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Chair: Charles Sousa





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• (1645)

[*English*]

**The Chair (Charles Sousa (Mississauga—Lakeshore, Lib.)):** I call this meeting to order.

Welcome to meeting number 36 of the House of Commons Standing Committee on National Defence. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, February 23, 2026, the committee is meeting to study the impact of the defence industrial strategy.

Today's meeting is taking place in a hybrid format. Before we continue, I ask participants to consult the guidelines on the table. These measures are to help prevent audio feedback and protect the health and safety of our interpreters.

As a reminder for witnesses and members, please wait until I recognize you by name before speaking. For interpretation, please use the earpiece and select the appropriate channel. Again, all comments should be addressed through the chair.

I'd now like to welcome the minister and our witnesses.

Of course, we have with us the Honourable David J. McGuinty, Minister of National Defence, with Lieutenant-General Stephen Kelsey, vice-chief of the defence staff, Canadian Armed Forces; Lieutenant-General Erick Simoneau, chief of military personnel and commander of military personnel command; Wendy Hadwen, assistant deputy minister, policy and industry; and Heather Sheehy, assistant deputy minister, materiel.

Minister, it's over to you. You have five minutes. Does that sound good?

**Hon. David McGuinty (Minister of National Defence):** It does, Mr. Chair. Thank you very much. It's great to be back.

Good afternoon, everyone. I'm sorry we're late getting started, but here we are.

[*Translation*]

Mr. Chair, I would like to start by thanking the committee for inviting me to discuss Canada's first defence industrial strategy. I think it's my fifth appearance in 10 months.

[*English*]

I also want to welcome the newest members to this committee. We appreciate the work you do in supporting Canada's defence and security.

Before proceeding any further, Mr. Chair, I want to recognize the members of the Canadian Armed Forces and the Canadian Coast Guard. The women and men of both organizations, now under the rubric of defence, serve with professionalism, dedication and courage. They put service before self to defend our country.

Everything the government is doing—everything, including Canada's defence industrial strategy—is to ensure they have the tools, the equipment and the support they need to do the difficult jobs we ask of them. That's why we're rebuilding, we're rearming and we're reinvesting in the Canadian Armed Forces, and we're doing so in a way that strengthens Canada's broader economy.

[*Translation*]

As the Prime Minister recently announced, Canada has reached the defence spending target of 2% of gross domestic product, or GDP, five years ahead of schedule. We are working diligently to meet the North Atlantic Treaty Organization's, or NATO, new commitment to defence investment—5% of GDP by 2035. That is why we have held important discussions with industry, the provinces and territories, academia, innovators from all walks of life, indigenous communities, the banking sector, the financial sector, as well as our trusted allies and partners. These consultations have provided a clear picture of what stakeholders expect from a modern defence industrial strategy. They told us we need to move faster, ensure greater predictability and strengthen Canada's defence industrial base.

[*English*]

We also agreed that Canadian companies must remain competitive, resilient and sovereign. Most importantly, we must be able to deliver the capabilities our armed forces need when they need them.

The defence industrial strategy is our response. This strategy prioritizes Canadian suppliers and materials through a “build-partner-buy” framework—and in that order, Mr. Chair. It means building defence equipment in Canada as a matter of priority, partnering with our allies where it adds value and buying from suppliers abroad only when necessary, with rigorous conditions that spur reinvestment here at home.

The strategy is designed around five key pillars. The first is strengthening Canada's sovereign capabilities by ensuring that we can develop and sustain critical technologies here at home and reducing our reliance on foreign suppliers. The second is modernizing procurement to deliver equipment faster through more efficient processes and more resilient supply chains. The third is investing in innovation, particularly in dual-use technologies such as artificial intelligence, quantum and advanced communications tech. The fourth is growing Canada's defence industrial base, supporting small and medium-sized enterprises and expanding opportunities right across the country. The fifth is deepening partnerships with trusted NATO allies to enhance interoperability and open new markets for Canadian firms.

Over the next 10 years, we aim to do the following: create 125,000 new jobs across Canada, increase defence exports by 50%, increase the share of defence contracts awarded to Canadian firms to 70%, boost revenues for small and medium-sized businesses by more than \$5 billion each year, and increase investment in defence research and development by 85%.

In budget 2025, we announced \$6.6 billion to invest in our defence industry over five years under the defence industrial strategy. By 2035, we expect the DIS to deliver a total of \$180 billion in major defence equipment, \$290 billion in defence-related capital investment and \$125 billion in downstream economic activity. All together, this represents more than half a trillion dollars in total economic impact across Canada.

We're already seeing progress. Just last month, we announced a \$900-million investment in the National Research Council to support the defence industrial strategy. That includes \$500 million for next-generation aerospace technologies and \$105 million for a new drone innovation hub in Ottawa and Mirabel. These investments will accelerate innovation, strengthen our industrial base and deliver new capabilities for the CAF.

The defence industrial strategy is a unifying, unified national effort. At its core, it's about strengthening our sovereignty and building a more resilient, innovative and secure economy for Canadians. Above all, it's about delivering for the members of the CAF and the Coast Guard, who serve our country every day. We owe it to them to get this right. That is precisely what we are working to do.

I look forward to responding to questions from members.

Thank you so much.

**The Chair:** Thank you, Minister. I appreciate your opening remarks.

We're going to go to our first round of questions.

Mr. Bezan, our vice-chair, will start with six minutes.

• (1650)

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

I want to thank the minister and the department officials who are here.

Again, I also would like to extend my thanks to the brave women and men serving in the Canadian Armed Forces and the Canadian

Coast Guard for protecting us here at home and carrying out some dangerous missions around the world when called upon. We want to support you in every way that you're doing that job.

Minister, your defence industrial strategy is the fifth document from this government on different defence-related activities. We're quite skeptical on whether or not you're going to be able to meet the targets that you've put in there.

When you look at the current state of the Canadian Armed Forces on fleet availability, you see that you cross the line. Less than 60% of the maritime fleets are serviceable and able to be deployed or standing in the ready for new personnel to train on. We see that land vehicles stand at only 51%. Only half are actually serviceable and usable. We're hearing stories of people in Latvia who can't even get vehicles to get training on and be certified alongside our NATO allies. It's embarrassing. The aerospace fleets that we have are even worse at 42.3%. This is all coming out of the 2024-25 departmental results report.

Ten years of Liberal government—your predecessors—have allowed the replacement and maintenance of the key fleets for our armed forces to wither away.

One that continues to be a political football for your government is the F-35. You had the Canadian Armed Forces do a review. The Department of National Defence did a review. The Department of Industry did a review. We thought we were going to finally get a decision on the F-35, which won the competition fair and square against the Gripen. Now, due to concern about what's happening in the States, we're not going to make an announcement on whether or not we're going to proceed with the F-35.

Can you update us on where we're at?

**Hon. David McGuinty:** If I could, Mr. Chair, through you, I just want to make sure, Mr. Bezan, that you want to talk about the F-35. There are about five questions in there.

**James Bezan:** No, there was one question. The rest was a statement.

**Hon. David McGuinty:** The rest was a statement—good for you.

Listen. Replacing the CF-18 is going to be the most significant investment the Royal Canadian Air Force has undertaken since World War II. You're right that we announced, in 2023, that we would acquire 88 F-35s. As directed by the PM in March 2025, we are reviewing this decision, and that review does continue. We want to make sure that it is the best choice for the country.

**James Bezan:** Shouldn't you know that by now?

**Hon. David McGuinty:** We're going to take the time we need to get this decision right. However, in the interim, plans are progressing for the receipt and introduction into service of the F-35, and we remain on track for scheduled aircraft deliveries by the end of this year.

**James Bezan:** How many are on order right now?

**Hon. David McGuinty:** There are 16.

**James Bezan:** I know there are more than that. I thought that there was a payment made on the next tranche of F-35s as well.

**Hon. David McGuinty:** There's not a formal commitment beyond the 16 number.

**James Bezan:** As long as you're continuing to waffle on the F-35, you are also not making decisions about buying the next generation of fighter trainers. Already the Hawks have been retired, and even though they still had hours left on them, they're sitting in Borden, getting dismantled and used for training our aircraft mechanics and technicians.

We now have to outsource our pilot training: That is now all happening in Italy and the United States. Again, it's an embarrassment for Canada, with our World War II training of our allies and NATO aircraft training, which we did for the last two or three decades, that it has all disappeared because we don't have the equipment anymore.

**Hon. David McGuinty:** We can backcast as far as you'd like, Mr. Bezan. I think we're all responsible for neglecting the investments over the last 50 years.

**James Bezan:** We were upgrading the CF-18s and started down the path to replace them with F-35s. It goes right back to the Chrétien government, which actually bought into—

**Hon. David McGuinty:** When Mr. Harper left government—

**James Bezan:** You guys said you wouldn't buy the F-35s.

**Hon. David McGuinty:** —GDP funding for defence was below 1%. Now we're at 2%, and we're climbing to 3.5% and 5% by 2035.

**James Bezan:** It's 0.54%, and it's based upon shell games.

**Hon. David McGuinty:** In fact, by 2035—we're talking about from now until then—there will be almost a half a trillion dollars of investment in defence. We've set a plan here. It's a very hard, well-costed, detailed rollout, and it will embrace the acquisition of training aircraft and beyond.

**James Bezan:** Minister, I have couple of questions for you, based upon what you mentioned earlier. You said that we're going to be building drones, with some of that happening in Ottawa and some happening over in Mirabel. Who in Mirabel is doing the drones? Does it go back to DRDC, or is it to...?

• (1655)

**Hon. David McGuinty:** Right now, the investment is in research. That research may embrace co-operation with other private sector actors, with other countries—in particular with Ukraine, which is something under consideration. This is about upping our research capabilities in drone and counterdrone capabilities.

**James Bezan:** One complaint we've always heard is that SMEs, small entrepreneurs, the ones that are out there with innovations,

can't get through the front door, and that the government continues to use primes like Boeing, like Bombardier, like Lockheed Martin, to do the various contracting. How do we go at speed to adapt new innovation from Canadian start-ups that can't walk through the door now to sell what they're building, including all sorts of drones?

**Hon. David McGuinty:** To be honest, I would need half an hour to answer that comprehensively, but we don't have that kind of time.

**James Bezan:** We have 30 seconds.

**Hon. David McGuinty:** That's a very important question, Mr. Bezan. It's something that the defence industrial strategy is addressing. We are aligning financing—BDC, EDC export, as examples—and aligning deep research. We are aligning access to contracts. We'll be very clear in exposing, for the first time in Canada... Remember, this is the first defence industrial strategy in the history of the country—the first.

What we're trying to do here is to make sure that we intersect what our Canadian Armed Forces need and how we can give rise to the more than 600 companies we have now in Canada in this space. We have a whole series of SME measures, which I think will help give rise to growth. As you know, so many of our companies are small. We're looking at the 40-employee company going to 100. We're looking at Colt Canada going from 200 to 400 employees. We're moving forward.

On the prime front, you're right, but let's be positive about the primes. Irving shipyards employs almost 3,000 people on the ground in Halifax, but 10,000 other Canadians around the country. It is the same with respect to the Vancouver shipyards. It's the same with respect to GDLS. It's the same for our large CAE—Bombardier and others—players. These become very important generators across the country.

**The Chair:** Thank you, Minister.

Mr. Bezan, thank you.

Again, as a reminder, gentlemen, speak through the chair.

I will now go over to you, Mr. Malette, for six minutes.

**Chris Malette (Bay of Quinte, Lib.):** Thank you.

Mr. Chair, as you and my friends around this table are now well aware, probably, my riding of Bay of Quinte hosts 8 Wing at CFB Trenton, which plays a critical role not only in supporting the operational readiness of the Canadian Armed Forces but also as a major economic and community partner across the Bay of Quinte region.

Last year, Mr. Minister came to our riding and 8 Wing twice and announced massive investments on the base to help support recruitment, to better support our men and women in uniform and to replace aging assets. I can assure the minister that I find nothing embarrassing about our support for and pride in the Canadian Armed Forces and the capabilities of the men and women of 8 Wing and other air mobility units across Canada.

My question is this: Can the minister outline how the government is supporting infrastructure modernization and operational capacity at 8 Wing and elsewhere to ensure that it can continue meeting Canada's domestic and international air mobility needs, while also supporting the civilian workforce and surrounding communities that rely on our base and others?

**Hon. David McGuinty:** That's a great question, and specific.

Thank you, Mr. Malette, for your support for the work going on in the Trenton area.

The first thing to remember is that as we make these fundamental investments across the country, base by base, we're making tens of billions of dollars in investments. It's important—as you just did—to remind Canadians and each other that there's an additional positive spinoff, of course, for the Canadian economy. These are major industrial projects. They're going to have a really important knock-on effect. In the case of Trenton, if I recall the analysis we did, it's over 1,000 full-time jobs. That's important in a small community like Trenton.

Mr. Chair, through you, regarding details about where we are with Trenton, I'd like to ask, if I could, our ADM Heather Sheehy to update you on those specifics.

**Heather Sheehy (Assistant Deputy Minister, Materiel, Department of National Defence):** Thank you for the question. I have some information I'll pass along.

Major capital infrastructure investments at Trenton are ongoing. They include strategic tanker transport capability infrastructure, ammunition storage, the Quinte West training centre and fixed-wing search and rescue capability. My colleague responsible for infrastructure has provided me with the information that this has allowed us to increase minor capital investments in maintenance repair, with \$63 million planned this fiscal year across 40 different projects. This represents a doubling of maintenance and repair investment and nearly a quadrupling of minor capital investments. The three-year forecasted spending in Trenton is \$165 million.

For military housing, in particular—which I know is of interest to members—there are 92 residential housing units currently under construction on the base as part of phase one of our residential housing plan. A further 384 units will be constructed under phase two. I am told that the RFP will be going out for phase two in the next few weeks.

I can report, through my colleague, that all of the above projects are currently on track.

• (1700)

**Chris Malette:** I am very happy to hear that, Ms. Sheehy. Thank you very much for that update.

Further to that, Minister, 8 Wing Trenton is the hub of Canada's air mobility operations, as I mentioned, and plays a central role in humanitarian assistance, Arctic sovereignty and NATO commitments.

Can you please provide an update on how the defence industrial strategy will ensure that the wing has the personnel, equipment and infrastructure needed to meet growing operational demands?

**Hon. David McGuinty:** The DIS—I think that's the question—will, for the first time, help us understand the intersection between this economic sector called defence and the needs of the Canadian Armed Forces. It's the first time we've had this open conversation in Canada as a matter of public policy and practical application of strategy. It's going to be very important for us to make sure these two things are aligned closely not just for our own needs but also for the incredible opportunities for us to sell abroad. I can speak about that later. There are many opportunities as we sign more and more bilateral deals—including the one in Europe, recently, which I'd be pleased to expand on.

What we're doing is marrying these two via the practical needs of the forces on 33 bases, base by base. It's a full assessment, top to bottom. What are the kitchen needs? What are the electrification needs? What are the housing needs? What are the water and wastewater needs? We need to get this right for the women and men of the Canadian Armed Forces. We need to make sure their quality of life is augmented, because we ask them to do difficult things. They live in a system that many of us don't have to live in, so it's very important for us to make those investments.

**Chris Malette:** Thank you very much, Minister.

I have one last question, which is, again, very 8 Wing-centric. As we mentioned, 8 Wing has repeatedly stepped up during emergencies here at home, from evacuations to disaster response.

In the current investment strategy, how is the government ensuring that our wing and others remain equipped to respond rapidly to increasingly frequent domestic emergencies caused by extreme weather and other crises?

**Hon. David McGuinty:** The first thing I would say is that there is \$850 million to repair and expand the base itself. The second thing I would say is that there is \$3.2 billion in the order we've made for nine Husky refuellers. We're re-equipping. We haven't had this type of volume of a fleet of refuellers, for example, ever, in my recollection. We're moving forward on this front.

Of course, they will continue to play a role in firefighting and in natural emergencies. For example, through Prestwick, where we have an operation in Scotland, they're doing work for United Nations relief and helping to transport goods from all over Europe and the world into Poland for Ukrainian use. They are very well placed and doing, frankly, incredible work.

[Translation]

**The Chair:** Thank you, Mr. McGuinty and Mr. Malette.

[English]

**Chris Malette:** We're very much looking forward to welcoming the Husky fleet, Minister.

**The Chair:** Mr. Savard-Tremblay, we'll go over to you for six minutes.

[Translation]

**Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot—Acton, BQ):** Thank you, Mr. Chair.

Minister, thank you for being here today. I'd also like to thank everyone from the department who is here with you.

This question was asked earlier, but I'd like to ask it again briefly to make sure I've fully understood all the details. Regarding the fighter jets, are we still talking about 88 F-35s, or are we talking about a mixed fleet that could include Gripens? I'd appreciate a brief response.

**Hon. David McGuinty:** The decision to purchase 88 aircraft hasn't been made yet. We have ordered 16 aircraft, and we're following the relevant process. However, the analysis and review are ongoing.

**Simon-Pierre Savard-Tremblay:** So, the door to a mixed fleet that would include aircraft other than F-35s is not closed. Is that correct?

**Hon. David McGuinty:** The issue of a fleet of fighter jets is currently under review.

**Simon-Pierre Savard-Tremblay:** Thank you. So, it's clear that nothing is off the table.

Now, let's say I'm relying on a Radio-Canada article published this morning, which stated that the government wants to quickly select a new fleet of early warning aircraft with high Canadian content. Furthermore, it wants the fleet to be as compatible as possible with future F-35 fighter jets and other 'fifth-generation' capabilities.

How will the government ensure that such Canadian content is prioritized?

• (1705)

**Hon. David McGuinty:** Sorry, but which aircraft are you referring to?

**Simon-Pierre Savard-Tremblay:** I'm quoting an article from Radio-Canada that came out this morning. You may have seen it.

**Hon. David McGuinty:** No, I haven't.

**Simon-Pierre Savard-Tremblay:** The plan is to quickly select a new fleet of early warning aircraft with high Canadian content. In

addition, it must be as compatible as possible with the future F-35 fighter jets and other 'fifth-generation' capabilities.

**Hon. David McGuinty:** If I understand correctly, the purchase of this type of airborne warning and control system, known by the acronym AWACS, is a first in the country's history. Canada has never had one.

We are examining this issue. We are currently exploring the international market. This also touches, of course, on the issue of NATO and interoperability with the North American Aerospace Defense Command, or NORAD, and our American neighbours. No decision has been made on this matter.

I remember the article now. It's a speculative piece. We'll see when the decision is made.

**Simon-Pierre Savard-Tremblay:** I understand these are statements from the government, but there is already talk, at the very least, of prioritizing high Canadian content. Is there a strategy or set of tactics in place to ensure that this will happen?

**Hon. David McGuinty:** In our procurement system, there is a policy managed by our new agency that pertains to buy local: buy Canadian. This policy is currently being implemented. It applies not only to the purchase of such aircraft, for example, but also directly to negotiations pertaining to the purchase of submarines.

**Simon-Pierre Savard-Tremblay:** Let's set aside the issue of future fighter jets and early warning aircraft for a moment.

Under Canada's defence industrial strategy, this is how the government plans to increase the Canadian share of defence equipment procurement to 70%. Let me get this straight: Are we talking about 70% of the value of the contracts or the number of contracts?

**Hon. David McGuinty:** Give me a second.

[English]

The goal is for 70% of the share of defence acquisitions to be awarded to Canadian firms.

[Translation]

**Simon-Pierre Savard-Tremblay:** There is no interpretation.

[English]

**Hon. David McGuinty:** It's for 70% of the share of defence acquisitions to be awarded to Canadian firms.

[Translation]

**Simon-Pierre Savard-Tremblay:** So when we talk about acquisitions, we're talking about the contracts themselves, right?

**Hon. David McGuinty:** I don't think we're talking about contracts exactly. We're talking more about equipment volume. It's not a question of dollars; it's a question of equipment.

**Simon-Pierre Savard-Tremblay:** Thank you. I'll make a note of that.

Does that include aircraft that have already been selected but haven't been paid for yet, such as the F-35s?

**Hon. David McGuinty:** No, I don't think so. What's already under way will continue. The focus now is on moving forward as soon as the strategy is implemented.

**Simon-Pierre Savard-Tremblay:** I'll use the example of the purchase of High Mobility Artillery Rocket System, or HIMARS, launchers manufactured by the United States. It's been kept virtually under wraps so far, but we've already heard a little about it. Will this purchase be covered by the 70% quota, or are we not there yet?

**Hon. David McGuinty:** This procurement process started several months, if not years, ago.

[*English*]

Heather, can you go ahead?

**Heather Sheehy:** Thank you.

The HIMARS is something we have been working on for several years. The congressional notice has gone out, in terms of our intention to purchase these. We are very much looking at procurements through the build-partner-buy strategy that the minister has already spoken about.

