process more strategic and efficient by simplifying the criteria and focusing on performance-based criteria that will help deliver the mission rather than on prescriptive, detail-oriented criteria, so as to produce faster and better results that respond to the rapidly evolving international security threats and emerging capability requirements.



Recommendation 17

That the Government of Canada consider adopting a risk-based procurement approach and increasing the use of risk-based contract approvals to streamline defence procurement and reduce unnecessary process requirements.

Recommendation 18

That the Government of Canada update the defence procurement process to ensure that the use of the National Security Exception automatically triggers additional oversight by independent agencies.

Recommendation 19

That the Government of Canada re-examine the personnel posting structure to increase retention, continuity, and institutional memory in defence procurement, and ensure that an adequate number of qualified and trained procurement personnel are employed to perform all needed procurement duties.

Recommendation 20

That the Government of Canada recognize the distinct needs of women in the Canadian Armed Forces by conducting and publicly reporting a GBA+ analysis.

Recommendation 21

That the Government of Canada make a greater effort to communicate major procurement projects in a transparent manner that articulates the risks of cost overruns and other issues.

Recommendation 22

That the Government of Canada adopt all six recommendations made by the Office of the Procurement Ombudsman in their report titled “Procurement practice review of the Department of National Defence.”

Recommendation 23

That the Government of Canada empower the Procurement Ombudsman with the authority to compel documentation from federal departments.

Recommendation 24

That the Government of Canada create a Defence Industrial Strategy to maintain and build Canada's defence industrial base.

Recommendation 25

That the Government of Canada create a framework for the establishment of a long-term National Aerospace Strategy that centers around collaboration between the government and industry to plan for and position Canada and the aerospace industry for the defence requirements of the future.

Recommendation 26

That the Government of Canada make the procurement process more open, unbiased, and transparent with objective and realistic selection criteria to acquire the best equipment possible, and that it prioritize Canadian companies before opening the competition to other global competitors, especially for industries that are well-developed, competitive globally, and where Canada is a leader, such as the Canadian aerospace industry.

Recommendation 27

That the Government of Canada champion Canadian industry within NATO and to all of our allies to ensure that Canadian companies are benefiting from interoperability requirements.

Recommendation 28

That the Government of Canada recommend that NATO develop a database of NATO member defence equipment and supplies available for sale to NATO member countries.

Recommendation 29

That the Government of Canada support the domestic defence industry by increasing communication outside of specific procurement projects, assisting with international sales opportunities, and providing annual forecasts of what defence procurements will be needed in the short-, medium- and long-term.



Recommendation 30

That the Government of Canada proactively collaborate with industry and universities early on to determine current capabilities and to come up with a made-in-Canada solution by leveraging our innovation and industrial strengths to meet our growing defence and security needs and to work collaboratively towards developing the tools and technology that will be needed by the Canadian Armed Forces in the years to come.

Recommendation 31

That the Government of Canada build strong strategic relationships with industry and academia through ongoing and sustained engagement to enhance government procurement capacity through collaborative training and skills development by developing mechanisms for sharing skills, talent and risk management approaches.

Recommendation 32

That the Government of Canada undertake comprehensive measures to integrate industry and academia into the procurement process.

Recommendation 33

That the Government of Canada work to bring our Request for Information (RFI) and Request for Proposal (RFP) requirements in line with allies to reduce overwhelming number of pages per application.

Recommendation 34

That the Government of Canada not base its conclusions regarding the capacity of the Canadian defence industry until an RFP is released and Canadian defence companies have had an opportunity to apply and be evaluated by a qualified defence engineer.

Recommendation 35

That the Government of Canada facilitate more research through Defence Research and Development Canada to ensure Canada stays at the cutting edge of defence and security innovation.

Recommendation 36

That the Government of Canada conduct a review into the effectiveness of the Industrial Technological Benefits (ITBs) program and the impact it has had on growing Canada's defence industry, and table this report with the House of Commons.

APPENDIX A: LIST OF WITNESSES

The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee's [webpage for this study](#).

