



House of Commons  
CANADA

# **Standing Committee on National Defence and Veterans Affairs**

---

NDDN • NUMBER 004 • 1st SESSION • 38th PARLIAMENT

---

**EVIDENCE**

**Monday, October 25, 2004**

—  
**Chair**

**Mr. Pat O'Brien**

All parliamentary publications are available on the  
"Parliamentary Internet Parlementaire" at the following address:

**<http://www.parl.gc.ca>**

## Standing Committee on National Defence and Veterans Affairs

Monday, October 25, 2004

• (1540)

[English]

**The Chair (Mr. Pat O'Brien (London—Fanshawe, Lib.)):** Perhaps I could ask the mobile media to excuse us now, thank you, as per the rules. I guess there's been a mild misunderstanding about this. I'm going to ask the clerk to refresh our memories, and both inform new members and remind our friends in the media of our agreement on media in the room during our meetings.

Madam Clerk, could you help us out there.

**The Clerk of the Committee (Ms. Angela Crandall):** The electronic media can televise or record the meetings from gavel to gavel. They have to use the same rules used when they're recording proceedings in the House. They have to provide the committee with reasonable notice, which is a minimum of two hours, before they appear.

You can plug any electronic devices into the live stream, but any devices used to record the meeting that aren't plugged into that stream are not allowed. So if anyone has a recording device that is just on the table or something, that's not allowed.

**The Chair:** Thank you for the refresher. I am glad to have that clarification.

We didn't make up these rules. Despite some misinformation you may have heard or read, those are the agreed rules. We're certainly trying to be as available to the public and the media as possible. In fact, the committee's strong consensus is that we will try to do everything we can to ensure that these kinds of meetings, on this particular topic of the submarine purchase, are televised if at all possible.

Perhaps with everyone's indulgence I can point out that today is the eleventh anniversary of the election of the class of '93, which includes Mrs. Longfield, Monsieur Bachand, and I guess me. Mr. Blaikie was here much before that, and others have come here since that time.

**Mr. Claude Bachand (Saint-Jean, BQ):** Where's the cake?

**The Chair:** Where's the cake, Claude? We'll have to have a cake.

I guess eleven years ago some of us passed the only test we have in a democracy. We don't have to be experts on defence or foreign affairs or anything else. We just have to earn the confidence of more of our constituents than anyone else contesting the election. So congratulations to the class of '93, who did that eleven years ago today.

I would also like to ask for everybody's cooperation. Believe it not, I heard cellphones during President Fox's address. I'm sure everybody found that disturbing. Can I ask anybody and everybody—members, witnesses, media, public, anybody in the room—to please do us the favour of disarming your cellphones. And that includes the staff, because last time it was a staff phone that interrupted the meeting. So I'd like your cooperation there.

This isn't from the chair's dictate on high or anything; this is a request from the committee in times past, and this committee too, that asks me to make this reminder at the start of each meeting. I have now done so.

Now to the business at hand. We have with us today two witnesses to help us pursue our questioning on the purchase of the four British submarines. There's no need to go into the reasons why we are holding these hearings. That's well known to everybody involved. A high level of concern exists right now about these submarines.

With that, I would like to welcome and introduce Mr. Alan Williams, Assistant Deputy Minister, Materiel, and Captain M.F. Williamson, project manager for submarine capability life extension.

Gentlemen, welcome, and thank you for joining us. Who'd like to start?

Mr. Williams, please.

**Mr. Alan Williams (Assistant Deputy Minister, (Materiel), Department of National Defence):** I won the draw.

I'm very pleased to be here with you today, along with Captain Mike Williamson, project manager for the submarine capability life extension project. Together we'll provide you with information on the submarine program. Following my brief remarks, I will take you through a short deck to help you better understand the national defence submarine program. We'd then be pleased to respond to your questions.

Let me begin by taking you back to 1994 and the report of the Special Joint Committee on Canada's Defence Policy, which recommended:

If it should prove possible, in the current environment of military downsizing around the world, to acquire 3-6 modern diesel-electric submarines on a basis that was demonstrably cost-effective (i.e. that could be managed within the existing capital budget), then the government should seriously consider such an initiative.

I would hope that members of Parliament expect departmental officials to be innovative in examining ways of meeting military needs while looking out for taxpayers' interests.

[Translation]

The acquisition of the Victoria Class submarines was an innovative lease-to-own arrangement for four submarines that will operate for the next twenty to thirty years — submarines that will ably fill the military's requirements, and represent excellent value for Canadians.

In the five years I have been responsible for the procurement of military equipment, my experience has taught me that virtually every platform that we bring into service faces challenges. Military equipment acquisition is a complex, high risk business. We rigorously work to uncover and fix all problems as they arise. In this respect, the acquisition of these submarines has been no different from any other acquisition.

• (1545)

[English]

Allow me now to provide you with some context and information on a few of the issues we faced during the reactivation of the submarines and how we were able to resolve them effectively and cooperatively.

During the reactivation of HMS *Upholder* in 2001, cracks in the diesel exhaust hull and backup valves were discovered. A joint investigation ascertained that the valves should be replaced once they reached 5,000 diesel running hours. The United Kingdom effected the repairs to HMCS *Chicoutimi*, and is paying for the material and labour costs for the repairs to *Corner Brook* that are currently being conducted in Halifax. Having already accepted *Victoria* and *Windsor*, Canada has replaced the valves in *Victoria* as part of her repair work period this summer. The valves will be replaced on *Windsor* during her extended docking work period next year.

Leaks in the submerged signal ejector system were discovered during *Corner Brook's* sea trials in July 2002. The United Kingdom developed a modification to the system and conducted, at their own cost, the modifications to *Corner Brook* and *Chicoutimi*. Despite the fact that the *Victoria* and *Windsor* had been accepted by Canada, the United Kingdom provided modification kits at no cost to Canada. The modified system has been installed and has been proven effective in the entire class.

During *Chicoutimi's* reactivation in 2003, corrosion was discovered on a limited portion of her pressure hull. The United Kingdom took action to arrest and repair the corrosion. During the final negotiations prior to handover, the issue of the future monitoring and maintenance costs associated with this corrosion was resolved. Canada was compensated for these future costs. Again, it is worth stressing that we had a positive and cooperative relationship with our British colleagues throughout the process.

[Translation]

On the issue of safety, it will come as no surprise to members that the primary concern at all times is the safety of our people. The acceptance process with regard to the *Upholder* class submarines involved a series of certifications by our own technical authority and that of the royal navy. A comprehensive regime of alongside and at-sea trials lasting approximately two months must take place successfully before the boats are certified.

I do, however, look forward to the findings of the Board of Inquiry and indeed your committee, as we continuously look for ways of improving our processes. Notwithstanding our best efforts, a tragedy did occur.

The results of the Board of Inquiry will provide lessons learned and a better understanding to help ensure that incidents such as this one are not repeated.

[English]

Let me close my remarks by commending the Ministry of Defence in the United Kingdom, who from the very beginning have shown integrity and forthrightness in holding up their end of this commitment. It was they who bore the responsibility to provide us with reactivated submarines. Furthermore, as issues arose during the process they also bore the majority of the related costs. In fact throughout the reactivation process we've worked cooperatively and effectively with our ally, who resolved each issue as it arose.

At this time I'd like to take you through a deck I have prepared dealing more specifically with the acquisition, reactivation, cost and scheduling, and Canadianization of the submarine program.

If we turn to slide three we'll start with the acquisition process. On slide three you see the process outlined. The reactivation process is an evolving one, involving incrementally improving the quality of the submarines before we take them over. Essentially the contractor, BAE, working with the Royal Navy and the Ministry of Defence in the United Kingdom, the design authority, reviews each aspect of the submarine. Having our technical people there, we oversee the whole process.

Throughout this process a number of certifications are given gradually as issues are found and resolved. Prior to the sea trials being undertaken in fact, there's formal certification given, assuring us that it's fair to undertake the sea trials. The sea trials themselves are undertaken to accomplish three basic objectives: one is to make sure the boat is safe; second, that the crew is ready; and third, of course, that the submarine is capable of deep diving.

When the sea trials are undertaken it's noteworthy that the crew is the Canadian crew. The commanding officer is from the Royal Navy. The deputy commanding officer is from Canada. Following the sea trials and resolution of any outstanding issues, the U.K. transfers the submarine through their defence export organization to Public Works, who transfers it on to us, to our navy.

Once we have accepted it, we undertake the Canadian modifications. These are modifications to ensure that weapons systems, communications systems, and electronic support systems meet and link with our other Canadian assets as opposed to British assets. Once that is concluded we then put in place a rigorous operational maintenance in service program that will ensure that the boats are in fact safe and capable of serving our men and women in the navy for the next 30 years.

Let me talk a little about the cost of the program. When the program was first launched in 1998 we signed two major contracts, one for \$500 million with the Ministry of Defence in the U.K., as you can see, for the submarines, for a number of trainers, for some spares, and for a technical data package. Second, the contract was signed with BAE Systems to provide us with all of the engineering and supply management support. Finally, there is a wide range of contracts underway to modify them, as I mentioned, and to provide the accommodation and salaries for our people who are working on the program, for a total of \$812 million in current or budget year dollars, if you'd like to call it that—in other words, escalated for inflation.

Last year we undertook an audit just to make sure we were properly accounting for our costs, and if you go to the next page you will see that as a result of that audit we in fact went to the Treasury Board and got them to recognize that the actual cost of the program should be reflected by an additional \$85 million.

These costs reflect work that was paid for and undertaken elsewhere in the department but should have in fact been related to this program. So they were not incremental costs to the department; they were funded elsewhere, but because they related to the submarine, a more honest appreciation of the submarine cost program should have included them.

