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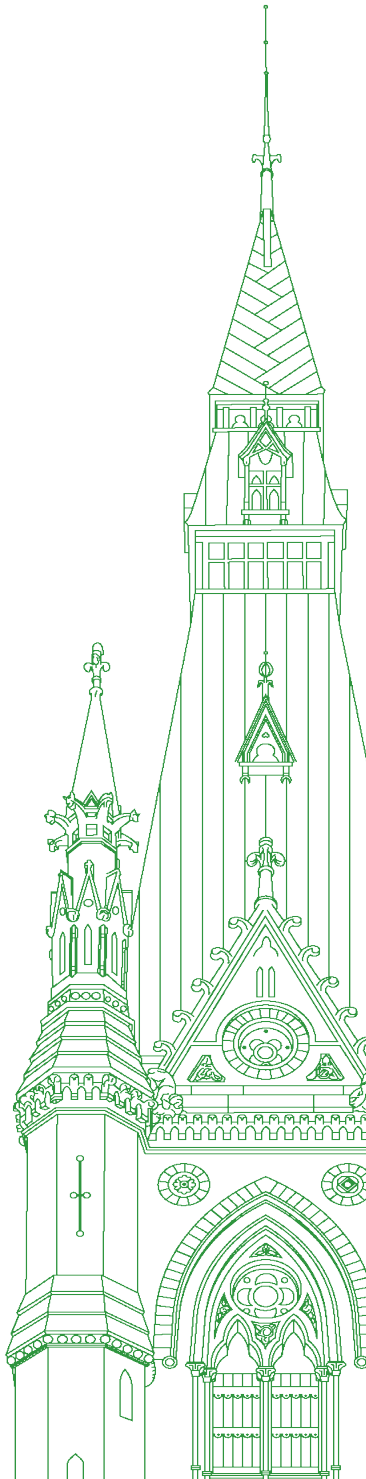

Chair: Charles Sousa

Standing Committee on National Defence

Monday, October 5, 2026

● (1530)

[*English*]

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

Welcome to meeting number 44 of the House of Commons Standing Committee on National Defence. Pursuant to Standing Order 108(2) and the motions adopted by the committee on November 20, 2025, and February 23, 2026, the committee is meeting to study two reports from the Parliamentary Budget Officer, entitled “Planned Capital Spending under Canada’s Defence Policy: 2025 Update” and “Fiscal Implications of Meeting NATO’s 5% Commitment”.

Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders. Some members are attending in person. Some members are attending remotely using the Zoom application.

Before we begin, I would ask participants to consult the guidelines on the table. These measures help prevent audio feedback incidents and safeguard our interpreters. As a reminder, I'd ask you to please wait until I recognize you by name before speaking. For interpretation, use your earpiece and select the appropriate channel.

I would now like to welcome our witnesses.

From the Office of the Parliamentary Budget Officer, we have Annette Ryan, Parliamentary Budget Officer; Madanmohan Ghosh, senior adviser; Albert Kho, senior analyst; and Christopher Penney, adviser-analyst.

We'll proceed with an opening statement of up to five minutes.

It's over to you, Ms. Ryan.

Annette Ryan (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Thank you very much, Mr. Chair.

Mr. Chair, Mr. Vice-Chair and distinguished committee members, good afternoon. Thank you for inviting us to appear before you today to discuss the parliamentary budget office's work on defence spending.

In accordance with the PBO's legislative mandate, my office provides impartial, independent analysis to support parliamentarians to hold the government to account for its overall spending plan, specific programs within that plan and the impact on the Canadian economy.

The two reports before the committee today, published in October 2025 and February 2026, examined specific aspects of Canada's commitment to increase total defence spending to 4% of GDP by 2030, rising to NATO's 5% target by 2035. The scale of this increase cannot be overstated and will require close parliamentary scrutiny and oversight.

● (1535)

[*Translation*]

Let me now give you an idea of the breadth of these commitments and clarify a few important definitions.

First, the commitments of 4% and 5% of GDP made to NATO include a component of up to 1.5% of GDP for ancillary defence and security-related spending, a level that Canada is already at. Therefore, the real target to achieve concerns core defence spending. It must increase from 2% of GDP today to 2.5% by 2030 and to 3.5% by 2035.

[*English*]

Second, it is important to note that NATO measures defence spending on a cash basis, while the Government of Canada's budget is presented on an accrual basis. More recent analysis by the parliamentary budget office indicates that the difference between the cash and the accrual impact of increased defence spending could be upwards of 30% per year during this period of rapid investment. In other words, borrowing requirements for these measures could be 30% higher than recorded in relevant deficits.

How much money is this? Based on our June 2026 economic and fiscal projections, PBO estimates that current core defence spending on a cash basis will be about $75 billion and approximately $50 billion on an accrual basis in 2026-27. This represents core defence spending of 2.2% of GDP.

Staying with cash, we estimate that $96 billion would be needed to meet the 2.5% core spending target in 2030-31, and $164 billion would need to be spent to reach the 3.5% NATO core spending target in fiscal year 2035-36.

[*Translation*]

Since the report the committee is considering today was published in February, my office has continued its work to better understand what the NATO commitments mean for Canada in financial and economic terms, as well as in terms of programs and procurement. Tomorrow, we will publish a backgrounder on defence that will provide parliamentarians with an updated overview of this constantly evolving situation.

We look forward to your questions.

[*English*]

The Chair: Thank you very much.

We will now have a six-minute round. We're going to begin with Mr. Kibble.

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

Thank you, Madame Ryan, for your report. I very much appreciate your statement on holding the government to account. I hope that is what we can do here today. It's very important.

You said the government has already met the 2% spending for this year. I was wondering whether you could tell me, what share of achieving that 2% included Coast Guard spending?

Annette Ryan: I'm going to turn to one of my colleagues, either Chris or Albert, who is closer to that.

Go ahead, Chris.

Christopher Penney (Advisor-Analyst, Office of the Parliamentary Budget Officer): I can confirm that we have received a remit from National Defence on a breakdown of their spending. We cannot, however, report the constituent elements publicly, in terms of what is given to us. We can use it as part of our modelling, but we cannot report what the constituent elements are and how much they represent.

Jeff Kibble: Just to clarify, you use it for modelling, Madame Ryan, but you're not able to share how much of that was Coast Guard spending.

Annette Ryan: According to Chris, no, not at this point.

Chris, can you speak to when that would become public?

Christopher Penney: We could make a request to National Defence to have—

Jeff Kibble: It would be wonderful if you could table that information.

Knowing that you've not counted this, are you aware of the definition? Madame Ryan, do you just accept the numbers government gives you, or do you verify that they meet NATO requirements for that spending?

Annette Ryan: Thank you.

I will say two things. First of all, we have included the relevant figures in our estimations and updates. In terms of the second element, which is.... I apologize. I should have taken a note on your second question. Could I ask...?

Jeff Kibble: Do you factor in NATO's actual requirements, or do you accept what the government says in terms of the amount that they've calculated?

Annette Ryan: No, we examine the remits, the accounting and the statements that the government provides to NATO. We carefully crosswalk against exactly those definitions and exactly that reporting.

Jeff Kibble: Thank you.

Are you aware of what the NATO definitions are for a coast guard, in terms of qualifying for spending?

Christopher Penney: Broadly, we understand that under the NATO definition, with the move of Coast Guard to National Defence, the vast majority of such spending, accounting for Coast Guard, would then be counted as NATO core defence spending.

I believe my colleague Albert Kho has a bit more context to add on that, if you'd prefer.