There was a large assessment done in terms of where we could get this capability. This was done a few years ago. The capability is coming from an American firm at this point, because that is the firm that actually provides the capability. Moving forward, we will continue to look at every instance to make sure that we buy domestically when we can.

[*Translation*]

**Simon-Pierre Savard-Tremblay:** So, if I understand correctly, that matter has already been settled. The 70% quota wasn't in effect yet, so this contract isn't affected for now.

I have another question. There's been a wave of closer ties with Europe regarding military equipment procurement. Please correct me if I'm wrong, but that is, at the very least, the impression we have. How do we justify the "buy Canadian" policy while pursuing this alignment? Are we able to meet the targets while also committing to another partner?

• (1710)

**Hon. David McGuinty:** We're confident that we will meet these targets.

That said, we have decided to diversify our defence-related economic ties with other countries. That's why Canada is the only country outside the European Union that has been granted permission to join the Security Action for Europe, or SAFE. It's a procurement system within the European Union, a phase I market worth 160 billion euros. So, there are enormous business opportunities for Canadian companies from Quebec and elsewhere, depending on the sector.

At the same time, we are doing more and more work and entering into more agreements with countries such as Denmark, the Philippines, Australia, Japan, Norway, New Zealand and South Korea.

So, we are increasingly diversifying our relationships.

**The Chair:** Thank you.

[*English*]

We're in the second round now.

Ms. Gallant, you have five minutes.

**Cheryl Gallant (Algonquin—Renfrew—Pembroke, CPC):** Thanks.

Minister, you mentioned that members of the armed forces need the tools and equipment to do the job. You also mentioned that we need the people to do the job.

Injured CSOR support personnel are just finding out that they are losing their allowance if they're injured and not back on the job in 30 days. That means that category one support personnel take a \$600 per month hit, and for level two, it's \$1,200 per month. They're used to getting this, in some cases, for years. Then, all of a sudden, that's taken from their paycheques.

Were you aware that this is going on?

**Hon. David McGuinty:** I'm not sure if that's 100% accurate, Ms. Gallant. I'm hearing countervailing explanations about this. That's one of the reasons why I'm really happy that General Simoneau is here today, as the head of human resources for the Canadian Armed Forces.

If you would permit—through you, Mr. Chair—he's in the best position to answer that detailed question.

**Cheryl Gallant:** We have him for an hour later, but we only have you for an hour, so I'll ask you some more questions.

With close support, do you know how long it takes to train somebody from the time they're a regular CSOR member up to the point where they're a category one or a category two?

**Hon. David McGuinty:** That depends.

**Cheryl Gallant:** Yes, it does depend, but roughly how long is it—in months or years?

**Hon. David McGuinty:** Are you talking about the special forces?

**Cheryl Gallant:** Yes.

**Hon. David McGuinty:** I don't know. If I did know, Ms. Gallant, I'm not sure if I would share that.

**Cheryl Gallant:** When you learn about our injured CSOR close support losing the \$600 to \$1,200 a month, will you ask Treasury Board to reverse that?

**Hon. David McGuinty:** I will certainly look into it. If it's a real loss, of course, it's something that I'll take up with General Simoneau. I hope he's in a position to better explain it to you in the next hour.

**Cheryl Gallant:** Thank you.

For which looming conflict do we need an extra 300,000 reservists?

**Hon. David McGuinty:** That's a loaded question. The idea is that Canada would consider joining the ranks of all of our Scandinavian partners and other locations around the world that have their own civil guard-type structure. One reason this is being considered is due to the unbelievable uptick by Canadians who want to be involved, in some way, shape or form, and serve the country.

**Cheryl Gallant:** The last time you were here, I asked about the injured soldiers who had the cold injuries from being on an Arctic exercise. Have they been provided with the proper equipment they need to...?

**Hon. David McGuinty:** I certainly asked that it be the case. I'm told that this was a very unfortunate occurrence. They were sent to an area where they did not contemplate the depth of the cold they would encounter.

**Cheryl Gallant:** They didn't have the Canadian Rangers there to guide them and warn them.

What about the Canadian Rangers? Will they be provided with equipment of equal quality for the Arctic expeditions?

**Hon. David McGuinty:** Vice-Chief, is that the case?

**Stephen Kelsey (Vice Chief of the Defence Staff, Canadian Armed Forces, Department of National Defence):** It is, yes. It's different equipment, but the Canadian Rangers enhancement aspires to give them better equipment because they operate in that environment continuously.

**Cheryl Gallant:** In your defence industrial strategy, we see that everything's going to be ready by 2035. What about the milestones for timelines and the according financial payments that need to be made so that we know we're budgeting for it and not just going in the hole another \$100 million every time something comes due?

• (1715)

**Hon. David McGuinty:** We are, in fact, actively engaged in that, laying track for the next nine or 10 years. As you can imagine, procuring this kind of military materiel has to be done over time. If we're buying, for example, howitzers, we know they're going to be serviced over a 20- to 40-year period. We know that HIMARS are lasting 10 to 30 years. That costing will continue as we lay track for the next 3.5%.

**Cheryl Gallant:** You've purchased HIMARS already. We have the ships on the go, and there are other major procurements. Will you share the timeline?

Now you're saying you're going to order them, and they're going to be ready by 2035. However, we want to see, as time goes on, that they're really going to be here and be ready to use by 2035. Will you provide us with a timeline?

**Hon. David McGuinty:** Within reason, I will. I'll take that up with my chief financial officer and see what is permissible under Treasury Board rules.

We are meeting timelines now. We're going at a speed heretofore never seen. As you know, for example, down-selecting from five to two submarines was done in four months and not three years.

**The Chair:** I'm sorry, guys, but we're done. You've had your five minutes.

I'm going to Ms. Idlout.

It's over to you for five minutes.

**Lori Idlout (Nunavut, Lib.):** *Qujannamiik, Iksivautaq.* Thank you, Chair.

Thank you to the minister for presenting and to all those who serve in the Canadian Armed Forces. I really appreciate it.

The history of how Canada originally asserted its sovereignty over the Arctic is a bit of a dark one. For example, sending Inuit from northern Quebec to the High Arctic, to Resolute and Grise Fiord, was quite the policy that still has an impact on Inuit.

Despite that history, I think the Canadian Armed Forces have done an excellent job and have been leaders in reconciliation through their actions. There are great examples with the Canadian Rangers and Joint Task Force North. There are some great examples of ways that you've made sure to reconcile that history.

Just so you know, I have direct family relations. My grandfather, Joseph Idlout, went on a dog team with his family, including my dad, from the Pond Inlet area to Resolute to train the Inuit who didn't know how to live in the High Arctic. That's why Arctic security has always been of interest to me.

We still need to focus on making sure we are strengthening our defence capabilities in the Arctic. I wonder, Minister, if you could share how the northern operational support hubs, the NOSHs, will meet that objective.

**Hon. David McGuinty:** That's an excellent question and a big one.

Ms. Idlout, we consciously made a decision a year ago that, going forward, we have to work hand in glove in partnership with the people who live in the Arctic and the High Arctic. It is the only way we're going to be able to continue to assert our sovereignty, in our view, and we have to do it as partners. That's why we're collaborating so closely intergovernmentally with northern first nations, Inuit and Métis partners under our obligations under modern treaties, land claims agreements and self-government agreements. We're navigating through those, and we're being informed by those.

That's why we also have an Inuit-Crown partnership committee. It meets three times annually, providing briefings to northern premiers and indigenous leaders. I've met with two of the three northern premiers. I'll be meeting with the third from the Yukon in due course. The ICPC has co-developed a work plan with defence focused on multi-purpose infrastructure and procurement in Inuit Nunangat.

We're looking now at these NOSHs. You're aware that the Prime Minister and I were in Yellowknife. We announced these NOSHs and their construction.

These are hubs that are going to better ensure that Canadian sovereignty is established year-long for a year-round presence across the Arctic and the north. They are investing in multi-purpose, dual-use infrastructure that meets the needs of the territories, indigenous peoples and northern communities. This includes landing strips, particular roadways, electrification, energy systems, housing, medical opportunities, medical clinics and so on.

This is being combined with our Major Projects Office, working in pincer movement with them. It's working with ICPC, other departments, other ministers and the people who live there who are our first line of defence.

That's why this is so important. We're trying to make sure we get this right.

• (1720)

**Lori Idlout:** Thank you so much.

I have a more targeted question regarding the defence industrial strategy. In what ways will you prioritize the well-being and economic development of indigenous peoples?

**Hon. David McGuinty:** It's a question we get frequently. It's about whether or not we can make sure that we have a certain amount of economic participation. It's something we're looking at very carefully. I know that Wendy is working on small and medium-sized business implications for participation in the defence industrial strategy and the economic activities that will come. We're very sensitive to this. We're of the view that there is no company too small and no gathering too small to participate.

I'll give you an example. It's not a northern one. I was in Trois-Rivières meeting with an engineering company that's one of the best in the country on radar. They have nine employees. They're very keen on expanding from nine to 20. That doubles their growth. If we can do that more than 600 times in terms of the companies we have now in place, including companies in the north, then we're very much on our way to creating those 125,000 jobs.

That is definitely an input that we are looking at now: how we engage, involve and make sure they can participate fulsomely.

**The Chair:** Thank you.

Go ahead, Monsieur Savard-Tremblay.

[*Translation*]

**Simon-Pierre Savard-Tremblay:** Minister, I have reread the article you said was speculative, but I'd still like to quote it, as it contains some more specific details. I'd like you to tell me if they're speculative, and, in that regard, if they are true or false.

For example, the article states that:

To defend itself, the Canadian government wants to acquire a fleet of six “flying radars” that would cost over \$5 billion, officially called early warning and long-range detection aircraft.

This program aims to purchase aircraft equipped with radar and detection systems that fly at altitudes of over 10 km in search of enemy missiles, aircraft, or drones.

[...]

The Carney administration states that it wants to act quickly to acquire these new detection aircraft, particularly to fulfill its promise to increase domestic production of military equipment.

That's still pretty specific. Is this something under consideration, or are we already well into the process?

**Hon. David McGuinty:** It would be better to direct this question to Mr. Fuhr, as he is the secretary of state responsible for the procurement of such aircraft.

We, on the other hand, identify the needs of the Canadian Armed Forces. That is exactly why we created the Defence Investment Agency. We created it to make things more professional, to ensure the process is more efficient and to speed things up in a responsible manner.

So, the question on the procurement is one that arises during the planning phase, when decisions are being made, so it's best to check with Mr. Fuhr.

My understanding is that, within the Canadian Armed Forces, we are currently assessing our needs. Subsequently, our needs will be communicated to the agency responsible for a potential procurement.

**Simon-Pierre Savard-Tremblay:** Ultimately, the agency is responsible for procurement. You assess the needs.

The people at the agency seem pretty sure of where they're headed, whereas you told me that, for your part, you're still studying the issue of fighter jets.

In any case, it seems pretty specific in the article.

**Hon. David McGuinty:** I'm seeing this article for the first time. It's speculative. At this point, I'm not in a position to confirm where things stand. We're looking into the matter. I can't speak for the Defence Investment Agency.

**Simon-Pierre Savard-Tremblay:** Logically, if the decision were made, you'd be told to stop thinking about it, that everything is fine, and that you're wasting your time.

**Hon. David McGuinty:** That's not exactly how it works.

**Simon-Pierre Savard-Tremblay:** Tell me how it works.

**Hon. David McGuinty:** It's a matter of aligning the needs of the Canadian Armed Forces with the final decision that will be made, as is the case with the F-35s. Ultimately, we will pass the ball back to the Defence Investment Agency. That agency will initiate negotiations, just as it is currently doing with the submarines.

**Simon-Pierre Savard-Tremblay:** I would have liked to continue this discussion but it seems I've run out of time.

**The Chair:** Thank you, Mr. Savard-Tremblay.

[*English*]

Mr. Kibble, it's over to you for five minutes, sir.

**Jeff Kibble (Cowichan—Malahat—Langford, CPC):** Thank you, Mr. Chair.

My questions are for the minister.

For those in uniform—everyone in the room today—thank you for your ongoing service.

On the DIS, my questions go to whether the architecture of that strategy has structural gaps—

• (1725)

**Hon. David McGuinty:** Excuse me, Mr. Kibble. One second....

**Jeff Kibble:** Can we pause for a second, Mr. Chair?

**The Chair:** Yes. I'll hold.

**Hon. David McGuinty:** It's not you, Mr. Kibble. I think it's me.

**Jeff Kibble:** How are you doing? Is it better?

**Hon. David McGuinty:** Yes. Thank you.

**Jeff Kibble:** Thank you. I have hearing damage too. I understand.

I want to explore some potential structural gaps in the strategy so that we can look at potential improvements before our commitments harden.

I'm going to jump back to an earlier question. I've met with multiple SMEs on Vancouver Island and on the west coast. Could you explain better how SMEs can get trusted partnership status? I think page 14 of the DIS uses the term “formal strategic partnerships” so that they don't have to defer to primes, which has the potential of adding significant cost and time.

**Hon. David McGuinty:** Can I ask the quarterback on this...?

**Jeff Kibble:** I look for your answer. We can ask this....

**Hon. David McGuinty:** Then I will read you what she will tell you in the next hour. How's that?

**Jeff Kibble:** Sure. Okay. Let it rip. Thank you.

**Hon. David McGuinty:** Look, I will not read this, but here's what I'll tell you.

We're working our way through the details now to make sure that SME participation is robust. We launched this strategy 10 weeks ago—not 10 months ago. We're making sure that we are cultivating and bringing together a lot of different players in Canada's private sector.

I've met with hundreds of companies. Our DIS team is meeting with and hearing from thousands of companies. We are trying to achieve the balance between obviously working with primes and working with SMEs themselves. Many companies come forward and have an idea that is not relevant or not related to the actual needs of the Canadian Armed Forces. We're going to have to let them down directly—

**Jeff Kibble:** Will there be a direct path for SMEs?

**Hon. David McGuinty:** That's the whole idea: to get the path.

I just want to share with you one other thing—

**Jeff Kibble:** My time is limited, Minister.

If I could move on, you mentioned DIS targets of 70% of defence contracts to domestic firms. You said that was not measured by dollars but by materiel. Can you explain how we measure 70% of defence contracts not by dollars? I'm just quoting you—not by dollar value, but by materiel.

**Hon. David McGuinty:** If we're buying a particular piece of equipment.... Okay, let's be precise. We just purchased 70,000 rifles from Colt Canada. We're looking to make sure that the procurement of that is 70,000 in terms of Canadian manufacturing.

**Jeff Kibble:** That's one contract.

Do you measure it by the dollar value? The Prime Minister said that 75¢ of every capital defence dollar currently flows to the United States. We're trying to achieve 70%—

**Hon. David McGuinty:** That's been dropping significantly since we launched DIS.

**Jeff Kibble:** How are we measuring it if we're not measuring it by dollars, but—to quote you earlier—by materiel value?

**Hon. David McGuinty:** What we're trying to do is make sure that overall there is a 70% participation rate by Canadian companies in supplying all the goods and services to the Canadian Armed Forces.

**Jeff Kibble:** A Canadian company could have a \$1-million contract. Would that weigh equally with a foreign country that would have, say, a submarine contract, and you could say, well, it's fifty-fifty? The dollars don't match up, and I don't see us on a target for reducing that 75¢.

**Hon. David McGuinty:** Come back to that in the next hour.

**Jeff Kibble:** Thank you very much. I appreciate that.

Would you accept that the DIS and its 10 capabilities are anchored in the conventional kinetic domain and things we've historically called the military domain? It doesn't appear that they're focused—if you would agree with me—on the prekinetic threats that NSICOP has documented across the civil-military boundary. I'm sure you're well aware of those.

**Hon. David McGuinty:** On the contrary, Mr. Kibble, these 10 sovereign capabilities were drawn from conversations and outreach with 2,000 Canadian companies and an evaluation of 17 other like-minded countries.

**Jeff Kibble:** You're confirming, then, that the DIS is designed for the prekinetic threat picture of, say, coercive trade, foreign interference, supply chain weaponization—

**Hon. David McGuinty:** Absolutely. It's designed for both.

**Jeff Kibble:** Will you be able to provide us some examples of that from within the DIS? I don't see that in there. I see just a shopping list of stuff to buy.

**Hon. David McGuinty:** We're talking about quantum, digital systems, AI, cryptography, foreign interference, organized—

**Jeff Kibble:** It does talk about foreign interference. I will look forward to that. Thank you.

**Hon. David McGuinty:** There is a whole series of areas where we're strong. We didn't choose these randomly. They were chosen on the basis of Canada's core capabilities.

**Jeff Kibble:** Minister, when I go to the grocery store, I do it one of two ways. Either I go with a list based on meals I plan to make and an inventory of what's in my fridge, or I do it the more dangerous way, which is with my appetite. One feeds a family. The other costs a lot of money and blows your budget.

Would you accept that the DIS, as drafted, looks more like a procurement framework than a strategy, and that it's a shopping list without an inventory of the full threat picture? How can we address those capability gaps?

• (1730)

**Hon. David McGuinty:** I'll be honest with you, Mr. Kibble. I didn't understand your question.

**Jeff Kibble:** I'm seeing it more as—

**The Chair:** You're going to have to understand it later. I'm sorry.

**Hon. David McGuinty:** I'm sorry. I'd like to.

**The Chair:** Our next member is Mr. Earle.

It's over to you, sir.

**Philip Earle (Labrador, Lib.):** Thank you for being here, Minister.

Thanks to your full team for being here.

As I read about the defence industrial strategy, I see us wanting to do more at home and buy locally in Canada. We're going to raise the share of acquisition of supply from Canadian firms to 70%. We're forecasting that we're going to create 125,000 good defence jobs in Canada. We're also going to export some of what we develop and build here.

Using a boilerplate of a question, how important is it for us to have this defence industrial strategy in our country at this time?

**Hon. David McGuinty:** It's more than timely, Mr. Earle. It is now a requirement. It's essential for us going forward. That's why we put so much effort in the front end, designing what it might look like by drawing on comparative experience. Other countries have done this. Other countries are updating their own industrial strategies, so this is what we've done.

That's why we came to ground on a build-partner-buy framework. We build where we can build it, and we partner with like-minded countries when we need to. Only after building or partnering would we buy from a third party. We're very careful now about from whom we buy, and we specify from whom we would prefer to buy.

For example, we bought a very expensive and important over-the-horizon radar system in partnership with the Australians. Phase one is now being implemented. Phase two is under negotiation. We've been very cautious and, if I dare say it, small-c conservative about some of the target outcomes, like 125,000 high-paying jobs,

growing defence exports by 50% and growing our Canadian defence industry revenues by 240%.

We looked at this from top to bottom. We really dug down deep and wide on Canada's core areas of expertise, including shipbuilding—we started building 18 years ago—aerospace, space, land systems, communications, digital systems and ammunition.

We just invested \$1.4 billion in nitrocellulose plants. We just purchased rifles from Colt, as I mentioned earlier. We're investing in shell casings at IMT. We're investing in all sorts of areas, including aerospace and service support, personnel protection, and uncrewed and autonomous systems. We've pulled together a plan that allows us to go forward and draw on that Canadian capability while fostering more research, more development and more risk-taking.

**Philip Earle:** In your opening comments, which I quite enjoyed listening to, you talked about the importance of builders, innovators and finance in building a modern defence sector. How important is it to have those three pillars, if I can refer to them as such?

**Hon. David McGuinty:** They are absolutely essential. The Canadian Armed Forces, the department, the government, the Prime Minister and, I think, we all recognize that we need to make sure we enhance this sector. We're not starting from zero. We have 600 companies, 82,000 full-time employees and over 200,000 part-time employees in this space. This is what we're building on. It's going to be very important to give rise to expanding the companies that are there and to creating new companies. We're seeing more of them all the time.

**Philip Earle:** I have one minute left.

I'm listening to your answer, and I appreciate that. As we see those three pillars intersected or layered to get to where we need to be, how important do you believe indigenous inclusion is in that particular formula?

**Hon. David McGuinty:** It's indispensable. We can't move forward unless we are working with Canadians. Indigenous Canadians have a capacity, a participation level and a commitment—everything—with respect to our sovereignty, our presence and our presence in the Arctic in particular. It is essential. The Coast Guard has done an incredible job, over the last 10 years or 20 years, of involving our indigenous neighbours and bringing them in to help, basically, with that work. We'll continue to do that.

• (1735)

**Philip Earle:** Thank you, Minister.

**The Chair:** Welcome to the committee, Mr. Rowe. You have up to five minutes, sir.

**Jonathan Rowe (Terra Nova—The Peninsulas, CPC):** Thank you.

It's great to have you, Minister. It's good to have a Minister of Defence here today. I have to say that I'm very impressed by your quick answers. I hope that continues in my line of questioning as well.

