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• (0815)

[English]

The Chair (Hon. John McKay (Scarborough—Guildwood, Lib.)): Colleagues, let's begin. It's 8:15. We have quorum.

It's my privilege to welcome our minister, Jean-Yves Duclos, Minister of Public Services and Procurement, to complete our study on the defence policy update.

I'll leave it to you, Minister, to introduce the colleagues with you. I look forward to what you have to say for the next five minutes. Then, at five minutes and one second, I think a door will open and something will happen.

Thank you, Minister, for your appearance here.

[Translation]

Hon. Jean-Yves Duclos (Minister of Public Services and Procurement): Thank you, Mr. Chair.

I'm delighted to be invited to your final meeting on this important subject. I imagine that the last meeting can either be a less important or much more important meeting, depending on what preceded it.

I'm going to do my best to be of service to your important committee. To that end, with me today are two colleagues from my department: Simon Page, assistant deputy minister for the defence and marine procurement branch; and Siobhan Harty, assistant deputy minister for the defence procurement review branch.

We thank the committee for its invitation. We recognize the important work you are doing.

First, last week, we marked the 1,000 days of the barbaric and unjustified invasion of Russia in Ukraine. The Canadian government reiterates its unshakeable support for Ukraine and the Ukrainian people.

Since the start of the conflict, the Canadian government has supported Ukraine by providing \$4.5 billion in military support. We also renegotiated the Canada-Ukraine free trade agreement to better support the people of Ukraine in their fight for independence.

Two weeks ago, I was in Saint-Jean-sur-Richelieu, where we announced a \$374 million procurement contract with Rheinmetall Canada to better support our armed forces. Our colleague, the member for Saint-Jean and member of the committee was there for this important announcement. I want to highlight her partnership and leadership for her community.

I was able to speak with members of the Canadian Armed Forces who took part in training Ukrainian soldiers during Operation REASSURANCE in Lithuania. Those soldiers told me just how and the extent to which Operation REASSURANCE and Canada's contribution to training Ukrainians, who are currently fighting for their freedom and democracy, made a considerable change.

[English]

To better support our armed forces, we need to invest in them. “Our North, Strong and Free” highlighted a new overall investment of \$8.1 billion over five years and \$73 billion over 20 years in defence spending, which is included in our budget 2024. With those investments, Canada's defence spending to GDP ratio, currently at about 1.4%, is expected to rise above 1.7% in 2029-30 and reach 2% of NATO spending by 2032.

“Our North, Strong and Free: A Renewed Vision for Canada's Defence” reaffirms our commitment to reviewing Canada's defence procurement system. We have to think differently about defence procurement, and in the review, we are asking questions at every stage of the process, from how the Department of National Defence sets requirements right up to how quickly we can deliver new equipment while running open, fair, rigorous, comparative, competitive processes wherever and whenever possible and preferable.

We are reviewing the rules and regulations that govern military procurement, as well as the internal processes used to define requirements in approved projects. We're looking for ways to compress timelines for major government acquisitions without sacrificing due diligence, and we're working with our industry partners to change the way we consult with the defence industry to adopt a more strategic approach.

We also want to get smarter about how we invest in innovation and how we acquire and integrate Canada's innovations into CAF capabilities. Of course, we'll always support Canadian industry to be more globally competitive as new opportunities emerge in a rapidly changing defence market.

• (0820)

[*Translation*]

And we're going to collaborate more closely with our allies on how we define requirements, how we develop new equipment and systems that support interoperability and strengthen our shared defence.

We are currently working with other departments and agencies to review and reform our defence procurement processes so that we can better achieve these goals. These changes should be announced in the months to come.

In the meantime, we continue to advance key defence procurements on a number of fronts and as efficiently as possible.

[*English*]

For example, on Monday, at the Canadian Global Affairs Institute's defence procurement conference in Ottawa, Minister Blair and I, along with others, entered into negotiations for a strategic partnership with L3Harris for the F-35 airframe maintenance depot. That strategic partnership will allow us to be ready to do the maintenance on our new fleet of F-35 fighter jets once they start being delivered in 2026.

In conclusion, investments in our Canadian Armed Forces, like the ones highlighted in our new defence strategy, are about making sure Canada can work with like-minded nations to uphold international rules and defend peace, justice and freedom while creating good middle-class jobs.

[*Translation*]

I'm now prepared to respond to questions from members of the committee.

[*English*]

The Chair: Thank you for that, Minister.

Mr. Bezan, you have six minutes.

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

Minister and officials, I welcome you to the committee today, and to our study.

Minister, in your procurement program, we know that a National Defence employee called David Yeo was running a company called Dalian. Under the ArriveCAN scam, this company got \$7.9 million. National Defence fired David Yeo.

What are you doing to recoup the money Dalian received—the \$7.9 million—as part of the ArriveCAN scam?

Hon. Jean-Yves Duclos: Thank you, Mr. Bezan.

Let me point to another number. You pointed to defence procurement. It was less than 1%. That's what the former government invested in defence spending.

Mr. James Bezan: If you compare apples to apples, Minister, the parliamentary library just found out that actual spending on national defence is at 0.95% this year. You guys are below 1%. It's only with creative accounting that you get over that. You have to add in veterans pensions, the Coast Guard and Global Affairs.

Let's move on from that, because I don't think you guys have a leg to stand on there.

If you're not going to answer the question on recouping taxpayers' money from a scam like the ArriveCAN app and Dalian, let's go to a question I asked last year.

We were talking about getting shoulder-launch missiles for our troops in Latvia. I asked if there were any live-fire exercises and shoot-off tests among the different systems out there. DND confirmed there weren't. Now we're hearing that the Spike LR2 system is having problems. It's not as accurate as expected.

Why weren't options tested before we procured a system that doesn't work to the expectations of our armed forces?

Hon. Jean-Yves Duclos: There are two things.

Again, less than 1%.... I know you don't like to hear that, but—

Mr. James Bezan: You're at less than 1%. Come on. Let's just move on.

Hon. Jean-Yves Duclos: The second thing is, if you want to hear more details on operational matters for DND, I'm sure Minister Blair would be very pleased to come.

I expected this meeting to centre on the procurement activities we need for supporting the armed forces. Obviously, these procurement activities are supportive of the needs of the armed forces, but they are also supportive of a more resilient and competitive defence industry in Canada. We believe that when we invest in our industry, we also invest in our armed forces and support other allied countries at the same time.

Mr. James Bezan: You have to fix it because, as we know, the Spike LR2 system hasn't met expectations. Our troops are wondering why we didn't do proper testing and procurement in that process.

To move on, we have the defence industry employing all different types of people. You signed a number of certificates of exemption from registration under the controlled goods regulations, which were granted to citizens of Russia, the People's Republic of China and Iran. This is with industries that are developing sensitive military technologies.

Do you believe it's a national security risk to allow foreign nationals to access those sensitive military technologies?

• (0825)

Hon. Jean-Yves Duclos: Well, first, you spoke about Russia. I think it's important to point to things that, unfortunately.... You may not have agreed with it, James, but there are things that your party did in the House of Commons, like oppose every measure we put in place to support Ukraine in its war against the unjustified battle—

Mr. James Bezan: He's going to sit there and play politics, Mr. Chair. Let's have him answer the questions I'm asking.

The Chair: It works better when you don't talk over each other. Whether it's the questions you are asking or the answers he is giving, you're not able to direct each other. He's not able to direct your questions, and you're not able to direct his answers.

I'm going to turn to the minister and ask him, in as short a time as possible, to respond to Mr. Bezan's questions in the two minutes he has left.

Hon. Jean-Yves Duclos: You did correctly speak to how we defend Ukraine against Russia. That's exactly what we have done until now. This is teamwork. Every party in the House needs to be aligned in supporting Ukraine against Russia. Unfortunately, this is not what we have seen recently, including on the free trade accord.

Mr. James Bezan: Minister, if we're talking about supporting Ukraine, let's make sure Russia doesn't get access to our military secrets.

Since 2016, the PSPC minister has signed off on 199 citizens of China, 22 Russian citizens and four citizens of the Iranian regime, who were international students, temporary foreign workers or visitors to Canada. That gave them access to military technology like jet engines, diagrams, blueprints, electronic countermeasures equipment and missile technology. Section [*Inaudible—Editor*] goods includes but is not limited to global navigation systems.

Why would we allow our adversaries to enter any defence industry? You allowed that by giving those industries permission to have 199 citizens of the People's Republic of China, 22 Russians and four Iranians access our military defence industry.

Hon. Jean-Yves Duclos: I'm sorry, MP Bezan. I don't accept the premises of your various questions. You're stating a number of facts that are inaccurate. It may be because you have been mis-briefed, or you didn't have the opportunity to get the proper security clearance you would need in order to know and understand the information.

I would point to—

Mr. James Bezan: I've actually asked for security clearance. Of course, the government is saying, "You don't need to know, Bezan", so I'm not going to get a security clearance.

The Chair: Mr. Bezan, you're not giving the minister a chance to respond to your question.

Hon. Jean-Yves Duclos: Talking about the equipment that matters so much, which I think you're correct to point to, with the announcement we made in budget 2024, we are going ahead with the 2% NATO target that is so important to Canada.

That being said—we know you don't like to hear this—we were investing less than 1% of our GDP in defence spending prior to our coming into power. We've increased that to 1.4% now. It will go to

1.8% in 2028, and then ahead to 2% by 2030. These are tangible things we need to do to support our military.

The Chair: We'll have to leave the enthusiastic question and answer session there.

Madame Lambropoulos, you have six minutes.

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

Thank you, Minister, for being here to answer some of our questions today. We appreciate your presence.

In the defence policy update and in budget 2024, we have committed to undertaking a review of Canada's procurement system. I'm wondering if you could tell us what that work has revealed and how we can improve our procurement system.

Hon. Jean-Yves Duclos: That is a great question, Emmanuella. Thank you for asking it.