Jeff Kibble: Before that, I would like to read out the NATO definition that you said you're reconciling the Coast Guard spending against. It is:

> ...only in proportion to the forces that are trained in military tactics, are equipped as a military force, can operate under direct military authority [and in] operations, and can, realistically, be deployed outside national territory in support of a military force.

I contend that the Coast Guard, for all the wonderful work it does, does not meet that definition, so I wonder why, in your accounting, you are including that spending. There are other items, as well, that do not meet the definition of NATO spending. How is it that we have 2% when large portions do not even meet it? Why don't you reconcile those numbers?

● (1540)

Annette Ryan: I would offer that we're working very hard to make sure we distinguish the spending that gets counted according to the NATO rules versus what gets counted in the Canadian public accounts.

Albert, do you want to give some of the nuance of what is in each measure?

Albert Kho (Senior Analyst, Office of the Parliamentary Budget Officer): Yes, and thank you for the question.

Of course there is a NATO definition. Our understanding is that the Department of National Defence works with NATO to ensure that there are elements that would be counted—

Jeff Kibble: Do you verify that? To me, it sounds as though you're just accepting what the government has said. Are you verifying against the definitions of NATO, or are you just accepting the government's numbers?

Annette Ryan: I would say that we're using the NATO submission as our basis, yes.

Jeff Kibble: That's wonderful.

Was the Coast Guard funding included in this 2% calculation that you've verified?

Annette Ryan: Partially—that would be my answer.

Jeff Kibble: It should be zero, if we look at this definition.

Annette Ryan: I would view the definition that you read out as aligning with a view that some Coast Guard activities are viewed as military or defence-related, and some are not.

Jeff Kibble: I have had the Coast Guard in this room and asked them that very question. They are unarmed. They do not deploy. They're not trained in military tactics. They do not meet any of those definitions. They have testified here that they don't meet those, so I'm confused as to why that would be allowed.

I guess my question is this: Going forward, will the PBO ultimately hold the government to account to meet the definitions? There are also discrepancies under spending for veterans, for example. Are you aware of the definition that the government gave versus what NATO requires to account for veteran spending?

Annette Ryan: We have been parsing through a wide range of these spending categories to try to replicate and forecast the NATO figures and essentially understand what that means on an accounting basis and so on.

Jeff Kibble: You say you're parsing through, but it sounds as though you've not included these fairly significant billion-dollar-level amounts of spending that do not qualify. Will the PBO commit going forward to using the actual definitions by NATO when assessing the government's 2%? I contend that they have not met the 2%.

I'll let you answer that. Then I'll share my next fact.

The Chair: You won't have time to answer that, but you do have time to follow up on his point in questions with the members of the government.

Go ahead, Ms. Lapointe.

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

Ms. Ryan, the government strategy projects 125,000 new jobs and a 50% increase in defence exports over the next decade. I understand that there are a lot of moving parts. Has your office modelled the tax revenue this activity could return to the federal government in these investments?

Annette Ryan: The shortest answer is “yes”. You will see this included in our October economic and fiscal outlook, which we're targeting to release later this month. We take account of how much more economic activity is rolling out in the ways you suggest in real terms that we can follow. For example, we would follow actual employment to date rather than the forecast amount of an additional 125,000, as you referred to in your question.

Viviane Lapointe: Several allies have created dedicated procurement agencies to reduce delays in their procurement process. What does your office's work on allied systems suggest about the gains from a single coordinating body?

Annette Ryan: In the first instance, we haven't studied the new governance mechanism in terms of international comparatives. Rather, we've been trying to focus on how it changes the domestic landscape in, for example, things like having leadership for industrial technology benefits, previously led by ISED. To that extent, we're trying to make sure we're current with the government's fiscal plans and what it means for the economy. As these different machinery of government and programmatic and procurement plans take shape, we'll be updating towards this.

If the committee would like us to do a deeper dive on how Coast Guard funds are recorded or not, or a deep dive on an international comparative of these types of agencies, we're wide open. We know it is a big undertaking that's happening on the defence side. We're keen to dig in on any of the economic and fiscal matters that would help the committee do its work.

● (1545)

Viviane Lapointe: This year we saw the government select TKMS as the Canadian Armed Forces' next submarine fleet. How does your office model the economic benefits of the projected $86 billion in GDP and 100,000 jobs across the national supply chain?

Annette Ryan: Thanks for that. I see a link with your first question, which was to ask if we model the potential tax revenues of what the government is doing. That's a yes.

In terms of getting ready to model the impact on the Canadian economy of these very sophisticated and large-scale investments, I would put this more in the category that we're building up our models now to essentially do a “shock and response” type of analysis. What do these significant investments mean in terms of things like impacts by region, industry, employment and things of interest to parliamentarians?

Viviane Lapointe: This committee recently undertook a study on the nexus of national defence, national security and Canada's critical minerals sector. What are your office's growth models, if you've had an opportunity to do them, for both Canada's defence industry and its critical minerals industry?

Annette Ryan: I would also put this in the category of new models that we see ourselves needing to build based on the government's ambitions in terms of major projects in defence and housing and the large-scale capital investments that are rolling out before us. They will all have different impacts on the Canadian economy. Basically, we'll need to build different models to keep up with it.

Viviane Lapointe: Mr. Penney, in 2023, you reported that Canada struggled to procure effectively compared to allies in the Indo-Pacific and European regions. Given the introduction of the defence industrial strategy and the Defence Investment Agency, do you see downstream benefits towards standardizing the planning defence procurements we're now seeing?

Christopher Penney: I believe you're making reference to some comments I made in committee back in 2023. Those comments were specifically in relation to the fact that under "Strong, Secure, Engaged", the previous defence policy, the Government of Canada failed to spend up to its initial planned capital spending.

As for the downstream economic impact, I would like to turn to my colleague Madan, who is part of our economic modelling team here at the PBO and who can talk about the efforts that we are undertaking to better model these downstream economic impacts.

Madanmohan Ghosh (Senior Advisor, Office of the Parliamentary Budget Officer): We are working towards building a model that will have the feedback effect, the intersectional impact of specific spending, specific not only to the sector and across sectors but also to how the impact fits into the economy. We are working on that. It's not yet ready, but we are working towards that. Other efforts to do simple analysis of input-output multiplier effects—so, the direct effect, the indirect effect and the induced effect—are also under way.

We'll have the answer to that question soon. I don't know exactly what time frame we have, but we'll have it. We're on it.

The Chair: Thank you.

We'll go to Mr. Barsalou-Duval.

[*Translation*]

Xavier Barsalou-Duval (Pierre-Boucher—Les Patriotes—Verchères, BQ): Thank you, Mr. Chair.

I thank the witnesses for being here today.

In 2022, according to NATO, the Canadian defence budget was about $33 billion. NATO's figures indicate that the budget increased to $62 billion in 2025. So we're talking about a budget that has almost doubled. To give people an idea, $62 billion is the equivalent of Quebec's health budget.

On paper, spending has doubled, but do we suddenly have a much different army than we did two or three years ago?

● (1550)

Christopher Penney: It's very difficult to say right now. As for capital investments and expenditures, it will take time before we can see the impact of all those investments. In addition, in terms of operational and personnel expenditures, it will take time for us to get to the level the government wants.

Xavier Barsalou-Duval: Are ordinary people protected twice as much today as they were three years ago? That's more or less my question, as the budget has doubled.

I would like you to explain what has really changed in day-to-day operations and on military bases.

Annette Ryan: I think the answer is still that armaments and investments are coming. During this transition period, we're not able to discuss that in terms of the expenditures we're looking at now.

Xavier Barsalou-Duval: Did the government not do some accounting gymnastics to inflate the numbers?