In my riding in Newfoundland and Labrador, we have a lot of infrastructure. One of the biggest challenges in terms of building naval and other pieces of equipment is getting that infrastructure. We have billions' worth of it sitting idle. We have the Marystown Cow Head facility, the Bull Arm facility and the Port of Argentia.

Are you familiar with those facilities? Have you visited any of those?

**Hon. David McGuinty:** I haven't visited them yet, but I'm familiar with one of them because you and I chatted about it.

**Voices:** Oh, oh!

**Jonathan Rowe:** Exactly. It's very important to get to all of those facilities, especially the Port of Argentia, which, as you know, is a former U.S. naval base that was shut down in the mid-1990s. They even built an oil rig there recently, with a runway and everything.

I'm just curious. Have you been able to speak with Kiewit, the Port of Argentia and the Bull Arm facility about possibly landing contracts there for construction?

**Hon. David McGuinty:** I think I've done one better. I spent an hour and a half face to face with your premier. We reviewed the presence of the Canadian Armed Forces and DND in Newfoundland and Labrador. It turns out that we're the third-largest employer in Newfoundland and Labrador.

As an aside, as an example, we employ 50,000 people in Ontario. We employ more people in British Columbia than Lululemon does.

We are very engaged right now in working with the premier and assessing our needs in Newfoundland and Labrador very systematically. Any good advice you can give us in terms of helping to feed information into this analysis would be very appreciated.

**Jonathan Rowe:** We have some of the highest unemployment rates in the country, especially among tradespeople. We have huge opportunities there to go and get that construction.

I'm also wondering about Atlantic Canada and Nova Scotia. We've seen a launch pad being used there—for skyrocketing costs, if you ask me. I have a launch pad in my riding as well, in St. Lawrence. I'm curious as to why the Department of National Defence didn't use that launch pad, especially considering that it put \$8.3 million of government funding into the one in my riding.

Why didn't we use that launch pad for free rather than spending over \$200 million for a spaceport in Nova Scotia?

**Hon. David McGuinty:** A hard decision was made, through analysis and through advice coming from our officials. Now we've made a conscious decision. As one of our major sovereign capability priorities under the DIS, we've decided to go further into the space business and the space-launch capacity.

We did it partly because we have a tremendous Canadian tradition in space. We also did it because there's only one launch pad in all of Europe. Many European Union countries have approached Canada to say that if we do build this, they will come. They're shipping from SpaceX now in the United States, and they'd like to diversify.

**Jonathan Rowe:** I just can't understand—perhaps you can help me understand—why it is that we're reinventing the wheel by building two spaceports in Atlantic Canada, just across the pond, rather than doubling down on the one already built in my riding of Newfoundland and Labrador.

**Hon. David McGuinty:** Our agreement with Maritime Launch, the company involved, will see a dedicated Government of Canada launch pad built in a geographically strategic location near Canso, Nova Scotia. What we're really saying is that we're getting into this field, we're going to make the proper investments and we're going to participate in what is a massive global opportunity. We intend not only to do that but also to achieve our own satellite sovereignty.

**Jonathan Rowe:** We're not just going to do it good. We're going to do it twice as good by building two spaceports.

On another note, you mentioned drones today. I think that's going to be the future of warfare, unfortunately, with the development of AI and everything. We're seeing this in the Strait of Hormuz and other parts of the world. We're seeing drone technology advancing not just in the air. It's also about marine drones.

I was very surprised by your saying that the hub of the think tank is going to be here in Ottawa rather than in, perhaps, B.C., Atlantic Canada or Newfoundland and Labrador, where we could test these drones in the water, with ice conditions, sea mammals and ocean currents.

• (1740)

**Hon. David McGuinty:** Just so you know, there's a small piece here, but it's primarily at Mirabel. There is a cluster, as you know, of capacity in that area.

This raises the question of the \$30-million investment we made in Halifax through the COVE centre to stand up a specialized maritime location for a defence innovation secure hub. It's precisely to look at these kinds of autonomous underwater systems, working with Kraken and other companies. We made that decision. We made that investment.

You're right. The whole question of autonomous weapons speaks to our AI strategy, which we've put in place. We're looking at that. We're looking at what's going on not only below water but also on land and in the air. It's about all autonomous systems.

**Jonathan Rowe:** Are we able to produce sea drones?

**The Chair:** Thank you, Mr. Rowe, for your questions. They were very good questions, and I appreciate it, but we are running out of time.

Ms. Lapointe, it's over to you. I'll have to cut you off, probably, but go ahead.

**Viviane Lapointe (Sudbury, Lib.):** Minister, I'm always pleased when you come to committee because I get to talk about critical minerals—something very important to Sudbury and me.

This committee undertook a study on the nexus between critical minerals and defence. Witness after witness told us that without critical minerals, we don't have security and we don't have defence. The defence industrial strategy certainly identifies that.

Can you tell us how critical minerals are being factored into defence planning, particularly as they apply to supply risks and long-term needs?

**Hon. David McGuinty:** The really good news for Canadians to know is that Canada has the potential to produce all 12 NATO-identified defence-critical minerals. That's a great luxury. We're very blessed with this kind of resource. It will be very important for us. We can become positioned as a trusted supplier because we have the potential to produce all 12. That's number one.

We're also working, now, to see how we can strengthen the full value chain—process these minerals and refine them so they can be usable inputs. That's why, in budget 2025, we included \$443 million over five years to—precisely, Ms. Lapointe—advance critical minerals processing technologies, support joint investments with our allies and develop a stockpiling mechanism not just for ourselves but also under the rubric of our NATO obligations. As a NATO partner, we are also pursuing stockpiling.

This is something that is an asset, or will turn out to be. It will become an even more important asset over time. It's a national and economic security priority.

**The Chair:** Thank you, Minister and Ms. Lapointe.

Sir, your time is up. You've done your hour.

I'm going to have to suspend for a moment to allow the minister and others to regroup.

Again, Minister, thank you for taking the time to be before this committee, as you always do.

**Hon. David McGuinty:** Thank you, Mr. Chair and all members. I appreciate it.

**The Chair:** I'll suspend the meeting.

• (1740) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1750)

**The Chair:** The meeting has resumed.

We're going to go to our officials, but before we proceed, given our time and the fact that we were delayed, we're going to end this at 6:45. Is that okay with everybody? Very good.

We're going to proceed to our first round of questions.

We'll go over to you, Mr. Bezan.

**James Bezan:** Thank you.

Again, thanks for joining us and being here, Deputy Minister Fox. I want to get into some of the questions that are out there on some of the orders that are outstanding.

There is a memo floating around about the regular-sized tactical vests. In the conversations I've had with some of our troops, especially women, there is a shortage of vests. I understand, based upon a memo that I saw, that it won't be rectified until 2029, and more people have to try to fit into regular vests, even if they're small.

Doesn't that represent some safety concerns?

**Stephen Kelsey:** Absolutely. The anthropomorphic work has been done. We have the money, but we haven't been able to get industry to respond. They're doing everything they can, but it's absolutely true and unacceptable that we have folks of different sizes who are having to use equipment that's not as advantageous as it needs to be.

**James Bezan:** Why is it going to take three years to go out there and buy body armour and vests for our troops?

**Stephen Kelsey:** It will be three years for the entire force, but not necessarily for the folks who are in Latvia, if that was the question.

**James Bezan:** If something bigger happens, we're not going to have the safety equipment there. We need to be making sure that people are wearing the proper body armour, that they're going to be comfortable and that they're able to march.

**Stephen Kelsey:** I agree.

**James Bezan:** What about body armour that's contoured to the bodies of women? When are we expected to start receiving those?

**Stephen Kelsey:** We will have to get you the answer.

**Heather Sheehy:** I don't have the dates on all elements. I recall that we have already put in place some new base layers, and they are being delivered, as I recollect. They are specifically designed for different genders, so we are advancing the program and that is the first that I recall in terms of the deliverables. I think those are being delivered now.

**James Bezan:** In 2022, the U.S. announced that they were increasing the production of 155-millimetre shells in Canada using both General Dynamics OTS, as well as the.... What's the name of the other company that does the shell casings? It's IMT.

They announced theirs in 2022 and, of course, they ramped up production to help Ukraine and to build up U.S. stocks. They're Canadian-based companies. We just announced in 2026 we would ramp up our own. How soon will it be that we see that production increase and we're able to have those shells delivered to Canada?

**Christiane Fox (Deputy Minister, Department of National Defence):** Thank you very much for the question.

I think that ammunition is absolutely a core capability that we need to advance as quickly as possible. It is part of our 10 focus areas of the defence industrial strategy. We are trying to fast-track as much as we can to increase the ammunition supply. With those investments made, as you noted in your question, we are working with industry to get them as quickly as possible into the hands of the military.

**Heather Sheehy:** I would say that the most recent acceleration that we have done is the \$1.4 billion that the minister spoke about, and that is trying to increase the industrial capacity here in Canada in order to advance our ammunition delivery. There was money there for GDOTs and also nitrocellulose. It's a significant investment, and it will allow us to have more domestic capacity, but more needs to be done for sure.

**James Bezan:** In the defence industrial strategy, is the Department of National Defence responsible for going out there and doing a survey, an inventory, of what defence companies are out there, which ones have capacity and which ones are being underutilized?

I think about the propellant plant that Magellan has in Stony Mountain, Manitoba, that hasn't been busy with Canadian orders since we quit building the CRV7 rockets. It's one of the biggest footprints for building explosive devices in North America and maybe within NATO.

**Christiane Fox:** Definitely. As part of the defence industrial strategy, industry partnership is one of the pillars, and we have to advance. In doing that, we have to be clear about what capabilities the military needs for our sovereignty and be clear about where Canada has potential opportunity, both domestically and in export markets, so we are having those discussions with industry to have a greater sense of what they can produce but also for us to be sharing information about what we need so there's greater clarity. I would say that's not limited to industry. I think it's something that we have to do with academia as well and in the R and D space, because it is about all of those pieces coming together.

• (1755)

**James Bezan:** We are talking about building at speeds not seen since World War II. That's what the government likes to throw around. We haven't seen any major increases in defence procurement or production over the last decade. How do we go about ensuring that things are actually getting built? Is the Department of National Defence now writing contracts?

We talked about how we're finally getting 70,000 new rifles. The Danes are ahead of us. They ordered 50,000. They'll get their C8s before we get ours.

Are we going to actually get contracts out there now to ensure that the Canadian Armed Forces have the kit they need?

**Christiane Fox:** Absolutely. It is about having a good sense of what the production capability is here in Canada at the moment. It's also about exploring opportunities in the context of build-partner-buy. If we identify a supplier that could produce in Canada, that's also part of our reflections in terms of ensuring that we increase productivity.

We have some procurements that we're doing through the defence industrial strategy. Those are things that we're doing at de-

fence. There are also things that our regional development agencies are doing with small and medium-sized businesses across the country.

**The Chair:** I'm sorry. I have to stop you there.

I should have clarified that Deputy Minister Christiane Fox is here replacing the minister in the second half of this question portion.

Mr. Bezan, your six minutes are done.

I'm going over to Sherry Romanado.

**Sherry Romanado (Longueuil—Charles-LeMoyne, Lib.):** Thank you very much, Mr. Chair.

Through you, I'd like to thank the witnesses for being here today.

This is on two issues.

We heard a bit about how SMEs get through the door. We heard that a little earlier. In my riding, for instance, we held an all-day seminar with local businesses to say this is the defence industrial strategy, this is what we're looking for and this is how they can partner with Canada to address some of the needs that we have. Could you elaborate a bit on that?

Deputy Minister, you alluded to that regarding academia. One of the exciting parts of this is the fact that we are going to create what we call a DISH, or a defence innovation support hub. We're asking SMEs, companies, academic researchers and the Canadian Armed Forces to collaborate in a secure location to come up with solutions to some of the issues we have, whether they be a product or problem-solving. I think this is the first time we are bringing all of these three pillars together to do that.

Can you elaborate a bit on that? That's how some SMEs might be able to be part of the solution.

**Christiane Fox:** Engagement with SMEs is absolutely key. There was a lot of engagement pre-DIS in order to get a sense of how people wanted to get involved and for us to communicate some of the capability requirements we were looking for. I would say there are a number of ways that we can engage SMEs across the country.

There is engagement through the BDC and the investment that's going into the BDC for them to get some financing to allow them to develop their ideas and products. Our regional development agencies can target specific small and medium-sized businesses so that we have a good distribution across the country. We're seeing examples of that with PacifiCan investing in the University of British Columbia and some SMEs to come together on quantum and other things that are listed as our capabilities.

You mentioned the DISHs. They're a great example. The maritime one can bring together Dalhousie University with a small sized business that is working on sensors, for instance, which will help our navy and Coast Guard be able to develop.

The final point I would make is around the importance of ensuring, as we talk to the bigger industry players about our expectations around that Canadian supply chain, that our messages are clear about the need to engage small and medium-sized businesses in what they put forward for their procurement strategies.

**Sherry Romanado:** That's fantastic.

Most members around this table probably know that CANSEC will be happening at the end of May here in Ottawa. I've been suggesting to a lot of small businesses that they come to CANSEC and speak to others to see if they can find some opportunities to sell their wares and become part of those supply chains. That's something we've been recommending a lot.

We heard a little earlier some questions about articles that my colleague brought up. I think there was some confusion about an article that referenced the AWACS versus the question about the CF-18 replacement jet.

Could you please explain and make sure that everyone understands that the AWACS is definitely not the fighter jet replacement? Could you make sure that everyone knows what we're doing in those two projects?

• (1800)

**Christiane Fox:** For the fighter jet capability, I would confirm that is still under review, so the government will review and make decisions.

The airborne early warning and control aircraft is the sixth generation. This has been a plan as part of our future planning of what our military capabilities need to be. There is a reflection on how over the next 20 years we can advance the airborne early warning and control aircraft. There are some preliminary reflections on the capabilities and industry engagement to have a good sense of what various platforms will offer. That work continues. It is in fact separate from the fighter jet.

Thank you.

**Sherry Romanado:** I know there were some questions on whether or not we've actually seen anything happen, as my colleague was referencing. The submarine procurement project is a clear demonstration of our capacity to move quickly and to get the necessary equipment that we need.

In terms of whatever product we decide to choose in making sure the navy has what they need, could you elaborate on how that will help local businesses and economic drivers here in Canada?

**Christiane Fox:** Absolutely. I can start and then my colleague Heather may want to jump in.

The down selection to two allowed us to really focus on ensuring that we had the number one requirement in the case of the subs for our navy, which is the capabilities, and ensuring that both platforms could respond to those needs.

Then it allows us to really work on ensuring Canadian content and Canadian suppliers as we look at the merits and the benefits in making our selection. That economic benefit is weighted quite heavily in the context of the supply chain and activity in Canada. We were able to demonstrate a different process to move faster to allow us to get to a place where we are reviewing bids, we're looking at what the benefits are for Canada and we're maximizing those discussions.

Heather, is there anything else you want to add?

**Heather Sheehy:** In addition to the purchase of the submarines—and we've been quite forthcoming in terms of our interest in having economic benefits in Canada as part of that procurement—let's not forget about the in-service support and the maintenance. We've been clear that we want to have that capability in Canada. That actually aligns very closely to the defence industrial strategy, which has in-service support and maintenance as one of the sovereign capabilities. In addition to the actual purchase, we are looking at that in Canada as well.

**The Chair:** Thank you both.

Mr. Savard-Tremblay, we'll go over to you for six minutes.

[*Translation*]

**Simon-Pierre Savard-Tremblay:** Ms. Fox, if you don't mind, let's now discuss the export component mentioned in Canada's defence industrial strategy.

One of the objectives is to increase Canada's military exports by 50%. Currently, we know that nearly 69% of exports go to the United States. It is our main partner. It's actually enormous. Canada is even the only country with national supplier status in the United States. Consequently, Canada automatically grants export licences to the United States.

We discussed this recently; there was a bill that likely had too many flaws, but the intention was still to highlight a certain lack of oversight and monitoring regarding humanitarian considerations, which allowed for the authorization of arms exports to several countries without the ability to know exactly where they were going and without any oversight whatsoever due to U.S. control over the matter.

Is there a strategy to find a way to reconcile this with peace objectives and to ensure that these weapons don't fall into the hands of declared adversaries or countries and regimes officially condemned by Canada?

• (1805)

**Christiane Fox:** That's a very good question. Thank you.

We are working closely with Global Affairs Canada to ensure that we have an arms export system that takes into account our export objectives, but also the importance of peace objectives, as you noted. There is work that will need to be done with our colleagues. We offer our advice, but the decisions ultimately rest with the Department of Foreign Affairs.

However, I believe it is necessary for our sovereignty to diversify our exports. As a member of NATO, we have partners among the Arctic nations, with whom we have an opportunity to diversify our exports.

So, this is something we are looking at closely. We really need to focus on the work of our defence attachés and the work of international trade advisers. We are working closely together to refine our response to these challenges and to ensure that we achieve export diversification. That's the goal.

**Simon-Pierre Savard-Tremblay:** I'd still like to ask you how we can find that out. What can we actually do? What kind of system could we put in place to improve tracking? It doesn't seem easy to track where a weapon ends up.

**Christiane Fox:** I'm not an expert in this area. Our colleagues at Global Affairs Canada would likely be better suited to answer these questions.

That said, we have measures in place to assess our partners and their conduct on the international stage, which gives us a certain level of confidence.

**Simon-Pierre Savard-Tremblay:** Unless someone else here is somewhat familiar with the issue, this will indeed need to be verified.

I have another example. In 2022, 18.6% of arms exports went to Saudi Arabia. We know that this is not a country that respects human rights; that much is clear. Yet we are talking about increasing exports. Isn't there a danger here?

**Christiane Fox:** As I mentioned, this also involves increasing our exports and working with partners such as the Arctic nations, NATO countries and new partners in the Indo-Pacific region.

We still have a responsibility to ensure that the arms export system is robust and reliable. We will continue this work and we will review opportunities to export arms on a case-by-case basis.

**Simon-Pierre Savard-Tremblay:** A review of Canada's defence industrial strategy reveals that the government has several objectives. These include "raise maritime fleet serviceability to 75 per cent, land fleets to 80 per cent, and aerospace fleets to 85 per cent." According to a report from the Department of National Defence, in 2023, 55% of aircraft, 54% of ships and 46% of army equipment were inoperable. That was three years ago, not ten.

The goal is ambitious, to say the least. Is there a timeline?

**Christiane Fox:** We hope to reach the targets of 75%, 80%, and 85% over the next ten years. We will track the progress made over the next ten years.

**Simon-Pierre Savard-Tremblay:** An internal audit of the Department of National Defence carried out in December 2025 found that even straightforward and relatively simple projects took an average of 10 years from identification through to completion.

You're saying here that the goal is to drastically increase the percentages in 10 years. Given that a simple project can take 10 years, how can we quickly improve equipment serviceability in this time frame?

**Christiane Fox:** Depending on the service, the strategy will change. I think that the objective of the Canada's defence industrial

strategy is first to facilitate and accelerate procurement and then to assess the capabilities needed in Canada, such as service and support. Apart from this, the goal is to ensure that we meet the deadlines set out in the strategy.

**Simon-Pierre Savard-Tremblay:** We know about reports of staff shortages, data issues and inefficient project management. I'm not making this up. This was demonstrated at the time.

You said that the strategy is there to make improvements. However, what do you think is the main reason for the current rate of equipment availability? Is it a matter of money, bureaucracy, lack of skilled workers or dependence on foreign suppliers? What's the reason? What's the strategy's priority?

If you tell me that it's more or less "all the above", let me know which one takes priority.

● (1810)

**Christiane Fox:** It should be noted that underinvestment over a long period led to the current situation.

Here we have the investments, and now we need to make sure that we have enough workforce capacity. In some circumstances, there may be a transition period to develop the Canadian workforce while we rebuild our industry.

I would say that the workforce and procurement are key to our success.

[English]

**The Chair:** Thank you, Deputy Minister.

Ms. Gallant, you have five minutes.

**Cheryl Gallant:** Thank you.

I want the answer to the question I asked with respect to the April 1 Treasury Board ruling that a CSOR-type special operator's support allowance is not protected. If you're injured while training for a higher level, your entitlement reverts to whatever category you still qualify for or stops entirely, rather than being frozen at level one.

**Lieutenant-General Erick Simoneau (Chief of Military Personnel, Commander Military Personnel Command, Department of National Defence):** Mr. Chair, I will take this one.

This allowance in particular is called an environmental allowance, and the pitfall of having a monthly allowance is that, when members are not operating in said environment... We have the same for the navy with the sea duty allowance and the land duty allowance.

This is the CSOR allowance. If they get injured and are not called to go on operation for more than 30 days, that is when they lose this allowance. It is problematic, and it's something that we've solved with the sea duty allowance and the land duty allowance, by making it per day. When you go on operation, you get it. If you don't go on operation, you don't get it, so it's fair. It's based on a concrete action that needs to be compensated.