There are a number of objectives. Let me go through them quickly. The first one, the most important objective, is to meet the needs of our armed forces. They require support to be there for Canada and Canadians across the world. We need to do that in a more timely and more strategic manner while we protect the rigour of our system. In the end, what matters is the right equipment at the right time in the right way for our military.

As we do that, procurement reform will also make sure we develop the resilience and capability of our defence industry sector in Canada. We need that because other countries are facing similar challenges when it comes to delivering the right equipment at the right time. One example of that, a brief one that I would point to, is a recent accord with Finland and the United States. It's called the ICE pact. The ICE pact is a tremendous example of what Canadian industry can support and how Canadian industry can support the needs, in this case, of the armed forces and the Coast Guard while supporting the needs of Finland, the United States and many other allied countries in the world on icebreaking capability. This is an incredibly important example of how we can do things more quickly and more collaboratively with our industries and with allied countries.

A recent example that I mentioned briefly in my opening remarks is the announcement about L3Harris. L3Harris is a very important industry player in the defence sector in Canada. The fact that they'll be able to work strategically with us in the weeks and months to come will not only enable them to develop a national depot for the soon-to-come F-35s. It will also open up the opportunity for the United States to partner with us to have a regional North American depot for airframe maintenance in Canada for the F-35s.

• (0830)

Ms. Emmanuella Lambropoulos: Thank you so much for that.

You actually went into my next question, but I'll pick your brain a bit more.

You spoke to promoting our defence ministry to our partners as well, and you just mentioned a very specific example of where that was done and how our industry will be helping with the icebreakers. I'm wondering what your thoughts are on our own relationship with the defence industry. I know that you recently spoke to the importance of this relationship and to improving it and changing it in ways to allow the kind of co-operation we haven't necessarily seen in the past. What are your views on what needs to be done in order for us to work in partnership with industry to make sure we meet the needs of our Canadian Armed Forces in defending our country?

Hon. Jean-Yves Duclos: That's an excellent question. Some of the answers appear in the report this committee tabled in June 2024.

I'll just point to two of a number of important recommendations, 15 and 17, which are on the importance of developing sovereign industrial capabilities here in Canada. That must be done in a manner that is, obviously, connected to issues like interoperability and working with allies. It's not only about investing in the Canadian industry in a sovereign context. It's also, again, about connecting in terms of the exchange of information and securing contract exchanges, both within Canada and with our allies. You point to these in the report.

Other things you point to in the report are recommendations 12 and 13, where you indicate a more modern procurement system using electronic means, such as the electronic procurement system we've put in place in recent years, the CanadaBuys platform, which is an open, transparent and easily accessible platform.

These are the sorts of things we believe will support the procurement reform that we need to put in place.

Ms. Emmanuella Lambropoulos: I've spoken quite a bit to the industry because a lot of companies are in my riding. I'm also one of the co-chairs of the aerospace industry group. They have spoken about an aerospace strategy. I'm wondering if you have any thoughts on what that could look like, on whether you support that type of strategy and on whether you think we should be working in partnership early on to determine what the needs will be in the next 10 years, for example, or longer.

The Chair: This is an important question. She has left you 15 seconds to answer it.

Hon. Jean-Yves Duclos: Very briefly, we have a great national shipbuilding strategy, a defence industry strategy, which we are connecting to this morning, and an aerospace strategy, which is so important for a lot of businesses and workers in your riding, Emmanuella.

The Chair: Thank you, Madame Lambropoulos.

Madame Normandin, you have six minutes.

[*Translation*]

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

Minister, we're delighted to have you here today, and to see you after the wonderful announcement you made in Saint-Jean-sur-Richelieu.

I have a long preamble to my first question.

Whenever procurement comes up for discussion, the industry complains that, on the one hand, too many ministers are involved and that, on the other, defence doesn't seem to be a priority for government.

In that context, the committee made the following recommendation:

“That the Government of Canada convene a Secretariat within the Privy Council Office to bring together all relevant public servants.”

That might be one way to reduce the number of ministers or, at least, to centralize decisions and ensure it's a priority.

You personally responded to that recommendation as follows: “The government acknowledges that an organization that brings together all relevant public servants is key.”

You were referring to the defence procurement strategy, which dates back to 2014.

I'd like to know what's been done since then. In your response, other than the fact that you agreed with the need for such an organization, it doesn't seem like anything's been done to convene a committee within the Privy Council Office, for example.

• (0835)

Hon. Jean-Yves Duclos: Thank you for that excellent question. I'll say two quick things. First, that procurement reform strategy is too old, it's from 2014. That's why we're putting one in place now and why the committee's contribution is extremely important in that regard.

Secondly, I have with me Siobhan Harty, who is very familiar with the Privy Council and how the departments are involved. Yes, there are several: PSPC, National Defence, obviously, and Innovation, Science and Economic Development Canada. All these people already work well together. There may be something else on top of that in the coming months.

On that note, I'll turn it over to Ms. Harty.

Ms. Siobhan Harty (Assistant Deputy Minister, Defence Procurement Review, Department of Public Works and Government Services): That's exactly right.

We have three departments working together. We have a governance system that dates back to 2014, as you said. We find that it works, but that processes can always be improved. That's why we're studying the governance system in the review I'm conducting.

Ms. Christine Normandin: Thank you very much.

Philippe Lagassé appeared as a witness a few weeks ago. He mentioned that there was a tendency to lowball procurement requests to push them through Treasury Board.

Then we end up with projections that are four times higher in some cases. We were given the example of warships, which started out at \$26 billion and ended up costing \$100 billion. Mr. Lagassé said that this approach was often used to obtain approvals. Then, either the contracts are divided up so that only a portion can be carried out, or they go underfunded.

I had asked Ms. Beck for her opinion on that. She told me that it was hard to assess defence spending from the start.

Do you agree with Ms. Beck, or is there really a chronic low-balling issue in defence requests?

Hon. Jean-Yves Duclos: I will tell you that what we're hearing from the expert officials—we have some here with us today, but there are many others—is that, yes, it's hard to predict the exact amount of funding needed to move what are often very complex procurement processes forward.

They're doing what they can at the front end. Additional needs often crop up that were not noted at the outset. We know that once the work begins, equipment that's been produced at one point for other countries may not quite meet Canada's needs. Canada is a huge country with a geography and surface area that may differ greatly from what's found elsewhere on the planet.

So it does happen regularly, but thankfully not always, that the initial estimates differ from what's needed in the end due to the Canadian context, which is a little more complex than what we sometimes see in other countries.

Ms. Christine Normandin: Is it normal that the initial costs would quadruple?

Hon. Jean-Yves Duclos: It obviously depends on the specific context.

As you so aptly put it, we need to act quickly but also be thorough from a budgetary standpoint and adapt to the Canadian Armed Forces' needs. That's an essential condition. We must ensure that we respect and recognize Canadian taxpayers' interests, but also that the federal government understands what the Canadian Armed Forces need.

Ms. Christine Normandin: Thank you.

One of the priorities in the defence policy update is to acquire ground-based air defences. However, we've seen that it took nearly two years to deliver a single air defence unit of this type that we had promised the Ukrainians in January 2023.

What's being done to ensure that we can actually meet that priority in the defence policy update and acquire anti-aircraft equipment in a reasonable time frame?

• (0840)

Hon. Jean-Yves Duclos: That's another great question. This speaks to our current overreliance on equipment suppliers that are very often located outside Canada.

Canada can't produce all types of equipment, but we can produce some and we need to produce more. As I said quickly a few minutes ago, our allies are also facing challenges in terms of producing the goods and equipment their armed forces need. Sometimes, like in the case you mentioned, these countries are not able to respond

quickly enough to the Canadian government's needs for its armed forces.

That's why we need to invest more so the Canadian defence industry can produce more and become more resilient. We got the opportunity to do that just a few weeks ago in your riding.

[*English*]

The Chair: Thank you, Madame Normandin.

Ms. Mathysen, go ahead for six minutes.

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

Thank you, Minister and department officials.

I just want to clarify something, because a few things have been spoken about. I'm certainly very committed to ensuring that we use taxpayers' dollars within Canada for the procurement we are seeking so that it has the best possible outcomes and we have good, Canadian unionized jobs. There are great examples of what we've done, even in my own riding, with the light armoured vehicles, but there are also examples that do not go along that path.

First of all, I'd like to ask for clarification. The machinists union in Quebec was demanding, for the future maintenance of the F-35s, that they be considered for or awarded the contract to continue to do the work. You mentioned the L3Harris regional depot. Can you expand on that given the ask from the IAMAW regarding the jobs for those maintenance workers specifically?

Hon. Jean-Yves Duclos: Thank you for the great question.

Indeed, what we announced on Monday meets many of these objectives.

The L3Harris national depot has an opportunity to transform itself into a regional depot for the airframe maintenance of the 88 F-35s we are procuring, which we will start receiving in 2026. It's an excellent example of a strategic relationship that, as you said, supports good, strong, middle-class jobs—many of them unionized—while developing a resilience and capability in Canada that will be important for the United States, which needs our help maintaining the F-35s on their side as well, according to what we hear from them.

We are a big continent. We are allies, and we need to support each other. That collective support also takes the form, as you suggested, of supporting middle-class jobs in Canada.

Ms. Lindsay Mathysen: You mean those specific machinists from the IAMAW.

Hon. Jean-Yves Duclos: Yes. There are tons of others too, because L3Harris is connected to loads of other sectors across Canada that are not exclusively supportive of the defence sector. They are supportive of other industrial sectors of our economy.

Ms. Lindsay Mathysen: One of the concerns we've had, as we've heard, is that while Canada makes incredible water bombers, we haven't procured the ones made on the west coast for a lot of the firefighting emergencies we have in Canada. Can you talk about that?

Hon. Jean-Yves Duclos: Simon, are you ready to answer that question?

Mr. Simon Page (Assistant Deputy Minister, Defence and Marine Procurement, Department of Public Works and Government Services): Yes.