Annette Ryan: There is a difference between expenditures subject to the cash accounting required by NATO and those subject to accrual accounting for public accounts, which includes depreciation measures.

Xavier Barsalou-Duval: I understand what you're telling me, but I'm still a bit disappointed with your answer, given that we know that the government has moved the Coast Guard, among others, into the defence figures. It has also substantially increased military salaries. To my knowledge, that explains the difference.

However, you don't seem able to give us this information. Am I missing something? I'm under the impression that the Office of the Parliamentary Budget Officer does not depend on the government and that it is independent. What's stopping you from giving me the information? That's what I don't understand.

Annette Ryan: I will turn to my colleague, who can talk to you about personnel issues and inflows of equipment or capital.

Albert Kho: Thank you. I will answer in English to be more specific.

[*English*]

In our opinion, the quantification of whether the force has been bettered by a certain degree is genuinely a question best put to the Department of National Defence, as they're the experts in managing the Canadian Armed Forces.

We see that there has been a notable augmentation in, for example, the recruitment of new forces. Previously, the work of this committee and the work of the government in general has found that the serviceability rate of much of the Canadian military's capital equipment indicated a high need for service. This has been done through both procurement and amelioration projects. It is one instance in which there has been a betterment of the forces through the spending.

Thank you.

[*Translation*]

Xavier Barsalou-Duval: Okay, thank you.

In 2022, Canada was dedicating just 1% of its GDP to military spending. In 2025, it may have reached 2%, but it's not clear yet. The target is 5% by 2035. To achieve that, according to your office's report, an annual increase of $33 billion would be required in the defence budget. Every year, there would be $33 billion more. That is almost $10 billion more than the budget of Quebec's department of education.

Do you think such a rapid increase in budgets poses a potential risk and could lead to funds being spent somewhat haphazardly, with the department possibly being unable to adapt to such a rapid increase in its budget and to manage it effectively?

Annette Ryan: This is a very rapid increase, and I can identify a number of risks. We've already discussed risks related to procurement, which is falling behind schedule. I think the Canadian industry's ability to provide that capital is a significant risk. I think the Defence Investment Agency's capacity is a risk. The main issue is what we receive in return for these purchases in terms of industrial and technological benefits. That's another source of risk. There are a number of risks associated with such large amounts of money.

● (1555)

Xavier Barsalou-Duval: The accounting gymnastics that the government has—

The Chair: That's all, Mr. Barsalou-Duval.

[*English*]

Now we're going to our five-minute round, beginning with Mr. Anderson.

Mr. Anderson, it's over to you, sir.

Thank you.

Scott Anderson (Vernon—Lake Country—Monashee, CPC): Thank you very much.

Thank you for being here today.

Did the PBO come away with a clear picture of the government's defence procurement strategy going forward regarding what we intend to buy and whom we intend to buy it from and what the timetable and total cost will be?

Annette Ryan: It's fair to say that the government's plans over the next five years and 10 years are still in formation. We have had good co-operation from the Department of National Defence in terms of their explaining to us what plans they currently have in place. It is also fair to say that there remain numerous elements of the plan to be elaborated and set forth over this five-year period, let alone the 10-year period.

Scott Anderson: Okay, thank you.

The government's own language suggests that the policy of moving toward the EU is more than just diversification. Canada has moved farther toward this defence industrial integration, including participation in the SAFE program.

Has the PBO considered how this shift affects your existing projections, including the direct cost of SAFE participation, and do you have enough information about it to make a fairly good projection?

Annette Ryan: We've had a good initial exchange with the relevant agencies, and this includes ISED. At the same time, I wouldn't say that we have a full understanding of the implications of all the agreements being set forward. A number of changes are happening across multiple different fronts, and trying to keep up with them and put them in context is something that we're gearing up to do to move at the same speed as the government and be ready to support this committee.

I don't know, Chris or Albert, if you have something more to say about SAFE.

Christopher Penney: As far as I know, thus far the commitments under SAFE are small relative to the capital investment fund, for instance, and funds that are planned to be spent in the coming years, but they could grow in importance.

Scott Anderson: It's all relative. It could cost 10 million pounds to even become a partner in SAFE, and then there's a formula—you know it better than I do—that if we actually out-produce, it's going to end up costing us more to do that. Have you factored this in?

Annette Ryan: The straight answer is no. I would say we are updating our forecast based on the gross numbers. We are getting ready to build these economic models to see what the different stages of the government's plans are going to mean by region and by industry and that type of thing. Then, in terms of specific programs or procurements, we would very much like to work with the committee to understand your priorities and make sure we're getting our priorities right as we're trying to see which ball is bouncing.

Scott Anderson: Okay. We're building two defence architectures.

One is a continental defence and the other is EU integration, because this requires integration to some degree.

First of all, this is a huge mandate. Is this affecting performance? Is it also creating opportunity...lost opportunity costs in building the EU infrastructure, privileging it over continental defence or vice versa? Is it going to cause financial bottlenecks in that?

● (1600)

Annette Ryan: I think we're well aware of the tensions you're describing. As they play out in different analyses—for example, potential costing, or pros and cons of aircraft procurement—that would be the type of thing we would look to elaborate and put forward to the extent that we can.

Scott Anderson: Do you include operational costs too?

Annette Ryan: Typically in those types of studies we have, and we will.

Scott Anderson: Okay. The European partnership specifically facilitates movement of Canadian personnel there. Those are significant operational costs and I would hate to see them taken away from continental defence in that sense.

I'm going to pass the rest of my time, Mr. Chair, over to James Bezan.

The Chair: James, you have 15 seconds.

Some hon. members: Oh, oh!

The Chair: We'll proceed to Mr. Watchorn.

We'll go to you for five minutes.

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

It's important to mention two things.

The first thing is that NATO certifies what expenses are going to be counted towards the NATO spending.

The second thing is that it was contended before that there's a risk of spending money quickly in defence. I'd say there's a bigger risk of not spending massive amounts of money towards our defence, because for years we have underspent in defence. I'm glad you guys are saying that the government is moving quickly and you're gearing up to support us. I think that's very important.

I'd like to list things our government has done with the Defence Investment Agency in a few projects over the last years and show the scope of what we're doing.

The first one is the Canadian patrol submarine project for12 submarines, at $60 billion. The second is the P-8 Poseidon aircraft. We're buying 17 of those for $3.4 billion. We're giving a contract to GDLS, a Canadian company, to build 190 LAVs, at $2 billion.

There are River-class destroyers, the first three, at $22 billion; the polar icebreakers, one at Davie and one at Seaspan, at $6 billion; six program icebreakers, which we just announced a couple of weeks ago, at $11 billion; over-the-horizon radar, at $6 billion; polar over-the-horizon radar, which is coming, at $5 billion; nTACS helicopter replacement at $18.4 billion; a much-needed pay raise for our soldiers at $9 billion; and the CC-330 Husky program, at $3.6 billion for nine aircraft. I'm glad to say that the maintenance contract for $1.5 billion was given to L3Harris, right next to my riding

Also, there's the replacement of the C7 and C8 rifles, for $1 billion; eventually future fighters, at $28 billion; and Arctic and offshore patrol ships, which are almost completed now, at $6.5 billion.

I was going through your reports. In your reports, you said, and I think rightly so, that the government used to have trouble spending the money allocated for this. I'd like to know from you, do you think, with the new Defence Investment Agency and the new defence industrial strategy, we are more inclined to achieve our targets than we were before?