Organizations and Individuals	Date	Meeting
Office of the Parliamentary Budget Officer Yves Giroux, Parliamentary Budget Officer Christopher Penney, Advisor-Analyst	2023/06/09	64
As an individual Anessa Kimball, Full Professor, Université Laval Philippe Lagassé, Associate Professor, Carleton University	2023/06/13	65
Office of the Auditor General Andrew Hayes, Deputy Auditor General Karen Hogan, Auditor General of Canada Nicholas Swales, Principal	2023/06/13	65
As an individual Gaston Côté Andrew Leslie David Perry, President, Canadian Global Affairs Institute	2023/06/16	66
Conference of Defence Associations Guy Thibault, Former Vice Chief of the Defence Staff	2023/06/16	66
Williams Group Alan Williams, President	2023/06/16	66

Organizations and Individuals	Date	Meeting
As an individual Richard B. Fadden Richard Foster, Vice President, L3Harris Technologies Canada Richard Shimooka, Senior Fellow, Macdonald-Laurier Institute	2023/09/26	70
Project Ploughshares Cesar Jaramillo, Executive Director	2023/09/26	70
Aerospace Industries Association of Canada Mike Mueller, President and Chief Executive Officer	2023/10/03	72
Canadian Association of Defence and Security Industries Christyn Cianfarani, President and Chief Executive Officer	2023/10/03	72
Department of Industry Demetrios Xenos, Director General, Industrial and Technological Benefits Branch	2023/10/05	73
Department of National Defence Troy Crosby, Assistant Deputy Minister, Materiel Group	2023/10/05	73
Department of Public Works and Government Services Simon Page, Assistant Deputy Minister, Defence and Marine Procurement	2023/10/05	73
Treasury Board Secretariat Samantha Tattersall, Assistant Comptroller General, Acquired Services and Assets Sector	2023/10/05	73
As an individual Alexis Ross, President, Apex Defense Strategies, LLC Trevor Taylor, Director, Defence, Industries and Society Programme, Royal United Services Institute	2023/10/24	76
Office of the Procurement Ombudsman Alexander Jeglic, Procurement Ombudsman	2023/10/24	76

Organizations and Individuals	Date	Meeting
FELLFAB Limited Michael Clark, Manager, Business Development	2023/11/02	79
Bombardier Inc. Eric Martel, President and Chief Executive Officer Pierre Seïn Pyun, Vice President, Government and Industry Affairs Anne-Marie Thibaudeau, Director of Capture and Proposal Management	2023/11/07	80
Department of Industry Mary Gregory, Associate Assistant Deputy Minister, Industry Sector	2023/11/07	80
Department of National Defence Troy Crosby, Assistant Deputy Minister, Materiel Group	2023/11/07	80
Department of Public Works and Government Services Simon Page, Assistant Deputy Minister, Defence and Marine Procurement	2023/11/07	80
SAP Canada Inc. David Lincourt, Chief Expert, Global Defence & Security Industry Business Unit Yana Lukashev, Vice-President, Government Affairs and Business Development	2023/11/07	80
Treasury Board Secretariat Samantha Tattersall, Assistant Comptroller General, Acquired Services and Assets Sector	2023/11/07	80
Union of National Defence Employees June Winger, National President	2023/11/07	80

APPENDIX B: LIST OF BRIEFS

The following is an alphabetical list of organizations and individuals who submitted briefs to the committee related to this report. For more information, please consult the committee's [webpage for this study](#).

Chantier Davie Canada Inc.

Irving Shipbuilding Inc.

Nova Scotia Department of Municipal Affairs and Housing

Seaspan

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos.64, 65, 66, 70, 72, 73, 76, 79, 80, 104, 106, 107, 108 and 109](#)) is tabled.

Respectfully submitted,

Hon. John McKay
Chair

This Supplemental Report reflects the views of the Conservative Members of Parliament who serve on the Standing Committee on National Defence (“NDDN”): MP James Bezan (Selkirk-Interlake-Eastman), MP Cheryl Gallant (Renfrew-Nipissing-Pembroke), MP Pat Kelly (Calgary Rocky Ridge), and MP Dean Allison (Niagara West).