The water bombers are not a PSPC defence and marine procurement. We're very aware of the company involved in the fabrication of water bombers, but we don't manage that requirement in PSPC.

Ms. Lindsay Mathysen: Why is that?

Mr. Simon Page: It's not defence and marine.

Ms. Lindsay Mathysen: You won't answer that here, but it's still a Canadian requirement for emergency services, a lot of which our Canadian Armed Forces are a huge part.

Mr. Simon Page: That has no direct link with the defence and marine procurement branch of the department.

Ms. Lindsay Mathysen: In February 2022, Minister, you received a response from the Canadian-made option for the replacement of the CP-140 Aurora aircraft under the Canadian multi-mission aircraft project. The bidder appeared at this committee during our study on procurement and told us that communications with your office went silent after that date.

If it was always assumed there would be a sole-source American option for the plane, why was that not stated from the get-go?

• (0845)

Hon. Jean-Yves Duclos: It's for two reasons.

The first reason is that we needed those aircraft in the very short term. The only possible way to do that was to acquire them through Boeing. Otherwise, we would have been left with a lack of capability, one the armed forces judged to be very critical.

The second reason is that this type of procurement comes with industrial and technological benefits policy obligations. In the case of that particular procurement, there are approximately 3,000 jobs supported through the obligations that Boeing has towards the Canadian industry. It adds up to about \$350 million of GDP output because of Boeing's obligations to Canadian workers and the Canadian industry. The ITB ensures that when we are obligated to work with foreign suppliers—as in this particular case—to support the needs of our armed forces, it comes with an obligation on the part of the company to support industry and workers through the ITB policy.

Ms. Lindsay Mathysen: Bombardier was very clear with this committee that it knew it could meet those obligations just as quickly. It had everything in place, but it felt it was left out entirely and not communicated with, that this was looked at as a sole-source contract.

The Chair: We're right where the time expires. If you can work your answer into some other response, do so.

Meanwhile, we'll move on to the next round.

Mr. Stewart, you have five minutes.

Mr. Don Stewart (Toronto—St. Paul's, CPC): Thank you, Chair.

Thank you, sir, for being here today.

I just want to get one thing on the record. I have an answer from Charles Sousa, your parliamentary secretary, showing that 199 citizens of China, 22 Russian citizens and four citizens of the Iranian regime were international students, temporary workers or visitors here, allowing them access to things like blueprints, diagrams and software on military jet engines, aircraft, FLIR, avionics, missile technology and electronic countermeasures equipment.

I can show it to you later, if you like, but I wanted to get that on the record, Chair.

The Chair: Do you have a copy for the minister by any chance?

Mr. Don Stewart: We can get one to him.

I was researching some procurement initiatives this morning. What is funny is that the first thing that popped up was an ad that said, "Discover the cure for Bad Service Management". That led me down a bit of a rabbit hole. It got me thinking about the procurement times we have for some of our equipment for military use. It takes over seven years to buy tow trucks. That one caught my interest. It takes over 10 years to buy drones. Meanwhile, we've seen rising threats from China and Russia, which would suggest that the timelines for military procurement should be compressed to weigh against the threats.

I understand that in procurement there's an element of risk management, whether it's financial risk management or equipment risk management, but at the moment, the risks seem to be tilted towards the soldiers, air force members and sailors, because they're not getting the equipment they need in a timely manner. Can you explain to me how we can improve our procurement system such that our CAF members can get the equipment their lives depend on in a more timely manner?

[Translation]

Hon. Jean-Yves Duclos: Thank you, Mr. Chair.

You rightly said how important it is that we support our armed forces. However, I want to reiterate that you invested less than 1% of GDP in the armed forces before 2015. Therefore, we can talk all you want about the procurement process—

[English]

Mr. Don Stewart: Minister, the question is not about levels of investment. I'll get this on the record as well: The GDP numbers of the government have been fudged. The DPU put forward numbers that were based not on the government's GDP forecast, but their own, which undershot to show that there was higher defence spending of 1.76%. If you back that out, it's well below 1.5%.

● (0850)

The Chair: That was basically three minutes for Mr. Stewart's question. It seems only fair to allocate the balance of the time to however you wish to answer it.

[Translation]

Hon. Jean-Yves Duclos: Okay. There are two things.

First of all, we're talking about 2015 spending. We know what Canada's GDP was in 2015. The Conservatives invested less than 1% in the armed forces.

Second, you talk about risk management, and you're absolutely right: We have to manage risk to make sure that the CAF get the equipment they need. So we have to speed up the processes, and that's what we're doing. For example, I made an announcement last Monday with L3Harris, and it was very well received. We'll be making further announcements about this strategic partnership in the near future. It's getting results.

In the past two years alone, we've acquired 200 more new aircraft, which is more than we've seen in a number of years. I talked about the investments in the national shipbuilding strategy and the dozens of ships, including icebreakers, that are currently being used to protect our coasts. That's a huge step forward, but we can only do it if we have the funding needed.

[English]

The Chair: You have about a minute.

Mr. Don Stewart: When we had General Leslie here a few weeks ago, he said that in 2023, Canada spent more money on consultants and professional services than it did on the army, the navy and the air force combined.

Would you agree that this was a misuse of money? Why are these funds not being directed towards our troops?

[Translation]

Hon. Jean-Yves Duclos: Again, we must look at the current numbers.

It was less than 1% in 2015, and we've now brought it up to 1.4%. We're going to be close to 1.8% in 2028, and then we'll reach 2% in 2032. Those are very clear numbers. They're obviously going up.

As we move forward with this bigger budget for the armed forces, we must ensure that we meet the CAF's needs and make the Canadian industry more resilient and competitive, so we can build a partnership with the U.S. industry, among other things. When I spoke earlier about the naval strategy, I gave the example of the Icebreaker Collaboration Effort, or ICE Pact, which works very well. We will be able to provide other regions of Canada with icebreakers, which other allied countries need as well.

[English]

The Chair: Thank you, Minister, and thank you, Mr. Stewart.

Mr. Collins, you have five minutes.

Mr. Chad Collins (Hamilton East—Stoney Creek, Lib.): Thanks, Mr. Chair.

Minister, good morning. Welcome to the committee.

I want to talk about Ukraine. You'll recall that at this time last year, we had marathon votes in Parliament on the budget. You and your team were responsible for following through on our commitment to provide support for the Ukrainian people.

I'm going to ask you some questions that maybe the opposition should be asking. We know the Conservatives, since last year, when their leader advised caucus to vote against resources for Ukraine, don't ask questions on that anymore at this committee. Last year—

Mr. James Bezan: Mr. Chair, I have a point of order. Mr. Collins knows well that the Conservatives have lost confidence in this government for a long time. Those are confidence motions. We'll vote non-confidence in the Liberals every chance we get.

The Chair: That's not a point of order. That's a point of interruption.

Ms. Emmanuella Lambropoulos: I suggest that we give him a chance to restart.

The Chair: I don't mind entertaining points of order, but when they're simply points of interruption, they're not particularly useful.

Mr. Chad Collins: I agree.

The Chair: You have four and a half minutes left.

Mr. Chad Collins: Thank you.

Minister, last year when I raised this issue, after the Conservatives voted against all resources for Ukraine, they came to the committee with a procedural book. They went through some of the procedural items in the book that prohibited our members from highlighting that they voted against Ukraine. I say that only because I think it's important that we get on the record, since we're going into an election next year, that there are some pretty stark differences in the policies and positions that our government has in relation to the Conservatives.

We support Ukraine. You and your ministry play a key role in ensuring that the Ukrainian people receive the resources they need. Can you relay to the committee what role your ministry is playing? I know that you keep track of all those investments online. I look at them quite regularly. It looks like almost 90% or more of what we've committed has been delivered. Can you expand on that?

● (0855)

Hon. Jean-Yves Duclos: Thank you, Chad.

It is indeed not enjoyable for some MPs to hear things said clearly. Not only are Conservative MPs not wanting to speak about these things, but they are forced not to do so by their leader.

Now, that's their issue, perhaps, but the problem is that this brings up stark differences leading into the next election, as you were pointing to. They'll have to answer to Canadians on why they say so many good things about the armed forces but invested less than 1% of GDP on the armed forces prior to 2015. They'll have to explain why they voted against every possible investment we've made in support of Ukraine in the last year or two. They'll have to explain that. They'll have to explain why they voted against a free trade agreement to support Ukraine. They all voted against that. We know that many of them would have liked to vote in favour, but they were forced by the Conservative leader not to do so. That's for them to say.

What we can say, however, is that we have invested \$4.5 billion in supporting Ukraine. We have trained and helped train F-16 pilots. We have helped support the Ukrainian maintenance workers who are so important for maintaining those F-16s. We have invested \$650 million in advanced and highly needed armoured combat support vehicles.

These are all examples, along with many others, that unfortunately—we know they don't want to speak about it—Conservative MPs voted systematically against, not because they wanted to do so, perhaps, but because they were forced to.

Mr. Chad Collins: Minister, I'll get to the 1% of GDP defence spending. You referenced the Conservatives, and that when we inherited the file as a government, it was around 0.9%.

Mr. James Bezan: It's 0.95% right now.

The Chair: Mr. Bezan, points of interruption, whether they go on the record or off the record, are still points of interruption. I haven't heard many interruptions from this side. I expect no interruptions from that side.

Mr. Collins, you have 30 seconds.

Mr. Chad Collins: You mentioned the pathway to 2%. Do you want to provide more information on how we correct the budget situation the Conservatives left our government with back in 2015?

Hon. Jean-Yves Duclos: It's a fact that it was less than 1% in 2015. It's part of the public accounts. There is nothing to hide. We know it's uncomfortable for some Conservative MPs to speak about that, but it's a fact. It's written in the public accounts.

As we move forward, we know we'll be achieving 1.4% in 2026, about 1.7% or a bit beyond that in 2028 and 2% in 2032. The numbers matter, but the impact for our armed forces is even more important.

The Chair: We have an apparent point of order. I'll be interested in this one.