• (1550)

What do I mean by that? We bought some spares, for instance, and that was reflected elsewhere in our budget. There was some construction work we had to do on things like jetties, and that was in fact related specifically to this program. So while we had them elsewhere in our budget, they should have in fact reflected the incremental costs for the program.

There was special tooling you had to buy for different systems. Again, this was in our budget, but elsewhere. There were a number of smaller projects, such as fleet trainer noise monitoring equipment.

Altogether they totalled \$85 million, and clearly it was our view that they in fact should have been properly reallocated to the program. We made it known that the total capital cost of the program was more like \$897 million than \$812 million.

The second part to any costing program, of course, is not just the upfront capital costs but also the costs of sustaining it. If you go to the next page, you will see that back in 1998, when we first initiated the program, our basic estimate was that the cost of the new fleet would be the same as the cost of the old fleet. That may have been naïve on our part, but that is what we had hoped would happen, partly because one of the benefits of this class, of course, is that it requires fewer staff, or sailors, to sail the boat.

We thought it would be the same, but in fact our costs have now gone up, as reflected in this slide, to about \$121 million. While the cost per submarine doesn't differ very much, the fact is that we now have four, and we had three, and \$120 million is roughly the cost of what it's going to take us to support them. Even that may be low, in my estimation. My expectation is that as things move on, it may rise somewhat as well.

In my opening comments, I covered a few of the reactivation issues. Here I've listed the six that you've heard more about, so let

me just take a minute and talk to you about the ones that weren't in my speech.

Everybody has heard of the famous dent on the *Victoria*. That in fact was funded as part of the settlement on the *Chicoutimi*. It's not very much, but they did cover it off. We expect that in the next docking work period we will take care of it.

With regard to the air turbine pumps, we found that these seals were leaking. Each of the submarines has two of these kinds of pumps. The U.K. was kind enough to take care of *Chicoutimi* for us. The pumps in the *Victoria* and *Windsor* are okay for the moment, and they will be adjusted the next time they go into their work period for repair and overhaul. The *Corner Brook* as well will probably be undertaken next year. One useful point to make is that the U.K. supplied us with, at their cost, two additional pumps. So we have two extra that we can use to rotate in and out to facilitate keeping the submarines active. Finally, we had an issue with vicolets at the beginning. These are T-joints on some pipes that were found to be faulty. All were adjusted and fixed by the U.K.

These issues, though, cause delays. If you look at the next slide, you will see that the program, not surprisingly, has suffered some significant delays. Whereas initially we'd thought that in the years 2000 and 2001 all force submarines would be made available to us, you can see now that stretches out to 2004.

I would point out too, just for comprehensiveness, that while this reflects our expected schedule of accepting these, this does not mean that they're yet ready to be operational. As I've mentioned, we have to put in Canadian equipment, integrate and test it, and make sure it works. I would expect that before all the fleet is well integrated and operational, it will likely be 2008 or 2009, or somewhere in that timeframe.

Where do we go from here in terms of the program? We have to complete Canadianization of *Victoria* and *Windsor*. They are about 95% to 98% done. *Corner Brook* will be undertaken next year. For *Chicoutimi*, we would probably do that when we get the submarine back from its current situation and it's being repaired. We'd probably do a lot of that work at the same time in order to save time and money.

The projects I've mentioned to you, of about \$85 million—the infrastructure, the spares, the special test equipment—we will have to complete. Then, rationalizing ongoing support, we have a current contract with BAE that takes us out to potentially August 2007. We are now starting to work with industry to look at their capability to sustain these submarines in Canada and to make sure that we have a viable program for them. We will decide what work gets done inside our fleet maintenance facilities and what gets done by industry.

So that's our main work program for the next little while.

Thank you, Mr. Chairman. Mike and I would be pleased to take any questions.

•(1555)

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

We will start our questions. The first round is seven minutes for both questions and answers. I would ask everyone to be as succinct as possible, given the complexity of this topic.

I'll start with Mr. O'Connor, please, for seven minutes.

**Mr. Gordon O'Connor (Carleton—Mississippi Mills, CPC):** Thank you very much, Mr. Chairman.

Before I ask my questions I want to request a number of documents from DND. I'll hand you the written thing later on. I want the Royal Navy technical reports on the original sea trials. I want a list of deficiencies provided by the United Kingdom related to the submarines at the time the original contract was signed. I want a list of deficiencies confirmed by the Canadian Forces following the acquisition of the submarines. I want the capital equipment plans of 1993, 1994, 1995, 1996, 1997, and 1998. I want the 1998-99 Canadian Forces and/or maritime service training plan related to submarine capability. I want the 2004 version of the Canadian Forces Chief of Maritime Staff training plan related to submarine capability. I also want a submarine statement or preliminary statement of requirements for the years 1992, 1993, 1994, 1997, and 1998.

**The Chair:** We will ensure that Mr. Williams gets a written copy of your request, but I saw him taking notes.

Mr. O'Connor.

**Mr. Gordon O'Connor:** Mr. Williams, there was a five-year delay between 1993 and 1998 in deciding to acquire British submarines. At least that's my interpretation. If that is so, why was there a delay?

**Mr. Alan Williams:** There are a number of reasons why it took four or five years. First of all, the exercise we undertook was a complex one. We talked about the contracts both for engineering support as well as with the U.K. When you talk about buying used submarines, the rigour and detail specified with conditions upon acceptance, with the configuration upon acceptance, with the modifications after, with the trainers, the technical and data packages, spares, logistical and technical support—these things don't happen overnight; they take a great deal of time. That's point number one.

Point number two, during this time the U.K. was not just negotiating with us. There were of course other interested parties, and things did not just go directly with us. But perhaps most significantly, if you were to say to me that in all cases we would have a contract signed four or five years after we started, I would jump for joy. A few years back I undertook a study that showed that in 256 cases, from the time we thought we had a need to the time we closed down the project office because the goods were received and delivered, it took an average of 16 years, nine of which took place until contract award. I think everybody here would agree that's totally unacceptable, and we agree. We've done a lot to change that. In fact, the vice-chief and I signed a document last year that basically said that unless we can get something to contract within four years, we won't even start it or allocate resources. That means the military have no more than two years to define their requirements, and I'm obligated to get it from that stage into specifications, into industry,

into contract within two years. That will dramatically change the culture and mind-set. We think we can do that.

Secondly, by moving towards military and commercial off-the-shelf products, we should begin to get delivery a lot faster.

Finally, instead of allowing project offices to go on and on forever, what I've now said is when we're 80% to 85% done we'll close down the project office, take the people and reallocate them, and let the work be done as part of the regular workload.

The bottom line is that four or five years is in fact not a great deal of time. The procurements we undertake are the most complex you can undertake, and typically getting to the state where in fact we know exactly what we want from the military, and industry knows exactly and can bid on it effectively, does take four to five years. If that were the outside limit on every case, I would think we would be making terrific progress.

•(1600)

**Mr. Gordon O'Connor:** Thank you.

Would you, Mr. Williams or Captain Williamson, explain what elements of the submarine were Canadianized, and does it have any effect upon the electrical and computer systems originally in the boat?

**Mr. Alan Williams:** I'll turn it over to Mike in a minute, but as I said, we're undertaking now about \$75 million of Canadianization, primarily in three major areas. We are changing the weapons systems so that our Mark 48 torpedos are in fact used. We have about 85 of these in our inventory and we're modifying the weapons system so they can be used.

Secondly, to be consistent with Canadian standards—and of course we have unique Canadian cryptology to make sure our secrecy is unique to us—our communications systems are being modified for that. The third major area is electronic support measures to allow us to be able to better understand and defend ourselves in terms of surveillance underwater.

Those are the three main areas. There must be 10 or 15 or 20 different sub items in there, but those, by far, occupy the majority of the costs.

**Capt(N) M.F. Williamson (Project Manager - For submarine capability life extension, Department of National Defence):** That's correct. Mr. Williams has covered most of the items. Other items include escape equipment, satellite communication fits, integration of towed array sonars that Canada already possesses. The only change touching on electric is conversion of 220-volt receptacles for 120, the difference between the British domestic system and the Canadian domestic system.

**Mr. Gordon O'Connor:** Why does it take ten years from initial acquisition to ensure that four used submarines will be fully operational? Why does it take ten years?

**Mr. Alan Williams:** As I indicated, from 1998 to 2004—I guess that's about six years—we expect that will be the time before we get them into a state of acceptance. Following that, the navy has to in fact provide sufficient integration, crew training, to make sure that the submarine operationally works within its whole cadre of other fleets to be effective if you want holistic solution to naval situations. And of course I mentioned before that the Canadianization of each one also takes time from the time it gets back to here.

Mike, I don't know if you want to elaborate a bit.

**Capt(N) M.F. Williamson:** The HMCS *Victoria* has been operating off the west coast. HMCS *Windsor* has been operating off the east coast, and of course HMCS *Chicoutimi* was off the Irish coast. Submarines are at sea; they are doing their jobs. What remains is the final piece, and in the case of *Victoria* it's being certified to track targets, employ weapons, and utilize weapons. So it's very much a set piece, building-block program, and we're in the final stages of that with *Victoria* and earlier stages of the submarines we've just accepted. As Mr. Williams says, by 2008 we hope to be there with all the boats.

• (1605)

**The Chair:** Thank you, Mr. O'Connor.

Monsieur Bachand.

[*Translation*]

**Mr. Claude Bachand:** Thank you, Mr. Chairman.

Before I get started, I want to tell my colleagues on the National Defence Committee that I view them as persons of considerable profundity. They may be experts in democracy, but not necessarily experts in the kind of military equipment that we're discussing today.