Introduction:

As referenced in the report, the study examined the current state of Canada’s defence procurement systems. The Conservative members of this committee supported and actively participated in the pursuit of this study given how the readiness of the Canadian Armed Forces is impacted by both Canada’s procurement processes and the capabilities of our defence industry. Unfortunately, the complexity of the procurement process, lack of leadership by Prime Minister Justin Trudeau, and severe delays, have left the Canadian Armed Forces with reduced capabilities, lengthening project timelines and antiquated equipment.

The Canadian Armed Forces are in a period of reconstitution due to the recruitment and retention crisis.¹ Additionally, the global threat environment is increasingly precarious, with ongoing conflicts in Ukraine and the Middle East, and growing tensions in the Indo-Pacific. General Wayne Eyre, Chief of the Defence Staff, has been clear that the Canadian Armed Forces and our defence industry need to be put onto a war footing.²³ All of this makes the Trudeau government’s September 2023 decision to cut a billion dollars a year over the next three years from the Department of National Defence and Canadian Armed Forces budget unconscionable.⁴⁵

Therefore, Conservatives recommend:

The Government of Canada reverse the defence budget cut announced in September 2023 and instead reallocate funding from the target areas of administration to operations and procurement.

Observations:

During this study, committee heard testimony from witnesses on not having a lead Minister ultimately responsible for defence procurement. Currently, defence procurement falls partially under the jurisdiction of the Minister of Public Services and Procurement, the Minister of National Defence, and the Minister of Innovation, Science and Industry.

¹ Canadian Armed Forces, October 6, 2022, [CDS/DM Directive For CAF Reconstitution](#)

² NDDN, April 15, 2024, [Evidence](#) (Gen. Wayne D. Eyre)

³ CBC News, May 4, 2022, [Canada's top soldier says defence industry needs to ramp up production to 'wartime footing'](#)

⁴ Canadian Armed Forces, September 6, 2023, [DM/CDS Message: Reductions to Defence spending](#)

⁵ NDDN, September 28, 2023, [Evidence](#) (Gen. Wayne D. Eyre)

In our Westminster Parliamentary system, Ministerial responsibility is at the core of departmental management. Cabinet ministers exercise power, are constitutionally responsible for governance and are accountable to Parliament.⁶

Therefore, we recommend:

That the Prime Minister of Canada designate one Minister to be ultimately accountable for all defence procurement.

Additionally, we heard from several witnesses⁷, including Parliamentary Budget Officer Yves Giroux⁸, that clear leadership from the Prime Minister is necessary to ensuring procurement happens as quickly and efficiently as possible. Under previous Prime Ministers, this was done through a group or a task force housed in the Prime Minister's department, the Privy Council Office. Under Prime Minister Justin Trudeau, this Secretariat or cabinet committee does not exist.⁹ This signals to departmental officials that defence procurement is not a priority of Prime Minister Trudeau.

Therefore, we offer our full support to **Recommendation 2** in the report.

Strong political leadership is required to depoliticize the procurement process. By ideally achieving multipartisan consensus, but at the very least reaching bipartisan agreement, on the operational requirements and equipment needs for our military. It is imperative to put the needs of the Canadian Armed Forces above partisan politics. But it is equally important to do so without undermining Canadian democratic values. The Official Opposition must be able to hold the Prime Minister and other cabinet members accountable when mistakes are made on procurement.

Therefore, Conservatives strongly disagree with the quote from Procurement Ombudsman, Andrew Jeglic, who called for "segregation between the political arm and the procurement process," arguing that there should be "no intervention from political actors whatsoever in procurement-related decisions."¹⁰

Rather, Conservatives would like to see a bipartisan or multipartisan approach to defence procurement. Some of our Allies, like Australia¹¹, do this extremely well. This would include coming to a consensus on the needs of the Canadian Armed Forces and what equipment will be procured.