Yes, Mr. Stewart.

Mr. Don Stewart: The 1.76% is already disputed. It doesn't follow the government's current numbers.

The Chair: That's a point of debate, not a point of order.

Please continue, Minister.

Hon. Jean-Yves Duclos: We all feel a lack of comfort around those numbers, but when things are true, it's important to state them.

Canadians will have to make a choice in the next election about whether they want to believe fake news and fake numbers around investments in the armed forces in 2015, or make progress towards the achievement of the 2% NATO target, for which we have a path and for which we have demonstrated success in recent years.

The Chair: Thank you, Minister. That was a very long five minutes.

[Translation]

Ms. Normandin, you have the floor for two and a half minutes.

Ms. Christine Normandin: I don't want to add fuel to the fire, but the Parliamentary Budget Officer has reassessed the numbers.

That said, I'd like to hear your opinion on the industrial policy we're expecting in the defence sector, among other things, because there are complaints from the industry that it's hard to communicate with the various departments. We're also hearing that there seems to be a tendency to constantly choose the lowest bidder, without taking into account, for example, Canadian companies' ability to provide services or foreign companies' ability to provide services through local production.

Can you tell us whether you're considering reviewing procurement systems to award companies a different score when they want to set up shop in Canada, even if that costs more, and so the systems won't necessarily be considering the lowest bidder?

• (0900)

Hon. Jean-Yves Duclos: Thank you. Again, that's a very good question.

We have strategic considerations that are increasingly important. The one you're referring to is the resilience of our Canadian industry, which obviously includes the Quebec industry. We need our industry to be more resilient and agile in the coming years, because there will be additional needs owing to the complex geopolitical environment that's on the horizon. These additional requirements for the Canadian industry will have to support evolving needs in terms of our armed forces' technologies, among other things.

As I mentioned a little earlier, many of our allies will also have to rely on Canada even more to support their own needs and their ability to deploy to critical regions around the world. The Canadian government must therefore be more cognizant of these resilience and construction criteria for our Canadian industry.

Let's take the example of last Monday's announcement about L3Harris MAS, which is based in Mirabel but also works with hundreds of other businesses across Canada. Here we have an example of a strategic choice, because we believe it offers the best value, if I can put it that way, in terms of investment. Not only do we think that's true, but we also feel that investing in this company will help us achieve the objectives for the Canadian industry that you summed up so well earlier.

[English]

The Chair: Thank you, Madame Normandin. You were 0.02 seconds over two minutes and 30 seconds.

You have two and a half minutes, Ms. Mathysen.

Ms. Lindsay Mathysen: During our study on procurement, we heard a lot about the problematic relationship between transparency and federal government procurement, in that it's overreliant on the national security exception to skip through a combination of valid checks and balances that are seen as potential bureaucratic steps.

If the system for procurement is broken and requires an exception to get to procurement decisions, why can't the government reform the process in a way that retains transparency in an open process instead of continuing to file national security exception?

Hon. Jean-Yves Duclos: There is an obvious link here to national security, about which there is a ton of things to say. I think Simon is the person in the best position to speak about how those security clearances are granted.

I was in Washington with other colleagues in May. I spoke directly with the U.S. administration about the importance of Canadian industry working in a secure manner with the American government so the Canadian industry can quickly access, in a secure manner, the information they need and can access outside contracts.

Simon, would you like to expand a bit on that?

[Translation]

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

[English]

I can add bit more to what my minister just said.

The national security exception is a provision found in most of Canada's domestic and international trade agreements. It allows us to exclude some procurements from the obligations we would find in these trade agreements.

The Department of National Defence and the Canadian Armed Forces must only invoke the national security exception if compliance with a trade agreement can be expected to pose a risk. Many of the procurements facing us at the moment are overlapping with that risk. We value them and evaluate them, and case by case, we provide an agreement or support for the national security exception.

I personally review them all for all the defence and marine procurements. They are well justified. If you look at today's world and today's environments, you will see there are a lot of risks out there, so it makes sense in many of our procurements to apply it.

I have two more things. The application of the national security exception—

The Chair: I'm sorry. Madam Mathysen has run out of time, but those probably are two important things.

Madam Gallant, you have five minutes.

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

Germany is considering invoking NATO's article 5. You won't have our submarines operational for another 13 years if all goes well.

In five years, our Conservative government bought five C-17 Globemasters; 17 C-130J Hercules; 15 Chinook helicopters, which had been cancelled by the Liberals previously and ended up costing many lives on the ground in Afghanistan; 100 Leopard tanks; modernized drones; modernized Auroras; and frigates. We don't have 13 years; we're on, potentially, the brink of war.

What can you do to speed up the process now so that we can get the equipment in our military's hands, equipment they need right now on the front lines?

● (0905)

Hon. Jean-Yves Duclos: First, I have a long list of investments we've made in just the last few years. I can speak to the future fighter capability project, the Canadian multi-mission aircraft project, the Arctic and offshore patrol ships, the armoured combat support vehicles, the logistics vehicle modernization project, the strategic tanker transport capability project, the remotely piloted aircraft system—I could go on and on. However, one thing I could summarize in just one number is the less than 1% the Conservative government invested in 2015. We've reached 1.4%, and we'll achieve the 2% NATO target in 2032.

Mrs. Cheryl Gallant: In 2032, the NATO target could be 3%. In fact, it's looking at raising the base, the floor, to 2.5%, so already you're more than a decade behind.

Over Thanksgiving, I met with several local manufacturers of military kit. I asked how quickly they could ramp up if we needed to. They said U.S. defence contractors had just been there asking them the same question. What they told me is that all they need are the contracts.

What volumes of artillery shells, ammunition and missiles have contracts actually been signed for? What can you tell me is on order to be ready should the worst happen?

[Translation]

Hon. Jean-Yves Duclos: Thank you.

Again, it was less than 1% in 2015.

On the issue of ammunition, in the new defence policy announced just a few months ago, a budget of \$9.5 billion was earmarked for new production capabilities in Canada. The CAF will not only use ammunition produced in Canada, but a significant amount will come from Canada. We know that in Repentigny, Saint-Augustin-de-Desmaures and Valleyfield, Quebec; in Winnipeg, Manitoba; in Kitchener, Ontario, and in many other places—I'm thinking of the Magellan company—we have ammunition production capabilities that are currently underutilized. We're going to further develop those capabilities to protect Canada from the threats you've correctly identified and that we could face in the future.

[English]

Mrs. Cheryl Gallant: Capacities exist, but they're not going to tool up and get ready until the contracts are in place. We have to be ready for when they need it. You've talked a lot about the investments you've made, but they haven't been delivered, and there's no sign that they're going to be delivered anytime soon.

We have troops in Latvia right now. Half of their vehicles don't work. They don't have the parts. They don't have the mechanics. They have no air defence. What has been done on the part of your ministry with regard to procuring air defence that we can get on the ground for Canada, not borrow from someone else?

[Translation]

Hon. Jean-Yves Duclos: I'm going to make a few corrections.

First, Canada's defence industry is doing well and getting better. Thanks to our significant investments, approximately 81,000 jobs are being created annually in Canada.

Second, Canada is in Latvia to defend Ukraine. I know you don't like to hear what I'm going to say, but it's the reality: Unfortunately, you've voted against all the investments we've made to defend Ukraine over the past few months. We regret that you don't want to hear it, but that's the reality.

[English]

Mrs. Cheryl Gallant: In response to my last question, I guess the answer is that there are no contracts for artillery shells or ammunition under way and in place so that we can get the forces in good order.

How are you going to provide enough funding, get the equipment necessary and cut through the red tape so that our cyber command has the necessary tools and latest technology to keep up with the bad actors who are constantly attacking our infrastructure from the cyber angle?

The Chair: I don't know why members run questions right up to three seconds left.

Mrs. Cheryl Gallant: It's because he drones on.

• (0910)

The Chair: If you can answer in three seconds, you're welcome to, but I'm happy to move on as well.

Hon. Jean-Yves Duclos: Less than 1%....

Voices: Oh, oh!

The Chair: Okay.

Mr. James Bezan: On a point of order, this is committee, Mr. Chair. It is not question period. We don't need the theatrics. We need some answers.

The Chair: This is a stretch of points of order.

For the final five minutes, if we can get through them, we have Ms. Lapointe.

Ms. Viviane Lapointe (Sudbury, Lib.): Thank you, Mr. Chair.

[Translation]

Welcome, Minister.

In a context of growing international instability, it's more important than ever that we have a stable domestic supply chain.

Can you explain how our government is working with Canadian industry to provide our armed forces with the resources they need while also developing our local economy?

[English]

The Chair: Excuse me, Madame Lapointe. I'm having trouble hearing your question, and I'm the closest one to you.

I'd ask that this side at least keep their conversations somewhere over there.

Ms. Lapointe, please continue.

[Translation]

Ms. Viviane Lapointe: Can you tell us how our government is working with Canadian industry to provide our armed forces with the resources they need while also developing our local economy?

Hon. Jean-Yves Duclos: Thank you very much, Ms. Lapointe.

That's a great question. I would say there are three parts to the answer.

The first is that we're investing much more than the Conservatives did back then.

The second is that we're investing strategically, increasingly through strategic partnerships with Canadian industry: for example—and this will be important for your riding—everything we're doing in terms of aircraft maintenance. Sometimes, as was the case with the F-35 fighter jets, we can't build those aircraft entirely in Canada, but we can offer Canadian partners the ability to maintain them. Maintenance contracts are often worth much more than procurement contracts.

Third, that also applies when it comes to the armed forces. We've procured many new aircraft in recent years, including 200 in the past two years. We're in the process of renewing the entire Canadian Coast Guard fleet. These large contracts are helping Ontario's shipyards, among others.

This has had a huge impact on middle-class jobs in Canada. As I said, 81,000 jobs have been created in Canada, many of them in your riding. These are concrete measures for workers and businesses. These actions are delivering real results for our Canadian Armed Forces members, who sorely need these investments to get the job done in Canada and around the world.