Now, specifically for the special forces and search and rescue, we are looking at embedding these allowances inside their salary just like we've done for pilots. For example, pilots in the Canadian Armed Forces don't get an air crew allowance because it's embedded in their salary. Whether they get injured or not, they still retain it. This, to me, is to ensure that they get compensated in the way that they should, as well as getting them on par with the industry. We're trying to achieve the same, working closely with Treasury Board Secretariat, on the accrual both for special forces and for the search and rescue communities.

**Cheryl Gallant:** That's fantastic, and it's pensionable then too.

**LGen Erick Simoneau:** It would be, yes, ma'am.

**Cheryl Gallant:** On the supply chain nexus with Canadian drones, Canadian companies can't get on the DOD blue UAS cleared list, so they can't get vetted as producers of cyber-secure drones. It makes it hard to break into the U.S. defence market and access Canadian DND contracts.

Will they have a Canadian version of cleared drone companies, a Canadian regiment cleared for CSE?

**Wendy Hadwen (Assistant Deputy Minister, Policy-Industry, Department of National Defence):** Thank you.

That is the objective. We are mindful—and certainly, this came up in our preparation of the DIS—that security clearances and the contract security program require us to be more proactive in clearing companies and operators, enabling them to access the international market.

**Cheryl Gallant:** I have some SMEs in my riding that want to sell outside the country. They have told me that in order to sell to Europe, they have to provide at least one sample, often two, one being for destruction purposes. For an SME, this would amount to at least tens of thousands, more probably hundreds of thousands and even millions of dollars. They just can't handle that.

Is there a special exemption for Canadian military or defence-related products so that these SMEs can get their products into Europe as well?

**Christiane Fox:** Thank you for raising that question. I wasn't aware that this was a requirement for them to get into the European market. We can absolutely look into it. We're now a member of the SAFE agreement, the only non-European country that's part of that, which is to access procurement. Perhaps through that vehicle or others, we can take a look at how we can facilitate.

I think part of it is also having the Government of Canada be a purchaser of these drones, these domestically manufactured drones, because there's confidence built into the system when the Canadian government or the military purchases. I think you've raised a very good point. I'll take a look at that and come back to committee.

• (1815)

**Cheryl Gallant:** We're told that the SMEs will be included in the major defence contracts, but we have some major defence contracts under way already. What the SMEs tell me is that if they're working under a prime, the prime will demand a kickback in some way. What measures are you taking to prevent that from happening?

How can we get these SMEs dealing directly with the DIS and procurement as opposed to having to go through a prime, which will exact this demand?

**Christiane Fox:** I would say that it's twofold. Perhaps there are opportunities where we can have, you know, a major capability, and then a number of contracts to achieve what we're trying to achieve from the major capability. That is kind of an option. The second option is for the Government of Canada to be clear, as they sit down with primes, that the expectation is that there's no kickback, and then we actually see this through.

There are two mechanisms for doing it, and I think we have a responsibility to keep engaging with the SMEs so that we hear this directly and so that they're a part of the conversations and the capability.

I was quite encouraged, when we had our military outlook days. There were a lot of SMEs that were there that would not have been there a few years before. I think it's about investing in the relationship, and it's those two examples of mechanisms that we could use.

**The Chair:** Mr. Danko, we'll go over to you for five minutes.

**John-Paul Danko (Hamilton West—Ancaster—Dundas, Lib.):** Thank you, Chair.

Thank you for joining us this afternoon.

It's not lost on me that we're talking about the defence industrial strategy within the context of a trade war that was launched against Canada by the Trump administration. We're talking about our sovereignty in terms of defence capabilities but also economically.

I'm a representative from Hamilton. I represent an area that has been the heart of Canada's industrial capability, whether you're talking about steel-making, shipbuilding, advanced manufacturing or all the associated industries. There are significant industrial capabilities in Canada, but they're not necessarily in the defence industry. There are all kinds of things that are extremely specialized for defence that we could do. Right now, we're not necessarily making things specialized for defence.

How do we leverage the industrial expertise and capacity we have in Canada to secure those supply chains, make sure we're buying Canadian and build up those industries so we can take advantage of global export markets?

**Christiane Fox:** Thank you very much for the question.

As part of the defence industrial strategy and the investment going into defence, it really is about shifting the economic activity happening across the country.

The steel sector and auto sector have felt, as you know very well, the impacts of the tariffs and on the relationship we've had with our traditional partners. We have identified our top capabilities. We've taken into account the industrial strengths of our country—like the steel industry or the biotech industry—to try to match them with some of the capabilities we need. If you're Algoma Steel, making a particular type of steel for a vehicle versus a River-class destroyer is very different. We need to match these investments we're making as part of national shipbuilding to the capabilities we have.

It's not going to be done overnight, but I think it's absolutely the track we're on—trying to reconnect the work being done across our country with the defence investments the government is making at this time.

**John-Paul Danko:** Thank you. I think that's great news for Canada and Canadians, especially for those in industrial centres.

I want to talk about labour if I have a chance, and the skilled trades, but I want to expand, first, on the answer you gave about that industrial capability. A lot of things required for defence are technologically advanced. That means intellectual property. We're building up those industrial capabilities. These are very specialized ways of producing things, very specialized equipment and very specialized materials.

How important is it that we maintain intellectual property domestically in this increasingly sophisticated world?

• (1820)

**Christiane Fox:** Thank you for the question.

I'll turn to Heather, who may want to add to this, but first I will say that it's going to be a really important balance. Some IP—intellectual property—will be enormously important for our sovereignty and our capabilities on the military side. We also have to be conscious of this: If a business wants to export, it needs to export to different customers. In doing so, it may need to retain some of its IP in order to sell the product abroad.

It's going to be a balance. It'll be a consideration as we work through various contracts and procurements. It's important, in certain areas, that it remains with Canada.

**John-Paul Danko:** My last question is on the skilled trades.

Our government just launched a \$6-billion investment in hiring and training the next generation of workers in the skilled trades. If we're investing in defence at the size and scale we're talking about, we're going to need tens of thousands of workers specifically in those industries.

Per the defence industrial strategy, how are we going to train that next generation of workers to do the work required to deliver on what we're talking about here?

**Christiane Fox:** There are two ways that I would answer that question.

First, there is the actual infrastructure and the building that's happening, particularly in the north. We're going to need a skilled

workforce to do that. Right now, we are mapping out all of the infrastructure builds that we have across the country, particularly in the north, and identifying the types of skills we need to complete these projects, such as welders, etc.

Second, there are the specialized skills in developing satellite capability and quantum research. As we look at the totality of our efforts, we will need, as you noted, a skilled workforce, whether for the infrastructure build or military housing and other types of expertise.

We will have to work in partnership with others. I don't think we can do this alone. We will have to work with indigenous organizations, unions and provincial and territorial governments, and we'll have to fast-track and think about creative ways to do that. The investments matter. Apprenticeship programs and developing the talent we have matter. It's not going to be an easy solution, but we have to put our minds to all of it.

Thank you.

**The Chair:** Thank you, Deputy Minister.

Monsieur Savard-Tremblay, it's back to you, sir, for two and a half minutes.

[*Translation*]

**Simon-Pierre Savard-Tremblay:** Thank you.

Ms. Fox, another one of the strategy's objectives is to “boost government investment in defence-related research and development by 85%.” We know that Quebec is a leader in a number of fields, including aerospace and artificial intelligence.

Can we receive assurance that companies, especially Quebec's small and medium-sized businesses, will get their fair share in this new phase of defence expansion?

**Christiane Fox:** Yes. Investments have already been made in certain companies, in particular Héroux Devtek, through programs. We must continue to do this.

Yes, the government announced investments in the National Research Council of Canada and in our institutes. I think that we'll need to look at how we can partner with the Université de Sherbrooke and other institutions to achieve the necessary goals.

However, we already have a list of Quebec companies and institutions covered by the initial investments.

**Simon-Pierre Savard-Tremblay:** Are university partnerships part of the plan? You said that you thought that you should do this.

**Christiane Fox:** Partnerships are already moving forward. However, we're in talks with institutions across the country to do more.

**Simon-Pierre Savard-Tremblay:** Is it possible to ensure, for example, that technologies developed with public funds can remain under Canadian or Quebec control?

**Christiane Fox:** In certain circumstances, yes. As I said, exports can sometimes be more complex. We want to give companies the opportunity to export.

However, I think that opportunities do exist. For example, we can use satellites to look at possible ways to prevent forest fires, but also for military investments and applications.

So, I think that opportunities do exist for Quebec, for the industry and for the government.

**Simon-Pierre Savard-Tremblay:** When it comes to strategic sectors, such as artificial intelligence, drones or the aerospace industry, we don't necessarily want others to get their hands on them.

**Christiane Fox:** I think that we'll want to keep a certain amount of control over the products created in some sectors. I think we need to make what we ask of the industry, universities and research facilities perfectly clear.

• (1825)

[English]

**The Chair:** Mr. Kibble, you have five minutes.

**Jeff Kibble:** Thank you, Mr. Chair.

My first question is for Ms. Fox.

I reviewed the DIS and I could not find how it deals with non-kinetic threats, specifically coercive trade, foreign interference and supply chain weaponization. I note that in the "State of Canada's Defence Industry Report", it doesn't even include steel and aluminum as factors.

Could you help me understand how it deals with, say, coercive trade?

**Christiane Fox:** Cyber is absolutely a part of our capabilities—what the CSE does here in Canada and what we need in terms of development. That includes being quantum-secure, the cloud and AI. Those are listed as part of digital systems.

**Jeff Kibble:** I'm not talking about digital systems. I'm talking about the strategy of dealing with coercive trade, foreign interference and supply chain weaponization. It's not a technology; it's a strategy. As I said, the SCIDI report doesn't even include steel and aluminum as factors.

**Wendy Hadwen:** We received a lot of input as we prepared the strategy to make sure that we safeguard our economic advantages from adversaries who may wish to undermine or exploit them. Associated with these investments is the full intention to protect them with cybersecurity measures and—

**Jeff Kibble:** Thank you. I'm glad the intention is there, but I'm just not seeing it in the plan as part of the strategy.

My question is now for General Simoneau. The department authenticated the January 27 evaluation from Lieutenant-Colonel Kieley, commandant at the recruit school. Do you accept these findings as the institutional view of the CFLRS period that it covers?

**LGen Erick Simoneau:** I want to start by contextualizing this report. It is a very technical report that demonstrates what the learning organization is: It's people observing, reporting up, and our headquarters having the time to do analysis and put forward plans of action to address—

**Jeff Kibble:** Do you accept the report, then?

**LGen Erick Simoneau:** I accept all 10 recommendations at the end of the report. I am pleased to report today that eight of those recommendations at the end have already been implemented.

**Jeff Kibble:** Thank you.

In *The Globe and Mail*, in 2025, the minister declared a recruitment goal of 12,000 to 15,000 per year. Earlier this year, it was announced that the goal is now 6,900, approximately, and then it was announced, for this year, that there were 7,300 enrolments—not successful passes but enrolments.

We know, from Kieley's report, that almost 25% are not passing, so we're clearly not meeting our goals, despite the positive announcements about them. What are the recruiting numbers needed to achieve trained effective strength in the Canadian Forces? What was that path forward? How many do we need this year, next year and the following year, and not recruits but the ones who actually make it through and pass?

**LGen Erick Simoneau:** I will start by saying that, on this, we have reduced the number of barriers to entry but we did not lower standards. Therefore, as we onboard a greater volume of applicants, we are producing more. However, it's normal that the success rate at basic training is lower, from 85%, in the report, to 77%. I think that's what you're....

**Jeff Kibble:** You said you were producing more, but more against the standard. What are the actual numbers that you need, let's say this year, next year and the following years, to eventually get to trained effective strength? What's the path for that, the actual numbers? Do we know this?

**LGen Erick Simoneau:** The trained effective strength goal, as directed by the CDS, is 71,500 in the regular forces by 2029. We're well along that path: We're at just under 68,000 as we speak, and we have two years to reach 71,500. With growing at the rate of 5,000, as we did over the past two years, we'll hit that number, as directed by the chief of the defence staff.

**Jeff Kibble:** For next year, the target is 8,200. It's a 12% increase from this year. The Auditor General reports that the school is already operating at 80% of its capacity, and that there are instructor and critical equipment shortages, even uniform shortages.

By what mechanism does the capacity-constrained school absorb a 12% intake increase, and then even more the next year?

**LGen Erick Simoneau:** There are three things related to that question.

First of all, we're increasing the bed capacity, both in Saint-Jean and Borden. I received a picture today of 420 beds being built at a camp, ready to go for this summer. That is going to increase our capacity.

In terms of instructors, this is the number one priority of the Canadian Armed Forces. In those schools, 100% staffing is being achieved already and will continue to be achieved.

● (1830)

**Jeff Kibble:** Quickly, if I can, in eight seconds—

**The Chair:** Thank you, Mr. Kibble. You're not quick enough. I'm sorry.

Ms. Idlout, I go over to you for five minutes.

**Lori Idlout:** *Qujannamiik, Iksivautaq.* Thank you, Chair.

First, I want to acknowledge just how impressed I am that our Government of Canada officials, the leaders, are all women. How amazing is that? That's so wonderful.

I'm going to ask a two-part question about the implementation of the defence industrial strategy. The first one will be on how the Government of Canada will work with territories and indigenous partners to implement the objectives of the strategy. I know you partially answered that, which I really appreciate, but can you elaborate more on that?

Second, how will Canada's industrial strategy support defence-related research, development and innovation in Canada?

Then I'll just ask the chair to monitor your time and cut you off when it's the end of my time.

Thank you.

**Christiane Fox:** Okay. I'll start, and then my colleagues may want to add something.

What I would say first, to your first question on how we are working with the territories and the indigenous organizations in the north, is that we've set up various tables so that we can sit down and get to a level of specificity by territory. We've done a lot of engagement through the Inuit-Crown partnership. We have a special table that's dedicated to defence and security to talk through some of the issues. There are particular military capabilities that we need to share with our partners in the Arctic and Inuit Nunangat, but we also need to hear from them about their priorities and maybe where we can work together.

We're making big investments in the north, in some cases on important infrastructure, but that infrastructure will require power and broadband. How can we look at the needs of communities and the needs of the military and come together for those investments? We've had several conversations that will continue to develop. One of the things we're trying to do is to be more transparent about our plans and to get input early.

On key issues like the workforce, which your colleague raised, it's an important place where we want to make sure that we can

work with local communities on employment opportunities and also on safety and security in the context of communities that will be next to an operational hub. How can we factor in some of those considerations? We'll continue that engagement.

We are also meeting with land claim organizations and some of the environmental decision bodies around some of the projects that will be coming their way. It's going to be an ongoing discussion. From a kind of country ride, we held our first federal-provincial-territorial meeting to talk through everybody's priorities, and the territories were part of that conversation as well.

On your second point, I think this is a real opportunity for Canada to really think about R and D, technology and innovation in the context of, yes, defence but also dual use. As we think about some of the quantum experts we have across the country, the AI centres, the drone capabilities that we're seeing become more important in the future of military capabilities, how can we invest and how can we partner?

I think that perhaps in the past, there was a lot of activity that would happen at DRDC and separate activity that would happen maybe in an institution. Having an opportunity to bring people together to do that research, some of it in a safe space and a secure location and some through that dual-use technology... The DIS allows us the funding investments to generate that activity in the country, and I think we will have to be clear on what R and D opportunities are linked to some of these sovereign capabilities that have been identified in the DIS. I think those are some of the conversations that we've having with research institutions.

Wendy, I don't know if you want to add anything.

**Wendy Hadwen:** Thank you so much.

If I may, I would also note that the defence industrial strategy puts us in a new position of offering some of our ranges, training areas and operational environments to be able to test and evaluate things that Canadian industry produces. Some of these are formal, and some of these are yet to take place. We imagine industry days, where there is a location where we have a big military presence and we also have industries.

Even more to the point, the Canadian Armed Forces is making a big effort to be present at trade shows in Canada, or industry shows. CANSEC was mentioned, but honestly, there seems to be something happening every week in a different part of the country, and that's a good thing. The more that industry and the Canadian Armed Forces can meet in person... That relationship-building is a key part of how we gain an advantage.

● (1835)

**The Chair:** Thank you for your questions and answers.

Mr. Bezan, it's over to you.

I'm sensitive about the time. We have about 10 minutes left. I have five minutes for your questions.

Take your five minutes, and then we'll see what happens next.

**James Bezan:** Thank you, Mr. Chair.

I want to go back to some of the comments that General Simoneau just made.

There is a memo out there from the Canadian Forces Leadership and Recruit School. One of the recommendations is based upon the lowering of standards on the aptitude test. They're saying that there needs to be a re-establishment of some form of aptitude testing during the recruiting process. It's saying that there are probably downstream impacts on training.

I'm hearing anecdotal evidence from people in places like Gagetown that the recruits showing up are not at the same standard and quality that we've had in the past. We see that more are getting released on mental health and other physical shortcomings because of the lowering of the standard. Based upon this report that came out that's quite concerning, we want to make sure we continue recruiting the best of the best, putting them through and putting together a military that is strong.

We're hearing stories that one platoon had over a 50% failure rate. We're hearing stories of racism and misogyny, things that we're trying to change in the culture of the Canadian Armed Forces, to get away from the problems that we've experienced in the past. It sounds like we might be going backwards.

I gave notice on Friday, May 1. I want to move:

That, pursuant to Standing Order 108(2), the Standing Committee on National Defence undertake a study of six meetings regarding the Canadian Armed Forces recruitment and training programs, specifically looking at the changes outlined in the 27 January 2026 memo titled "Initial Observations – Impact of Changes to CAF Recruiting Policies at Basic Training Over 2025", that the committee invite the Minister of National Defence, the Chief of the Defence Staff, the Commandant of the Canadian Forces Leadership and Recruit School, the Chief of Military Personnel, and other expert witnesses; and that the committee report its findings to the House.

**The Chair:** The motion has been put forward for a debate.

Monsieur Malette, it's over to you.

**Chris Malette:** Thank you, Chair.

I have an amendment to the motion. It is that the motion be amended by (a) replacing the word "six" by the word "four"; (b) replacing the words after "training programs" and before "that the committee" with the following: "given that the Canadian Armed Forces reached a 30 year high in recruitment this year"; (c) replacing the words after "the committee invite" and before "and other experts" by the following: "the relevant officials from the Department of National Defence"; and (d) adding after the words "to the House" the following: "and that pursuant to Standing Order 109, the committee request a government response."

I have copies of the amendment.

**The Chair:** The copies are being circulated.

Are they in both English and French?

[*Translation*]

**Simon-Pierre Savard-Tremblay:** That's what I wanted to ask you, Mr. Chair. Is it available in both official languages?

[*English*]

**Chris Malette:** They're in both official languages.

**The Chair:** Okay. We'll get that distributed.

Do you want to read out the actual...?

**Chris Malette:** How the motion would read?

**The Chair:** We'll suspend the original motion.

We're going now into the amendment. We're going to debate—

**James Bezan:** We should deal with one amendment at a time. It's rather—

● (1840)

**The Chair:** That's why I'm asking him to read it. Read the amended motion.

**Chris Malette:** All right. I will read the actual amended motion.

It would say, "That, pursuant to Standing Order 108(2), the Standing Committee on National Defence undertake a study of four meetings regarding the Canadian Armed Forces recruitment and training programs, given that the Canadian Armed Forces reached a 30-year high in recruitment this year; that the committee invite the relevant officials from the Department of National Defence and other expert witnesses; that the committee report its findings to the House; and pursuant to Standing Order 109, the committee request a government response."

**The Chair:** Mr. Bezan.

**James Bezan:** I believe that part (b) changes the intent of the motion and should be ruled out of order.

In the original motion, we're specifically talking about the memo that is titled "Initial Observations - Impact of Changes to CAF Recruiting Policies at Basic Training Over 2025", and by removing that you remove the intent of the study. Changing that to add in some sloganeering from the Liberals changes the intent of the motion.

**The Chair:** This is obviously around recruitment. The amendment has been put forward and I need further debate. I find that the ruling being requested, in terms of intent, which would be the case.... I believe the intent still exists with the amendment made, because it's still requesting the standing order to review the recruitment and the training programs. That has remained, as far as I can tell.

[*Translation*]

**Simon-Pierre Savard-Tremblay:** Mr. Chair, I would like to have the floor.

[English]

**The Chair:** I have Mr. Savard-Tremblay and then Mr. Kibble.

[Translation]

**Simon-Pierre Savard-Tremblay:** I'm not asking for it for right now. I'll eventually manage to decipher the text. However, when I receive the text like this, it's extremely complicated.