On reading the newspapers, I was surprised to learn that some members of the media expect us to know everything there is about defence, that is about the air force, the navy, the army and so forth. Our job is not to know everything. Our job is to expose the facts by putting questions to the experts. Our questions often stem from questions that our constituents have about the whys and wherefores of a particular incident. We don't have the answers any more than our constituents do.

That's why it is important for us to ask questions, even if it means looking foolish when the questions are not relevant. So then, I do have some questions for you. I'm not an expert, of course, but I will do my level best to serve my constituents. I just thought it was important to let you know where I stand.

I have not reviewed in detail Mr. O'Connor's list of demands. I'm curious as to whether Canada entered into a contract with Great Britain to acquire the submarines and if so, whether we could see the contract and whether it's one of the requested items on Mr. O'Connor's list. If not, I'd like the contract to be tabled to the committee so that we can familiarize ourselves with it. Was a contract in fact signed?

**Mr. Alan Williams:** Yes, absolutely. In fact, two contracts were drawn up: one with Great Britain for the acquisition of the submarines, and a second one with BAE, to provide support. The committee can have copies of both contracts.

**Mr. Claude Bachand:** Thank you.

I recall the Minister of the day, Mr. Eggleton, announcing on April 6, 1998, that Canada would be acquiring four submarines from Great Britain at a cost of approximately \$750 million. The contract was signed in July of that year, namely a few months after the Minister's announcement.

To your knowledge, were certain inspection operations carried out either by Public Works or by your department prior to going ahead with the acquisition? This is something we often see done. For example, before signing an agreement to purchase an automobile, the prospective buyer usually inspects the vehicle.

Can you tell us how you went about things? Did you initiate the process from the moment the Minister made his announcement, that is on April 6, 1998, or had you already taken certain steps with a view to acquiring the submarines? While I'm on the subject, I'm wondering if any other countries had submarines to sell. Did we check if any were available elsewhere in the world before signing the contract in July of 1998?

[*English*]

**Capt(N) M.F. Williamson:** With respect to the steps before acquisition, there were a number of navy teams that investigated the Upholder class. We had some sailors and officers that went to sea on the Upholder class to examine their books and all the difficulties they had. The Royal Navy was very open with us on the capabilities and the limits of this class of submarine. So we were very familiar with what the submarine could do and that it did in fact meet the Canadian Navy's requirements.

With respect to detailed examinations, as each submarine goes through the reactivation process the Canadian crew and technical teams work with the submarine. There are detailed examinations from the very first step of reactivation, right through to the moment of acceptance, and that can take somewhere up to two years. So before we sign to accept each of the submarines we are fully apprised and fully aware of the exact state of the submarine, all the defects that need to be corrected, all of its capability, we've taken it to sea, we've been out for a month of sea trials. We've crawled through every single inch of the submarine, and indeed we have quite a large quantity of documentation to support our acceptance of it.

[*Translation*]

**Mr. Alan Williams:** If you read the background material we have provided, you will see that all of these concerns were noted during the reactivation process.

**Mr. Claude Bachand:** During the reactivation process, were you surprised, and even now, are you surprised by all of the problems that arose or did you in fact expect them, given that you were carrying out a study while tests were ongoing?

• (1610)

**Mr. Alan Williams:** I'd like to comment briefly. Mike may wish to add something further.

As I mentioned in my opening remarks, challenges will always arise, regardless of the platform we acquire.

[English]

There's been a lot in the news recently about problems with the search and rescue helicopters we bought in 1998. We've had windshield cracks in them and we've had different kinds of problems with the rotor blades and things of that sort.

Our LAV III vehicles are touted to be amongst the best in the world. In fact, the U.S. bought thousands of them after borrowing 32 of ours. When we first got them, there were problems with the brakes and steering, serious problems.

We use the Harvards for NATO flying training. When we first got them, there were problems in terms of the parts not being as functional as they should have been. There were air coolant problems.

Just about every platform we buy has problems in it. So am I surprised that there were problems? Absolutely not. We expect that. That's why we have people like Mike and others who are technically very able and capable to examine it, to ensure that until they're safe, we do not take acceptance of them. This is part of the business. I'd love to say that industry will in fact do everything perfect, but everybody's human. These are very complex platforms that we're buying. We take the time to make sure that the problems that arise—and they will arise—are properly addressed.

As to whether there's more here than we expected, maybe a submariner could give us his views.

**Capt(N) M.F. Williamson:** First of all, the problems that arose before acceptance were dealt with entirely to our satisfaction by the Royal Navy within their budget. So if there was a problem that came up before acceptance, the submarine was made right before we accepted it.

For the problems that happened after acceptance, again, as Mr. Williams said, there weren't surprises. They were the types of problems that one sees with a warship, with a vessel that operates in a very strenuous environment.

With respect to the costs to rectify these defects, in any large acquisition there's a significant amount of contingency that's parked for dealing with these problems. In every case to date, we have been able to rectify these problems or look at their rectification within our planned budget. So the defects that we've dealt with have not resulted in increased costs to the project.

[Translation]

**Mr. Alan Williams:** If I could just add one thing, the three platforms I spoke of seem perfectly adequate to us at the present time.

[English]

In these three areas that I mentioned, the Harvards, the Cormorants, and the LAV III vehicles, notwithstanding all the problems, these weapons systems are amongst the best in the world and operate as such. We expect to find problems, we expect to fix the problems, and we expect the platforms to perform as designed.

[Translation]

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

[English]

I'm just sitting here, Mr. Williams, thinking how, as my colleagues and probably the public can relate to, anybody who's bought a new car and then received a recall notice might be able to appreciate on a different level the point you're making.

Mr. Blaikie, please, for seven minutes.

**Hon. Bill Blaikie (Elmwood—Transcona, NDP):** Thank you, Mr. Chairman.

I think it was said just a few minutes ago by Captain Williamson....

It seems it helps if there's a "William" somewhere in your name today. Perhaps I'll take up the challenge here.

You said that the Royal Navy was very open about the limits and the capabilities of this class of submarine. Is there a document where they actually laid out for the benefit of their prospective customer, that being Canada, what those limits were? Obviously we're more interested in the limits than the capabilities, because we want to know what the Canadian government knew about the problems. Is there a document that relates specifically to the HMS *Upholder*? Of all four submarines, it seems that this is the one that had the most difficult history in the U.K. It was taken out of service after only one year. I'm getting e-mails from various places, and some have even claimed that there was a BBC documentary back in 1991 where British sailors are alleged to have said that they wouldn't sail on these, because they found them unsafe.

Do you have something that you could provide to the committee?

**Mr. Alan Williams:** The answer is yes, and it is included in the documents Mr. O'Connor asked for.

•(1615)

**Hon. Bill Blaikie:** It's in that encyclopedic request.

**Mr. Alan Williams:** Yes, in that whole list. The reactivation process involves probably half a dozen different certificates as you go along the way. Each time a certificate was issued by either the contractor or the Royal Navy...attached is a list of all of the deficiencies and when they had to be corrected. You will see them all there and you will see how they got resolved as you move down the production line.

**Hon. Bill Blaikie:** But presumably before you even enter into that, when you're actually having the initial discussion about whether you're going to make a deal, there must be something that was on the table.

**Mr. Alan Williams:** As Mike said, and he can review it again with you, in the period prior to 1998 there were a lot of discussions going on between our navy people and our technical people over there on the submarines, getting to understand them, getting to understand the problems, talking to people. Now whether those are specifically documented as well as the part I'm referring to, that I can't say.

**Hon. Bill Blaikie:** Obviously what is documented after you've already made the deal...it's too late. We want to know what was documented before the deal was made.

**Mr. Alan Williams:** Okay, but just to be clear, these are documented after we made the deal but before we paid for them and accepted them. It's not like we made the deal, spent Canadian taxpayers' money, and then uncovered the problems. We said we're going to buy these providing they're safe, but until they are safe, they are your responsibility, you have to fix the problems, and we're going to watch you to make sure you do. That's the list of problems. When we take them over we're comfortable that the problems have been resolved.

**Hon. Bill Blaikie:** There are a lot more questions than I could ask in the time I have, but when you say we haven't paid the money yet, you actually weren't paying any money anyway, right? I mean, you had this barter arrangement where there was training to be done, etc. Is there anything that lays out that part of the deal so we can see it?

**Mr. Alan Williams:** You will see in the contract, actually specifically in section 27(3), the issue of barter. The barter has actually been misconstrued. All it really was at one time was if you wanted an accounting efficiency that said we're going to pay you for this and you're in fact taking training here, there, and there, why don't we just net the two together potentially. The fact is that never happened. We pay them on a regular basis into the Royal Bank of Scotland on Wellington Street in Toronto. That's where our money goes. I don't know where they pay us from, but there is in fact no connection, no bartering, no give and take between this program and any other program. It was there in the event that it would facilitate efficiencies, but at the end of the day people are just allowing each program to operate and be funded on its own.

**Hon. Bill Blaikie:** I still think it would be interesting to see what it was they provided prior to the agreement with respect to that class of submarines and particularly with respect to the HMS *Upholder*.

**Capt(N) M.F. Williamson:** We have all the engine logs, all the sea trial results when the submarines were in U.K. hands. Of course, there's a 1991 U.K. defence committee report reviewing the entire purchase from their perspective, and they were going through the same teething problems introducing the class in their navy. They rectified the major problems they found, and they were not problems for us. They concluded that the Upholder class would prove to be an excellent class of submarines, and we hope to be able to make the same conclusions.

**Hon. Bill Blaikie:** The outfit that was hired to do this, BAE, what's the nature of that company? Does that have a Canadian dimension to it? Are there retired or otherwise Canadian personnel involved in BAE? Is it a strictly U.K. thing?