[English]

Ms. Viviane Lapointe: Minister, defence procurement also serves as an opportunity to support Canadian industry and Canadian innovation. How does the new policy integrate the procurement process with domestic industrial capabilities, especially advanced manufacturing? Can you share how your department will work to ensure that Canadian businesses are the ones that benefit from these opportunities?

Hon. Jean-Yves Duclos: That is key and important to do. You will have noticed in the last hour or so that many of the things we're doing now are strategic in the sense that they support the strategic needs of our armed forces, of our industry players—many of them in your area—and of other countries as well, because other countries need us, including the United States. We can't do as well as the United States on all possible fronts. It is a much bigger country, but we can be strategically helpful to them in some key sectors.

I mentioned the F-35 airframe depot just a moment ago. I mentioned the ICE pact, which is the collaboration we have on ice-breaking and on the construction of icebreakers in the decades to come. They need us for building icebreakers because they are in more dire circumstances than we are in Canada given the important investments we've made in the national shipbuilding strategy.

These are examples of strategic investments that are strategically supporting our armed forces, our industry and our relationships with other countries, the U.S. in particular.

Ms. Viviane Lapointe: Given your department's central role in defence procurement, which I know we've already discussed, could you highlight some of the key initiatives in “Our North, Strong, and Free” that will enhance the operational readiness of the Canadian Armed Forces?

• (0915)

Hon. Jean-Yves Duclos: That's a great question.

Minister Blair would be better able to address the whole range of aspects—and there are many—in which we are better supporting our armed forces. From my procurement perspective, let me point to the ammunition program, of which we talked earlier. It's so important, as we have depended too much for too long on the production capabilities of other countries.

The \$9.5 billion we are investing to support the production of ammunition over the years to come in Ontario, Manitoba, Quebec and elsewhere is one of many other examples of progress that our recent defence policy update is enabling us to make.

The Chair: We'll have to leave it there.

I don't know, Minister, how much heat was generated and how much light was generated. There seems to be a dispute as to which was heat and which was light. Nevertheless, there is a core issue here. It was highlighted by some of our attendants in Halifax and attendants in Montreal this past weekend. Procurement in a number of countries is moving to a war footing because the perception is that certain countries have to be ready for invasion. I appreciate that every nation operates according to its perception of threat.

My sense is that our—meaning Canada's—perception of threat is not as heightened, frankly, as the committee would prefer it to be. I encourage you in your work and I appreciate that you find yourself in a difficult situation, but I think both our report and our questioning indicate that we need to really up the game here.

Again, I want to thank you for your attendance.

Before I let you go, I want you to participate in a recognition that this is one of our members' last day with the committee. Madame Normandin is a very able and contributing member of our committee. I will personally miss her questions—not all of her questions, but most of her questions. We have a little gift to recognize that this is her last day.

Some hon. members: Hear, hear!

[Translation]

Ms. Christine Normandin: It's so cute! He'll have a special place in my office.

Thank you very much. That's very kind.

[English]

The Chair: Thank you very much. We expect that at some point or another you'll bring it back. You and it will return, and maybe someone else will come with you.

Ms. Christine Normandin: Most likely.

The Chair: All the best on behalf of the committee.

With that, thank you, Minister.

We are suspended. We will resume as soon as possible.

• (0915)

(Pause)

• (0920)

The Chair: We are now back.

I'll ask Mr. Bezan to move the supplementary estimates.

Mr. James Bezan: No, you move it.

The Chair: I'll do it, then.

Is it the will of the committee to call the votes on the supplementary estimates (B)?

Some hon. members: Agreed.

COMMUNICATIONS SECURITY ESTABLISHMENT

Vote 1b—Program expenditures.....\$48,436,903

(Vote 1b agreed to on division)

DEPARTMENT OF NATIONAL DEFENCE

Vote 1b—Operating expenditures.....\$792,570,108

Vote 5b—Capital expenditures.....\$1,747,202,986

Vote 10b—Grants and contributions.....\$760,706,999

(Votes 1b, 5b and 10b agreed to on division)

The Chair: Shall I report these votes to the House?

Some hon. members: Agreed.

The Chair: A budget was distributed on Thursday, February 21, in the amount of \$16,650.

Would someone like to move the adoption of the study budget?

An hon. member: I so move.

(Motion agreed to [*See Minutes of Proceedings*])

The Chair: I have one final thing. Mr. Collins has tabled a motion. I think it's a good motion—let me put it that way—but there's an argument to be put that it's not within the mandate of the committee. I will just put it out there that although the motion is not being moved at this point, if that motion is to move forward, we move it forward within the mandate of the committee.

Thank you, colleagues, for your co-operation.

I'm anticipating bells. I don't know when they'll start and how that will impact our time. We've usually had an understanding that we go through bells for a number of minutes.

Mr. James Bezan: I have a point of order. When the bells start, which will be sometime after 10 o'clock, it's a half-hour bell, to my understanding. I think we could at the very least go until 10:15.

The Chair: Yes. I think we should be able to make it through.

I assume we have no opening statement.

Mr. Allison, you have six minutes.

Mr. Dean Allison (Niagara West, CPC): Thank you very much, Mr. Chair.

Thank you to our witnesses for being here today.

My colleague Ms. Normandin asked a question of the minister on procurement and other departments. We hear all the time about the issue of silos and departments. It's a real issue. I've been here 20 years, and it's still an issue 20 years after I arrived.

There are probably no easy answers to fix this, but do you have any suggestions or recommendations, based on your experiences, for how we could streamline the process? Remember that a lot of the concern here is that when we do finally decide to move forward with things, either they take a longer time or we have to go through a process that takes many years because we find that some of our allies are able to procure things in a quicker fashion. That's not a system that you guys set up, but you're now part of it. You see it.

You probably witness it every day. You're probably frustrated like we are as well.

Do you have any solutions for us or any thought processes for how we could do a better job as a government to procure defence—or procure anything, really—in a timely fashion? We're here talking about defence, so we'll leave it at that.

● (0925)

Mr. Simon Page: It's a fantastic question. It's really at the heart of the matter, I find, for this committee.

I personally chair the ADM-level defence procurement strategy committee. My DM, Deputy Minister Reza, chairs it at the deputy minister level. I've been in this system now for a few years, and I can go back to years when the three departments that needed to be at the table to execute procurement were barely at the table. It was difficult to get them together. We now have a very sound governance system based on the 2014 defence procurement strategy. It has matured to a pretty good point at this time from a functionality point of view and an effectiveness point of view.

I think if I were going to identify one area where this governance could be improved, it's after things get to the deputy minister level. We sit down on a regular basis according to a specific agenda, and we review projects that need specific decisions according to procurement dates, but how do we bring the procurement home from the final decision point of view? The access to the minister layer needs to be improved. Hopefully, with the work we're doing now, we'll be able to work that out.

Mr. Dean Allison: Thank you very much.

I have another question related to that. We've had some issues with the timeliness of being able to get things. Is that because we've taken too much time to figure out what we want?

It seems like our allies are able to get things like kit in Latvia, and we have a hard time procuring things like that. What are some of the challenges we have in delivering those things? Is it because we've committed money that we're going to get 20 or 30 years from now or maybe 10 years from now? Is it maybe a question of how we move this thing through the system?

Once again, there are the checks and balances we talked about with regard to being able to do that. I look at the immediate needs we have right now in Latvia. Where are the bottlenecks in making that happen?

Mr. Simon Page: That's another great question.

The engineer in me splits this procurement system into three portions. The pre-solicitation portion, the solicitation portion, which leads to a contract award, and the contract award and delivery of goods and equipment, in most cases, for us.

With regard to your question, the pre-solicitation is often underestimated because if you want to buy a plane or build a ship, you need the appropriate lead time. You cannot just turn around and expect a ship to be delivered in two or three years. You need the lead time. That lead time is sometimes misappreciated in the pre-solicitation activities.

Within the solicitation activities, sometimes we also underestimate the complexity of the procurement. For instance, in a shipbuilding project, the design phase is significant. It does pay off to take a bit more time in the design phase ahead of signing the big contract to build a ship.

After the contract award, where the strong, rigid accountability should really start, then it's a partnership with industry, and we need to work better with industry. However, that planning phase is also a phase where industry needs to be involved, and to me, we could do that better.

With regard to your exact point, sometimes, yes, projects will sit in a phase where we ask, "What are we doing? Which requirement do we really want?" and we underestimate the time that's going to be required to deliver.

Mr. Dean Allison: John, do I still have a minute?

The Chair: You still have a minute.

Mr. Dean Allison: Okay, that's good.

What's the process for being able to address the critical gaps? We can look at sleeping bags, for example. How do you deal with the gaps between what we ended up with and what was required? Where does that fall down?

Mr. Simon Page: The capability planning and the requirements come from the client department. This would be a great question for the client department. It has a process to plan capabilities and to identify requirements. It has a specific panel, the independent review panel for defence acquisition, that reviews all the requirements. Then the projects eventually come to us at PSPC purely for the execution of the solicitation process.

Let's take the submarines, for instance. If we want a submarine in year x , then procurement should get to us in x minus y . These two, x and y , need to be tackled properly and well. You would almost think that for the big stuff the Canadian Armed Forces needs—the big fleet, fighter jets, combatants at sea, submarines, maritime helicopters—we would have a continuous capability planning cycle, because as soon as you get new aircraft, a few years later it's time to think about the next one, especially in today's world.

It's a fantastic question, and I don't want to say that it's a pet peeve of mine, but if there's an area where we could all collectively do better as a nation, it's the planning phase ahead of things entering what I call the pure solicitation process box.

● (0930)

The Chair: Thank you, Mr. Allison. Your point is well taken.

Mr. Powlowski, you have six minutes.

Mr. Marcus Powlowski (Thunder Bay—Rainy River, Lib.): I want to ask you about the national shipbuilding strategy. Is that something you're currently involved with?