⁶ House of Commons Procedure and Practice, Third Edition, pages 30-31

⁷ NDDN, June 13, 2023, [Evidence](#) (Karen Hogan); NDDN, June 16, 2023, [Evidence](#) (Dr. David Perry, Alan Williams, Andrew Leslie, LGen (ret'd) Guy Thibault); NDDN, September 26, 2023, [Evidence](#) (Richard Fadden)

⁸ NDDN, June 9, 2023, [Evidence](#) (Yves Giroux)

⁹ NDDN, October 5, 2023, [Evidence](#) (Departmental Officials)

¹⁰ NDDN, October 3, 2023, [Evidence](#) (Andrew Jeglic)

¹¹ Australia's Joint Standing Committee on Foreign Affairs, Defence and Trade, November 2018, [Contestability and Consensus: A bipartisan approach to more effective parliamentary engagement with Defence](#)

Democratically elected officials are ultimately accountable to the taxpayers. Parliamentarians must remain a part of the procurement process. Unfortunately, as the full report indicates, “most Canadian parliamentarians do not have a high-level security clearance, making it difficult for parliamentarians to do their work concerning defence procurement.”

Several witnesses¹² commented that this limits the ability of Parliamentarians to effectively provide oversight and accountability on national security and national defence issues including defence procurement. Specifically, former Liberal MP and retired Lieutenant General Andrew Leslie, said, “I believe you should have the security clearances required to whatever level you believe to be necessary within common-sense constraints, to have access to the information you need to make informed choices.”¹³

Therefore, we recommend:

That the Government of Canada grant members of the House of Commons Standing Committee on National Defence access to classified defence-related information as part of the committee’s oversight and accountability roles.

Access to relevant classified information would allow for Parliamentarians to better understand the intricacies of a procurement project. This could result in all parties better understanding the needs of the Canadian Armed Forces and putting them above their electoral ambitions.

This was not the case when Liberal Leader Justin Trudeau announced during the 2015 election campaign, “We will not buy the F-35 fighter jet.”¹⁴ Consequently, this led to a series of costly choices by his government which were not accurately depicted in this report.

In November 2015, the federal government announced its intention to launch an “open and transparent competition” to replace the CF-18s.¹⁵ At the same time, the federal government sought to undermine the competition after it was informed the F-35 would win as the only 5th generation platform by initiating “the acquisition of 18 new Super Hornet aircraft to supplement the CF-18s until the permanent replacement arrives.”¹⁶ The federal government was later forced to abandon that purchase due to legal trade disputes between Boeing and Canadian firm Bombardier.¹⁷

In December 2017, the government launched a competition to acquire 88 advanced jet fighter aircraft under the Future Fighter Capability Project.¹⁸ That same month, the government indicated that it would acquire 18 used F/A-18 Hornets from Australia to supplement the CF-18

¹² NDDN, June 13, 2023, [Evidence](#) (Dr. Philippe Lagasse); NDDN, June 16, 2023, [Evidence](#) (LGen (retd) Guy Thibault)

¹³ NDDN, June 16, 2023, [Evidence](#) (Andrew Leslie)

¹⁴ CBC News, September 20, 2015, [Justin Trudeau vows to scrap F-35 fighter jet program](#)

¹⁵ Prime Minister to Minister of National Defence, November 12, 2015, [Mandate Letter](#)

¹⁶ Minister Harjit Sajjan, November 22, 2016, [Canada announces plan to replace fighter jet fleet](#)

¹⁷ CBC News, August 21, 2018, [Liberals faced closed-door criticism over now-cancelled Super Hornet fighter plan: documents](#)

¹⁸ Department of National Defence, January 1, 2023, [Announcement regarding the F-35 acquisition](#)

fleet in the interim to help fill the capability gap pending the delivery of a permanent jet fighter replacement.¹⁹

In the Fall 2018 Draft Report of the Auditor General of Canada, the Auditor General gave the opinion that "... [T]he addition of a new fleet of interim aircraft would have made the personnel challenges facing the RCAF worse and would not have ensured that RCAF could meet defence commitments to NORAD and NATO simultaneously. [This decision appears to have been made contrary to the advice of military and departmental experts.]" The Auditor General went on to add that "In our opinion, the government does not need to spend \$470 million to buy used F-18 fighter jets that are as old and have the same combat capability deficiencies as Canada's current fleet of CF-18s." In the draft report the Auditor General recommended, "National Defence should not purchase interim aircraft until it implements plans to recruit and train pilots and technicians."²⁰

Ultimately, the Auditor General edited the final version of the report²¹ with feedback from the Government of Canada and it did not contain this direction. The federal government bought the Australian F-18s.²² And, eight years after his original declaration, Justin Trudeau's government committed to buying Canada the F-35 fighter jets.²³

Additional Recommendations:

Finally, Conservatives offer these additional recommendations based on testimony in the report by the Standing Committee on National Defence:

That the Government of Canada take concrete steps to reduce risk aversion among procurement officials in order to create the flexibility needed for efficient and timely procurement.