**Capt(N) M.F. Williamson:** There are two BAEs. There is the BAE in the United Kingdom that had the contract to reactivate the submarines for the Royal Navy. BAE was formerly Vickers Shipbuilding and Engineering, and they are the company that built the submarines back in the late 1980s and early 1990s. They are the U.K. centre of excellence. All the Royal Navy submarines, the SSBNs, nuclear powered submarines, are all built in this shipyard, and that is the shipyard where our submarines were reactivated. So we had the best—

**Hon. Bill Blaikie:** And that's the shipyard in...?

**Capt(N) M.F. Williamson:** In the United Kingdom.

**Hon. Bill Blaikie:** Yes, but where?

**Capt(N) M.F. Williamson:** It is an hour and a half northwest of Manchester, on the west coast.

**Hon. Bill Blaikie:** Okay. I thought it was near Manchester.

You say there were two BAEs.

• (1620)

**Capt(N) M.F. Williamson:** Then there is BAE Canada, which does our in-service support. We're paying them in Canadian dollars, for Canadian and British staff and spending the money in Canada for the in-service support.

**Hon. Bill Blaikie:** So this BAE Canada was formed specifically in order to service the submarines?

**Capt(N) M.F. Williamson:** That's correct.

**Hon. Bill Blaikie:** Who are those folks? It's not uncommon for people to leave the various industries and then go into consulting. Do we know the extent to which BAE Canada is peopled with retired Canadian navy folks?

**Capt(N) M.F. Williamson:** In fact there are some retired Canadian submariners who work for BAE. There are some of the original build folks from the United Kingdom who have come over to lend their expertise. There are the folks who have the best experience with the drawing and designs and manufacture. Some of them are the same folks who supported these submarines when they were in the Royal Navy. Where possible, BAE has formed partnerships with Canadian industry and little by little is involving Canadian industry so we can have a made-in-Canada solution for support in the long term.

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

I'll come now to this side of the table. Seven minutes, please, Mrs. Longfield.

**Hon. Judi Longfield (Whitby—Oshawa, Lib.):** Thank you, Mr. Chair, and thank you both for being here.

Mr. Williams, in your presentation you gave us the context under which we had determined we were going to go to the modern diesel-electric submarines as a result of the defence review. You came into your present position in 1999, so a great deal of work had been done before you got there. You have outlined the acquisition process from reactivation on. There are a lot of people out there who want to know what happened before that. How did we determine the requirements for the submarines, and who's responsible for that? Could you outline that process for us?

**Mr. Alan Williams:** Sure.

It's actually quite straightforward. The military is accountable for developing their statement of requirements. In any program, that's what they're accountable for. Once that is done it's turned over to me, and I translate that into DL specifications and work with industry and work with Public Works and Industry Canada and hopefully get the right product for the men and women at a great price for the Canadian taxpayer.

In this particular case, I think you have to understand in terms of requirements that in fact had the Oberons not been unsustainable, there was nothing wrong with them. At the time they met the needs of the Canadian navy. So when we were looking at what next, it really was a very simple question: we have something we think is right; is there anything out there equal to that we can get? Until this great opportunity came along, there wasn't anything that we could afford. As you know, these things typically cost four times the price that we paid.

So once, in fact, we latched on to a possibility, trying to develop the right funding schema so that it could fit within our capital budget was a key cause of work for us, and we worked hard on that. Having gotten the Upholder class, it's important to note that other benefits came with it. Because they are newer, they are in fact, as I said, more advanced technologically and more robust and safer. There is more room in them. The crew size goes from 67 to 49, so from that perspective it costs less. There were a lot of other benefits that came, but in terms of requirements it wasn't as if in many cases the navy or the army or the air force is developing something from scratch. Here we had something that did meet the capability. Its problem was that because it was so old we couldn't sustain it. So it was very simple, frankly, to look out there and find something equal to it and then just go for that. I think that's what happened.

**Hon. Judi Longfield:** Okay, that's helpful, because I think there's a lot of misconception about why we went to the Upholder class and what we believed we were trying to do.

In this process of reactivation sea trials, who is it who determines whether the crew is actually ready?

**Mr. Alan Williams:** The navy does.

**Hon. Judi Longfield:** The navy does. And how do they make those determinations? Is there somebody there who makes an evaluation? Are there tests that are run? Is it simply filling out a form? Is it so many hours doing this or that?

**Mr. Alan Williams:** Mike will give you the details, but essentially part of the agreement with the U.K. Ministry of Defence was that we would provide our crews there for up to a year of training. So they'd be there, be on site, be trained. At the end of the day, the commanding officer has to assure himself and assure the head of the navy that the crew are in fact fully trained and capable of personning the submarine.

• (1625)

**Capt(N) M.F. Williamson:** That's absolutely right, and it's very much a building block process. To be eligible as crew for this program, first of all, the crew had to be qualified on Oberon class submarines; that is to say, they had to be experienced submariners.

They arrived in the U.K. and underwent classroom training, again provided under contract by the Royal Navy, and depending on the trade, whether it was a cook or a sonar technician, the classroom training could last anywhere from one month to a year. Like any course, there were tests that had to be passed and rewrites if there was a failure.

Once the crew member achieved all the classroom training, they went up to Barrow and they joined up with their submarine. They do something that's called a walk-through. They have to be able to go through and explain the operation of all the equipment on the

submarine in their specific area of expertise. Again, there is an oral exam for that, and they have to prove to a higher-ranking or a more experienced person that they have a complete knowledge of the equipment.

After a couple of months the entire crew comes together and then the crew is tested as a whole. There are tests alongside. They have to be able to respond to emergencies. They have to be able to demonstrate that they can in fact operate the equipment. At the same time the submarine is getting ready for sea trials, and when it goes out for sea trials there is again a period of sea training assessment at sea to make sure the crew can operate its submarine in all conditions and respond to all emergencies as they arrive.

This testing is done by a sea training organization, which is exactly the same sea training organization that certifies all the Royal Navy crews safe to operate and employ the Royal Navy nuclear powered and nuclear armed submarines. So they're working to a very, very high standard, and that's when they are allowed to operate the submarine.

**Hon. Judi Longfield:** Thank you.

In the 2000 report of the Auditor General and in follow-up recommendations made in 1998, the report on the acquisition of major capital equipment, it noted that risk analysis to the submarine capability life extension project was incomplete because of limited access to submarines in the early phase of the project. Who was responsible for this risk analysis, and was another risk analysis undertaken at a later stage in the project?

**Capt(N) M.F. Williamson:** As the project was construed and put together, risk assessments were done based on technical risk, program risk, risk to Canadianization, and I think in the largest part, most of the categories were assessed correctly before the contract was signed in 1998. There were observations that some of the areas, like the Canadianization, weren't as well addressed. We underestimated the cost of retrofitting some of the equipment. But by and large the risk assessment reflected what we ended up facing.

**Hon. Judi Longfield:** What happened to the old Oberon submarines, and are any of their spare parts being used for the Upholder class?

**Mr. Alan Williams:** We have four, three operational and one that was used for training. Two of them will be transferred next year, one to the U.K. and one to Musée de la Mer, and two in fact will be sold for spare parts.

**The Chair:** Thank you, Mrs. Longfield.

Now we start a second round of questions, five minutes for question and answer, and we'll start with Mr. Casson, please.

**Mr. Rick Casson (Lethbridge, CPC):** Thank you, Mr. Chairman, and gentlemen, thank you for being here.

Captain Williamson, you talked about training and crew, and I'd like to go there for a minute. As these submarines are put into service, it must take more than the people who are actually manning the boat to deal with the day-to-day operation. You have to train and you have to have people coming and going. Have you been able to find the proper number of instructors and the proper trained personnel to man these boats as they come into service?

**Capt(N) M.F. Williamson:** I can speak for the period of time up through the acceptance of the submarines. Beyond that it's the navy training system that takes over from us.

For the crew training in the United Kingdom, again, a lot of ex-Royal Navy chaps were responsible for training the crews. It was the same thing alongside in Barrow and the boats to sea—all of the instructors were highly experienced Royal Navy submariners, many of whom had sailed on these boats when they were under the Royal Navy flag.

As the training was repatriated to Canada and we brought the simulators, some of these folks took off their Royal Navy uniforms and are now working ashore in Halifax and on the west coast, in Esquimalt. Beyond that, it's up to the naval training system to ensure that the instructors are there and the amount of training that's required is met.

•(1630)

**Mr. Rick Casson:** So it's your responsibility once they're put into service—and after that...?

**Capt(N) M.F. Williamson:** It's my responsibility to deliver reactivated submarines, trained crews, and the systems to train on. It's passed over to the navy as a turnkey operation, and they take up the responsibility from there.

**Mr. Rick Casson:** You also mentioned earlier about the Canadianization of these boats. When our crews take them over, is that part of their training? You're leaning pretty heavily here, it sounds like, on the Royal Navy people to train, but then new communications, weaponry, and detection systems that have to be learned as well. Is this part of the training the Royal Navy supplied? How has that been taken care of?

**Capt(N) M.F. Williamson:** The first point I'd like to make is once the training is repatriated to Canada... We have to remember that Canada has operated submarines for some 35 or 40 years, and we have a lot of very, very experienced submariners as well. For them, it's a question of getting conversion training from being an Oberon submariner to an Upholder submariner. So our instructors, indeed, wearing Canadian uniforms are highly qualified and highly experienced.

With the equipment that becomes Canadianized, there's a lot of commonality with systems in the surface fleet—the electronic warfare equipment, the radar. It's exactly the same equipment that's operating on our Canadian patrol frigates, and that's why we chose it to put in our submarines. So we can use the same schools and the same instructors that are already experienced in Canada.