In the future, would it be possible to have a version that includes the new wording and that keeps the track changes in the old version? It would be much easier to understand. This is a real puzzle.

[English]

**The Chair:** Does the French version not have track changes available?

[Translation]

**Simon-Pierre Savard-Tremblay:** We just have the amendments. We'll need to take the time to incorporate them into the old motion. It's the same thing in English.

[English]

**The Chair:** We have a request to illustrate the track changes of the motion in both languages.

Is that available, Mr. Malette?

**Chris Malette:** I do not have those at my disposal. I can ask staff. One moment, please....

**The Chair:** I have Mr. Kibble up, but I think we're now—

**Chris Malette:** Mr. Chair, if we could suspend for one minute, I will be able to get that.

**James Bezan:** I have a point of order, Mr. Chair.

**The Chair:** I guess I'll deal with the point of order.

I was going to suspend for just a moment, but go ahead.

**James Bezan:** Just on process, while they're doing that, we could go through the (a), (b), (c) and (d) one step at a time. It makes it a little clearer exactly what they're doing, instead of one big amendment.

**The Chair:** The amendment is as he read it. It's the amendment as preceded by.... It deals with the entire motion. I'm going to suspend, then, for just a moment.

To the witnesses, yes, I apologize. You're dismissed. Thank you very much for your testimony.

[Translation]

**Simon-Pierre Savard-Tremblay:** Mr. Chair, I would like to have the floor.

[English]

**The Chair:** Mr. Savard-Tremblay, it's over to you.

[Translation]

**Simon-Pierre Savard-Tremblay:** In a minute, the meeting will be over.

**The Chair:** Yes.

[English]

Mr. Savard-Tremblay—

[Translation]

**Simon-Pierre Savard-Tremblay:** We were supposed to finish the meeting at 6:30 p.m. I've already slightly postponed my next commitment.

[English]

**Sherry Romanado:** We can then maybe circulate it and make track changes.

• (1845)

**The Chair:** If I understand correctly, if I suspend, we'll deal with your amendment at the next meeting.

Is that acceptable to the committee?

**Sherry Romanado:** We'll circulate both in track changes so that we can talk and proceed.

**The Chair:** Let's suspend, and we'll deal with this first thing at our next meeting.

*[The meeting was suspended at 6:45 p.m., Wednesday, May 6]*

*[The meeting resumed at 11:03 a.m., Monday, May 25]*

• (46700)

**The Chair:** I call this meeting to order.

Welcome back to meeting number 36 of the House of Commons Standing Committee on National Defence, which was suspended on Wednesday, May 6.

When we suspended, the committee was studying an amendment from Mr. Malette to the motion of Mr. Bezan. You've all received copies of said motion and the amendments. We did that so we could facilitate our discussion process.

Mr. Kibble, you are next in the speaking order. We will proceed.

**Jeff Kibble:** I will waive.

**The Chair:** Mr. Kibble has waived.

Yes, Mr. Bezan.

**James Bezan:** I'm going to speak to the amendment as presented by Mr. Malette. I'd like to make a subamendment to that amendment by deleting part (b), which asks to replace the words after "training programs" and before "that the committee" with the following: "given that the Canadian Armed Forces reached a 30-year high in recruitment this year".

I wish to delete it. If we can delete it, I think we can have consent to go ahead with the changes. That would keep the intent of the motion, which is to look at the report that came from the Canadian Forces Leadership and Recruit School and went to the chief of military personnel about the challenges they're having in basic training. This is about basic training. It's not just about recruitment.

**The Chair:** Thank you.

That subamendment has been posted.

Ms. Romanado, go ahead.

**Sherry Romanado:** Thank you, Chair.

I want to make sure I understand this. The subamendment is to remove (b). We don't have it in writing, so I want to make sure I'm following exactly what Mr. Bezan said. Could he repeat it, for the sake of the committee?

**James Bezan:** We have a working document here that was provided by the clerk.

• (46705)

**The Chair:** Yes, there's a working document out.

**James Bezan:** The amendment proposed had parts (a), (b), (c) and (d). I'm suggesting the deletion of part (b).

**The Chair:** Are you also taking out (c)?

**James Bezan:** No, we're leaving (c).

**The Chair:** You're leaving in (c). Okay.

**James Bezan:** It's just (b). I'm okay with the other amendments.

**The Chair:** Ms. Romanado, I'll go over to you.

**Sherry Romanado:** Is the proposal, then, that after removing (b), you're basically keeping the original motion as it is?

**James Bezan:** No. The amendment reduces the number of meetings to four. It still provides invitations to other witnesses and says that the committee requests a government response. That all stays. The subamendment just removes the proposed words "30-year high in recruitment this year" and leaves in place the name of the report that we wish to study.

**The Chair:** Mr. Malette, go ahead.

**Chris Malette:** I understand, politically, what the intent of that might be, but is there a question about the validity of the statement "given that the Canadian Armed Forces reached a 30-year high in recruitment this year", or is it superfluous at all to the motion? Is that the idea?

**James Bezan:** One, that part deletes the purpose of the original motion. Two, it's a 30-year high because they've only been collecting data for the last 30 years on what recruitment numbers are. It's actually an irrelevant number. If you want to go back to World War II and Korea, then we can really look at what recruitment numbers are. It's a metric that was only recently done, over the last three decades.

**Chris Malette:** Thank you.

**The Chair:** Ms. Romanado, go ahead.

**Sherry Romanado:** Since we don't have the subamendment in writing, I just want to make sure I understand it. I understand that we're keeping parts (a), (c) and (d) of the amendment, but by removing (b), we go back to the original motion, which reads, "specifically looking at the changes outlined in the 27 January 2026 memo titled 'Initial Observations — Impact of Changes to CAF Recruiting Policies at Basic Training Over 2025'". Is that correct?

**James Bezan:** That is correct. That is the intent of the motion. It's about basic training. It's not about recruitment.

Although I was ruled out of order by the chair, the question is around basic training at Saint-Jean. It's not about the 30-year high in recruitment numbers, which had been suggested by Mr. Malette.

**The Chair:** Is there further debate?

**An hon. member:** Call the question.

**The Chair:** Okay. We're dealing with a subamendment to the amendment of Mr. Malette, with the change to remove item (b).

We'll put it to a vote.

(Subamendment negatived: nays 6; yeas 5 [*See Minutes of Proceedings*])

(Amendment agreed to: yeas 6; nays 5 [*See Minutes of Proceedings*])

(Motion as amended agreed to on division)

**The Chair:** As the motion has been passed and adopted, we'll now resume our study on the impact of the defence industrial strategy, pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, February 23, 2026.

Today's meeting is taking place in a hybrid format. Before we continue, I will ask participants to consult the guidelines on the table. These measures are here to prevent audio feedback incidents and to protect the health and safety of the interpreters.

As a reminder, please wait until I recognize you by name before speaking. If you wish to speak, please raise your hand or use the "raise hand" function on Zoom. The clerk and I will manage the speaking order as best we can.

With regard to interpretation, please use your earpiece and select the appropriate channel. I'd like to remind witnesses that committee members may ask questions in either French or English. If you need interpretation, please take a moment now to prepare your earpiece and select the listening channel. To do so in advance will take full advantage of the time allotted for questions and answers.

All comments should be addressed through the chair.

Now I'd like to welcome our witnesses: Robert Huebert, professor, University of Calgary, via video conference; Christian Leuprecht, professor, Royal Military College of Canada; Richard Shimmooka, senior fellow, Macdonald-Laurier Institute, via video conference; and Heather Exner-Pirot, senior fellow and director of energy, natural resources and environment, Macdonald-Laurier Institute, by video conference.

With that, I'll proceed to each witness for opening statements of up to five minutes.

Mr. Huebert, I'll start with you.

• (46710)

**Robert Huebert (Professor, University of Calgary, As an Individual):** Thank you very much, Mr. Chair. I appreciate the opportunity to talk about what is critically important for Canada.

We're here to talk about Canada's defence industrial strategy, of course, and I would like to begin my comments by addressing what I see as one of the major challenges, if not flaws, of the efforts we have. I applaud the fact that we have finally gotten serious about the development of a national defence industry strategy. We almost have to go back to Canada's shipbuilding strategy to find an equivalent effort, but this is of a much greater magnitude.

My greatest criticism of the strategy is the assumption on which it is based. It provides some very strong pillars and provides us a direction for how we should be thinking in the context of addressing the Canadian military industrial strategy, but it misses one of the most critical elements that I think we no longer have time to put off. It is based on the assumption that we have more than enough time to prepare [*Technical difficulty—Editor*].

I would contend that many of the changes mentioned in the introduction and in the statement of the three ministers at the beginning of the strategy, in which they are talking about changing geopolitics, are being underestimated. In fact, the impact of the geopolitics is so great that Canada does truly—

[*Translation*]

**Simon-Pierre Savard-Tremblay:** Mr. Chair, I have a point of order.

[*English*]

**The Chair:** Wait just a moment, please, Mr. Huebert.

[*Translation*]

**Simon-Pierre Savard-Tremblay:** We didn't hear part of Mr. Huebert's remarks because of the sound cuts. Would it be possible for the witness to repeat, for example, the last minute and a half of his opening remarks?

[*English*]

**The Chair:** Mr. Huebert, we lost you for a moment. Can you start again?

**Robert Huebert:** First of all, I very much welcome the opportunity to speak to this very important issue.

It has to be commended that we finally have an industrial strategy. We have to go back to the Canadian shipbuilding strategy to find us actually addressing this very important issue.

However, my biggest criticism of the strategy is the assumption on which it is based: that the geopolitical environment gives us the time to do what the strategy calls on us to engage upon. I will argue that we do not have that time, that there's an urgency to what the three ministers in the introduction to the strategy call the changing geopolitics. The change has been so rapid and so dangerous that Canada now has to be thinking in the context of not only how we reform and engage upon economic engagement to provide our military with this capability, but also how we do so with an appreciation that we may find ourselves in conflict much sooner than we anticipate and that any industrial strategy has to take that into account.

This means that there are three core omissions from the strategy.

The first is how Canada actually provides the necessary equipment to its forces in the event of conflict. We have two friends we could have gone to for advice. We could have gone to the Ukrainians, who, of course, have had to engage on this very issue since 2014. We could have talked to our Taiwanese friends as well, in order to get some insights into how they have prepared in a very shortened time period for being engaged either in conflict or in unexpected conflict.

The second omission we have, which is from the industry, is the embedded element of the United States. We know that part of the

reason we have this strategy is the recognition that the United States has become quite destabilized under the second term of the Trump administration. I think it would have focused our attention much more if, instead of talking around this issue, we would have been much more straightforward, would have identified that there are certain issues on which we cannot separate ourselves from the Americans, and would have been more forthright on it.

The third element the strategy does not deal with is the complete lack of any consideration or discussion about how Canada must deal with the political interface between our industrial strategies and what we actually do. Examples such as the Sea King replacement, the ongoing issues surrounding the replacement of the F-18s, and other related issues have demonstrated to most observers that one of the greatest challenges we face with regard to having an industrial strategy is understanding how the political interaction occurs, how and when it has hindered the process, and how and when it has helped the process.

We've seen some examples, such as the acquisition of the C-17s, that demonstrate that the process can, in fact, work. However, we have nothing within this strategy that tells us where the political interaction is a positive factor, where it is a negative factor and what we can do to ensure that, moving forward, we are focused only on the positive aspects.

That leaves me with three considerations for any effort to bring forward the strategy and build upon it.

First of all, we have to have a much greater urgency and a recognition that we are not just simply talking about making up for lost time, when, in fact, defence was at the bottom of any government priority. We also have to start recognizing what happens in a war or in a warlike environment and how that changes how we proceed with an industrial strategy.

Second, I think we have to take very seriously the examples and experiences of our friends and allies and look for advice on how to do this. The shipbuilding strategy goes back a long time, and we have a dearth of other examples in this regard. It's imperative that we pay attention to what our allies and friends have done.

Third, and last, we need to ensure that we change the manner of how we think about it. The report itself makes reference to the need to improve the ability for academia, industry and other actors to engage, but the hard reality is that we have not done this very well. We have to change how that environment actually functions.

• (46715)

Thank you very much.

**The Chair:** Thank you, Mr. Huebert.

Monsieur Leuprecht, we'll go over to you for five minutes.

● (46720)

[*Translation*]

**Christian Leuprecht (Professor, Royal Military College of Canada and Queen's University, As an Individual):** Good evening. Thank you for the invitation. I would like to extend my greetings to my colleagues.

I'll be speaking in English, but you can ask your questions in the official language of your choice.

[*English*]

Sovereignty is a choice. At the end of World War II, Canada had the fourth-largest military in the world. Today, the Canadian Armed Forces are smaller than the Alabama National Guard, America's 30th-largest state.

The defence investment strategy is an opportunity to invest in Canada's most important instrument of statecraft, but to what effect? On the eve of Russia's war of aggression on Ukraine, the previous Social Democratic coalition government, under Chancellor Olaf Scholz, provided a one-time special investment of 100 billion euros in the German Bundeswehr. Other than a few additional planes, the money generated few actual capabilities, because much of it was diverted for political priorities and not spent on defence per se.

The DIS faces the same risk. There is barely a mention of conflict, war and scale. In other words, the litmus test for the DIS is to turn defence spending into actual capabilities. A stronger Canada in a stronger NATO needs to deliver on three priorities: The Hague investment plan, with its commitment to deterrence and defence; Canada's investment plan; and Canada's commitment to Ukraine.

Large sums of money are deceiving: Owing to inflation, driven by supply lines, components, workforce and new production capabilities and demand, more money for defence buys about the same quantities today or less than previously. Long-awaited legacy systems are coming in at much higher costs than anticipated. Canada is already at a disadvantage compared to countries such as Germany, which started some years ago.

In this light, it is all the more important for the government to make every dollar count, first and foremost for defence. Many of the capabilities Canada needs do not actually exist and need to be developed. Others exist, but wait times to procure them are prohibitively long, while other capabilities exist in theory but in practice are not available for Canada to purchase.

This is the logic that needs to inform the DIS: a commitment to defence procurement over industrial procurement. Canada needs to stop talking about where equipment is produced and instead about what defence needs and how to work with military partners on interoperability and industrial capacity.

To this end, the DIS needs to prioritize capability, interoperability and coordination with allies, because transaction costs among allies mean that it currently takes two allied soldiers to generate the same effect as one U.S. soldier, and prioritize deterrence, because we've left it too late to be able to defend. While the CAF rebuilds its defence capabilities, the priority needs to be on filling the gap with capabilities to change the adversary's mind. Deterrence is less

about numbers than about credibility. For the DIS to succeed, Canada's adversaries need to perceive the DIS as a credible resolve to invest in stability, reliability and prosperity.

Prioritize filling the deterrence gap in NATO 3.0 in response to a changing U.S. force posture: capabilities and coordination with NATO allies on a European-Canadian industrial base to enable U.S. burden-shifting to the Indo-Pacific by accelerating defence production of planes and tanks. Where are Canada's contracts for the mundane aspects of defence production—artillery shells, precision-guided munitions, drones?

Prioritize economies of scale. Equipment manufactured by allied and partner states costs two to four times as much per piece as it does to buy American. Also, leverage Canada's relationship with Europe to counterbalance the vagaries of U.S. unilateralism. This should enable a grand bargain, with Canadian investments in defence, in collaboration with European allies, in return for European investments in Canadian energy, mining and enabling critical infrastructure.

The government is left with having to trade off political, financial, economic and defence priorities. By way of example, defence spending tends to be disproportionately more important in small or less affluent provinces. Nova Scotia defence spending creates about \$2,000 per resident. To optimize and rationalize outcomes, the government needs to establish a commission of experts to weigh the different priorities: Should we buy off the shelf, or buy American or European? Should we collaborate with allies? Should we build in Canada, and if so, where in Canada? For the sake of efficiency, effectiveness and national unity, these decisions need to be depoliticized. This would have the added benefit of giving the federal government leverage to rein in provinces whose fiscal profligacy is utterly irresponsible.

● (46725)

At the upcoming Ankara summit, the U.S. and allies will expect Canada to, one, show genuine progress on its commitment on defence spending; two, have orders, contracts and delivery lines for a defence industry that address real production gaps; and, three, add autonomous systems to capability targets. That is the standard by which Canadian sovereignty is about to be measured. If we picture sovereign defence as a 100-metre run, current investments and the DIS barely get us out of the starting blocks.

**The Chair:** Thank you, Mr. Leuprecht.

Mr. Shimooka, it's over to you for five minutes.

**Richard Shimooka (Senior Fellow, Macdonald-Laurier Institute, As an Individual):** Thank you, Chair.

I appreciate the opportunity to speak before this committee again, particularly on a topic that I think is of vital importance to our country.

Defence industrial policy is having a renaissance in Canada and internationally. While there have been several efforts to develop a Canadian policy over the decades, such as the 2014 defence procurement strategy, the last time it engendered a similar sustained interest was back in the 1950s.

The defence industrial base is among the most complex areas of policy-making. It involves military strategy, industrial policy, science and technology, education, and foreign trade, among others. Given its broad scope, I'd like to cede my time back to the committee and encourage members to ask specific questions of interest to them. I've written extensively on this area for the past decade. If members are interested, there are a number of works I can point to, such as a recent report on the history and structure of the Canadian defence industry, that would cover some of these areas.

My personal area of study is the comparative analysis of military strategy, procurement and industrial policy. In other words, it is the nexus of how our allies and partners formulate what military capabilities they will employ and how to develop and acquire them. By no means do any of them boast a perfect system, but their successes and failures are worthwhile to explore while Canada contemplates its own steps in this area.

Thank you. I look forward to your questions.

**The Chair:** Thank you.

Go ahead, Ms. Exner-Pirot.

**Heather Exner-Pirot (Director, Energy, Natural Resources and Environment, Macdonald-Laurier Institute):** Chair and honourable members of the committee, thank you for the invitation to appear today.

I would like to make three points regarding the defence industrial strategy and critical mineral supply chains. First, Canada has made meaningful progress on critical mineral security in the past year, particularly through the work of Natural Resources Canada and through allied coordination initiatives such as the G7's critical minerals production alliance. Second, we need a much more sophisticated understanding of supply chain vulnerabilities that goes beyond mining itself. Third, the defence industrial strategy's commitment to developing a strategy by this quarter to expand the production, processing, stockpiling and procurement of defence critical minerals requires that we think very strategically about what market-shaping mechanisms government should use to support resilient supply chains.

Canada is in a relatively strong position globally. We are a major producer of many strategic commodities. We possess significant untapped reserves and are viewed internationally as a stable and trusted supplier. That reliability matters more today than it did five years ago. What has changed is not simply demand for minerals but also the geopolitical environment around them. Critical minerals

are no longer just commodities. They are instruments of industrial strategy, national security and geopolitical leverage.

Over the past several years, advanced democracies have become increasingly aware of how concentrated many of these supply chains are, especially in processing and refining. In some cases, allied countries may possess mineral reserves but remain heavily dependent on strategic competitors for the midstream stages of production that transform those minerals into usable industrial inputs. That means supply chain resilience cannot be measured simply by counting mines.

Vulnerabilities often exist further downstream, with refining, separation, precursor materials, processing technologies, logistics, transportation corridors and advanced manufacturing capacity. As a result, the challenge facing western countries is not primarily one of geology. In many cases, the resources exist. As the DIS acknowledges, Canada itself is a producer and has ample reserves of steel, aluminum and 10 of the 12 NATO critical minerals. The challenge is whether market-oriented producers can survive long enough to build alternative supply chains in sectors where competitors have spent decades using industrial policy, state financing and subsidized processing capacity to establish dominance.

This brings me to the defence industrial strategy and its commitment to developing a stockpiling strategy by the second quarter of 2026. I think this is an extremely important initiative, but I would encourage the committee to think about strategic reserves in broader and more modern terms than traditional Cold War stockpiles.

Strategic stockpiles today are not simply emergency inventories. They can also function as market-stabilization mechanisms that help sustain allied production during periods of price suppression or geopolitical disruption. They are being discussed across the west in ways that seem prone to heavy-handedness and inelegant structures that unnecessarily distort commercial markets. We will not beat our adversaries by copying their playbooks, but rather by taking advantage of our own strengths. It is important that we maintain industry-led and government-enabled approaches, rather than the other way around.

One important principle is the idea of a cost-based floor price. If governments are serious about maintaining domestic or allied production capacity for strategically important materials, there may be circumstances where governments establish a minimum purchase price based on the cost of sustaining production. The purpose is not to eliminate market discipline. It is to prevent strategically important industries from collapsing during periods of artificial oversupply, predatory pricing or geopolitical market distortions.