That the Government of Canada sole source well-proven and well-tested off the shelf military products, when there are no comparative or competitive products available.

That the Government of Canada adopt the policy of having only one individual project manager responsible for a procurement project.

That the Government of Canada reduce the number of rules that apply to defence procurement projects characterized by low cost and low complexity.

¹⁹ Department of National Defence, June 8 2022, [Supplementing the CF-18 fleet](#)

²⁰ Richard Shimooka, May 2019, [The Catastrophe: Assessing the Damage from Canada's Fighter Replacement Fiasco](#) pages 9-10

²¹ Auditor General, November 20, 2018, [Report 3—Canada's Fighter Force—National Defence](#)

²² Department of National Defence, June 8 2022, [Supplementing the CF-18 fleet](#)

²³ Department of National Defence, January 9, 2023, [Announcement regarding the F-35 acquisition](#)

Conclusion:

In providing our observations and supplementary recommendations, the Conservative committee members would like to thank the House of Commons analysts and clerks for their hard work in adding to the completion of this report. This supplemental report is by no means a way to cast doubt on their work but rather to highlight the shortcoming of the report adopted by a majority of committee members. Despite the committee failing to address many of our observations, we hope that this supplementary report provides the Government of Canada with additional insight and recommendations to improve Canada's defence procurement processes.

Respectfully,

James Bezan, MP
Selkirk-Interlake-Eastman

Cheryl Gallant, MP
Renfrew-Nipissing-Pembroke

Pat Kelly, MP
Calgary Rocky Ridge

Dean Allison, MP
Niagara West

NDP Supplemental Opinion

The New Democratic Party would like to thank everyone involved in producing this report. Since June 2023, this committee heard from 36 different experts, union leadership, government officials, and retired military officials. We greatly appreciate the witnesses that shared a wide range of perspectives on the complex subject of military procurement reforms.

We also want to thank the Library of Parliament analysts, the committee clerk, the interpreters, and all House Administration staff that support our work at the Standing Committee on National Defence.

In this report, New Democrats sought to bring an important balance to the topic of procurement reform. Experts, government officials and political parties are unanimous on the problem at hand: too often, military procurement is subject to cost overruns, delayed timelines, and inadequate transparency to the public. The NDP believes that we must find reforms that can provide the women and men of the Canadian Armed Forces with the equipment they need, while maintaining transparency with the public and preventing the price-gouging by big corporate interests.

We are pleased that many of these reforms were successfully put forward as recommendations. In particular, the NDP is pleased to see the following reforms put forward:

RECOMMENDATION 11: That the Government of Canada direct the Department of National Defence to review the process for contracting out base maintenance and service contracts to ensure the department can adequately complete a Value-For-Money analysis.

RECOMMENDATION 7: That the Government of Canada review the lifecycle costing of procurement to ensure the process for foreign bidders considers the relevant findings of international audit agencies.

RECOMMENDATION 18: That the Government of Canada update the defence procurement process to ensure that the use of the National Security Exception automatically triggers additional oversight by independent agencies.

RECOMMENDATION 20: That the Government of Canada recognize the distinct needs of women in the Canadian Armed Forces by conducting and publicly reporting a GBA+ analysis.

RECOMMENDATION 23: That the government of Canada empower the Procurement Ombudsman with the authority to compel documentation from federal departments.

Together, these recommendations will contribute to greater transparency and accountability in our procurement process.

Through Recommendation 11, the committee's report will correct a longstanding concern within the Department of National Defence. The women and men that serve in civilian roles to support our Canadian Armed Forces have had their budgets eroded by ideologically driven decisions by successive Conservative and Liberal governments. They have seen decisions made to outsource to big firms, only to have facilities and services degrade from shoddy work. We heard from the Union of National Defence Employees that their members are often brought in

to correct the work of contractors, while contractors turn a profit by cutting corners that directly impact our military preparedness. Their research has proven that outsourcing by the Department has cost Canadians more and for a worse outcome.