Annette Ryan: There is early indication that lapses in capital votes are in better shape, so that's a yes. Potentially, new problems will come to the fore in terms of transparency of the DIA and whether they're spending on behalf of the national defence department or other departments. The ability to follow the money—what's being done by DIA on behalf of which ministers, in which fiscal years and with what results—will be one of these new problems that we'll have to find new solutions for.

Tim Watchorn: I didn't even list all the infrastructure that will have to go with all these procurement projects, with even more billions heading toward our target of 5%. How does the PBO include these investments in their reports every year? How does this fit into the whole thing?

Annette Ryan: On the fiscal side, it's a question of estimating what this means on a cash basis, which will affect the government's borrowing requirements, versus on an accrual basis, which will affect the government's deficit in any given year. That delta could be 33% or 34% in a given year. This is a very big number. Tracking it will be very important.

In terms of the economic impact of all these projects, we will want to do this for a number of reasons. I spoke earlier about the economic impact by region and by industry. The labour market will be asked to do a lot in the next couple of years—move out all these defence initiatives that you just named, major projects, Build Canada Homes projects, AI and agriculture. It's quite a lot. Trying to follow what's happening in Canada's labour market, and the ability of the education system to school up and skill up for that, we see as really important to track in the next couple of years.

● (1605)

Tim Watchorn: What will your biggest challenges be toward government transparency to help you get the information you need in order to report effectively on that?

Annette Ryan: Thank you for the question. On an in-year basis, trying to understand what the government's procurement and capital plans are, whose budget they'll be coming out of, who's running that program or procurement and how they're flowing out through time will need some careful mapping and ability to follow it through public accounts. This type of transparency will be very important, as will the forward plans of the government.

As I said off the top, a lot of these are being written in not quite real time but as we go.

Tim Watchorn: Thank you very much.

The Chair: Monsieur Barsalou-Duval, it's over to you for two and a half minutes.

[*Translation*]

Xavier Barsalou-Duval: Thank you, Mr. Chair.

Ms. Ryan, I'll pick up where I left off earlier. I was talking a bit about accounting gymnastics in the sense that I feel that the government's goal was to show that it had reached the 2% target by doing everything in its power to get there as quickly as possible, without really considering how to get there. Given that the next target will be 5%, you yourself said that there would be a risk of waste and of a lack of oversight.

Shouldn't we be focusing on determining whether our spending is wise rather than on spending more? It seems to me that this would be the most logical thing to do in the wake of scandals like ArriveCAN, Cúram, the Phoenix pay system and the McKinsey contracts. In my opinion, we must prevent defence from becoming the next feeding ground for people with malicious intent and ensure that taxpayers aren't once again being taken for a ride.

How can we ensure that this doesn't happen?

Annette Ryan: I think part of your question has to do with the purpose of these expenditures and purchases. To some extent, we need to determine whether the goal of certain activities is entirely focused on military strategy or whether, in some contexts, it's to build a strong and resilient industry in Canada, which is indeed different. We have to compare the purpose of such spending with the concrete results that we can verify, and we are addressing those kinds of issues.

Xavier Barsalou-Duval: The government seems to be indicating that one of its goals is to build a defence industry in Canada. We learned today in the Toronto Star that, despite the tariff war and the promises of the government's buy Canadian policy, American companies seem to be reaping significant benefits from the defence contracts. In fact, their share has risen from 20% of contracts under Justin Trudeau to one-third of contracts under Carney. That's a 50% increase. We're talking about $7.8 billion.

Would you be able to assess whether our domestic companies will be able to benefit from the defence investments—and ensure that the funds don't just go to foreign companies—and then follow up on that? Is that something you could do?

Annette Ryan: Yes, I think it's clear that a certain proportion of Canadian spending goes to American, European or Asian companies. We've begun exploring the possibility of developing a more robust model that examines the waste of exports that you're describing.

● (1610)

Xavier Barsalou-Duval: I may have one last—

The Chair: Thank you, Mr. Barsalou-Duval.

[*English*]

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

Cheryl Gallant (Algonquin—Renfrew—Pembroke, CPC): The government has said that it's going to bring the defence spending up to NATO's minimum of 5% by 2035. Without concrete evidence or substance showing us how exactly the money is going to be spent, other than what Mr. Watchorn listed off, why do you think the government isn't willing to open up the books and be transparent with our allies up front on the projection?

Annette Ryan: That's primarily a question for the government about its desire to share projections. I think that these are significant expansions of current levels and, as I said earlier, I don't think there is a fully fleshed-out plan for all 10 years. There's a commitment and, in between, the government will release its plans on its timetable, it seems. We're trying to fill that in by doing scenarios and by doing modelling of what the gap is that it would need to fill, in any given year, to hit these targets, and what it would mean for debt, deficit—that type of thing.

Cheryl Gallant: When we look at what Mr. Watchorn listed off, even for the six new Global 6500s that are going to replace the Challengers, we're looking at $753 million. For the new fleet of aircraft to replace the CC-150 Polaris, we're looking at not even $5 billion. The 60 new Kingfishers are almost $3 billion. For the renewal of the ISS contract, we're looking at maybe $6 billion there. The FFLIT program is $3.4 million. For the digital array row transceiver it's $33 million, and for the small arms trainer it's $32.9 million. The C7 and C8 assault...$307 million, and the surveillance of space 2 satellite project is $32 million. If you add all those up, those still don't even come near to what we need to spend in new spending in one year. Those are coming into force over 10 years as well. Is there a readily available timeline, from 2025 to 2035, of all the DND-related expenditures for major procurements, including the delivery dates the PBO used to estimate the figure to publish the report?

Annette Ryan: The short answer is no.

Cheryl Gallant: Which existing or future project, in your view, is the government banking on in its estimate to bring our defence budget to 5%?

Annette Ryan: I would say there's no one project that would get us there. There will have to be significant expansion across multiple projects, initiatives, undertakings, materiel, capital and personnel. Those are big numbers and, when you work them backwards, filling that gap is going to take a lot of effort.

Cheryl Gallant: The Prime Minister wants to make Canada an associate member of the EU, and this means that Canadian companies would have to spend more on complying with the rigorous EU regulations and standards, the cost of which would be passed down to the consumer. If that were the case, would the increased cost for EU integration make it more difficult for the government to reach defence spending of 5% of GDP?

Annette Ryan: That's a really rich question. I would say that we haven't looked into that amount of detail. We are trying to put a lot of focus on how the industrial and technological benefits will work so that when there is a procurement, say, in Europe.... Who will be making those decisions about the concomitant...or the investments that will be part of agreements to be spent in Canada as part of that procurement?

I take your point. There will be a lot to follow in terms of how these agreements are going to work in practice.

Cheryl Gallant: If Canada were to become an associate member, and we had these added costs due to having to comply with regulations, how would that impact your current projections and the government's current projections on reaching the 3.5% of defence spending, from your projections?

● (1615)

Annette Ryan: We haven't modelled it. We're looking at what it would take to hit those kinds of envelopes rather than necessarily the pros and cons of one supplier or another, or one regulatory model or another, at this point.

The Chair: Thank you, Ms. Ryan.

Ms. Gallant, we're done with this part. I'm sorry.

We'll now go to Ms. Idlout.

It's over to you, Lori.

Lori Idlout (Nunavut, Lib.): *Qujannamiik.*

First of all, I'd like to congratulate you, Ms. Ryan. I think it's your first time appearing as the PBO at our committee. I appreciate your appearance here so shortly after your appointment. From your responses, it sounds as though you've done some homework, which is great.

A lot of the questioning we're hearing is very much focused on only direct defence investments, which is understandable. In our current geopolitical environment, I think we have to be mindful of what we mean by defence and how that looks, for sure, especially with the importance of particularly Arctic sovereignty, Arctic security and our government's commitment in June 2025 when we said we would extend to the 5% target.