I recommend that the government act as a buyer of last resort, not first resort. Producers should continue prioritizing commercial customers whenever possible. However, when demand temporarily disappears or prices fall below sustainable levels, governments can provide strategic support through offtake agreements, contracts for difference, tax credits or reserve purchases that stabilize investment conditions. This matters because mining and processing investments are long-term decisions. Companies will not build multi-billion-dollar processing facilities if they believe prices can be strategically collapsed before projects reach profitability.

The key point is that these tools should be targeted and disciplined. Not every mineral requires the same policy response. Some materials may justify strategic stockpiles because they are low-volume but essential for defence technologies. Others may require support for processing infrastructure, permitting reform or coordinated allied procurement. Some markets may benefit from pricing transparency initiatives or pooled financing mechanisms with allies. In other words, these minerals should not be treated as a single market or policy category.

• (46730)

I expect and hope that NATO or the G7 has a working group that's looking at a series of minerals and their production and processing choke points and that's assigning responsibility to fill those gaps with the most appropriate market stabilization mechanism. For obvious reasons, this work wouldn't and shouldn't be made public, but I would think the committee would want to make sure that such work is being done.

The final point I'll emphasize is the importance of allied coordination. Canada should not attempt to replicate every stage of every supply chain domestically. That would be prohibitively expensive and inefficient. Instead, we should think in terms of resilient interdependence among trusted allies. That means coordinating stockpiles, aligning our processing strategies, sharing market intelligence and reducing duplication across allied economies. I'll have some more recommendations in a paper on June 4 on how we could do this with our allies in Australia.

I think my time is probably close to being up, so I'll end there.

Thanks. I look forward to your questions.

**The Chair:** Thank you, Ms. Exner-Pirot. I appreciate your time and look forward to your report.

We're going to proceed now to our first round of questions.

We're going to start with Ms. Cheryl Gallant.

You have up to six minutes.

**Cheryl Gallant:** Thank you, Mr. Chair. All my questions will be through you.

Dr. Huebert, I was a bit late for your speech at the Battle of the Atlantic event in Ottawa a little while ago. You said something about the world being at a certain point in history. Could you tell me what exactly you said and why you said it?

**Robert Huebert:** I believe the geopolitical indicators we've had since at least 2008 have shown us that we are moving into an international area where the use of force at great power levels is becoming an increasing possibility.

What I was talking about at the Battle of the Atlantic event is the manner in which we can no longer pretend that the end of history has basically eliminated the possibility of war between great powers that will include Canada. Therefore, Canada needs to get out of this mindset that simply doing enough in terms of what our allies say, such as meeting 2% of GDP in terms of our defence...is no longer good enough. We have to be thinking in terms of what we need for military capabilities to actually deter, and to be prepared to fight if that deterrence breaks down.

In the international geopolitical environment, we look at the directions the Chinese, Russians and even Americans have taken, which have given the probability of conflict a huge increase, unfortunately.

**Cheryl Gallant:** Should Canada be on a war footing now?

**Robert Huebert:** I believe we need to be thinking in that context.

The types of technologies and the fact that we have lagged so badly in this context... If we are not thinking about how we engage in war, I'm afraid the timelines that are often being discussed, that we will have a particular piece of kit by 2030 or 2035... That mindset does not prepare us to provide for the best form of deterrence to ensure that our adversaries are dissuaded and that, should that deterrence break down, we are able to make that shift. You can't do that overnight, not with the industries and not with the technologies. Therefore, we need to get into that mindset today.

• (46735)

**Cheryl Gallant:** What would Canada on a war footing look like? What would be different about life in Canada? What would we see that would be different?

**Robert Huebert:** We need, first of all, to have an ongoing discussion on how we truly defend Canada. It can't be something where we turn around, from a societal perspective, and say, "Okay, we've met our 2%; now let's get on to some domestic issue, and we don't have to come back to this context."

We need to have a societal change in terms of awareness. We need to be aware of the potential for an actual great power conflict to the same level we were at one point in understanding environmental security threats. I think Canadians truly started to appreciate the danger coming from climate change, which is not to say that it has in any way gone away or been solved. It's to get at society.

The second part is the political elite. Political elites need to understand that we are in a different geopolitical environment. This has to be a day-to-day frontline consideration almost on everything that you are doing in that context.

We also have to realize the manner in which we have allowed most of the forces' capability to basically atrophy. We need to be saying, "We need to do this as quickly as possible", except that means mistakes will be made.

We need to start getting out of the mindset that once we solve an issue, like getting the fighter replacement, that's only the beginning. We need to be thinking in terms of how we do replacements when we take losses. We need to be thinking in terms of how we replace pilots when there are losses. We need to change that element of how we are preparing going forward.

**Cheryl Gallant:** Dr. Leuprecht, we're on the verge of an announcement of a decision on our submarine procurement. The government seems to be waiting to see how much it can get out of the other one.

Is this the way procurement should be run? Should it be based on the industrial benefits for one region versus another?

**Christian Leuprecht:** Ms. Gallant, I think my statement was pretty clear about where the priorities need to be in this country. I worry deeply about the continued delays.

This is a great opportunity. For instance, one of the two options would ensure that Canada is part of the largest conventional submarine fleet in the world. The other option does not provide that opportunity. It provides what I would say is a reasonably outdated piece of equipment that was built with German technology from one generation ago. The Canadian Armed Forces also need submarines, so these are ultimately political choices that we need to make.

We need an announcement and a decision, and we need to stop walking back decisions once we make them.

**Cheryl Gallant:** That would apply to the F-35 as well, then.

**Christian Leuprecht:** When it comes to the maritime, air and aerospace domains, not being interoperable with the United States is not an option for either continental defence or the value added that we provide to the alliance. Only one of the planes is a fifth-generation fighter that offers us that opportunity.

**Cheryl Gallant:** Thank you.

Dr. Shimooka, do you have the sense that the government is trying to provoke the United States to cancel or suspend the F-35s, as it did with Turkey, without doing so on its own?

**Richard Shimooka:** I don't believe that's the case. The continued purchase of aircraft through the long-lead item.... The structure of the joint strike fighter program requires you to make incremental

purchases year on year. Those have continued, as reporting and U.S. budget documents have suggested.

I don't think that's necessarily the case. I believe, as I stated in my last committee testimony, that this is being used as part of leverage. To Dr. Leuprecht's point, I don't believe there is a doubt within the Royal Canadian Air Force, as the commander of the air force stated a couple of months ago, that this is the option it needs. It is moving forward, and those plans seem to be moving forward, yet the political statement that should undergird all of this has not been made by the government.

• (46740)

**The Chair:** Thank you.

I'm sorry, Ms. Gallant.

Mr. Watchorn, it's over to you for six minutes.

[*Translation*]

**Tim Watchorn (Les Pays-d'en-Haut, Lib.):** Thank you, Mr. Chair.

I would like to thank all the witnesses for joining us today.

I'll focus on the defence industrial strategy. Last week, I had the opportunity to join the Prime Minister at the opening of Nouveau Monde Graphite's Matawinie mine. I would call this a perfect example of how the strategy can benefit society, interactions with indigenous peoples and mining production.

Nouveau Monde Graphite's Matawinie mine began production last week. We've been working on the project for some time. It involves the Quebec government, the Canadian government and local communities. The mine is a socially acceptable project. The Manawan indigenous communities were actively involved in the early stages of the project.

As part of this project, a processing plant will be built in Bécancour. The Canadian government has set aside a strategic reserve of 30,000 tonnes of graphite for commercial or military applications that may be required in the future.

I find another aspect of the mine's opening absolutely fascinating. The Manawan region has been badly hit by softwood lumber tariffs. Yet it was encouraging to see young people from the softwood lumber industry heading to work for the future mine. These young people have well-paid jobs. This also helps maintain the local vitality of the industry.

Ms. Exner-Pirot, do you think that this project reflects the objectives of the defence industrial strategy?

Can you provide an example or two of projects that could get off the ground in the coming years?

[English]

**Heather Exner-Pirot:** For committee members who don't know, graphite is listed as one of the critical minerals on the NATO list, and Canada has a good supply. It's an obvious fit that we should be the ones to increase production. I think there's a good case for public sector support to make that happen, and we've been able to bring supply on fairly quickly. There are obviously other uses for graphite, including in battery supply chains. In general, I am in favour of it.

There's always a risk, so we should always be attuned to the risk that these become uneconomic and just purely subsidized. If there isn't enough offtake, on the other hand, and no one is using the product, it becomes a waste of money vis-à-vis other opportunities we may have had. I'm not saying this is so in this specific circumstance, but any circumstance will have that risk, so we have to make sure we have the proper frameworks and the proper assessment of which projects to fund and where they go.

The mining is maybe the easy part for Canada. The second level where I think we need more attention and where maybe it's a bit trickier is in the initial refining and chemical processing of many of these metals. I have a little list, which will be in my report, of things that seem clear to me where Canada should either play a role or ensure we're supporting our allies to play a role. They are rare earth separation, graphite spheroidization, gallium recovery and refining, antimony refining, high-purity germanium refining and niobium alloying. I'm sure this list exists somewhere in the committee, DND or NRCan. I hope those lists exist. Again, I appreciate why they wouldn't be made public.

When we say "critical minerals", I know we're not talking about sophistication yet. When we say, "NATO's list of 12 minerals", again, that's not a level of sophistication. When we start to talk about specific phases of processing and refining and specific end uses and end-users, that's when I know we'll have finally reached such a level of sophistication that, in the event we need a war footing, as Dr. Huebert says, we would be in a position to provide materials into those systems.

[Translation]

**Tim Watchorn:** Thank you.

I would just like to say more about the graphite mine. It already has contracts with Panasonic and Italian companies to make batteries and for other uses of graphite. So I think that this constitutes an excellent example of how the strategy can work.

I always like to talk about issues close to my constituency. Manawan isn't that far from my constituency. It's about two hours away. We're lucky to have Mirabel. We've already talked about this at other times in the committee.

I would like Mr. Shimooka to tell us about the drone manufacturing hub. At the start of the meeting, I think that Mr. Huebert spoke about the need to contact our partners who already have military commitments. I know for certain that the people making proposals for the drone hub in Mirabel have direct contact with people in Ukraine and that they're putting their experience to good use to produce state-of-the-art drones. Mirabel is also fortunate to have con-

trolled airspace, a control tower and a significantly underused runway. So, the potential is there.

I would like Mr. Shimooka to share how he finds that the hubs used by industry, academia and the governments can make a positive impact on the development of quality drones and equipment.

• (46745)

[English]

**The Chair:** Those are great questions, Mr. Watchorn.

**Tim Watchorn:** Am I talking too much?

**The Chair:** Unfortunately, we've run out of time. I would ask you to please save the response, as we're proceeding to Monsieur Savard-Tremblay.

It's over to you for six minutes.

[Translation]

**Simon-Pierre Savard-Tremblay:** Thank you, Mr. Chair.

I want to thank all our witnesses today for their participation and remarks.

Mr. Huebert, you appeared before the Standing Committee on Industry and Technology in November 2025. You said at the time that Canada's defence industrial strategy was primarily a political process. Yet the document wasn't yet available at the time of your appearance. So it remained hypothetical.

Now that it's available, do you still maintain the same cautionary position, or rather the same finding?

[English]

**Robert Huebert:** Absolutely. When I go through the document and trace through the five pillars, I can see they are provided in the way these documents have ultimately always provided them. You get little one-way arrows for what it sees as the variables being connected, but it provides government with no guidance whatsoever on addressing the issue that has been at the heart of how we have made almost all our major political decisions regarding a procurement.

The question in my mind goes back to a couple of points that Christian and Richard were making. Unlike our Nordic allies, which made the decision to procure the F-35 in relatively short order, how do we understand the factors in Canada—our industrial policy or whatever it was—that caused the F-35 to still be a non-decision? How did we make the decision to basically divide the replacement for the Sea Kings into two different directions, where there are growing criticisms of the choice that was made for the navy as opposed to the Coast Guard? What does the policy tell us? How does it help us?

I'm reflecting on the last question about the drone centre. My question, from an industrial policy perspective, is always about how the Ukrainians, from the point of being invaded in 2014, took a warfighting technology into a battlefield—the use of drones. I'm wondering what the political techniques were that made them able to come together and say, “This is something we have to look at. We're fighting a war. We have to get the resources.” All of a sudden, they're getting the types of tactical victories we're seeing reported in the press. Does our industrial strategy provide us with any guidance that follows how the Ukrainians were able to do that?

We can talk about Mirabel. We can talk about the unity of connections. However, it still comes back to this: How do you do that in a warfighting environment? I don't think the strategy provides us with any guidance in any of the pillars on how you do that and on what the role is of the politicians or the political elites to assure that we are able to copy what the Ukrainians were able to do in that context.

[Translation]

**Simon-Pierre Savard-Tremblay:** You spoke about speed. This also echoes another aspect of your remarks to the Standing Committee on Industry and Technology last November. You talked about the quick purchase of C-17 military aircraft.

Let's compare this to the Royal Canadian Navy's helicopter replacement program. You described it as an example of a very bad approach.

You spoke of the defence industrial strategy document, which is quite recent.

How could such different results be generated by a common entity, which is the same government? Why is that?

• (46750)

[English]

**Robert Huebert:** Well, that's the problem: We don't have the proper insights that have to come with a functioning critical ability to look at evergreen processes and to understand these policies.

I'll return to Canada's shipbuilding strategy. That was brought forward as an example of how to do these types of procurements. There was a general acceptance that it was a bipartisan approach to addressing the issue that has always plagued Canadian shipbuilding for both the navy and Coast Guard: How do you avoid building everything at once and in the most expensive way and instead spread it out so that you retain the technology and you do not run into this boom-and-bust cycle?

Of course, everybody accepted that it was a good process. It seemed to make sense in terms of dividing things between the two coastlines, but we had a political process where we added a third shipbuilding centre. There has been no good reflection, really, on how come we moved away from what the shipbuilding strategy said.

Of course, I'll point out that we are now building for the Coast Guard—as we should have been doing since 1985, when we first said we were going to do it—three different classes of big icebreakers at the same time in four different shipyards. In other words, everything that the shipbuilding strategy said we should not do, we

are doing. I'm asking why we don't have an understanding of how come that has occurred so that in moving forward with the industrial defence strategy, we are not simply replicating the political factors that came forward that basically said to the shipbuilding strategy, “Hey, don't do this”, and then we're doing this. Why did that occur? That is my question to you.

[Translation]

**Simon-Pierre Savard-Tremblay:** Good.

You're describing some fairly significant shortcomings in the process. Yet the industrial strategy promises to increase serviceability to 75% for the navy, 80% for the army and 85% for the air force. These are extremely high targets. Given the shortcomings described, is all this realistic?

[English]

**Robert Huebert:** This is my critique. We come back to the fact that we substitute numbers for what we really should be asking, which is, how does this allow Canada to deter and how does it allow Canada to fight?

We think in terms of the 2% of GDP. We say that we need to make it. That's a magical number. Let's face it: We've copied our European allies and we've had some very inventive accounting to make sure that we're at the 2%, but it doesn't address the issue. Does that 2% or does the effort that we have allow us to properly fight?

When we say 70% or 40%, the question in my mind is, how does this actually ensure that the men and women of the forces get the proper equipment so that we can deter our enemies and, if that breaks down, that we can have the ability to fight?

The numbers come in...because how else do you normalize it? How do you state that in a document? That's always a challenge we face. I think that's one of the major shortfalls. It then leads to the underlining assumption of your question, which I think is so important. How do you ensure that this policy, with whatever shortfalls it has, is an ongoing element of how we respond to this possibility of war?

That becomes much more critically important than having a single document that presumably says it all, just as the shipbuilding strategy had presumably said it all. Then again, here we are again. We've created, again, the perfect storm of building everything all at once, which means we are going to replicate exactly what the shipbuilding strategy said that we shouldn't—but at least we're getting the ships.

**The Chair:** Dr. Huebert, thank you very much. The time is over. I'm sorry.

I'm going to Mr. Anderson.

You have five minutes, sir.

**Scott Anderson (Vernon—Lake Country—Monashee, CPC):** Thank you very much. All my questions will be through you.

Dr. Huebert, every single academic we've talked to uses the term "war". Sometimes they use it in terms of prekinetic. Sometimes they use "grey zone".

Can you underscore the urgency we're in right now?

• (46755)

**Robert Huebert:** The urgency is here.

We have pretended that the so-called Fukuyama theory, which said that at the end of history, conflict and war would not be utilized as a means of achieving objectives...was over. The reality is that from 2000 onward, it is very easy to trace how we and our adversaries have utilized force to achieve political objectives. We also have the environment where we have this great power competition. It's the Thucydides trap. Everyone loves Thucydides now.

The reality is that we are seeing increasing successes in which authoritative states are able to utilize it, which then encourages them. Russia was able to prevent Georgia from joining NATO and the EU. Russia was able to at least stop the progression of a more democratic system within Ukraine. The United States has been able to change the geopolitics of Venezuela. We still have to see what happens in terms of Iran.

**Scott Anderson:** Dr. Shimooka, can you answer the same question, please, very quickly?

**Richard Shimooka:** In the past week, we have watched Russia's efforts toward the Baltics once again, which included utilizing captured Ukrainian drones, apparently. I would point to the continual use of drones across Europe against airports. I would look at the People's Republic of China. According to the latest American intelligence estimates, they are increasing their strategic missile capacity fivefold. That directly impacts NORAD—

**Scott Anderson:** You're saying there is, in fact, an urgency.

**Richard Shimooka:** There's not just an urgency. We should have been looking at a modernization and rearmament of our military since 2016 or 2017 or so. We've basically spent the past decade or so not doing that.

**Scott Anderson:** Dr. Huebert, the current U.S. administration will be gone in two years, but the United States will not be gone in two years. Is Canada, right now, embarking on a strategy that is structural and that will make it very hard for the next U.S. administration to repair and restore relations with Canada?

**Robert Huebert:** I don't think it will.

The point you made is critically important and demonstrates the difficulty we have. The threat the Trump administration is providing in terms of economic insecurity.... His threats and rhetoric are all real. The threats we face from Russia and China are much longer-term. We also have to work with the Americans.

I think this is what's going to happen. From a political perspective, it will be very difficult for whatever Republican or Democratic government comes after Trump, but geopolitics mean we are going to have to work together if we have any realistic hope of being able to maintain deterrence. It means repairing all the damage Trump has done vis-à-vis NATO—and NORAD, for that matter—and getting our minds back to where the real threat is coming from in the long term.

**Scott Anderson:** Thank you.

Dr. Shimooka, could you answer the same question, please?

**Richard Shimooka:** We're looking at mid-terms, in a couple of months, that will create immense gridlock in the U.S. government. Major issues will probably not go through. In that situation, Canada will need to step up to some degree not just with our allies and partners in Asia or Europe but also domestically—for example, in looking at air defence systems.

You've seen the sort of pernicious attitude the Trump administration has had toward us over the past couple of years. I think it will be replaced by a government that will have a lot of difficulty just getting basic legislation through. Canada will need to increase its defence spending and have military outputs. In a meaningful way, that can help undergird the existing security system, which is in real trouble.

**Scott Anderson:** Thank you.

Dr. Huebert, we recently went to the SAHA conference in Istanbul. It's a military trade show. It seemed we went there with two conflicting messages. On one hand, we are telling the world that we would like them to buy Canadian developments. On the other hand, we are telling the world that we are going to build our own Canadian-made military things. In effect, we went to a trade show and said, "Please buy our stuff, but we're not going to buy yours."

Is this a coherent strategy to go abroad with?

• (46800)

**Robert Huebert:** No, it's not, and that's an underlying theme we come back to.

It's the industrial side of what we're talking about. Remember that we tried to expand our sales to other countries. We talked about selling the LAVs to Saudi Arabia. This, of course, created a huge political blowback in that context.

I'll also remind the committee of the fact that we tried to pivot towards the Europeans in terms of what we're doing. That was called the "third option" under Pierre Trudeau. Basically, we got the Leopard 1 tanks, but that was about the only real, major benefit. The geopolitics of the threats we face mean that we will inevitably be going back to work with the Americans.

To go back to your first question—which I think is of critical importance—one way of thinking beyond the linear way we do.... It goes back to Richard's point about the mid-term elections. What happens to the United States because of the destabilization Trump introduced? We know that our enemies will be mounting whatever campaigns they have, whether it's grey cyber or what have you, to further facilitate that divide. What happens if United States society comes almost to the point of violence within itself? How do we respond? Again, how does our industrial policy prepare us for that type of scenario? It's a low-probability one, but I think it's one we increasingly have to realize, in these new geopolitics we're talking about—

**The Chair:** Dr. Huebert, thank you so much. I'm sorry to cut you off.

Ms. Lapointe, it's over to you for five minutes.

**Viviane Lapointe:** Thank you, Chair.

Ms. Exner-Pirot, this committee undertook a study that looked at the nexus between defence and critical minerals. Many expert witnesses came forward and told us that national security is about a lot more than just critical minerals in the ground. It's also about ensuring that we have sovereignty over the processing and supply chains around those minerals. I thought it was really interesting that you touched upon that in your opening statement.