Mr. Simon Page: Yes. It's—

Mr. Marcus Powlowski: I'm sorry. I do have a question, but before launching into the question, I thought I'd make sure that you don't come back with the response that, well, it's not your department.

Irving, Davie and Seaspan are part of the strategy to build bigger vessels. I know that Ontario Shipyards, previously known as Heddle Marine, wanted to be part of the strategy to build smaller vessels, which I gather the big three are not part of. I know it has had discussions with our government about that possibility.

Can you update me as to where we are with making it a partner in this strategy?

Mr. Simon Page: It's a great question.

I'll start with a very precise, concise answer. Ontario Shipyards is part of the national shipbuilding strategy. They actively contribute currently to pillar three of the strategy, which is the repair, maintenance and refit layer. There are certainly things coming—

Mr. Marcus Powlowski: Sorry, did you say repairing rather than building new ships?

Mr. Simon Page: That's where I'm going. There are opportunities coming up with specific projects in pillar two, which is about the construction of medium-sized ships.

We have our large ship construction, which is pillar one. We have our smaller ship construction, which is pillar two. There are a couple of projects coming down that will be pillar two projects, for which Ontario Shipyards will be able to compete.

Mr. Marcus Powlowski: Can you give me a timeline for when that's going to happen?

Mr. Simon Page: Yes, I can absolutely do that.

The most attractive project right now in pillar two is the mid-shore multi-mission vessel for the Canadian Coast Guard. It's for up to six of these vessels. The request for information for this project has recently been published, so it's starting.

Mr. Marcus Powlowski: We've heard a lot in this committee about the prolonged length of time it takes for CAF procurement. My understanding is that to procure any particular item, it has to be signed off on by five different departments. Why is that?

When I looked at which departments they were, one of them was Justice. I was scratching my head on that one. Why does Justice have to be involved in procuring for the Canadian Armed Forces?

Mr. Simon Page: From a pure signature point of view, for a good portion of the procurements currently in play, three signatures are usually required, but many departments, including Justice, are involved in the process.

In the governance that I described earlier, the defence procurement strategy governance, Justice has a seat. Every time we execute a procurement strategy, whatever the procurement is, it is assessed from a legal risk point of view. That legal risk is part of our Treasury Board submission and the greater assessment of the file.

● (0935)

Mr. Marcus Powlowski: I know part of our party's platform in the 2019 election was to streamline the process. I know Minister Blair talked about streamlining the process.

What have we done in the last year or two in order to streamline it?

Mr. Simon Page: Maybe I'll start and I'll give the floor to my colleague ADM Harty.

I want to speak again as the ADM who chairs the defence procurement strategy and sees many of these procurements going through. The risk-based approach we implemented through a pilot a few years ago, which we now have an intent to keep going with on a steady basis, is allowing us to not have to go to the Treasury Board with a full submission to execute projects under the authority of my minister, Minister Duclos. This has enabled us not only to put more files through the mill, but to accelerate the execution of some of these files.

Ms. Siobhan Harty: Simon mentioned three different points we could look to optimize. I'm just going to focus on one that belongs to our department. We're developing different pathways for acquisition, recognizing that acquiring a ship is different than acquiring a drone, yet we have a one-size-fits-all approach. We are developing different pathways, recognizing that equipment varies, so the different gates and processes for decision-making should vary as well.

Mr. Marcus Powlowski: Our government has given Ukraine 4.5 billion dollars' worth of assistance in its effort to fight its war against Russia. Given the lengthy time it takes for procurement, have we done anything to accelerate that process? Obviously, the Ukrainians want something sooner than the five-year process it takes to procure something.

Mr. Simon Page: The help, the donations and the assistance to Ukraine are a bit of a different pipeline for us. Many of the procurements where equipment is sent to Ukraine are actually conducted under the CCC, which is the Canadian Commercial Corporation. If it impacts our procurement, we will be involved.

There's also a PSPC team that does cost and price assurance. Sometimes they support the CCC in executing these contracts, but they're a bit out of the defence and marine portfolio.

The Chair: Thank you, Mr. Powlowski.

I'm shocked that you would wish to cut lawyers out of a procurement process.

[*Translation*]

Ms. Normandin, you have the floor for six minutes.

Ms. Christine Normandin: Thank you very much, Mr. Chair.

Mr. Page, since it's your pet peeve, I want to continue along the same lines as Mr. Allison in terms of life cycle analysis, the maintenance cycle and so on.

I understand that a systematic analysis is done for major acquisitions.

I'd like to hear your comments on what constitutes a weak point in the cost analysis. Why is it that we can't necessarily find the real amount?

For example, is it because we're not involving industry enough in the analysis?

Is it because we're not looking at best practices in other countries at that point?

Is it because we're not giving enough consideration to the actual life expectancy of the equipment, insofar as we know that the supply is slow and that life expectancy often has to be stretched further?

What's the weak point in the analysis that is done?

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

By the way, this is quite a question you're asking me. There are several elements to it.

As for the weak point in the cost analysis, there should be one. I think there are several points that need to be examined and improved. A bit like my colleague Siobhan Harty said, there's a difference between setting a price for building a ship and buying a drone that already exists.

A lot of our acquisitions are the big pieces, for example, the Canadian surface combatant vessel, the big warship we're going to build in Halifax. I think we have to take into account the fact that our practices have to change. We give cost estimates far too early for large-scale projects.

I'd say the same thing, not only for costs, but also for schedules. We set parameters far too early for projects where the evaluation is not quite complete. We actually had a price and a schedule for the shipbuilding project, even before we knew what boat we were going to build.

This may not necessarily be a weak point, as you mentioned in your question, but there is one point on which I would like to see more movement, and that is the planning of overall cost estimates. This has to be planned.

The industry sometimes contributes to this planning. Could it contribute more? Perhaps, yes.

As we execute the solicitation to ensure we remain accountable, give us the responsibility and mandate to find the best value, best return on investment. That's our job as public servants. Give us a higher level of responsibility when the contract is signed.

Let's take price differences, for example, after the contract is signed and we know where we're going. There will still be discrepancies, but it will be more acceptable.

On the other hand, if we start looking at what we said seven years ago, when the first ship was still six, seven years away, there will definitely be discrepancies. Of course, there will be factors we've given less thought to, such as the pandemic, which is an unpredictable event, and inflation, which is difficult to predict.

That said, some projects, such as the purchase of a drone, the purchase of guns, are going quite well. However, we could look at this another way too, by involving the industry even more.

• (0940)

The Vice-Chair (Ms. Christine Normandin): Thank you very much.

You gave a very detailed answer, and I thank you for it.

I'm going to address a completely different topic.

Could you tell me how comprehensively we should review certain aspects of industrial and technological spin-offs?

I'm thinking in particular of the possibility of doing business with indigenous companies. One of the complaints we've heard is that few indigenous companies offer finished products, which makes them hard to find.

Should we revisit some policies that may look good on paper, but on the ground aren't actually working?

Mr. Simon Page: Once again, this is a question that could be the subject of a complete thesis. I thank you for asking it.

I think this was mentioned a little earlier, but our current governance system is that we look primarily at three aspects: the technical aspect, which is the performance of the equipment that's being purchased; the costs and return on investment; and the economic benefits to Canada. Each of these aspects is given a certain number of points. With the system we use for acquisition, the technical aspect wins, in terms of points, by between 50% and 60%. The other two aspects share the remaining 40% or 50%. We're buying equipment for the Canadian Armed Forces, which is important and has imperative value in operational terms.

As I've already said, I'll hand over to my colleague. I would like to mention, however, that I think we could use some flexibility in the way we apply the policy, depending on the acquisition strategy we use. If we're doing an acquisition that we know doesn't represent a problem, for example something that Canada does well, we can add points. If it's something in which we have very little involvement, which is already very sophisticated and for which the supply chain is established, we can look to make savings, to generate economic spin-offs, in a different way by using a little flexibility.

To conclude, I'm going to talk about indigenous procurement. Coming from a defence background, I remember a time when this was not part of the defence and navy business. There was virtually no overlap between these fields and indigenous companies. Now there's a lot. In my opinion, we need to proceed on a case-by-case basis, where there are opportunities. If there's one area where we

need to pay attention to what people in the indigenous industry are telling us, it's this one. We need to understand what they can bring to our portfolio.

[English]

The Chair: We'll have to leave it there. Thank you.

Madam Mathysen, you have six minutes.

Ms. Lindsay Mathysen: After the last Conservative government, there was a huge loss of public servants. The current government tried to fill those positions, but they were filled by contracting them out to third parties. We've all seen what's happened with that, unfortunately.

I wanted to ask about the filling of those public servant positions. We specifically heard in an internal memo that roughly 4,200 military procurement positions were unfilled at the end of May 2022. As we were told in the last study, the loss of procurement specialists was a huge gap that needed to be filled.

Can you give the committee an update on whether those positions have been filled? What plan is in place to fill them?

• (0945)

Mr. Simon Page: I think most of that statistic is probably with the client department of National Defence—the colleagues we deal with on a regular basis—and other client departments such as the Coast Guard and Transport Canada.

The way it works for PSPC is that, every time a project needs to come our way so we can execute a solicitation, the Government of Canada, through the client department, gives us the resources to hire the procurement specialist we need to effect a procurement. The key advantage of doing this is that you capture all the costs associated with the project in one spot.

My team right now is well staffed to execute everything that's being asked in finishing “Strong, Secure, Engaged” and in tackling on-staff requirements. In terms of those requirements, some projects are still being explored. For instance, I'm not fully staffed to execute the submarine project, but I do have a very tiny team as the project grows and eventually gets executed.

I personally and my team are executing the defence and marine procurement. We're lean, but we're good to go.

Ms. Lindsay Mathysen: I'm glad to hear that. That's a perfect segue, because I was going to ask you about submarines next.

Can you share the scope of spending on the new fleet of submarines compared to the rest of our navy procurement projects? How much of that budget would be taken by this purchase, as you understand it, going forward?