In a statement that was released, there was a statement about investing in airports, ports, telecommunications, emergency preparedness systems and dual-use investments, which serve defence and civilian readiness. Did you factor those commitments and goals into what you've shared with us today?

Annette Ryan: Let me thank you for your warm welcome to the committee. Given the amount of spending involved, we're very happy to dig in on what that means in fiscal and economic terms.

I appreciate the importance of Arctic sovereignty and Arctic defence, going forward. I'll turn to Chris Penney to fill in what we know about it and some of our work to date.

Christopher Penney: Sure.

As of now, we have not produced independent reporting on the projects you've mentioned. We have produced independent estimates on the polar icebreakers. That is perhaps of interest. I believe we found that we're at about $8.4 billion for the project. Vis-à-vis the other projects—for instance, you mentioned the Arctic over-the-horizon radar, which will be coming online in the next couple of years—we are tracking them. It is something we are paying attention to. It's certainly something that is included in the capital investment fund.

With regard to the airports and investments in transportation, for the privatization of airports and investments in infrastructure, these form part of the 1.5%, or what we term “ancillary” spending, of the 5% NATO target. The 5% NATO target includes 3.5% core defence, which is, of course, commensurate with the former definition under the 2% requirement. Then there's the 1.5%, which is meant to incentivize investing in such things as infrastructure, civil resilience and so forth. I believe those elements are included and are incentivized under the new NATO target.

Thank you.

Lori Idlout: Thank you so much for that. I note as well that NATO's websites mention capability targets. They talk about how an ally can agree to develop the capability to provide the alliance with a clear picture of what's happening on the ground in an operational area.

If the operational area includes places like NOSH sites and nodes, have you factored this into your formulation?

Annette Ryan: This question has come up in different forms throughout the afternoon.

We're set up to follow what the overall numbers and envelope are going to mean. In terms of specific areas of investigation, we are already looking at certain procurements, and I would say that we're more than happy to meet and understand specific programs, questions or areas that you might want to study further—that aspect of looking at the overall picture but then digging down into specific areas of interest. That's how we see ourselves proceeding as the government goes deeper into its agenda.

The short answer is we haven't studied that within the overall envelope to date but would be happy to understand some of the tensions and areas we could help the committee with.

● (1620)

The Chair: Thank you, Ms. Ryan.

Thank you, Ms. Idlout.

For our next five minutes, we'll go over to you, Mr. Bezan.

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

The Chair: I'll give you an extra 15 seconds, just—

James Bezan: —add on 15. I'll make use of that. I'll carry it forward. We don't let anything lapse on this side. We make use of it.

I want to thank the Parliamentary Budget Officer for being here, and I congratulate Madame Ryan on her appointment as the PBO.

One thing I've always said that we don't do well enough as parliamentarians is our fiduciary duty to ensure that taxpayer dollars are being used wisely and that we're getting value for those dollars. That's what you do. I appreciate the interactions that I've had over the years with your office, and I hope that can continue going forward.

I saw Mr. Watchorn pretty much throw his shoulder out by patting himself on the back, but if you look at the list he laid out there, it's not a plan. It's all announcements. No contracts have been signed. What I'm hearing from our allies, what I'm hearing from industry and what I'm hearing from the Canadian Armed Forces itself is we need to have a long-term plan. Otherwise, we don't know what's coming down the pipe or when it's coming down the pipe, and we don't know how to make the accommodations for new equipment and new infrastructure or if the industry is capable of taking on those builds, whether it's in infrastructure or in new equipment for our troops. We have to get them the kit that they need.

You found in one of your reports that there was an $18.5-billion lapse between SSE and what was actually spent.

Can you tell us what projects weren't funded? What never came about? Was it military housing? Was it new hangars on wings? Was it new training grounds? Could you lay out the details of what didn't get delivered for our Canadian Armed Forces?

Annette Ryan: I'll ask Albert to take that one on.

Albert Kho: Thank you for the question.

That kind of deep dive is certainly something we could do. Such information is available, but because the data is confidential and belongs to DND, releasing such information is something we would have to look at with DND, but there is the potential for that should the committee wish.

James Bezan: Will the Department of National Defence and the Canadian Armed Forces not release all the information about what was spent even though it was all publicly available? I thought some of this would have been available in more detail compared with what we received in public accounts, which you guys would have been basing your evaluations on, about what was promised versus what was actually spent.

Albert Kho: Our office receives a remit of such information, and it is detailed. Because it contains that level of detail, it's considered to be confidential and can't be immediately released. It is something we would have to look at releasing.

Annette Ryan: I understand the question. It's a historical one, and it goes to the question of whether in the past we got the information on a confidential basis when it was still forward-looking or had not been released. This is one thing we could dig into.

If it was now historical, it might attract a different classification or what have you, so we could check on that. When we're into that historical, backward-looking phase of things, there are things the PBO can push on and then there are questions that the Auditor General can push on.

Let us look at your question in more depth and see what we can do, and we'll certainly take it on.

James Bezan: As we look at ONSAF, the government's latest policy on defence, and getting towards the 5% NATO spending, you're in just the initial stages of the evaluation. Most of the evaluation in this report will be based on SSE. Is that correct?

● (1625)

Christopher Penney: ONSAF dates back to June 2024. When the report came out, it was February of this year, so it would reflect the first bit of ONSAF. It's important to note, of course, as I think we all know, that priorities and spending plans have changed since ONSAF was released.

James Bezan: In your analysis, you guys were also looking at the potential for increasing deficits to fund National Defence. Was it a 6.3% contribution from National Defence in the future to our budgetary annual deficit? Is that correct?

Christopher Penney: That's correct. It's the percentage point impact in 2035-36. It would be 6.3%.

James Bezan: Of the entire deficit, 6.3% would be attributed to National Defence.

Christopher Penney: In addition....

James Bezan: From the standpoint of our fiduciary responsibility, where is this money going to come from? You have the structural deficits the government already has from overspending in other departments, and now this is going to contribute how many raw dollars in 10 years' time?

Christopher Penney: It's $163 billion in cash.

James Bezan: Cash....

The Chair: Then we're done on that one. I mean, we're not done, and there's a lot of future spending yet to come, but in the meantime, Mr. Malette is going to ask the next question.

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

Welcome, and thank you, Ms. Ryan.

It was suggested earlier that some of the calculations you're working with may be fanciful and even counting gymnastics. Is that how we should put it? However, your report distinguishes between defence spending and broader defence and security-related spending.

Could you please explain what types of investments and activities, in your estimation, could qualify toward NATO's 5% commitment and what flexibility Canada has in determining how those expenditures are counted?

Madame Ryan, you or any of your analysts could....

Annette Ryan: I would say that these are NATO definitions, so I'm going to lean back and let Chris or Albert fight it out for who jumps in.

Christopher Penney: The 3.5% component out of the 5% is core defence spending, meaning defence spending as we've always defined it: operations, capital investments and infrastructure investments specific to defence. All of this would count towards it, even a portion of veterans' benefits and spending by other government departments that is defence-related.

On the additional portion, the 1.5% ancillary security and resilience, we're talking about border services that are relevant to defence: investing in critical minerals and these types of things, infrastructure that is relevant, investments in the defence industrial base and so forth.

Chris Malette: Thank you.

As we heard in my colleague Mr. Watchorn's impressive list, which has been referenced on a number of occasions today and which is something really quite spectacular, Canada is making significant investments in defence capabilities and infrastructure. From the PBO's analysis, what are the key factors that will determine whether the government can successfully deliver these planned investments on schedule and within the projected costs?