Can you expand on that point? As you do, can you speak in reference to the defence industrial strategy talking about wanting to build on existing Canadian strengths and what that means for regions that already have expertise in mining, processing and advanced industrial technology?

**Heather Exner-Pirot:** The obvious backdrop to this is that China has spent the last two decades gaining market share and monopolizing some processes such that it's very difficult to find a product or component that doesn't go through China. In the event of a conflict with China, that would obviously be a huge problem. They have already been willing to weaponize or use export restrictions to harm western economies, and they certainly would do so to a defence industrial buildup if they could.

We need to find solutions to produce these products ourselves in the face of the fact that the free market is not free. The free market is not sufficient because the Chinese are actively manipulating it.

Now you have to get to the question of how we can respond to this. We are a free-market society and generally laissez-faire. However, we're in a situation where, for national security reasons, we must have sufficient supply of these.

On the Canadian side, we mine most minerals, as I think we've all established. It's probably not the mining aspect that is the difficult problem to solve. Of the five phases all the way up to a component that gets put into a fighter jet or a tank, it's the three processes in between and making those work that are difficult.

Companies will make money off of copper, zinc, lead and iron, but it's going to be very hard for them to make money off of refining gallium, for example, which is just a small, niche market where it's very difficult to compete with the Chinese. In Canada, I would say that we have 34 critical minerals, and we not going to do the

refining, the processing and the advanced manufacturing of these advanced alloys and minerals.

For me, it is essential that we work with our allies. I'm saying there are five layers, but for some it might be three or four, and for others it might be six. Whatever we produce and refine, we should make sure we know there is someone in the alliance that can take a product and make it into a component for a weapons system on the other side—if it's not us. That is the difficulty in all of this. Normally, the market would be the one to coordinate these things, and we're saying that in this situation, the market is not acting optimally, so governments have to intervene.

That's kind of where we're at.

● (46805)

**Viviane Lapointe:** We saw an announcement last week by Chinese Premier Li Qiang, who described a plan to create new regulations to protect access to their resources. It's certainly one way to ensure that a country is facilitating the proper development and utilization of their mineral resources. Would you suggest that Canada take a similar approach to safeguard our mineral resource security—of course, working with trusted allies?

**Heather Exner-Pirot:** I would have to say that it depends on the commodity and the source.

However, in general, I'm very anxious about the trend that we're seeing of countries putting new export restrictions on goods. We're obviously in a fractured geopolitical environment, and critical minerals are being used for leverage. In the last few weeks, Zimbabwe put export restrictions on some of the things it produces. Today, Guinea put export restrictions on bauxite, which is an essential element in aluminum. Everything is going to be more expensive and have increased costs, and everyone is going to be more vulnerable because of this trend.

It's tricky, but Canada—especially working in coordination with Australia—has such tremendous global market-setting power. It might be difficult for Canada to do these things alone, but we could coordinate with Australia and some other trusted allies to make sure that we aren't coercing or restricting exports and that people we have free trade agreements with have access to our commodities and know that we are reliable and not a nation that puts caveats on everything we export.

**The Chair:** That was a great response.

I'm sorry, Ms. Lapointe, but I'm going to Monsieur Savard-Tremblay for two and a half minutes.

[*Translation*]

**Simon-Pierre Savard-Tremblay:** Thank you, Mr. Chair.

Mr. Leuprecht, you also appeared before the Standing Committee on Industry and Technology in November 2025. You said that the federal public service, the Canadian economic ecosystem and research and innovation currently lack the necessary structure to implement this program. You also said that the procedures and policies put in place over the past 30 years served to reduce the size of the Canadian Armed Forces and curb spending. At the time, the document wasn't yet available to the public. Do you stand by your verdict?

**Christian Leuprecht:** It seems that the urgency isn't really there. Following the Prime Minister's famous speech in Davos, I would have expected much more action much more quickly.

I understand that there are certainly political sensitivities within the government caucus. However, take for example the announcement of the Canada impact+ research chairs program. Hardly any research chairs are focusing on defence issues. I could give you a dozen other examples showing a lack of alignment between the government's announcement and the actual work being done at the national level.

**Simon-Pierre Savard-Tremblay:** You're in this industry. Yet you haven't received any word that, even though it hasn't been done yet, it's coming soon.

Has contact been made with the research chairs?

[English]

**Christian Leuprecht:** As we say in English, hope dies last. The situation is desperate, but not hopeless.

[Translation]

Indeed, I hope that the government is changing its approach.

The four of us are saying that it must act much more quickly. If it doesn't, we'll soon end up in a situation where we'll strongly regret not making adjustments. This will have been at the expense of our political and economic sovereignty. We can already see on a daily basis the impact of failing to maintain the instruments of government power to safeguard our sovereignty.

**Simon-Pierre Savard-Tremblay:** The document refers to an 85% increase in federal defence research and development spending. You said that, to date, few research chairs have been contacted. Admittedly, there may well be other laboratories or research institutes outside academia. However, you don't find at all that these investments will lead to an increase in capacity.

**Christian Leuprecht:** It seems that most investments come from the government, so from the Department of National Defence. I'm thinking, for example, of the MINDS program funding. I think that we could do a lot more in the way of collaboration. We need to align the entire research and industrial system with both national objectives and our allies' objectives. We need to defend our democracy and life, security and prosperity, rather than special interests that appeal to professors, researchers or lobby groups.

• (46810)

[English]

**The Chair:** Thank you, Dr. Leuprecht.

Mr. Kibble, we'll go over to you.

**Jeff Kibble:** Thank you, Mr. Chair. My questions are through you.

Mr. Shimooka, you've written extensively on the gap between defence spending and actual capability output. The government announced in March that Canada had hit the NATO 2% target for the first time in decades—partly from the \$9.3-billion injection from the supplementary estimates (A), and partly from the transfer of the unarmed Coast Guard to the Department of National Defence.

NATO has reported that Canada is at 2.01%. However, the Stockholm International Peace Research Institute, the global standard for independent military expenditure reporting, reports Canada is at only 1.6%.

In your view, how much of that supposed 2% reflects actual new capability versus reclassification of pre-existing spending?

**Richard Shimooka:** That's a good question.

I know a significant portion of the increase is related to infrastructure that was desperately needed. A very large component of the Canadian Forces' underlying bases or quarters—which are essential components that ensure the forces are able to operate on a daily basis—required spending. That was highlighted quite close to the end of the reporting period.

There isn't much.... I will say that the potential decision on the Canadian patrol submarine program this year will increase it. The cutting of steel on the River-class destroyer—which, again, has been long planned—will increase it this year, but in the last period, there is not much else that I can think of.

**Jeff Kibble:** That's fair.

DND told Newsweek last August that it “collects data on eligible defence-related spending by [other government departments]”. It reports the consolidated totals to NATO, so DND is the integrator and reporter, with no independent third party verification of what counts.

Is that a problem for Canada's credibility with its allies? Surely, NATO nations and the United States read the SIPRI report, for example.

**Richard Shimooka:** To Dr. Huebert's point earlier, the reality is that some of these metrics don't matter to them as much as what you come to the party with, so to speak, in your capabilities. I've said this line before, and I'll repeat it again. At any one time, the Canadian Armed Forces can only operate around 10 active fighters or fewer, two and a half frigates, maybe a submarine depending on what month it is, 2,200 troops—who are largely within Latvia currently—and our transport fleet.

You saw the comments last week by Department of Defense officials in the United States. I think these comments are made privately by our allies and partners internationally to say that the capabilities we are able to deploy out of the country are very low.

**Jeff Kibble:** That's fair.

In their 2025 statement, the SIPIR singled Canada out by name in saying...misrepresents NATO members' actually acquiring military capability, and it's distorting assessments of the balance of forces. In your view, what does it mean for our credibility when we're, as you're stating, not bringing extra capability to the table? Should that be a concern for us as interpreted by our allies?

**Richard Shimooka:** Yes, and the reality is that it's maybe not misinterpreted; we just didn't spend for 20-plus years. Our capability is so low that our systems.... To take the CF-18s as an example, it's basically going to come up to 50 years by the time they're replaced. It takes inordinate amounts of personnel and resources, all of those sorts of components, to keep them going.

If you look at every single capability set of our forces, that's the reality, except for maybe the army. Even the transport fleets are starting to see the age and wear of really heavy deployments. Compared to our allies, we utilize what we have at a much higher tempo, at a much higher rate, than they do. We deploy expeditionary...and as a result, we run them ragged, and it requires more resources and more capability to keep them going.

**Jeff Kibble:** Thank you.

Dr. Leuprecht, seven days ago, the Under Secretary of War, Mr. Colby, paused the Permanent Joint Board on Defence, which we've used to coordinate our defence with the U.S. since the 1940s.

I have two quick questions for you on that. Mr. Colby's statement specified "gaps between rhetoric and reality" linked directly to the Prime Minister's Davos speech. Is the United States primarily concerned with the dollar level of Canadian defence spending and with the accounting composition of what we report, such as the Coast Guard classification, veterans' benefits and critical minerals, or what it delivers in shared continental defence? In your opinion, did that affect the decision to pause the Permanent Joint Board on Defence?

● (46815)

**Christian Leuprecht:** It reflects a signal from the United States that the United States will act unilaterally. It has for 250 years, in particular when it comes to security in the hemisphere. We can partner with the United States by making the investments necessary to have a sovereign political and economic voice in partnership at eye level with the United States, or we can let our capabilities atrophy, and the United States will do it on its own. It will come at the expense of our sovereignty.

**Jeff Kibble:** Thank you.

**The Chair:** Thank you, Dr. Leuprecht.

Mr. Kibble, thank you as well.

Mr. Malette, it's over to you for five minutes.

**Chris Malette:** Thank you, Mr. Chair.

Professor Leuprecht, further to your observation earlier in your opening statements about the Alabama National Guard, some years ago, I had the opportunity to be at Randolph Air Force Base outside of San Antonio. It's a sprawling Air Force base with acres and acres of nothing but parked military aircraft. It's just spectacular. Some of the Air Force personnel I was with at that time observed that this one parking lot area where we were waiting for a crew bus to come get us....

We had arrived on an H-class C-130 Herc from the Canadian air force, and we were feeling a bit small, if you will, and then in rolled a C-5 Galaxy. It was piloted by the Connecticut Air National Guard. We got on the crew bus and were speaking to the personnel who had "signed it out for the weekend" to fly it down to Texas and enjoy a weekend in San Antonio. They mentioned that they can do that on a weekend. Our air force personnel were looking at them all and then looking at this sprawling... I said to the chap from the Connecticut Air National Guard, "We in Canada don't have an air force that's this big." He said, "Right here, we're looking at your national health care system pretty much parked on this runway." However you look at that, I would think you can take that....

My question for you is, how can the DIS ensure that regions like mine in the Bay of Quinte with strong manufacturing and skilled trades can participate in defence supply chains and benefit from these investments? How can the DIS, in your view, better integrate mid-size regional manufacturers into the defence supply chains rather than concentrating opportunities among large prime contractors?

**Christian Leuprecht:** That's a great question. I think it's a question that many MPs are asking and many Canadians are asking, especially the Canadians who don't have the privilege of living in large, affluent urban centres, as you know. Being from Kingston, I know and appreciate the region well.

There are two take-aways for me here. One is that everything we do needs to have a dual use and outcome, because we need to show Canadians that there's concrete value in these investments for them so that we don't lose them, and we need to make it sustainable, because the environment and technology will change, and we need to have both the defence side and the civilian side.

I want to go back to my opening statement and my idea of having an expert commission that trades off political, fiscal, defence and economic priorities among different regions of this country, especially given what's going on in some of the provinces. The fiscal policies of three of the provinces in particular are going to create huge problems for the federal government. Can we use some of the leverage with defence investments to achieve positive-sum outcomes across the spectrum in Canada?

**Chris Malette:** Thank you very much, Professor.

My next question is for Ms. Exner-Pirot.

How important is resilient local infrastructure, including transportation, electricity and fuel systems, to sustaining operational readiness at bases? I always refer to CFB Trenton, in my riding, but I am asking about other areas as well in light of your observations and comments regarding China, for instance, which is always one step ahead of us in that regard.

• (46820)

**Heather Exner-Pirot:** It's a great question. I'm not sure I'll answer in the way you intended.

If we look at what's been happening in Ukraine and the Middle East, after military facilities, the biggest targets are energy facilities. It's obvious that these are essential to society. If you disrupt them, it has a tremendous economic and civilian cost. They're attractive targets.

I'm delivering a lecture to DND next week, actually, on what the critical mineral- and energy-producing regions and assets are, and not just the mines and basins, but also the processing facilities. Some of them are single points of failure-ish, and we need to think about protecting certain sites. Obviously, it's not something we've had to think about in Canada for 60 years—if ever—but it's certainly something we have to think about now.

To get to your point, cyber-attacks are happening on these facilities and in this infrastructure every single day. Some of that is ransomware and malware, and some of it is state-sponsored. Companies are certainly taking proactive approaches.

Cyber command is taking proactive approaches, but it is very clear that this is another front, and that for Canada in particular, damaging our critical mineral and energy facilities would be a huge boon to our adversaries.

**The Chair:** Thank you very much to both of you.

Mr. Bezan, we'll go over to you for five minutes, sir.

**James Bezan:** Thank you, Mr. Chair.

I want to thank our witnesses for coming in. It's great to have this type of expertise at the committee.

I want to try to keep things tight, knowing that I only have five minutes.

This question is for Professor Leuprecht, Professor Huebert and Mr. Shimooka.

When you look at the defence industrial strategy and when we talk about what's happening in other countries, are there other ex-

amples we should be following to make sure we have an evergreen policy that's adjusting to the times we're in?

Christian, you can lead off on that. Just keep it as tight as possible.

**Christian Leuprecht:** Let's start with rebuilding the capability we axed 25 years ago in the Department of National Defence so we actually know where everything is—all of the resources and all of the industrial and technological capability we have in the country. That might be a good start. Somewhere between DND and ISED, that needs to be a priority.

**James Bezan:** Are you saying that everything should be coming back under DND?

**Christian Leuprecht:** No, but somebody needs to have the mandate of figuring out what we actually have.

In light of my colleague's point, if we had to scale and had to scale quickly, currently we'd be running around trying to figure out where everything is. We have no national inventory in this country. We made a political decision to axe it. It was part of the cuts, part of many cuts, and here's an opportunity—I think urgently—to at least know what we can deliver.

**James Bezan:** Okay.

Professor Huebert is next.

**Robert Huebert:** To build on Christian's point, we have to return to where we were in terms of having an independent capability of understanding. That goes back to the security and defence forum, which DND also axed at about the same time, because beyond what DND was able to provide in terms of knowing where we were, that is where you create the ability to catch the shortfalls and to make sure that it is evergreen.

I'll give you an example. The only outside process the government has for understanding the defence industry right now is the Triple Helix, which is a three-year MINDS grant within DND. Think about it. Within Canada, we have one grouping of expertise that is looking at it, and they have to get renewed. They have one year to do something meaningful, and then in the third year, they're preparing to get renewed on it. That's it.

If you want that evergreen capability, make sure you are getting the outside people who may be critical of government, be it Liberal or Conservative—to follow what Christian is saying—so we have that information and can look at it and say, “This is where it's right.”

**James Bezan:** Mr. Shimooka.

**Richard Shimooka:** If we look at Canada itself, our policy-making system is poor. We don't have a clear statement of what our national security goals are, what the military strategy is and what our national defence requirements are for a defence industrial base. Because of that, right now we have a defence industrial strategy without a current national security strategy, as the Prime Minister has said in other times.

If you don't have that clear demand signal that creates stuff, as Dr. Leuprecht said, like understanding what's out there in defence, you don't understand the means to the ends, and as a result, you don't have the right outcomes. That makes it really difficult for industry to know what we need to build and what the requirements are, and also for the military to say, "These are the things we want to do. What can go to industry?"

It makes for a very poor policy-making process that doesn't get the required outcomes and doesn't have the continued regeneration of what's necessary within the industrial base.

● (46825)

**James Bezan:** Let's move on to the next part.

We were talking about whether there's a proper road map to how we get to 3.5%. Kevin Page, the former parliamentary budget officer, was in the news over the weekend talking about the lack of transparency. We are talking about what the priorities are. We can talk about finally replacing the CF-18s and buying the F-35s. We can talk about finally replacing the Victoria-class submarines. Where's the rest of the kit?

We talk about lethality and capability, but right now, we seem to be building more bureaucracy around things like BOREALIS and the Defence Investment Agency. The whole idea of ITBs just creates more bureaucracy and cost to the taxpayer.

Where's the transparency? Where do we need to go on the road map side to meet the priorities we have on deterrence, continental security and being a reliable ally?

Again, we'll start with Professor Leuprecht.

**Christian Leuprecht:** You'll probably have seen my comments in the national media in recent days. It starts with aligning our policies and our processes. You could give National Defence all the money in the world and we wouldn't have been under the current circumstances. We need to recalibrate the risk calculus. We can't have all the political, financial and reputational risks constantly resting on the Canadian Armed Forces.

We can have all the accountability in the world. I would say we actually have too much accountability for the environment in which we're trying to get things done. It is seriously hampering our ability to deliver.

**James Bezan:** Thank you.

**The Chair:** Thank you.

Ms. Idlout, it's over to you for five minutes.

**Lori Idlout:** *Qujannamiik, Iksivautaq.* Thank you, Mr. Chair.

I've been listening quite intently to the testimony shared with us by all the witnesses.

I'll be asking Heather a question, but before I do that, I just want to acknowledge how grateful I am that while I was back home in Nunavut, during a couple of meetings that I participated in with non-profit organizations—including the Nunavut Association of Municipalities, the Nunavut Economic Developers Association and institutions of public government in Nunavut that are in charge of the environmental assessment process—there was great information shared by CSIS and the Canadian Armed Forces. If I had not heard them share the great systems that Canada has, the way that Canada is sovereign and the way that Canada is protected, I'd be very confused right now in listening to what I'm hearing.

Thankfully, because of the information shared with us, I felt very comfortable sharing with my constituents in Nunavut that we have such an entrenched system within the Canadian Armed Forces that I feel secure in the Arctic and in Canada. We need to maintain that. We need to keep focusing, of course, on strengthening the defence industry and our economy, and making sure that the decisions we are making are based on informed decision-making.

I agree with increasing research in the defence sector. This is quite informative—what we're hearing—and I just want to acknowledge the great work that CSIS and the Canadian Armed Forces are doing to help make sure that we remain a sovereign country—to keep our Arctic secure, anyway.

Heather, when you were talking about one of the gaps that Canada has, you mentioned that one thing that needs to happen is the refining and processing of minerals within Canada. I'm curious to understand, from your point of view, whether you think Canada has the capabilities to do that.

● (46830)

**Heather Exner-Pirot:** That's a great question.

We refine and process quite a bit of minerals, and a lot of this was started during World War I and World War II when we developed these capabilities. I think of the Trail refining complex that Teck uses in B.C.; Vale's refining complex in Sudbury, mostly built on nickel; the aluminum-refining process that Rio Tinto does in Quebec; and what Vale does in Labrador. We have several pockets of globally competitive, globally important refining.

On processing uranium, obviously that's the one where I think there's a single risk of failure. Some of the fabrication and conversion facilities we have in Ontario that serve the entire continent.... We certainly have the research and manufacturing capacity.

Again, the missing piece is that we are becoming increasingly economically uncompetitive with China. China does have cheaper energy, cheaper labour, lower environmental standards, and scale within its own country. Canada will mostly always be exporting these goods. We're only 40 million people, and our manufacturing base is relatively small. China can scale at a rate that Canada can't compete with. We can only compete in conjunction with the United States.

Certainly, we can and should increase, but in some cases, we will need cheaper electricity and more flexible environmental standards to make us competitive in global markets.

**Lori Idlout:** *Qujannamiik.*

I'm not sure which witness I should ask this next question, but maybe I'll go to Mr. Shimooka on the screen.

With the drone innovation hub that will be established and with the development of drone technologies, we need to make sure there's the creation of a coordinated national ecosystem that connects government, industry, academia and of course the private sector.

Do you think advanced technology can help equip the Canadian Armed Forces in this key area?

**Richard Shimooka:** It's absolutely—

**The Chair:** Thank you very much.

**Richard Shimooka:** I'm sorry.

**The Chair:** I appreciate that.

Monsieur Savard-Tremblay.

[*Translation*]

**Simon-Pierre Savard-Tremblay:** Mr. Shimooka, you said that the industrial strategy was a defence spending strategy, rather than a real defence industrial strategy. You said that a real strategy should be based on threats, needs and the capabilities required to fight. Does the strategy correctly identify these components at this time?