For equipment that's brand new, any equipment we buy comes with in-service support, and we also buy training to go with it. So sailors aren't presented with equipment that they've never seen before and don't know how to operate. It's part of a contract when buying new equipment: we buy the training that goes with that. After a number of years, that again is repatriated into the Canadian Forces system.

**Mr. Rick Casson:** I'm not sure which one of you gentlemen mentioned earlier about the type of torpedo we have. Is it Mark 48?

**Capt(N) M.F. Williamson:** It's the Mark 48.

**Mr. Rick Casson:** How much redesign or retraining was needed to facilitate using what we had in stock as a torpedo in these new submarines?

**Mr. Alan Williams:** One of the very important criteria for this class of submarine was that the torpedo tube was of the size and configuration that could discharge a Mark 48 torpedo, and of course that was achieved. We also ported across the fire control system that was in the Oberons, updated it, and moved it into the Victoria class, so that for operators there was minimal training to operate and control torpedos. For them the equipment that they saw on the Oberons was going to be present in the Upholders, albeit improved and updated. The actual employment of the weapon—the wire guiding, the tracking, and the tactics—was the same.

**Mr. Rick Casson:** I noticed on your acceptance schedule you list each submarine—*Victoria*, *Windsor*, *Corner Brook*, and *Chicoutimi*—and as you went through each boat, the deadlines were missed by wider and wider margins, until the *Chicoutimi* was by quite a bit. Does that lead us to believe that you started with the best and went through to the worst? How did this happen?

**Mr. Alan Williams:** No, I think what it means is if we found a problem in one area, we looked at all the other submarines that were around and had to sort of address that same problem in those. In other words, you find a lesson learned and you expand it to the others. So it's just cumulative, the problems.

**Mr. Rick Casson:** I thought if you learned a lesson on one, it should shorten up the timespan on the other one, but it looks like it needed longer.

**Mr. Alan Williams:** As I said, for instance, the diesel valves, once we found those a problem, we went back to the two that we had, and, oh, those are a problem too and we have to fix those. So that's why the delays. If we found two or three, we'd take all of those and apply them to the ones we hadn't yet accepted.

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

It's back and forth now. Sorry, it's not quite; it's now government and then Bloc.

Mr. Rota, please, for five minutes.

**Mr. Anthony Rota (Nipissing—Timiskaming, Lib.):** There seems to be a bit of a disconnect in my mind between slide 3 and slide 8. I'm looking at dates and I'm looking at processes. I'm wondering, on slide 3, can you tell me where each of the subs is in that process? I'm looking at slide 8 and I'm trying to picture in my mind where they are on that slide. Are we in the buying process? Are we supporting now? If you don't mind, just place the subs—

**Mr. Alan Williams:** For sure.

*Chicoutimi*, as you know, is undergoing a complete reassessment right now over in the U.K. We'll have to make a decision, following the board of inquiry and looking at our own engineering studies, what changes have to be made and whether we do the fixes there or whether we bring them back to be done over here.

*Corner Brook* is in a special extended work period, replacement part, which should be completed sometime next year.

**Mr. Anthony Rota:** Where would that be on this slide, on slide 3? Is that Canadian modification, is that acceptance, or sea trials?

•(1635)

**Mr. Alan Williams:** It's in the far right box.

The *Victoria* and the *Windsor* are both in kind of operational stages. They have their work periods coming up sometime early next year.

For all the boats, we've essentially either made some modifications or we're looking at operations and maintenance, designing the schedule for it in one way, shape, or form. They're all—in the last two boxes—in different stages. Part of our discussion right now with industry is try to figure out the optimum operations and maintenance schedule. When do we want to have major refits, when do we want to have smaller refits, and can we plan these out in such a way that we make optimum use of the boats? Rather than keep four docked at one particular point in time, you always want to have at least one or two available for the navy. These are discussions that are going on right now.

**Mr. Anthony Rota:** I'll go to a second question and then probably come back to this. I'm not quite 100% clear on it.

The type of arrangement you have is almost like a rent-to-own type of agreement. You're using it for awhile to find out what's going on. Is there a cost involved where you're paying along the way, or is it just seeing if you can get this up and going, paying for it once you have it? Perhaps you could clarify that.

**Mr. Alan Williams:** There's a specific lease payment schedule for each one. There was no interest charged on it. We had an option to buy them out earlier if we wanted to, and in fact we did buy *Victoria* out earlier. We had additional funds. The cost back in 1998 dollars was \$90 million for each. There's a prescribed table, and we pay the appropriate lease payment on April 1 of each year—except for the current one. We haven't gotten the bill for that yet, but it likely will be about \$7.6 million, because you pro-rate it for the year.

**Mr. Anthony Rota:** You mentioned innovative ways of purchasing and buying. Is that one of your ways?

**Mr. Alan Williams:** I think it is. When your capital budget is very limited, to be able to get these lease payments without interest is innovative, I think.

**Mr. Anthony Rota:** No, I'm complimenting you on that. I'm not being critical. I'm just asking you to clarify.

To go back to slide 3, in your estimation, in terms of some of the problems that came up and some of the concerns that are coming up, should we have backed out of this agreement earlier, or any one of the subs, at an earlier date? Or are we really on schedule? Do you think it's still a wise move to go on with, say, the *Chicoutimi* or...?

**Mr. Alan Williams:** We haven't backed out at all.

**Mr. Anthony Rota:** I realize that. That's why I'm asking.

**Mr. Alan Williams:** As I said, given that this platform will meet the navy's requirements; given that we've paid 25¢ on the dollar; given that the problems we have, frankly, are not unusual in the sense that every weapons system platform, new or used, has problems; and given that we got a tremendous deal on this, I'm not sure why we should back out. That certainly would not be my view just in terms of getting the right product at a great price for Canadians.

**Mr. Anthony Rota:** Thank you.

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

*Monsieur Bachand, s'il vous plaît, cinq minutes.*

[Translation]

**Mr. Claude Bachand:** Thank you, Mr. Chairman. I'd like to get back to the acquisition process.

Earlier, Mr. Williams, you stated that as rule, the Navy or Army identified a need and shared that information with you. Subsequently, it is your responsibility to work with the manufacturers, with Public Works Canada and so forth to have the need met. However, initially is there not a political decision of some kind made? Ultimately, the decision to purchase these submarines is made by the government. It is not you, or Navy Captain Williamson who decides, but Cabinet.

Initially, is it not Cabinet that decides to acquire submarines and then asks the Navy to oversee the acquisition of better platforms? Once the Navy has identified its requirements, it then conveys that information to you. Isn't that how the normal acquisition process works? process

**Mr. Alan Williams:** I'll try to explain to you how the process works in general.

[English]

Every major capital program has to go through a detailed, rigorous process that involves typically cabinet and the Treasury Board. One typically major crown project, as you mentioned, is when we're talking about \$100 million; absolutely correct. Once in fact the military determines that it has a need, we likely provide a cabinet document that details what the need is, what our approach is going to be to acquire it, what will be the industrial benefits, and get cabinet approval to proceed. We then have to take that same concept through the rigorous Treasury Board submissions, where in fact we get the program approval to proceed from the department's standpoint.

Once we've gone through the whole process and we're ready to sign a contract, that's when Public Works and Government Services Canada submits its contract approval to Treasury Board ministers in order to get approval to sign a contract.

•(1640)

[Translation]

**Mr. Claude Bachand:** If I understand correctly then, in the case of the acquisition of Upholder class submarines, no call to tender was put out. Correct?

[English]

**Mr. Alan Williams:** That is correct.

[Translation]

**Mr. Claude Bachand:** I believe the next question is directed more to Mr. Williams.

Were other options considered? Before acquiring the Upholders, did the Navy recommend various options to the Minister, or, given that this was such a great deal, did the Navy immediately inform the Minister that these were the platforms it in fact wanted and needed?

[English]

**Mr. Alan Williams:** Let me add something at the beginning, and then Mike, I'm sure, will add.

I think sometimes one has to avail oneself of an opportunity, notwithstanding the strong desire of all of us to compete. NATO flying training is another example. We have now recognized probably the leading—if not the leading, then one of the most leading—advanced pilot training systems in the world. We only got that way because of unique opportunities. In the fall of 1994, Bombardier understood there was an opportunity that NATO was looking for a training program. They came forward and we recognized the unique opportunity and jumped on it. Had we in fact initiated a competitive process to see who else could do this, we would not have made the window of opportunity.

I'm saying that because this is a parallel circumstance. Here you have a situation where the need is clearly known. We knew in fact the Oberon class met our needs. Here we had, at our doorstep, an opportunity to acquire something for 25 cents on the dollar, without which, had we had to pay full price, we know we never could have afforded it within our capital budget. Even buying it on a lease basis, getting the deal we did where we didn't pay interest made it affordable to us.

I say all that because I think that's the context that we're working in when an opportunity arises. There's another good example, for instance, just to understand it, because this is the culture we're trying to inculcate. We had the need about two years ago for air-to-air refuelling capability. We found out that our German colleagues were doing the same thing we wanted to do with the same platform. So rather than reinvent the wheel, I signed an MOU with my German colleague. We saved three years and \$50 million by putting ours in their production line.

All that is to say we're looking for these unique opportunities so that we can do the best with the dollars we're provided.

[Translation]

**Mr. Claude Bachand:** If I understand correctly, this was such a wonderful opportunity that the Navy and the Deputy Minister responsible for equipment recommended to the government that it proceed with the acquisition without putting out an invitation to tender. Correct?

[English]

**Mr. Alan Williams:** That's correct.

**The Chair:** Thank you, Mr. Bachand. You get the award for being right on. That's exactly five minutes. You have lots of expertise. We know that for sure.