Annette Ryan: The ability to sign the contracts, to execute the contracts, will be one factor, certainly.

The alignment with the Canadian labour market is a big factor for sure: the idea that the government is going to have the expansion of military personnel, as well as industrial capacity, both direct and indirect. I really want to stress the potential role of these industrial technology benefit agreements. That's a big factor as well.

In a context in which the government has signalled its intention to roll out major projects for pipelines, high-speed rail and Churchill Falls redevelopment, that's a lot of labour market pressure.

Chris Malette: Further to that, how do procurement delays, inflation and even the exchange rates and cost overruns affect the reliability of the capital spending projections in your report?

Annette Ryan: Certainly, all these things.... The pressures on computer chips alone...and sophisticated computer technology is going to be competing with AI dollars. Put that into a geopolitical context and there's no shortage of risks.

● (1630)

Chris Malette: What would be the most significant downside risk to your projections?

We talked about higher procurement costs, lower GDP growth, exchange rate movements, implementation delays or something else. What would be the most significant downside to your projections?

Annette Ryan: We spoke earlier about improvements in terms of observed lapses in capital budgets. It would be great if this holds for the purpose of meeting the targets, but it's a lot of execution that has to hit a lot of marks that depend on all the factors you just ran through.

The Chair: I am going over now to Mr. Barsalou-Duval.

[*Translation*]

Xavier Barsalou-Duval: Thank you, Mr. Chair.

Ms. Ryan, in your report, you say that the Government of Canada has not provided you with its spending projections for meeting the 5% NATO target. Did it tell you why it didn't provide them? Did it not do so because those plans don't exist? Or is it simply because it didn't want to share them with you?

To me, this raises two issues. If it has not provided them to you because the plans don't exist, that means the government doesn't know where it's going with tens of billions of dollars, which will be thrown around in a completely haphazard manner. However, if it's refusing to provide them to you, I think that shows a lack of transparency on the part of the government. You can't criticize a plan you can't see.

So what's the reality? Are there any plans? Are there none? Why don't we have access to them?

Annette Ryan: As I said earlier, I believe that, to some extent, those plans don't exist. There is a commitment to meet a target, but there is a gap between the short-term plans and what the government will do in 2035. I think it's relevant to ask the ministers what their concerns and fears are. However, I think we've often written about the difficulty of adhering to a plan to reduce the debt-to-GDP ratio, given the figures involved in going from 4% to 5% of GDP to reach the NATO target.

Xavier Barsalou-Duval: Thank you.

How much time do I have left, Mr. Chair?

[*English*]

The Chair: You have 30 seconds.

[*Translation*]

Xavier Barsalou-Duval: Okay. Time flies.

Ms. Ryan, if we look at the spending commitments—actually, they aren't even commitments—or rather the government's vision of potential spending, particularly on F-35s, German submarines or the new fleet of destroyers, that still amounts to significant sums. Has an assessment been done on what that represents relative to the total operating budget? How much flexibility remains for other purchases?

Annette Ryan: I think we've started the calculations, but we still don't have the exact amount. We can give you the total, and we can discuss the specific contracts and the difference. Is that what you're looking for?

The Chair: Thank you.

[*English*]

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

James Bezan: Thank you.

We were talking earlier about some of the creative accounting that the government has used, such as adding Coast Guard expenditures and veterans' pensions. I'm hearing a rumour that since Canada Post delivers the mail to National Defence, the government is going to add it to defence spending.

Voices: Oh, oh!

James Bezan: Have you heard the same rumour?

Annette Ryan: I haven't heard that one.

James Bezan: It must be something I just started.

When you look at getting stuff bought.... You mentioned in the report the inflationary risks and the cost to procurement down the road. We're trying to do an outlook 10 or 20 years down. There is no plan on how we're going to get the equipment we need or the infrastructure to support that equipment and train our troops on. In your opening comments, you mentioned capacity and those risks associated with it.

Based on how, over the last several years, the government has lapsed over $18 billion—on capital investments, anyway—how confident are you that, without a plan, it's going to achieve any of the long laundry list of items that Mr. Watchorn read out earlier?

● (1635)

Annette Ryan: One thing I would put in play against your question is that the NATO commitment is for one single year, which is 2035. The government has made its own commitment to hit 4% of total GDP spending by 2035. When you back out that 1.5% of ancillary spending, which is wider and may be some of the things you're hearing, that takes us back to a commitment of 2.5% of core defence spending for 2030.

The aspect of whatever the path is to get from where we are now to those important years of 2030 and then 2035 does allow for a bit of slippage from one given year to the next, but those targets really take hold in 2030 and 2035, respectively, if that's at all helpful.

James Bezan: We originally passed these motions to have these reports presented before committee going back to November 20, 2025—11 months ago— to have the PBO appear on capital defence spending, and to February 23, 2026, to have you come in and do your report on making the NATO commitment of 5%. I don't know if it was the chair or whether it was.... I know that we had a transition with a new PBO coming in, so there was a bit of a delay there.

I know that you're presenting a report tomorrow. I hope that, once it's reported, you will be available to come back and appear before the committee.

Annette Ryan: Absolutely.

James Bezan: Are you prepared to give us a bit of foreshadowing or a trailer of what to expect in your primer tomorrow?

Annette Ryan: For sure. We're releasing a defence primer tomorrow, which is really to try to give context for people following this very ambitious agenda. It's very broad and wide-ranging. There are new agencies, strategies and so on being announced all the time. We'll continue to update this work as we go along.

I'm happy to come and talk to the committee at any point.

James Bezan: Okay.

Mr. Chair, I'm going to move one of my motions, which was tabled back on Friday. It reads as follows:

> That pursuant to Standing Order 108(2), the Standing Committee on National Defence undertake a study of two meetings regarding the Fifth China-Canada Defence Coordination Dialogue and recent reports that Canadian Armed Forces members participated in Exercise Khaan Quest in 2023, that the committee invite the Minister of National Defence, the Chief of the Defence Staff, and other expert witnesses; and that the committee report its findings to the House.

The Chair: We're open for debate.

We'll see how long this takes. I know we're going to end at five o'clock, but perhaps we could have you wait for a moment.

Are there further comments?

Mr. Chair...or Mr. Vice-Chair, I mean. I'm sorry.

Voices: Oh, oh!

James Bezan: I really want to vote on my motion.

Voices: Oh, oh!

The Chair: Is there any further discussion?

All those in favour of the motion, please raise your hand.

(Motion negatived)

The Chair: Go ahead, Mr. Kibble.

Jeff Kibble: Thank you very much.

This was also tabled on Friday, October 2. I'd like to move it as follows:

> That pursuant to Standing Order 108(2), the Standing Committee on National Defence undertake a study of six meetings regarding the Airborne Early Warning and Control Procurement's preferred supplier announced on Wednesday, May 27, 2026, to determine if partisan politics was put above the operational needs of the Royal Canadian Air Force (RCAF), that the committee invite the Minister of National Defence, the Secretary of State (Defence Procurement), the CEO of the Defence Investment Agency, the Commander of the RCAF, and representatives of Saab, Bombardier, L3Harris and Boeing, and that the committee report its findings to the House.

The Chair: Thank you, Mr. Kibble.

Is there further debate on this motion?

Go ahead, Monsieur Barsalou-Duval.

[*Translation*]

Xavier Barsalou-Duval: Thank you, Mr. Chair.

I understand the rationale behind the motion: We recognize that the army has operational needs and wants to meet them. My understanding of the situation is that, of all the options, none fully met the forces' operational needs, but a choice still had to be made.