Mr. Simon Page: Right now, all the numbers are with the client department. I'm not going to speak about any numbers or where this project could take us. The project has entered our bubble, if I may express myself that way.

We've been asked, so far, to start gathering some information. A few weeks ago, a request for information was published for this procurement. We've received 20-plus responses. The analysis has started, and there will be some back-and-forth with some of these folks and companies that have answered.

At some point, the project will go through the approval cycle at National Defence. That's when some of the budgets and some of the funding pieces are going to start taking shape.

Ms. Lindsay Mathysen: I appreciate that.

Unlike the national shipbuilding strategy, there's no clear domestic option for the purchase of submarines in Canada. However, the government is supposed to be committed to ensuring as much domestic procurement as possible so that Canadian workers are still benefiting from these very large-scale—although you didn't give me numbers—procurement projects.

Can you talk about the commitment in this specific project to domestic workers—to Canadian unionized jobs and workers?

Mr. Simon Page: It's still very early with this project. We have received, as I mentioned, 20-plus responses to the request for information. Some of them are from Canadian shipyards and Canadian companies.

We're just starting the analysis. The request for information just closed a few days ago. After the analysis, likely the shaping of your question will start being more tangible and concrete. At this time, I would say it's too early to speak about specific contributions.

Ms. Lindsay Mathysen: I know I have less than a minute left, Chair.

I'm trying not to go over time because he'll get cranky with me.

You were not allowed to finish after the last question I asked you on the national security exception and you had two more points. Can you give them now?

● (0950)

Mr. Simon Page: I had two more points on the national security exception. Once a national security exception is invoked, that doesn't mean we stop adhering to government contracting regulations. GCRs still apply even after the NSE has been invoked. An NSE does not equal sole-source procurement. Sometimes it may lead to a sole-source procurement, but it is not a mandated piece or a linked piece.

Water bombers are under the procurement system of the provinces. That's why they're not linked. I wanted to confirm that before I tabled an answer to one of your previous questions.

The Chair: Thank you, Ms. Mathysen, for not contributing to my crankiness.

Ms. Lindsay Mathysen: It's a rare occasion.

The Chair: Yes, it's a rare occasion. You have a talent.

We have a full 25 minutes if we run this tightly.

Mr. Stewart, go ahead for a tight five minutes, please.

Mr. Don Stewart: Thank you. I'll also try to not contribute to your crankiness.

Thank you to the witnesses for being here today.

My first is question about general defence procurement. Is it lumped in with the same processes as procurement for other departments? Are there some special considerations that DND needs because of the national security element of it?

Ms. Siobhan Harty: If you're referring to our general rule set, the answer is no. It's all lumped in. The government contracts regulations, which were referred to, cover all procurements.

Mr. Don Stewart: How do you prioritize which contracts or projects receive...? How do you prioritize them, whether it's looking at a new contract for, say, munitions or one for the subs?

Mr. Simon Page: That's a great question.

I explained the defence procurement strategy governance earlier. Three departments meet and review various projects and various solicitations. These are already prioritized according to the needs and requirements of the client department.

That prioritization happens in their world. They have a program management board they run within National Defence that will dictate the pace and the priorities. We try to obey that cycle.

Mr. Don Stewart: At any time you could have one thing bumped up ahead of another.

Mr. Simon Page: Absolutely. That would be the case, for instance, for an urgent operational requirement. I could ask my team to pause one thing and execute a UOR.

Mr. Don Stewart: When we're talking about the shipbuilding program and the subs, will we be able to procure subs and ships at the same time?

Mr. Simon Page: The national shipbuilding strategy right now has three strategic partners—three large shipyards. They have signed up to programs of work in their umbrella agreements under specific terms and conditions that are going to be mirrored in what my minister was speaking to earlier about strategic partnerships. These programs of work can be in motion at any one time depending on government priorities.

My assessment at this time is that the submarine project will come in, will be assessed from a capacity point of view—capacity domestically for sustainment and capacity internationally—and we'll be able to fit it in.

Mr. Don Stewart: I know you said you have a nice tight team right now that's looking at the subs. When that project does ramp up, how many more people do you think you're going to need to execute the procurement?

Mr. Simon Page: This will be a massive procurement. I'm comparing it early with the Canadian surface combatant. For the Canadian surface combatant, we started in the early days with a team of probably 15 to 20. We're now around 40. I would see the submarine going in a similar direction.

The team at DND will be a lot more numerous than mine. Head counts will be a lot higher over there.

Mr. Don Stewart: Are there lessons learned from the Arctic and offshore patrol vessels procurement that directly apply to the procurement of the frigates that will help to streamline things so we can do continuous improvement?

• (0955)

Mr. Simon Page: Absolutely. Actually, one of our key discussion points with Irving Shipbuilding is to make sure that the learning is implemented.

We're seeing results, by the way. This project went through COVID. It survived COVID very nicely. As we're going to launch AOPS number six in a few days, it's been on a really good stream of delivery. That delivery, for me, has integrated lessons learned, and some of them are definitely going into the Canadian surface combatant preparations, as we expect to cut steel on the combatant some time in 2025.

Mr. Don Stewart: Were any RFIs or RFPs cancelled as a result of the recent budget cuts in the DND budget?

Mr. Simon Page: As far as I'm concerned, in PSPC—and we run the RFIs and the RFPs—we have not cancelled anything.

Mr. Don Stewart: How long does it generally take? With regard to the subs, there are some RFIs out right now. When do you think the first purchase orders can be placed for a hull or something like that?

Mr. Simon Page: With all due respect, I'm not sure if I want to answer that at this time. It is too early. We barely have the high-level parameters of the project.

To my earlier point, sometimes we're too early in putting parameters around a project. I don't think we're in a space to do that at this time.

Mr. Don Stewart: Thank you.

The Chair: Thank you for rejecting that invitation to speculate.

Madam Lambropoulos, you have five minutes.

Ms. Emmanuella Lambropoulos: Thanks to you both for staying to answer some more of our questions.

Mr. Page, I heard you say that something we can improve on is better planning and forward thinking so that we meet our goals quicker and work together with partners. You heard me ask a question of Mr. Duclos earlier about the Canada aerospace industry, which has been spoken about. He didn't have an opportunity to really answer it in depth.

I'm wondering if you can share your thoughts on what that strategy would look like. Are there any talks of putting any kind of structure in place? What are your hopes for that kind of strategy?

Mr. Simon Page: Maybe I'll go back to the planning piece that I spoke about earlier and try to match it with what an aerospace strategy could look like.

As to planning, for me there's sometimes an expectation that when going into procurement, we're just a short time frame away from getting our equipment, but buying sophisticated helicopters or sophisticated aircraft or even a remotely piloted aircraft system takes time. That planning, for me, is critical. That planning would feed the strategy, because we need to give industry the time to prepare the grounds for the investments and procurements that Canada is about to make. If we don't give them the time, they won't be ready for the procurements that are coming.

A key part of the strategy would be that. It would enable them to plan and invest properly in what's coming. It would also give them time to establish themselves in a relationship that they need to establish, and then be ready when the go time comes and PSPC releases a draft RFP or an RFP.

Ms. Emmanuella Lambropoulos: Mr. Duclos also spoke about interoperability, and my hope is that we can push and promote our industry outside Canada. With NATO and our partners, we like to operate in similar ways and want to use similar equipment, but oftentimes Canadian equipment isn't necessarily promoted or the one to be used, except in the case that he mentioned recently with the icebreakers.

I'm wondering, in general, in what other ways we can help our companies thrive within those partnerships. I've heard from companies in my riding that NATO often invites them to showcase their talents and the capabilities they produce. How can our government do better in helping those materialize into procurement from other countries?

• (1000)

Ms. Siobhan Harty: Maybe I will take this question.

Our colleagues at National Defence will be leading a defence industrial strategy. That was mentioned by the minister. It is a key place where some of that work and thinking can happen, linking it up to an export strategy. However, one thing to note with NATO is that increasingly they're moving towards joint requirement setting, joint procurements, and collaboration. That is an important place where Canadian companies can get plugged into international collaborative efforts. That's one thing we're working on collectively.

Ms. Emmanuella Lambropoulos: I have heard there are other issues. There are some great capabilities here. Companies will showcase their stuff and get really good feedback from other countries, but they're basically told to see their Canadian reps, who can help them move things along the ladder. It's very difficult for them to find those reps. What can we do to improve that situation, and who would be in charge of it?

Ms. Siobhan Harty: We have different systems in place internationally, either through trade commissioners or through defence attachés. I've been leading the work with other government departments and consulting with allies about what they do.

We recognize that's a gap and that we could do much better there. We are looking at it in the context of the review and working with the NATO Support and Procurement Agency and other efforts—as I mentioned before through NATO—to see how we can make it easier for our companies to find points of access into those international opportunities.

The Chair: Thank you, Madam Lambropoulos.

We have the last questions of Madame Normandin in 2024 at the defence committee. Go ahead, for two and a half minutes.

[Translation]

The Vice-Chair (Ms. Christine Normandin): I would like to know your opinion on the number of approvals required in a procurement context.

I see you nodding your head to indicate that this is an interesting question.

I'm throwing out some food for thought. Should we give more latitude to lower-level civil servants, allowing them to make procurement decisions more easily? Should we reduce the number of departments? I'm often told that Innovation, Science and Economic Development Canada, in the case of new technologies, is an additional brake. Over to you.

Mr. Simon Page: Thank you very much for that question, which is another very good one.

Again, every procurement process is different. Sometimes there are three or four key decisions and things move very quickly, while other times the file is more complex and has to come back several times.

In terms of the Defence Procurement Strategy and governance system I mentioned earlier, there are three main stages in the decision-making process. The first is to contact industry and initiate “pre-solicitation” activities. Next, we decide on the procurement strategy. This is a big decision. There may be several sub-components, so there may sometimes be a backlash. Finally, it's time to award the contract, which is another important decision. Normally, you review the evaluations, decide who you're going to award the contract to, look at what's in place, and so on. These are the decisions related to the governance process.