Now we go to Mr. Martin, please, for five minutes.

**Hon. Keith Martin (Esquimalt—Juan de Fuca, Lib.):** Thank you, Mr. Williams and Captain Williamson, for being here today.

Mr. Williams, you mentioned that the lifespan of these subs is 20 to 30 years. When does that period start?

**Mr. Alan Williams:** We expect to be able to keep these for 30 years from now.

**Hon. Keith Martin:** From 2004?

**Mr. Alan Williams:** Yes, from the time we accepted them.

• (1645)

**Hon. Keith Martin:** From the time you accepted each one or from 2004?

**Mr. Alan Williams:** Roughly. I mean, this isn't a science; it's an art. We have no doubt that we can keep these going for roughly 30 years. The total time all four had been to sea—all four—prior to them being deactivated was about two years. So it's not like they had a lot of sea miles on them, if I can say it that way. One of the things we do really well is keep platforms going for a long period of time, as you know.

The key constraint will be, frankly, not whether we can keep these going but whether or not the systems will continue to be effective 25 to 30 years from now, and that will be the litmus test, more so than us being able to maintain these.

**Hon. Keith Martin:** Which leads me into two other questions. In the pre-purchase period, our engineers, as you mentioned, go over the sub from stem to stern. Were there any reports that suggested we ought not to purchase these subs?

**Mr. Alan Williams:** I'm not aware of any. Mike, I don't know if you're aware of any.

**Capt(N) M.F. Williamson:** Are you talking about pre-contract or pre-acceptance? Acceptance takes place after the contract is signed over the intervening years.

**Mr. Alan Williams:** Are you talking pre-1998 or post-1998?

**Hon. Keith Martin:** Pre-1998.

**Capt(N) M.F. Williamson:** Pre-1998, as we said earlier, all the problems with the Upholder class submarine in Royal Navy service were exposed to us. We had exchange Canadian naval officers serving on the Upholders, so they had first-hand experience. We knew all the problems they had had up to that time and how they in fact addressed them, so we had no concerns at the time of signing the contract.

**Hon. Keith Martin:** Along with the capabilities issue, the subs provide us with a great force multiplier effect. Perhaps you could articulate to us what the force multiplier effect is, not only within the context of our navy but with respect to the work we do with our allies.

**Mr. Alan Williams:** I think that kind of question, frankly, with due respect to Mike and certainly to myself, would be better answered by the navy. It deals more with their operational—

**Hon. Keith Martin:** That's fair enough.

On the work that was done during the reactivation period, is there a warranty that we have on the work that was done by the Brits, or once we accept them we have full responsibility for the work that was done prior to that?

**Mr. Alan Williams:** Once we accept them they're ours.

**Hon. Keith Martin:** Great. Thank you.

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

At this point it's traditional to give the chairman a chance, and then we'll have some more questions.

Either I didn't hear Mr. Martin's question correctly or I didn't hear the answer, so I'm going to take it up again. Did anybody in authority with knowledge of these submarines at any time recommend to the Canadian Navy or government that we not purchase these submarines?

**Mr. Alan Williams:** I'm not aware of any, and Mike isn't either.

**The Chair:** No one is aware of any recommendation not to purchase. Okay, thank you.

Our friend Mr. O'Connor enumerated quite a list of information that he's interested in, and I think Monsieur Bachand added a point, so I'm sure there's consensus from the committee that we all.... The committee as individual members put these suggestions forward, and we applaud them doing that, but it's important that you understand it's the committee as a whole that is asking you. You understand that we're asking for that information in writing. If you could send it to the clerk as soon as possible, she will make sure that we all get copies.

I'll stop there for now. I have some others, but I want to go back now to my colleagues. Actually I've made my interjection a bit too soon. I apologize to my friends here.

Mrs. Gallant, are you going to share with Mr. MacKenzie?

**Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC):** No, Mr. MacKenzie is going and then I'll go after him.

**The Chair:** Mr. MacKenzie is going to go and then Mrs. Gallant and it's five minutes for the two, question and answer. Thank you.

**Mr. Dave MacKenzie (Oxford, CPC):** Thank you, Mr. Chair.

My question to either of you is would there have been a Treasury Board submission or memo to cabinet regarding the 1998 lease agreement to acquire the subs?

**Mr. Alan Williams:** There would have been both a memo to cabinet and a Treasury Board submission.

**Mr. Dave MacKenzie:** And we could get a copy of those?

**Mr. Alan Williams:** I'm not sure about cabinet confidence, personally, or Treasury Board submissions. I'd have to check. Certainly whatever the rules allow for would be provided.

**Mr. Dave MacKenzie:** Okay.

What other submarines did we compare when we looked at these? These were already sitting there. Presumably we were talking to Britain. Did we compare them with any other submarines?

**Capt(N) M.F. Williamson:** I believe the other diesel-electric submarines of this size and capability at the time were the Dutch

Walrus class, the Australian Collins class, and a variety of German-built submarines.

This class was what the Royal Navy chose to follow up their Oberon class with. They had 30 years or 40 years operating Oberon experience, and they modernized it and produced the Upholder class. For us that was a very logical fit, because we operated the same class, the Oberon, for 35 years.

• (1650)

**Mr. Dave MacKenzie:** Okay. I guess my next question is if we did compare it, do we have something in writing that compared the advantages and disadvantages, as we would ordinarily do in other circumstances?

**Capt(N) M.F. Williamson:** I don't believe it came down to a point-by-point comparison.

**Mr. Alan Williams:** I haven't seen any such documentation.

**Mr. Dave MacKenzie:** Okay. So these submarines are sitting there, they're available to us, and you explained, Mr. Williams, why it takes so long. But if we're really only going to buy these submarines after some short comparison—otherwise there would have been documentation, I assume—why didn't we make a decision sooner to buy the submarines that were sitting there?

**Mr. Alan Williams:** Again, it's my view that we didn't take a long time. It's my view that with a program as complex as this is, going through all of the details for the main contract as well as for the engineering support, the different configurations.... When you see the contracts yourself, you'll see how detailed.

Plus, as I mentioned, we weren't the only ones negotiating. This didn't just happen overnight. You had other countries in there. And when you're dealing over long distances, these things take time. It's not a simple kind of process, as you can imagine. So to get to a contract within four years.... I would like it to be done overnight. It's not that I'm satisfied with the four years, but I'm saying my experience tells me that given the bureaucracy and what one has to go through in terms of explaining things and writing memos and documenting things and explaining, as well as negotiating, these things take a lengthy time to do.

**Mr. Dave MacKenzie:** The other aspect of my question was that we were not the only country that Britain was dealing with—

**Mr. Alan Williams:** That is correct.

**Mr. Dave MacKenzie:** —and not necessarily a favoured country. We were a contract.

**Mr. Alan Williams:** I think we were a favoured country. I mean, we're NATO allies. We deal a lot together. We have the same values and cultures. I think they would prefer to sell them to us, and I think that's good. I think that's why we got the kind of deal we did.

**Mr. Dave MacKenzie:** But you indicated that sometimes this delay took place because Britain was talking with other countries.

**Mr. Alan Williams:** For sure.

**Mr. Dave MacKenzie:** So we weren't the only country.

**Mr. Alan Williams:** That's absolutely correct.

**The Chair:** Two minutes, Mrs. Gallant, please.

**Mrs. Cheryl Gallant:** In addition to the list of the contracts Mr. Blaikie has asked for, I'd like to see a list of the subcontractors who worked on the reactivation of the submarines, plus the contractors and subcontractors who provided support services on this.

Just prior to the submarine purchase—

**Mr. Alan Williams:** May I just make a comment about that? For the companies we contract with, there's no problem whatsoever, but as a matter of policy we typically will not intervene with the subcontractors. So I do not know whether or not we have a list and a record of who the subcontractors were in many of the cases. If we do, we'll be happy to provide them.

**Mrs. Cheryl Gallant:** Thank you.

Just prior to the submarine purchase there had been an in-house contract for the service support of Goose Bay, which I understand had been accepted. Goose Bay is part of the swap, together with Suffield, for the purchase of the submarines. Is that correct?

**Mr. Alan Williams:** No. That's what I was trying to indicate before. There is mention in the contract of the potential for a barter kind of arrangement, and that was designed, it said, where practical. I think at the end of the day all parties felt that it didn't really make any great accounting efficiency sense. So in fact we pay our amounts into the Royal Bank of Scotland, which is their account in Toronto, and they pay us what they're owed for Suffield and Goose Bay and everything else through some other account, or maybe through that same account, but there's no netting one off against the other.

**Mrs. Cheryl Gallant:** Just prior to the purchase of the subs, there had been an in-house proposal done for the support services at Goose Bay, and it's my understanding that that proposal from the in-house bid had been accepted. Then upon purchase of the submarines the decision appeared to be reversed and awarded to a company called Serco instead. I'm wondering whether or not there is any linkage between the reversal of that decision and awarding the contract to British-based Serco and the purchase of the submarines.

**Mr. Alan Williams:** I'm not aware of any, but I could certainly look into that and provide the committee with any information I can find.

**The Chair:** Thank you, Mrs. Gallant.

Mr. Rota, please, five minutes.

**Mr. Anthony Rota:** I have a couple of questions.

The Oberon subs we had before were old, they were rundown, but they were performing a satisfactory role. Am I correct?

•(1655)

**Mr. Alan Williams:** That's correct.

**Mr. Anthony Rota:** With the new Victoria class submarines there's an incremental benefit there, I guess. We're buying these things at 25 cents on the dollar—the cost of these new subs. How much of a difference would there have been, say, had we found an adequate replacement for the Oberon at the same level, without the extra features, if you will?