However, I get the impression that this is a bit of a witch hunt, especially since the contract benefits a Quebec-based company, among others. I find it hard to understand why people want to target this. That said, I think the question of how operational needs will be met is an interesting one, and it would be desirable to have an answer to that.

Personally, I would be open to reworking the motion so that we can get our answers without it coming across as a witch hunt.

● (1640)

[*English*]

The Chair: Okay. I appreciate your comments.

Mr. Bezan, go ahead.

James Bezan: I wouldn't say it's a witch hunt at all. This is about making sure that, as we're looking at buying new kit for, in this case, the Royal Canadian Air Force, we get equipment that meets the operational needs.

We have three different platforms out there. All three of them have strong connections to Canada and support the industrial base here. L3Harris employs over 1,000 people in Montreal. Bombardier...would be the L3Harris platform as well. You have Saab's GlobalEye that they proposed, and then the AWACS from Boeing, the E-7.

Boeing has a huge presence across Canada, and a lot of that has to do with the ITBs. We already bought the P-8, which is a similar aircraft. However, we ought to make sure that, since all platforms don't meet 100% of the requirements we're hearing the Air Force wants—based upon reporting from CBC and others—we should be looking at this and into why there wasn't a full competition to make sure that all the options were available.

We're also hearing, based upon reporting from the media—both The Globe and Mail and CBC—that the statement of requirements was still in draft form; moreover, the requirements were ignored by the Secretary of State for Defence Procurement, and they were ignored by the Defence Investment Agency. This isn't the way it should work. If we're going to be buying equipment, if we're going to be investing in our military, then let's make sure that we're buying the equipment that works and does the job the military needs to do so that they can protect Canada and be interoperable with our allies.

There are a lot of questions around this. It's not a witch hunt. It's about getting down to the bottom of it, ensuring that the proper processes are being followed, that government isn't circumventing the rules for political gain or...conflicts of interest hidden within the various procurements that they're pursuing.

The Chair: Mr. Kibble, go ahead.

Jeff Kibble: Thank you, Mr. Chair.

I would like to reiterate to my fellow committee member that this is certainly not an attack on any particular company. That is not the purpose of this. This is about transparency and what is best for Canada, what is best for the defence of Canada. If the government chooses to vote for this, it would show that they're committed to transparency, that they value proper, fair competition to define what is best for Canada. It would show that I stand with our Canadian Forces members, that I value our sovereignty and that I value the defence of Canada, as I do. I hope that they vote for and support this and that they show those intentions.

Thank you, Mr. Chair.

The Chair: Thank you for your comments.

Is there any further debate? No.

(Motion negatived)

An hon. member: They don't want to be held accountable.

The Chair: However, we're going to be accountable right now to the PBO.

I'm going to pass it over to Monsieur Earle. It's over to you, sir, for five minutes.

Philip Earle (Labrador, Lib.): Thank you, Mr. Chair.

I'm going to base my questions this afternoon largely on the testimony that we've heard.

Thank you again for coming and bringing your team here. I think you'll see a lot of collaboration between both sides. I appreciate the great work that you've done and that you're doing as the PBO.

In your opening comments, you talked about a rapidly evolving situation. I think you'll sense, from this side, that means moving quickly, ambitiously, learning as we move forward rapidly and advancing to embrace the plan at hand. Could you tell me, would you agree with those statements? Is that what you meant by your comments about a rapidly evolving situation?

● (1645)

Annette Ryan: I think they're consistent. The government has set forward a very ambitious target, and the sense that a lot of it will need to be developed as we go is a reasonable one.

The question of transparency, of how these things can be followed up on, from the announcements to the types of details is a space that has some TBD associated with it. This will allow committee members to be sure that, yes, due process has been followed, but also that there is appropriate transparency in terms of how those announcements turn into plans, then implementation and then results.

Philip Earle: Thank you very much.

I think you heard two of my colleagues, at least, talk about the 1.5% for the ancillary spend, defence and security, versus the 3.5% for the core military activity. I think it was Mr. Penney who talked about that in the last round.

I'm wondering if you could give us a bit of additional, more granular detail of what that 1.5% would represent and where that might be today versus—and I don't mean by the spend amount—the investment, where that money is being spent today versus what we may be spending it on in the future as it relates to defence and security.

Christopher Penney: I'm afraid that when government announcements are made regarding things relating to the 1.5% ancillary definition, they don't mention that these things are related to the 1.5% ancillary definition. We have the broad definition. We have received separately from National Defence what it received from NATO in terms of the definition of what's included. We did not receive, for instance, a breakdown of projects that are included as part of the 1.5%, so I can't say exactly or give you granular examples of what's in there.

Annette Ryan: I would add briefly that it's important to keep in mind that Canada already meets the 1.5% accounting requirement from NATO to get us to an internationally comparative basis. I think we like to focus on the core defence spending, which is rising from 2% to 2.5% in 2030. That plus 1.5% gets you 4%, and then core defence is going to 3.5% for 2035 in order to hit that 5%. The 1.5% ancillary is already deemed to have been met by NATO, so there won't be additional spending or incremental decisions that relate to the 1.5%.

Therefore, knowing what's in there is great, but inasmuch as we already meet it for NATO and as we don't get any more credit, as it were, for anything in that bucket towards the 4% and 5%, we tend to put it a bit to the side. However, we're definitely happy to keep working on what's in that bucket for transparency to the committee.

Philip Earle: I have about 30 seconds left.

Purely from a procurement-risk or a contract-risk perspective, do you have any concerns that we may be spending towards a delivery timeline versus spending.... In other words, are we spending towards getting the money out the door versus setting a hard deadline as to when those goods should be or must be delivered?

Annette Ryan: It's definitely a margin to watch. As these are cash requirements to be hit in 2030 and 2035.... That's the really important bull's eye to watch for in both of those.

I'll stop there.

Philip Earle: Thank you.

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

Jeff Kibble: Thank you very much.

On the long list that Mr. Watchorn gave, many items of which are announcements, there are no dollar amounts, no contracts, so how do you project going forward on those types of spending? Do you have a list? Do you have estimates? What could the government and the DIA provide to you to help you better come up with projections?

● (1650)

Annette Ryan: At the highest level, we're doing our math based on what we figure our GDP is going to be in any of these years. We take the GDP forecast, multiply it by 2.5% or 3.5%, and that's your total envelope. Then we're going to try to build that from the bottom up, based on all the government announcements and extensions of what they're already spending. Therefore, it's both.

Jeff Kibble: For those government announcements, do you have dollar amounts? Do you have a list you can share with us that shows projected amounts and projects? You could table that with the committee.

Annette Ryan: I would say that it's partial and a work in progress. We get some detail from the government. Some of it is already in the public domain. That which is not, we can't table. We're allowed to use it for our own estimation and modelling purposes, but until they've announced it, we can't get ahead of them.

Jeff Kibble: For example, they've announced the submarines, but there is no dollar amount. How do you project that?

Christopher Penney: As alluded to by Ms. Ryan just now, we cannot report on the individual projects that are included in the capital investment fund, which is what we use as part of our—

Jeff Kibble: The estimates won't have these types of projects, because you don't have dollar amounts. Is that fair to say?

Christopher Penney: We do have dollar amounts associated with the capital projects over time, but we don't have them, as Ms. Ryan was pointing out, when it comes down to specific projects, implementation dates, etc.

Jeff Kibble: Okay. Thank you.

The report says a 6.3 percentage point increase in the federal debt-to-GDP ratio by 2035-36, and that's massive. That's approaching what the U.K. has, and it's having challenges borrowing money for defence.