Recommendations 7, 18 and 21 will help stop the American Military-Industrial Complex from taking advantage away from Canadian industry. Through questioning by the NDP at this study, we discovered the Government of Canada relies solely on the numbers provided by bidders to assess the lifecycle costs of new equipment.

When the Government decided to sign Canadians on to the acquisition of 88 F-35 Fighter Jets, they relied on numbers provided by Lockheed Martin to decide if it was worth the cost. By the Government's own estimates, the next generation of Canadians will be left with a \$70 Billion bill to be paid over 45 years.

Not only do New Democrats believe this was a problematic choice for Canadians, but we believe this is a dishonest number. The U.S. Government Accountability Office has found that Lockheed Martin's F-35 fighter jets costs are far higher than the American public were led to believe. We believe the Government of Canada should take these findings under consideration when making purchases like this in the future.

We also discovered that unlike the United States, we have no additional oversight powers triggered by the decision to sole-source and rush procurement through the National Security Exception. This lack of oversight contributed to the full story of the F-35 scandal, which this report would benefit from covering in full.

We heard from Alan Williams that in 2010, the Conservative government tried to sole-source F-35's without any legal authority, and spent years misleading the Canadian public as to why it wanted to do so. Eventually, after years of the NDP fighting for accountability, the Conservatives backed away from the acquisition. This period would have greatly benefited from additional oversight mechanisms being triggered when the decision to sole-source is made, so we can ensure procurement decisions are made with Canada's best interest in mind.

Through our experience with the F-35 Fighter Jets, New Democrats are concerned with the following recommendations:

RECOMMENDATION 5: That the Government of Canada honour its commitments to its NATO Allies and meet the Alliance's 2% defence spending target.

RECOMMENDATION 6: That the Government of Canada prioritize the efforts to maintain a 20% minimum investment in capital projects, as defined by NATO's minimum obligations laid out to member states in the Wales pledge in 2014.

In this study, we have heard about two trends that will impact these recommendations: The ideologically-driven outsourcing of civilian jobs and the price-gouging by the American Military-Industrial Complex.

We cannot shovel more and more money into a broken system for the sake of an arbitrary spending target. We know that the Government is already making ill-informed procurement

decisions to give billions of dollars to American corporations without meaningful scrutiny. We know the Government of Canada is choosing these American corporations instead of investing in good, unionized jobs in Canada. We do not believe that an arbitrary target, which would mean doubling our Defence spending, should be the goal of Canada's military procurement.

New Democrats believe we should be solving our procurement problems by ending the wasteful outsourcing practices and investing in Made-in-Canada procurement options to build a domestic industrial base. We believe the Government of Canada should focus on rebuilding the foundations of the Canadian Armed Forces by building military housing, fixing the military health care system, and provided adequate salaries to the women and men in uniform. If we do not start with this, we will be left with very expensive foreign-made planes and submarines with no pilots or submariners to operate them.

Finally, New Democrats are concerned that this report did not consider our international obligations under the Arms Trade Treaty. While this report recommends that we increase military exports from Canada, there are no recommendations on the Government of Canada meeting our responsibilities on the world stage.

Since October 2023, the Government of Canada has authorized over \$28 million in exports of military goods and technology to Israel. New Democrats are extremely concerned that the government of Canada is allowing Canadian-made weapons to be used to enact a genocide on Palestine. The Government has obligations under the Arms Trade Treaty to not approve export permits for military goods and technology where there is a substantial risk of human rights abuses. That is why the NDP has been calling for an immediate two-way arms embargo.

We have also heard reports that Canadian-made detonators sold to Kyrgyzstan have ended up in Russia's arsenal, and Canadian-made components may be used in drone attacks in Ukraine.

New Democrats believe this report should have looked into Canada's military export regime through the lens of Canadian-made equipment being used for human rights abuses abroad and provide clear recommendations to ensure we are upholding Canadian values in our exports.