**Mr. Alan Williams:** All I can say is if you look at the typical marketplace, if you look at Collins class, as Mike mentioned, you're talking about four times the cost on average. Again, I'm not being

absolutely precise, but to get new fleets of this ilk, that would have been the case.

The committee members, I'm sure, are aware of some of the challenges Australia has had in putting in place their Collins class. So whether they're new or they're used, these are very complex pieces of equipment.

**Mr. Anthony Rota:** So the incremental benefit is going to be there at that cost. I'm trying to compare the price of a comparable submarine to the Oberon, but modern, to the Victoria class.

To bring it down to terms, let's say I'm looking at buying a Chevette and all of a sudden a deal comes up on a Ford Taurus. The Taurus looks great, but is it going to have problems? I'm just wondering, should I have bought the Chevette or looked for something comparable to what I could have afforded? Is that...?

**Capt(N) M.F. Williamson:** The basic capabilities were a submarine that had a displacement of about 2,400 tonnes, it had a range of so many thousands of miles, was able to dive to a certain depth, and was able to fire torpedoes. It was the same capability between the Oberons and the Upholders, and all the other submarines of that ilk, including the Collins class, meet that general style and size of submarine in terms of weight, duration, and displacement. That's what we got. We got one just like it. Indeed, the other ones that were available, the Walrus, the Collins, and the German submarines were, as Mr. Williams said, about four times the cost per unit.

**Mr. Anthony Rota:** Just one final question. I'm going to ask for your opinion on this one, so hopefully it's a fair one. Do you still feel comfortable with what we bought? Would we have had the same number of problems, or a similar number of...I won't call them problems, but upgrades, had we bought, say, the Collins or the Walrus or one of the other submarines?

**Mr. Alan Williams:** That's a question for speculation. I would only say that there has not been a fleet that we have acquired that hasn't had problems. More or less is hard to qualify, but for sure there would have been problems with any fleet we would have undertaken.

As Mike has said, this fleet in many ways eliminated many of the problems. The Upholder class was built on the Oberon history, and we had a commonality there from before. We had done a fair bit of research on the history of the thing, so we sort of knew what we were getting into. Now, there were surprises as we went along, but perhaps not as many as we otherwise might have had.

So I certainly still feel that this was a tremendous opportunity. I think the people who worked the deal—and I wasn't there to work the deal—did a great job.

**Mr. Anthony Rota:** Thank you.

**The Chair:** That's two full rounds. Now we'll have two quick questions from the chair, as is tradition, and then we'll go to round three.

Mr. Williams, you clarified for the committee that taxpayer dollars/pounds actually are changing hands in this purchase. How many Canadian taxpayer dollars to date has this program cost us?

**Mr. Alan Williams:** To date, in the support contract, we have spent \$167 million. We do have \$60 million more in spares to come, so that is potentially going to come just around the corner.

In terms of the actual capital costs, I have to do a quick calculation here.

Of the \$812 million, Mike says \$565 million has been spent. And I would never doubt him.

**The Chair:** So \$565 million total capital to date, and \$167 million to date for support?

**Mr. Alan Williams:** That's right.

**The Chair:** All right, thank you.

If we were to have bought new this class of submarine, what would that have cost the Canadian taxpayer?

**Mr. Alan Williams:** Again, our best guess would be four times the cost.

**The Chair:** Thank you.

I hate to talk like people...the public, but that's who we represent, so I want to talk like that.

Comparison shopping: you mentioned a little earlier that there was some comparison shopping by the Canadian government for submarines. Can you elaborate? Or did I hear you correctly?

**Mr. Alan Williams:** No.

**The Chair:** So there was no comparison?

**Mr. Alan Williams:** Typically, competition is our preferred way of doing business, without any question. We like to take the requirements and open them up to the marketplace and have companies go at each other to get us the best price to meet our needs. This case was slightly unique in the sense that the requirements were clear and a unique opportunity presented itself. Clearly, there wasn't anything else used out there, and there wasn't anything else in our budget that we could afford. This was it.

As I mentioned, when you see an opportunity, as we did with the air-to-air refuelling or with NATO flying training, you grab it. So to say that there was a great comparison would be overstating it. I think the navy knew, because navies work together, the different classes out there. But if you're asking me if there's a rigorous document that compares A, B, and C, I doubt very much you'd find one.

• (1700)

**The Chair:** Okay, thank you.

I heard you say that this fit within the budget available.

**Mr. Alan Williams:** Yes.

**The Chair:** Did I also hear you say that there were no other subs available, used, that could have fit into the budget?

**Mr. Alan Williams:** That is correct.

**The Chair:** So there was some comparison shopping that was appropriate.

**Mr. Alan Williams:** In that sense, absolutely.

**The Chair:** I can understand that, and I think most people can. Whether we agree or not is another story.

That's two full rounds, and now I want to go to a third round. We'll go to Mrs. Gallant for five minutes....

On a point of order, Monsieur Bachand.

[*Translation*]

**Mr. Claude Bachand:** Mr. Chairman, perhaps I miscalculated, but it seems to me that in the first round, Mr. O'Connor went first, followed by yours truly and then Mr. Blaikie. Each then was allowed to ask a second question, but I didn't get an opportunity to do so.

[*English*]

**The Chair:** We're going back and forth. You've had two rounds, have you not?

**Mr. Claude Bachand:** Did you do two full rounds?

**The Chair:** Two full rounds, yes. You had five minutes. Don't you remember, I complimented you on being right on five minutes?

We're going to start a third round. I want to indicate to the committee, just briefly so that we can keep using our time, that Wednesday is going to be a business meeting. We're proposing a business meeting without witnesses. We've got some budget to look at for this study, and we've got a number of important issues to look at for this study. One of them might be whether we want to go with developing some rules for round three. I've chaired this committee twice before, and the tradition has been that after you go through two full rounds, if there is still time and witnesses are available, the chair kind of alternates opposition and government. If neither side has a question, and two in a row from this side have a question, obviously we'd want to give those colleagues a chance. So we're going to keep alternating until there's no more questions or until we reach our agreed time, okay?

Mrs. Gallant, for five minutes.

**Mrs. Cheryl Gallant:** Mr. Chairman, the last time around I meant to go after Mr. MacKenzie, and not split his time, so I'd like to split my time with one of my colleagues.

Mr. Williams made reference to a document that was prepared for cabinet. I'm requesting that the committee be presented with that document as well.

**Mr. Alan Williams:** I'm not familiar with the rules, but if it can be, I'd be happy to.

**Mrs. Cheryl Gallant:** With the capital cost estimates, you had mentioned that what we're paying for was approximately a quarter of what it would cost to buy them new. Is that four times the original estimated cost, or are we talking four times the cost now that we have had all the extra expenses incurred?

**Mr. Alan Williams:** Well, the cost isn't that much different, frankly. I mean, I've added on \$85 million for other things, but beyond that we're still talking rough order of magnitude. I'd still stick to that rough order of magnitude difference.

**Mrs. Cheryl Gallant:** Mr. Williamson, were there any design flaws that you are aware of in this class of submarine?

**Capt(N) M.F. Williamson:** The United Kingdom, in their early sea trials in putting the submarine into service, found two what I'll class as major design flaws. One was high current: when the propeller was at full speed ahead and going full speed astern, they came into an over-current situation. They rectified that. Another one was with the torpedo tubes, and it was resolved with something called option five. They found that under certain conditions of hydraulics in operation, there could be a situation where water could come into a torpedo tube, where they didn't want to do it. They docked each of the submarines in turn and did a full and complete fix. They did a large safety case study and they rectified this problem.

So those are the two major problems that we were aware of that the Royal Navy faced when they were putting the submarine into service under their flag.

**Mrs. Cheryl Gallant:** Okay. Thank you.

**Mr. Gordon O'Connor:** Given that the submarines will only be fully operational in 2008-2009, as we understand it, where does the submarine upgrade project stand? When is it going to be implemented and what does it involve?

**Mr. Alan Williams:** The submarine upgrade program?

**Mr. Gordon O'Connor:** Yes. There's one on the books somewhere.

**Mr. Alan Williams:** If it's somewhere, I should know about it, but I'm not sure that we're... Canadianizing we talked about, but this is the submarine program.

**Mr. Gordon O'Connor:** The mid-life refit.

**Mr. Alan Williams:** Oh. As I said, with any major weapon system, we are now in the stage of working with industry to look at the optimum kinds of operations and maintenance in-service programs. Typically, what we would do is in mid-life have a fairly lengthy, year-and-a-half-or-so period where we would take it out and revisit all of its systems.

Now, whether we do that with this one or not is to be determined. We think we're going to, and have some shorter docking periods before and after that. That schedule is what we're now working with industry on and internally to decide what would be optimal.

• (1705)

**Capt(N) M.F. Williamson:** And upgrading changes are often incremental as well. There are sonar systems now, for example, where we think we can do our business better. We will get money on the books, we'll get small approved projects. And if we can introduce things throughout the life of the submarine, we'd rather do it now, rather than waiting for a long period five or eight years downstream. So there's continual improvement, as with any class of vessel.

**Mr. Alan Williams:** And with any asset.

**Mr. Gordon O'Connor:** Has there been any difficulty acquiring spare parts or components for these boats?

**Mr. Alan Williams:** No. I think one of the reasons why we got it is that this has not been a problem whatsoever.

**Mr. Dave MacKenzie:** I'd just like to know if these were the only used submarines available at the time.

**Mr. Alan Williams:** I believe they were.

**Mr. Dave MacKenzie:** So if there were no others, what would we have done?

**Mr. Alan Williams:** I'm not sure what we would have done. That's one option. We probably would have tried to keep the Oberon going as long as we could. I mean, we keep a lot of platforms going a lot longer than we should. You lose a little bit of effectiveness, but that's one likely scenario.