[*English*]

**Richard Shimooka:** I think it does so in a very roundabout sort of way. The fact that you have a defence industrial strategy before you have a national security strategy illustrates that. It talks about some of these areas, such as drones and all of that, and it highlights some of the tasks.

If I can make a comparison, I would look at either the United Kingdom's or the United States' 2024 defence industrial strategy. They make it very clear what tasks need to be done, what industry has to provide and the ways to do so. If you compare those documents to our document, they are very different. A clear identification is made of what those requirements are for the future warfighting effort or the future provision of security.

That's not what this document is. Clearly, this is a first step, to some degree. If you talk to many senior officials, I think they will admit that the future ones may have that, but the current document does not. It does so in a very indirect manner.

[*Translation*]

**Simon-Pierre Savard-Tremblay:** You also criticized the 70% Canadian procurement target. Why did you say that it was arbitrary?

[*English*]

**Richard Shimooka:** Absolutely. As with any other area of advanced economic activity in our country, there's never going to be an autarchy of defence. We're not going to build the full stack, as it's said, of industrial activity to produce some of these goods. We're not going to produce the computer chips in Canada for the most part.

The reality is that hitting 70%, depending on how you do the accounting, is possible. I really don't think in real practice that that's the case, and frankly, I don't think that's a good industrial policy, because if you think about it, wartime production requires producing something at very large, massive scales. You want to have interoperability with your allies. You want to ensure that everybody can utilize this industrial base and that we will have enough capacity. Trying to build very specific Canadian industries that are utilized by only our forces is not a clever wartime policy whatsoever, and it's ahistorical.

● (46835)

**The Chair:** Thank you, Mr. Shimooka.

Thank you, Monsieur Savard-Tremblay.

Mr. Bezan, it's back to you for five minutes.

**James Bezan:** Thank you, Mr. Chair.

I want to continue with the road map of where we should go.

Professor Huebert, you said at the Battle of the Atlantic reception that was held here in Ottawa a few weeks ago that right now, the world is in 1913. It's 1938. You're saying we're on the cusp of war. I think Professor Leuprecht alluded to that as well. We need to build fast and we need to build now.

How much sovereign capability do we need in the defence industrial complex versus what we can get off the shelf, and what we can deliver in kinetic capabilities to the Canadian Armed Forces in a timely manner if that's the timeline we're working on?

**Robert Huebert:** If I was making the decision, I wouldn't be asking how much should be sovereign and how much should be off the shelf. The question I'd be asking is how much we need in conjunction with our friends and allies to deter this 1913 or 1938.... How much do we need if we are forced to fight?

We get away from that number. We get away from this so-called sovereignty, because a war, if it comes, immediately blurs any lines of sovereignty. We will not be doing it by ourselves. We will be doing it in conjunction with those friends and allies we are engaged with, so it becomes a new question. The new questions are, do we have that capability to convince our friends and allies that we are serious, do we have the ability to add to the sum to deter and do we have the capability to then fight? Those become the important questions.

How we get there is a political and economic question. I know it is very important to the government, but it doesn't get to the heart of how we defend Canada.

**James Bezan:** Professor Leuprecht, if that's the timeline we're working on, the NATO construct—the metric of 2% or 3.5%—means nothing, because we'll be blowing by that as we need to build at lightning speed right now.

**Christian Leuprecht:** We need a common threat perception in this country. It's the job of all parliamentarians to convey to Canadians that we live in a very different and very dangerous world. Look at my three children, who grew up in 30 years of peacetime. We have an entire generation of Canadians who don't think about the dangers of the world that we ultimately face.

**The Chair:** There's no interpretation. Can we check, please?

[*Translation*]

**Christian Leuprecht:** I can repeat my comments in French, if you like.

**Simon-Pierre Savard-Tremblay:** You can continue in the language of your choice. That's your right. I just want to make sure that we have all the information in both languages, of course.

[*English*]

**Christian Leuprecht:** We missed the opportunities. If not from Canada or Australia, where are our allies and partners going to get their critical minerals and their rare earths?

They're by and large not particularly friendly regimes. We are very concerned about their general approaches to the world, their human rights records and so forth, so here's an opportunity to work together and for Canadians and parliamentarians to imagine the world we want to live in five, 10 and 20 years from now.

To that effect, we need to stop talking about defence first and foremost. We need to start talking about deterrence. Ultimately, I don't think we want to defend anything, because Canada, first and foremost, knows the cost of having to defend not just our country but our European allies. Let's invest in preventing the sort of calamity, the sort of whale, that is coming at us.

**The Chair:** We have bells ringing. I need unanimous consent around the table to allow us to continue the proceedings before the vote.

**James Bezan:** I say we go right to the top of the hour.

**The Chair:** Right. I think the vote is going to be around 1:07.

Okay, we'll proceed.

**James Bezan:** I'll continue, Mr. Chair.

On deterrence, to what Professor Leuprecht and Professor Huebert are saying, what are the priorities for the deterrence investments we need to make? Using our critical minerals and energy as leverage is a great strategy. That's something we've been talking about as Conservatives. What are the investments we need to make to ensure we have capability and deterrence?

• (46840)

**Christian Leuprecht:** Don't just think about military investments. What we're building in terms of the Canadian-European defence industrial capability is defence in depth. If there's conflict in Europe, where are we going to produce things? Who has the energy and the capacities? Why are we buying submarines? If there's conflict, we're going to need to protect our sea-lanes of communication with Europe and with the Indo-Pacific. That's what we're ultimately investing in.

I'll leave it there.

**James Bezan:** Professor Huebert, do you want to add to that?

**Robert Huebert:** This is the important thing: We haven't even thought about the context of which wars we would actually involve ourselves in. The Russian invasion of Poland or the Baltics seems to be the growing scenario that many people are thinking of, particularly in the context of Trump really destabilizing the NATO alliance. That one we can understand, but nobody has talked about what Canada would do in the event of a Chinese invasion of Taiwan that then spills over into an attack on both South Korea and Japan. Would Canada involve itself? If it involves itself, what does that look like? Does anyone have any clue on that?

We need to be thinking in terms of the types of threats. We need to be thinking in terms of the types of wars. We need to be thinking about the wars that we haven't thought about. That's the one that is so hard to figure out at this point.

**James Bezan:** Mr. Shimooka, do you want to add to that?

**Richard Shimooka:** We're thinking of it in terms of the defence industrial strategy. I'm a little wary of being very hard and having very strong policies that commit us to one or another. You can just as easily posit scenarios where a government changes in Europe—in France, Germany or wherever—and may not be as amenable to providing arms in a scenario where we're fighting against China. It may not want to provide or sustain support. What's really critical, if we're thinking about a defence industrial strategy in this future scenario, is that we have to have an agile and effective understanding of what we need for operations, and go from there.

Specifically on deterrence, one of the areas the Canadian Armed Forces is deficient in and has not highly prioritized is the ability to do long-range strikes. One of the submarine options on the table has the ability to undertake that. I think the River-class destroyers will have that.

We really need to assess the requirement for long-range missiles that allow us to attack targets deep within a foreign adversary, because we cannot provide defence for every single possible scenario and capability being developed out there. Having the ability to turn around and affect another state that is fighting against us is critical. You see this happening in Japan. You see this in South Korea as well. These are countries that largely would be considered pacifists yet are acquiring long-range cruise missiles and long-range ballistic missiles.

**The Chair:** Thank you, Dr. Shimooka.

I'm sensitive to the time.

Mr. Earle, we have you for five minutes, sir.

**Philip Earle:** Thank you.

I appreciate the testimony. I'm new to this committee, and I must say the testimony is forthright. I'm learning some things. There's always room to learn, and I appreciate it.

I'm going to direct my first question to you, Mr. Leuprecht. I'll capsule it, as I like to do, in what I heard.

I heard at the beginning of your testimony a comparison of the size of the CAF to that of a certain division of the U.S. military, the population of the United States compared to that of Canada and the size of their economy compared to Canada's, but your comments were impactful. I'll say that to you. Later in your testimony, you talked about the importance of relying on Europe. I'd qualify it to be reciprocity, where we would do things with them along the lines of critical minerals and they would do things for us—allies and friends.

Could you talk to us in a bit more detail about what you actually meant by that particular comment?

**Christian Leuprecht:** This is a very dangerous time for Canadian sovereignty. I'm spending a lot of time in Europe working with European colleagues on various defence issues. There's a lot of anticipation and expectation in terms of what Canada can and will deliver for Europe.

On all the things we've talked about, in particular supply chain security and the like, the risk is that if Canada does not deliver, Europe is big enough to figure out a way to go it alone and get it from elsewhere. That means Canada would lose its most important ally, in terms of partnering with Europe, to offset the vagaries of U.S. unilateralism, which we have used Europe to counterbalance for 100 years. The risk here is that we will find ourselves very isolated in the world, with very few friends and partners because nobody takes us seriously in terms of the commitments we make, and our only option will be to draw even closer to the United States.

This is very much about investing in a strategy that indeed balances our commitments and our friends, but the most important point of counterbalance is ultimately with Europe. You also heard

the third option. This is going back to 1971. We need to figure out the relationship with Europe, if we think we've become too interdependent on the U.S. Certainly, our European allies all believe they've become too interdependent on the United States as well.

Look, for instance, at technology, and look at the payoff it can yield. Between 23% and 25% of U.S. GDP is generated by high tech. In Canada, it's under 6%. In Europe, it's 9%. These investments are about upping our game in terms of our national prosperity. We can directly track when we started to divest from defence in this country and how that correlates with our national prosperity and GDP.

● (46845)

**Philip Earle:** Thank you. I appreciate you giving us the thesis of the complication of where we are. I think we all know—we hear it so often—that geography has made us neighbours with the United States and has made us strong allies.

You talked about the importance of the relationship with Europe. Can you go a little deeper for us—as it relates to the DIS in particular, because that's really what we're studying—into the strategies we can employ that would bring us closer in our relationship with the Europeans? Is some of that similar to the strategy that we had with the United States, notwithstanding geography?

**Christian Leuprecht:** At the end of World War II, we decided... Look, only one country in North America was there at the beginning of World War I and World War II, so it's not unusual for the United States to be a little late to the party. What would the world have looked like if Canada hadn't helped to hold down that island off the coast of Europe from which we ultimately launched the D-Day invasion? This is how we played ahead. We decided that the world we had in the first half of the 20th century was not the world we wanted to live in. We invested in the instruments of statecraft, in international institutions and in building a prosperous, stable and secure post-World War II system.

That strategy was so successful that it has made North America the most secure, prosperous and stable continent that history has ever known. It's no wonder so many people from around the world want to come here. What I'm worried about is that as Canadians, we have lost our way and our vision for how we got to the country we have today, and how we make sure we sustain the country we all love and that so much of the world adores.

**Philip Earle:** Thank you.

At the risk of sounding contentious, I just want to say not to forget Newfoundland—I'm a proud Newfoundlander and Labradorian—and our great contribution during that as our own independent country.

**The Chair:** That's well said, Mr. Earle.

Mr. Kibble, you have a few minutes as well.

**Jeff Kibble:** Thank you, Mr. Chair.

I'll throw this out to the panel.

While we have no national security plan, the defence industrial strategy and the Defence Investment Agency are multidecade constructs. Between February 28 and last Thursday—roughly 80 days—the Iran war began, the Strait of Hormuz closed, the defence minister said that Canada will contribute to Hormuz, the United States paused the Permanent Joint Board on Defence, a Russian ambassador threatened Latvia at the Security Council, and an internal email asked CAF personnel in Ottawa to hand back fragmentation vests because there's not enough equipment to go around.

In addressing the immediate changes over the last 80 days, do the government's current plans, interactions, actions or leadership indicate that we will see acceleration in the next 80 days?

We'll start with Mr. Leuprecht, and then work around the room if time allows.

**Christian Leuprecht:** We live in an outdated mode of understanding of war. We live in a world at war and at conflict, but we understand it as just a black and white dyadic structure, as opposed to our adversaries engaging in cognitive warfare against us every day. My colleague Heather Exner-Pirot pointed out the challenge we have in the cyber and hybrid domains. The disruption of critical underwater sea cables, including to Canada and in our own waters by our adversaries, is—

• (46850)

**Jeff Kibble:** I'm sorry to cut you off, but I want to give everyone the opportunity to speak, if that's all right. I appreciate your comment.

Mr. Shimooka.

**Richard Shimooka:** I would argue that current defence policies are rooted in 2017, frankly. I could go on for many hours.

On top of this, the reality is that if you look at the development of technological capabilities occurring among our allies—the United States, NATO or whoever—it is absolutely clear that there are completely new processes and approaches. We are not even scratching the surface of this.

We really need to move forward. We're talking about drones and unmanned undersea or surface vehicles—all of that. We have not started. We are only on the very cusp of it.

**Jeff Kibble:** Thank you. I wish we had hours to discuss this important topic.

Mr. Huebert.

**Robert Huebert:** I will just go to pillar IV of the defence industrial strategy, which is on the protection of supply routes. What is Canada's policy? This goes to your example of the Strait of Hormuz. How are we keeping the supply strategy of oil? In other words, do we have a plan? Are we passive? Do we just sit back and let the price of oil approach two dollars a litre? We don't have anything on that.

That illustrates your point. We have these new forms of conflict. We have these events occurring. We have this industrial strategy that has a very specific pillar on resupply and supply change. When the war is occurring in this form—and I agree that we've been at war for a very long time—what's our strategy? Do we have a plan, or are we passively waiting for the Americans and Iranians?

**Jeff Kibble:** Thank you. I agree that we're seeing absolutely no plans.

If Mr. Chair will allow one more quick answer—

**The Chair:** I want to give Ms. Romanado an opportunity.

**Jeff Kibble:** —I want to give Ms. Exner-Pirot an opportunity.

**The Chair:** Absolutely.

Ms. Exner-Pirot.

**Heather Exner-Pirot:** I'll go quickly.

We're coming into the upswing of the commodity cycle. That means we're very close to scarcity. A lot of minerals now need to be replenished. We do not have enough in the pipeline. We have not had enough exploration. We have not had enough discoveries. Everything is going to get more expensive. That will be inflationary. That will tax defence industrial strategies and, generally, economic aspirations across the planet.

Canada is in a unique position. We can contribute to some of this not only for defence but also for economies. The faster we can build, the less pain the rest of the world will be feeling.

**Jeff Kibble:** Thank you.

**The Chair:** Thank you, Mr. Kibble.

I have some housekeeping issues.

Ms. Romanado, you have one question, or maybe two, so we can make up some time.

**Sherry Romanado:** Thank you, Chair.

I'd like to thank the witnesses for being here today.

I would be remiss not to mention that today is Memorial Day in the United States, honouring the brave men and women who serve their country. We have over 700 Canadians currently posted in the United States, and we work shoulder to shoulder with our colleagues and allies through NORAD in the defence of North America. I'll just a comment on that.

I'll start with Professor Leuprecht.

You asked, how does this help Canada to deter and how does this help Canada fight? We heard today about the urgency in a wartime footing and so on and so forth, but if we were to look at where Canadians were even two or three years ago, I don't think Canadians were prepared for Canada to invest 2% of GDP. That has changed, obviously, with geopolitical realities around the world. We need to take politics out of this, and I think all of the people at this committee are in agreement that we need to increase our defence spending. We need to make sure that the Canadian Armed Forces have the equipment they need.

How do we help Canadians understand the realities we are facing with that urgency you're mentioning? I know that Professor Huebert mentioned the same thing. I'll ask both of you this: How do we get Canadians where we need them to be so they can see that the urgency you're referring to is real and we need to move quickly?

**Christian Leuprecht:** It's a terrific question.

My pitch to you and to all of your colleagues here is that we need to change the narrative. Look at our colleagues in Norway. They're not exporting oil and gas. They're not investing in defence. What are they telling their people? What are they telling their colleagues in Europe? What are they telling the world? They're investing in stability, in prosperity and in reliability.

• (46855)

**Sherry Romanado:** Professor Huebert, would you like to comment on that?

**Robert Huebert:** I'd like to. I think it's a great question.

One thing to start with is that we have the capabilities to do this. Remember that the Russian GDP from 2000 and 2002 was roughly the same as Canada's. Now, I'm not saying that we're going to make the same decisions as the Russians are. They have 22 northern bases. We, of course, just shut down Nanisivik.

What we need is direction from a bipartisan...from our political elites. When we hide from Canadians what our peace enforcers were doing in the Medak Pocket, the Canadian public has no way of appreciating that peacekeeping as we knew it had transformed itself. When we shared what Canadians were doing, and when casualties were inflicted in Afghanistan, look at the outpouring of support for Canadian Forces personnel. How political elites handled the Medak Pocket and those four casualties demonstrates that the Canadian public will respond. It needs leadership, but it will respond. There's no question in my mind.

Remember, Russia had the same GDP as ours and is now doing what they are doing. We're addressing these issues now.

**Sherry Romanado:** Thank you so much.

I think that is the reality. That is the purpose of the Defence Investment Agency and the defence industrial strategy. It's to engage Canadian industry and workers to understand the real risks we're facing and to show how we're going to get where we need to go.

With that, I know the chair is going to look at me and ask me to wrap up. Thank you so much.

Professor Exner-Pirot, I'm looking forward to seeing that paper when it's published on June 4. Thank you.

**The Chair:** Thank you, colleagues, for your rounds of questions.

Thank you to the witnesses as well for your informed discussions and presentations.

I have some housekeeping, folks, before we adjourn.

Is it agreed that the proposed budget in the amount of \$32,400 for the study of the impact of the defence industrial strategy be adopted?

**Some hon. members:** Agreed.

**The Chair:** Thank you.

A number of informal meetings have been brought to our attention. I believe there are two tomorrow. There have been some new requests.

Clerk, can you please advise the committee?

**The Clerk of the Committee (Jean-Denis Kusion):** We have received two new requests.

One is for Thursday morning, from 8:30 to 9:30, with a delegation of the Ministry of Defence of Ukraine.

There's another one right after that, from 10:15 to 11:15. It would be a joint meeting, with the industry committee, with the head of the Bavarian State Chancellery.

**The Chair:** Mr. Bezan.

**James Bezan:** CANSEC is on. A number of us already have commitments to be at CANSEC on Thursday morning.

Those ones are going to be next to impossible.

**The Chair:** I understand, and I know there are a few happening tomorrow as well. There's a European one, and Estonia is coming as well.

**James Bezan:** I have to change my calendar to accommodate those.

**The Chair:** I'm not sure who around the table would be able to attend. I'll try to make it to my meetings—the ones tomorrow. I can try to make the 8:30 meeting, as well, on Ukraine.

Yes, Ms. Romanado.

**Sherry Romanado:** On that note, as Mr. Bezan mentioned, with CANSEC happening right now, I don't know about all.... I assume we're all getting the same number of demands for our time.

I'm not sure what the plan is for Wednesday's meeting. Maybe we could talk about that.

**The Chair:** I've informally discussed this with Mr. Bezan and you already. We have a number of witnesses already lined up for Wednesday. If it's the will of the committee, we can certainly postpone it, but I'm also sensitive to the limited time we have in this session.

**James Bezan:** I'm fine making it back in time for committee.

**The Chair:** You'll be back. Okay. Then our Wednesday meeting will proceed.

I know that the clerk has talked to all of you, and I think he's received the number of individuals who will be participating in our trip to NORAD and to the Northwest Territories.

I know a number of you are thinking about using the MOB to try to make those travels. Be sensitive about the travel arrangements with the clerk because there's limited space on the bus.

**James Bezan:** I'll be there.

**The Chair:** Let's confirm exactly who will be attending and what size bus we will need. Then, of course, the accommodations will have to be cleared ahead of time because there may be conflicts. I don't want anybody to be disappointed, so let's make sure we have that understood.

Yes, Mr. Bezan.

**James Bezan:** I'd like to move a very quick motion. I know we're short on time and have to vote, but it's a motion on committee business. I move:

That, in its study of the North American Aerospace Defense Command (NORAD) modernization, the committee travel to 1 Canadian Air Division at 17 Wing in Winnipeg to look at NORAD Canadian-region operations.

• (46900)

**The Chair:** We're not doing Winnipeg on this leg.

**James Bezan:** It's not on it.

**The Chair:** There was supposed to be a subsequent meeting, and as you know, it was whipped forward. We have yet to have that approved. Do we need a motion? It's already in play.

**James Bezan:** Is it in play? I think we need a separate motion. We can't add it on.

**The Clerk:** I'd say the motion is still valid. It would need to be resubmitted to the Liaison Committee to get approval.

**James Bezan:** That's right, so that's what I'm doing right now.

**The Chair:** All right. The motion is presented.

Is there any debate? Nothing is necessary. That's fine.

**James Bezan:** Are all in favour?

**The Chair:** Are all in favour?

(Motion agreed to)

**The Chair:** To the witnesses, once again, thank you very much.

This meeting is now adjourned.

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