At what point does defence spending on this scale begin to threaten Canada's broader fiscal sustainability in your view, or basically our ability to keep borrowing for defence and for everything else that's so important? Does it bring you concern?

Annette Ryan: I would say that we are very concerned in terms of the size of this spend and very much see a need to have a framework to assess at what point these figures get us into difficulty, so we'll be coming out with a range of figures. We'll have our economic and fiscal outlook up in a couple of weeks. We're also working on a wider set of metrics and so on to track different fiscal metrics to assess when we might be getting into more difficult terrain.

Jeff Kibble: I appreciate that. I look forward to it.

Once we're at the 5%, will it show a projection of how much fiscal room Canada has to manoeuvre, including for very important defence projects, as this spending increases?

Annette Ryan: That's what we're working on.

Jeff Kibble: I look forward to seeing that very important and potentially concerning number.

When the government built their 20-year, $350 billion plus capital plan that your office analyzed, as you mentioned earlier, was it built bottom up or top down?

Christopher Penney: It's on a bottom-up basis for projects.

Jeff Kibble: Okay. If you're building it from the bottom up, then it takes me back to my earlier question. You're saying “capital spend”, but how do you project what the capital spend is if you don't know what the individual massive projects are going to be costing?

As you know, some are costed or are estimated. Where do you get the rest of the numbers? There's this huge, massive list that they're very proud of, but there are no dollar amounts for most of those things.

Christopher Penney: We have profiles going over approximately 20 years for each of the projects included in the capital investment fund. As mentioned earlier, we don't have details in terms of, let's say, implementation dates. We have cash and accrual profiles and that is it—

Jeff Kibble: Let's cut to the chase: a massive amount for the submarine program. How do you forecast for that if you don't have a dollar amount? It's a massive portion of the capital spend. You're saying that you're doing bottom-up accounting, but you don't have these numbers. It's boggling my mind as to how you would come up with a projection without knowing how many billions those submarines are going to cost.

Christopher Penney: I would say at this point that we do take into account the fact that the government has said they would be reaching these targets. A portion of that is going to be capital, so when it comes—

Jeff Kibble: What targets are there for the submarine program specifically?

Christopher Penney: If the government deigns to spend 4% on GDP, there should be room in principle for it—

Jeff Kibble: There should be room, but we don't know, because we have all these massive projects with no numbers. It doesn't sound accurate. This isn't a comment on your report. It's more a comment on the government spending, but you're supposed to keep that honest.

It boggles my mind that we're doing bottom-up projections without knowing amounts for these multi-billion-dollar projects.

● (1655)

The Chair: Thank you, Mr. Kibble. I've given you a little extra time. I didn't want to take you off track there.

Jeff Kibble: Thank you, Mr. Chair. I appreciate that.

Unfortunately, they weren't able to answer, but thanks to them for being here today.

The Chair: Thank you.

Ms. Romanado, you have the last go-round here before we suspend.

Sherry Romanado (Longueuil—Charles-LeMoyne—Greenfield Park, Lib.): Thank you, Chair. Through you, I'd like to thank the witnesses for being here today.

I will say that on this side, we always vote in favour of defence spending.

We talked a bit about some of the defence investments. You've heard some of the numbers today that we've talked about. We've heard about some of the major investments, especially in Quebec. I was at the Davie shipyard to talk about the icebreakers that we are investing in.

One thing we haven't really talked a lot about in focus has been the personnel required to operate and maintain this new equipment. We alluded to some of it earlier. From a financial perspective, how important is it to consider recruitment, training and retention alongside capital acquisitions when assessing the long-term costs of expanding our military capabilities?

Annette Ryan: It's very important.

Chris, do you want to share some of the numbers there?

Christopher Penney: Sure. I'm not sure if the.... Perhaps the committee does have some of these figures. Of course, there is the 71,500 authorized, and we're currently, as of August, sitting at 68,700. This is regular force, but there are also forward-looking plans beyond 2030 that aim to reach a level of 85,500.

In terms of how that might impact or contribute towards a NATO 5% target, of course, when it comes to pay and benefits and operations, those would all rise commensurately.

Sherry Romanado: The reason I'm focusing a lot on the people is that if we don't have the people, all the equipment in the world will mean nothing.

There's an area that I'm very interested in learning about. I'm not sure if this is something your office looks into. Do you look into the financial implications of retaining experienced CAF members as compared with recruiting and training replacements? It's great that we've had a record number of those interested in the Canadian Armed Forces and a record number of applications. Recruiting happened this year, which is fantastic. My concern is that when we're bleeding out the other end, we want to make sure that our members of the Canadian Armed Forces are happy and well taken care of. They have the equipment they need. They get the support they need and have the largest pay increase in the last couple of decades.

Have we done an analysis of how much it costs the Canadian Armed Forces when we lose members?

Annette Ryan: This takes us back to the need to keep an eye on the overall Canadian labour market, which I didn't mention earlier. We've been talking for a long time about the aging demographic. Those demographics are now hitting. Those retirements are also a factor, as is the wider call on a lot of these same labour pools to staff major projects and build homes—and, and, and.

You spoke of it in terms of what that means for the need to have pay and benefits keep up for forces members. This has the potential to be essentially an inflationary factor as different projects are looking to take on these similar personnel. We are getting geared up to watch for those signals of inflationary pressures emerging for all these reasons.

Sherry Romanado: In this regard, we announced recently that we were going to provide some training for reservists to look into Red Seal. We talked about various projects, such as Build Canada Homes and so on and so forth. Have you looked into how this will not only assist us with the labour market demands for these other major projects but also retain reservists who weren't eligible in the past for such training and benefits?

Annette Ryan: That's an excellent point, and one that is important to watch. In the space of Canadian apprentices, the ability to get enough hours to complete your full certification has been a problem in Canada. This aspect of having the military take people through to the full certification is certainly a very promising avenue to make sure that those skilled trades are getting their full accreditations. Then, after they leave, the military would be available to work on these major projects. This is a very important margin that we will be watching.

Sherry Romanado: From an economic perspective, how could a stable, long-term defence procurement plan influence the capacity of Canadian industry to expand and meet the needs of the CAF?

● (1700)

Annette Ryan: That's something we'll all be watching. I think it depends on the ability of the Canadian industrial base not just to fill Canadian needs but to be competitive in world markets. Different parties have raised that question: Are there limits to which world markets the Canadian defence industry would want to serve? This will be a big factor.

Sherry Romanado: Thank you so much.

The Chair: Thank you.

Thank you very much for being here today.

For the benefit of some viewers, I will say that there was a lot of discussion about an accrual versus cash basis. It's not a right or wrong issue. Complex systems in terms of the long-term financial health of an organization often use accrual, because that's how we assess the ability of the government to sustain and achieve those results, while NATO is based on cash. I wanted that to be understood. You're doing a fine job of trying to ascertain what is impacting the debt of government as we proceed forward, which I think all of us are also very keen on assessing.

Thank you again for your participation. Good luck tomorrow with yet another announcement about all the great spending our government is doing in defence.

Before I suspend, ladies and gentlemen, I want to make sure it's agreed that the interns with the parliamentary internship program be allowed to remain for the in camera portion.

Is that okay with everybody?

Some hon. members: Agreed.

The Chair: Go ahead, Ms. Ryan.

Annette Ryan: In my remarks, I used the expression *gaspillage* of exports. I would have preferred to use the expression *fuite* of exports—not a waste but a leakage.

The Chair: We've corrected it already on your behalf.

The meeting is suspended for a moment so we can get into our next phase.

Thank you, everyone.

[*Proceedings continue in camera*]

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