Obviously, there are also project decisions that are made on the Department of National Defence side. That's probably three more steps, because there's the Defence Capabilities Committee, the Program Management Board and the Independent Defence Procurement Review Board. Then, when everything is in place on our side,

we have to go to Treasury Board. When it comes to complex projects, there's a major definition contract that precedes the implementation contract. I'm thinking here of my favourite project, the acquisition of surface combatants. The definition contract must also go through all the stages I've explained, before moving on to implementation.

The process I've described may sound complex and intimidating, but, when people are at the table and things are done the right way, it's effective.

● (1005)

[English]

The Chair: We'll have to leave it there.

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

Ms. Lindsay Mathysen: Going back to transparency in procurement and the national security exception, one thing we could do, and one thing I put forward, is the option to mirror the policy of the United States. When there's an idea to use the national security exception there and it's triggered as a sole-source purchase, the U.S. Government Accountability Office automatically begins a review of it.

Have any considerations been given by the department to increasing transparency in those initiatives when purchases are made under a national security exception and they're sole-source, to create far more transparency like the Americans have?

Mr. Simon Page: My bottom-line, upfront answer is no. I'm not tracking an initiative or effort to mirror what the United States is doing.

As I mentioned before, we apply the national security exception to a portion of our procurements. That recommendation, that decision, is made with a lot of things taken into consideration. I find that within government, it's fairly well executed. We apply it diligently. The GCRs will continue to apply.

I'm not aware of an effort to step out of the boundaries of the current execution.

Ms. Lindsay Mathysen: Certainly, you can understand that there is a desire to increase transparency and accountability, especially from taxpayers, but also from the industry itself.

There were specific concerns about the consistent use of the exception and sole-sourcing. Are there any steps that could allow us to get away from that? Are there any other plans to increase transparency?

[Translation]

Mr. Simon Page: Thank you for your question.

[English]

I'm not sure if I'm capturing what you want me to say.

Consistency is the number one thing I look at when we review national security exceptions. Most of the time I will go back to the list of current projects that have an NSE and I'll compare if we're speaking the same language.

On your point about transparency, I think some improvement could be done with respect to transparency on the larger scale of defence procurement overall.

[Translation]

The Vice-Chair (Ms. Christine Normandin): I must interrupt you, Mr. Page.

[English]

Mr. Simon Page: I think some of the things we want to do that we have in motion will increase transparency and the communication [Inaudible—Editor] with respect to the NSE itself.

[Translation]

Excuse me.

The Vice-Chair (Ms. Christine Normandin): There's no problem.

Before we continue, I want to make sure I have everyone's consent to end the rounds of questioning, even though the bell has rung.

Is there unanimous consent?

We can continue. That's wonderful.

Mr. Bezan, you have the floor for five minutes.

[English]

Mr. James Bezan: Thank you, Madam Chair.

Thanks to the witnesses for being here.

Mr. Page, can you confirm whether or not the surface combatant design has been finalized, or are they still tinkering around?

Mr. Simon Page: No, the Canadian surface combatant design has not been finalized. It has been brought to a really good level of maturity. It's at a level with a bit more work to do ahead of the full-rate production cutting of steel.

Mr. James Bezan: How many years have we been in the design phase?

Mr. Simon Page: I think it's been approximately five years.

Just so it's understood, the design of the Canadian surface combatant will last well past the full-rate production cutting of steel. It is smart to do this. You cannot expect to lock something in before you start on platform number one and when you have 200-plus systems being integrated and many things in play.

• (1010)

Mr. James Bezan: When we did our procurement study, one thing we heard from many witnesses is that PSPC and DND have a culture of risk aversion. Instead of being risk-evaders, how do we turn everybody into risk-takers?

Mr. Simon Page: Maybe I'll let my colleague ADM Harty speak about that and some of the work she's doing.

Speaking as the ADM at PSPC for the last four years, I think we are very much an organization that looks at every variable around procurement. I'd like to think we have taken some risks in the last few years with respect to some of our procurements, and it has paid off. I think we are sensing the operational urgency of doing things differently. That has the risk aversion piece being assessed and managed accordingly.

Mr. James Bezan: I'll just keep going, because I have a number of questions.

In the procurement review process you're undertaking right now, when will you be consulting the defence industry on how to improve it?

Ms. Siobhan Harty: I've been consulting on a more bilateral basis. I did that starting late last year, into the spring and up to the summer, and then started working on our recommendations.

In the context of the defence industrial strategy that my colleagues at National Defence will be leading with Minister Blair, there will be additional consultations with the industry.

Mr. James Bezan: When you say bilateral, you're talking just to the major companies that right now are supplying—

Ms. Siobhan Harty: I'm talking to companies and industry associations and I'm appearing at meetings. I've been very accessible.

Mr. James Bezan: Have you been talking to CADSI and others?

Ms. Siobhan Harty: Yes, absolutely.

Mr. James Bezan: You were talking about using UORs and NSEs. If we're going to do a UOR, why don't we just do an NSE—a national security exception?

Mr. Simon Page: I would say that, case by case, some UORs may not necessitate a national security exception. We will examine the requirement just as we do for a larger procurement.

Mr. James Bezan: Right now, what's the threshold for National Defence to do procurement themselves before they have to go to PSPC? What's the level?

Mr. Simon Page: Do you mean in terms of money?

Mr. James Bezan: Yes, in terms of money.

Mr. Simon Page: Actually, I wrote it down. At National Defence, for a competitive requirement, they can go up to \$7.5 million.

Mr. James Bezan: Is that it? When was the last time that was increased?

Mr. Simon Page: I don't have that date.

Mr. James Bezan: Would you be able to get that for us and send it back in writing?

Mr. Simon Page: Yes.

Mr. James Bezan: I'd appreciate that very much. That seems awfully low, especially when you look at anything else.

On the munitions supply program, we're hearing from industry that it's taking forever to get orders signed and get direction from the government to expand it. We see growth in munitions, especially in the 155-millimetre shells, happening under U.S. orders, but there's not necessarily much increase from the Canadian standpoint.

In meetings I've had with U.S. officials, including in Halifax, I've heard they want Canada to be a reliable supplier, especially of munitions, ammo and rockets. How do we make sure those are taken care of under the MSP?

Mr. Simon Page: The munitions supply program is an effective tool. It's a strategic program that allows us, to the question I had before, to do some planning ahead. I won't say it's perfect. We just conducted an evaluation of the program, and we're going to put some recommendations forward.

To give you an appreciation of it, within the MSP itself, in 2023, over \$470 million was expended on various types of munitions, from small and medium to large calibres—nine millimetres, 25 millimetres and larger calibres.

I think ammunition at the moment is getting a bit of a sour assessment because of the 155-millimetre ammunition that we want to produce domestically. Again to my planning piece, this is not easy. We can tell industry that we need a 155-millimetre artillery round produced end to end in the country, but that does not happen in weeks. Infrastructure investment is required. Technical data packages need to be procured from the United States. All kinds of things need to be done from a resource point of view before we're in a position to do that.

• (1015)

The Chair: That's a very important response to that question. If there's something you wish to add to it, please write to the committee. This comes up all the time.

For the final five minutes, we're starting with Mr. Powlowski.

Mr. Marcus Powlowski: When the Canadian government purchases something, I think for the most part we would far prefer to spend our money in Canada. It's Canadian taxpayer money. I know that with other purchases, it's not always just about the cheapest product. There are also considerations for economic impact and environmental footprint.

Is that factored in when Defence procures something? Further to that, if it is, is that consistent with our international trade obligations or is it considered a hidden trade barrier? I would assume we fudge that somehow to get by, but we still factor those things in when we make a choice about procurement.

Ms. Siobhan Harty: In a very general sense, all of those factors are taken into consideration. That's part of the defence procurement strategy from 2014. Defence would consider those. ADM Page mentioned earlier that one step in the process is selecting the pro-

urement strategy. All the factors you mentioned would go into that, taking into account what our industrial base is able to produce.

There are other considerations, like controlled goods, interoperability and other items the committee mentioned in posing questions to us. All of those things are put on the table, as is the question of timing.

Mr. Marcus Powlowski: There's also the question of whether that would be considered a hidden trade barrier in international trade.

Ms. Siobhan Harty: We have to respect our trade agreements, absolutely, but the committee has already asked questions about the national security exception. We have that, and there are obviously trade implications. Other countries face the same considerations.

The Chair: Just to tidy up, one of the problems with defence procurement is sticker shock. I don't think we do a very good job of disaggregating sticker shock because, first of all, it's an issue with respect to the initial thought of what it might cost. I appreciate your declining to answer Mr. Stewart's question, because there was a prematurity to it. The second part is that when the PBO and the AG start to weigh in, they get into life-cycle costs, and what starts out as a \$20-billion acquisition ends up as \$60 billion by the time you figure all of it in.

Has any thought been given to alleviating sticker shock and the heart attacks that collectively go across the nation when we announce a procurement?

Mr. Simon Page: There has been some thought and some discussion on that. To my earlier point about communicating differently and being transparent, there's some overlap there.

I think it would be smart and wise to look at this with a different lens. An early assessment could be described exactly as such. It's an early estimate that is derived using parametric variables according to what we know at the time. For a 25-year procurement, things will change and we'll manage them accordingly.

Where I think real accountability and precision should start surfacing in a different language—that is, no longer as an estimate—is when we sign contracts. As we approach our time to sign contracts and bring submissions to Treasury Board, numbers are well derived and there's a lot of accuracy. We can then be held accountable to our contract and be asked to get the best contract possible instead of doing guesswork 10 years ahead of delivering something.

• (1020)

The Chair: Thank you for that.

On behalf of the committee, I want to thank you for your two hours here. We appreciate it.

With that, the meeting is adjourned.

Colleagues, we're going to meet again on Tuesday. DND and VAC will be here to talk about contaminated sites.

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