**Mr. Dave MacKenzie:** Are we in the habit of buying used equipment for our military, or was this an option that was available here?

**Mr. Alan Williams:** We typically have not. But again, I would view this as a positive rather than a negative. I think what you expect us to do as senior officials is to be innovative.

**Mr. Dave MacKenzie:** I understand that, but the chair used the equation of the automobile industry, and that's what I think Canadians tend to know about. Sometimes if it's only a used car or a new car, we're better off to leave the used one until we have money to buy the new one. Is that the case here? Would we have been better off—

**Mr. Alan Williams:** That's not the case here. This is a case of a unique opportunity, seizing it, taking full advantage of it.

**Mr. Dave MacKenzie:** I think it's for others to decide if it was the right thing. We don't have the submarines in the water now.

**Mr. Alan Williams:** That is correct. Many of our allies who are building their own can say the same thing, and they've been at it longer than we have, with new ones.

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

Yes, we can probably all think of some used cars we bought and wished we hadn't, but anyway those are our challenges in life.

Mr. Martin, please, five minutes.

**Hon. Keith Martin:** Mr. Williams, I want to congratulate your team. I think the Airbus story of our refuelling capabilities is one that's not well known, and the public should know that you saved \$50 million in taxpayers' money. It shows that the system can work very well when you have the independence to make those decisions on behalf of the Canadian taxpayers. Thank you to you and your crew for doing that.

**Mr. Alan Williams:** You're welcome.

**Hon. Keith Martin:** After the reactivation process, have our dive capabilities been affected in any way? Do those dive capabilities that we currently have after the reactivation process still meet the needs of our navy?

**Capt(N) M.F. Williamson:** After the reactivation, the submarine is certified to deep diving depth, as per design, and that's one of the criteria for acceptance. The only exception in this case is with HMCS *Victoria*. Because of the dent, there's been a small restriction placed on her deep diving depth, and after the repair process, which is going to take place in January, she'll be cleared to full deep diving depth again.

**Hon. Keith Martin:** Just to clarify, in comparing the Upholder diesel-electric sub capabilities, compared to the other diesel-electric subs you mentioned that the Aussies and the Dutch have, our Upholder subs fit within the envelope of those diesel-electrics. In other words, the subs we have in the context of diesel-electric subs internationally are not—and if I use a commercial example, I'll get into trouble with various car manufacturers. It's on the less effective side, shall we say. These Upholders fit clearly within the context of diesel-electric subs internationally. The capabilities that our subs have are well within the realm of the diesel-electric subs that are currently in use by other countries in the world and our allies.

**Capt(N) M.F. Williamson:** They are well respected as diesel-electric submarines of this type of displacement. There are a lot of very good things about these submarines: they're very robust; they're very quiet, which is important in the submarine business. So there are a lot of attributes that came with these boats, and I don't think it would be fair to say where they lie in the spectrum, but they're certainly not at one extreme or the other.

**Hon. Keith Martin:** I don't know whether it's fair to ask you this question, Captain Williamson, but I think it's perhaps important: why are these subs not nuclear? Nuclear are noisier than diesel-electric. Is that not so?

• (1710)

**Mr. Alan Williams:** Again, not to interrupt, which I'm obviously doing, but when you get to the question of why these and not those, that gets back to requirements, and I think I would much prefer that the navy answer those types of questions.

**Hon. Keith Martin:** Fair enough.

That's it. Thank you.

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

[Translation]

Go ahead, Mr. Bachand.

**Mr. Claude Bachand:** Thank you, Mr. Chairman.

I've seen the budgets, the contracts and the acquisition costs. As we speak, several of these submarines are undergoing the so-called Canadianization process. A substantial sum of money needs to be spent on repairs to the *Chicoutimi*, in light of the recent disaster.

Mr. Williams, bearing in mind the capital limitations you mentioned earlier in so far as the submarines are concerned, could you tell me how much more the Canadian taxpayer will have to shell out to make all of the submarines operational and safe?

[English]

**Mr. Alan Williams:** At the present time, I think we commented that about \$565 million of our \$895 million has been spent. We have contingency built in there, and at the present time our expectation is that we will stay within budget.

[Translation]

**Mr. Claude Bachand:** You maintain that an additional expenditure of \$300 million is required.

Given that the submarines are in port, do you intend to accelerate the Canadianization process and put these platforms back into

service quickly? I would imagine that you will take advantage of the fact that they are docked to push ahead with modernization. Correct?

**Mr. Alan Williams:** That is indeed our objective.

[English]

We have to work with industry to see how quickly they can pick up the kinds of capabilities to be able to maintain the submarines here in Canada. Again, we've had some industry days now, and in fact if we bring the *Chicoutimi* back to have the repairs done here, that might allow us to provide an opportunity to our industry to let them get their hands dirty and learn quickly on one of these and perhaps accelerate the work being done in Canada by our Canadian industry.

[Translation]

**Mr. Claude Bachand:** I see. I understand the desire to bring the submarines back into service to ensure the profitability of our industry and so forth, but were you in fact the one who decided to push ahead with the modernization process, or did the department in fact ask you to speed up the work?

[English]

**Mr. Alan Williams:** I think when we propose or recommend a program we recognize the importance of industrial and regional benefits. Frankly, we are always looking at what we can do to assist our Canadian industry. It's part of our culture, part of our value system. As a general rule, we propose in all of our weapons systems acquisitions how we can best meet the needs of our forces and the taxpayer and how at the same time we can benefit our Canadian industry as much as possible.

[Translation]

**Mr. Claude Bachand:** Let me explain why I am concerned. I have always questioned the need for submarines. As you know, we opposed the acquisition in 1998.

If, one or two years down the road, the Department decided it no longer wanted these submarines in its arsenal, it will have spent in the interim \$300 million on modernization efforts. That doesn't make much sense to me.

That's why I asked you if it was your decision, or Cabinet's decision. I believe I heard the Minister say at some point — and I'm not asking you to contradict the politicians — that he was not in the loop and basically, was merely an observer. I have no problem with him being an observer, but it's already cost us \$500 million, with an additional \$300 million yet to be spent.

I thought that the reason for ordering the submarines back to port was to review the program, not to make a decision then and there to modernize them, or even to speed up this process. Do you not see some inconsistencies in this approach, or a danger of ending up with modernized submarines that the government no longer wants?

[English]

**Mr. Alan Williams:** I think the danger you're articulating can stand for any weapons system. For any weapons system we buy, should it be decided in the middle of it not to proceed with it, that would for sure have huge ramifications in terms of costs and penalties or lack of benefits to industry. And for sure, if we were to stop the program, there would be an impact financially and to our industry. But frankly, that does not drive the decision-making. What drives us first and foremost is the prioritization by the military, and for us to get, for the military, what they need.

That's what we put forward. We try to do it in a way that helps industry, but we're not driven by industry; we're driven by the needs of the military.

• (1715)

[Translation]

**Mr. Claude Bachand:** Are the needs of taxpayers an important consideration? What about the fact that many people are no longer certain that we even need these submarines? Montrealers were polled and eight out of nine persons felt that having these submarines wasn't important. If they learned that the submarines were back in port, but that the government was planning to spend an additional \$300 million to modernize them, they would surely say that it was a waste of money. Do you not think that the perception of taxpayers is a critically important consideration? Or do you feel that their opinion counts for very little and that it's more important to listen to the Navy?

[English]

**Mr. Alan Williams:** I think the impressions of Canadians are important. I think the impressions and the needs of the military are more important.

**The Chair:** Those are valid points, Monsieur Bachand, and I appreciate Mr. Williams' answer, but I think maybe that would be a good question for the minister when he comes here. We know that the government of the day is the one that actually purchases the equipment and decides to maintain it or scrap it or whatever term you want to use.

Mr. Casson, please, five minutes.

**Mr. Rick Casson:** Thanks, Mr. Chairman.

I'd like to get back a little bit to the process and the link between the military personnel and the specifications and then the civilian end of it, the one that does the documents that puts out the tenders and makes sure that all these requirements are met.

In your opening statement, Mr. Williams, you mentioned that it went back to 1994, to a special joint committee report, which stated that if you can find some submarines out there in the world within our present budget, then let's proceed. From the time a statement like that is made, can you tell me what the process is? Does it then go to the defence department, to the navy, to decide to create the parameters? I'd like you to run through that process, not very detailed but just a broad step-by-step process, until the day that we actually say okay, those are the four we're taking.

**Mr. Alan Williams:** In the 1994 white paper there were four major acquisitions, and this was one of them. So at the get-go, at the time, this was clearly thought of as being one of the key military

priorities. In the military, as you know, \$1.5 billion a year of our \$12 billion budget today is spent on capital or it's in that order of magnitude. It was a different amount back then.

So you have a budget, and what you're trying to do is to prioritize all of your needs and see what's available out there in the marketplace, plus or minus, in order to meet your needs. On the one hand, then, we have a prioritization that recognizes that submarines are critical to the navy. While that's going on, of course, we are spending money on our capital budget for a whole wide range of programs. When we look and see what a typically new submarine capability would be, we know that it won't fit in. You can't invest \$4 billion or \$5 billion, with our limited budget, and make that work.

You continue to work away at other programs while you keep one eye out in terms of opportunities. When the opportunity does arise, then we do what you'd expect us to do. We say here's a unique opportunity; should we start to explore it? We discuss these kinds of decisions with deputy ministers, with the Chief of the Defence Staff, with ministers, and we get the go-ahead: yes, start discussing these things and see if it could lead to something constructive. So you start the process. That's how the process typically develops.

In this particular case, over the course of years, as I said, we would gather more information, provide information to ministers, get feedback, continue our discussions with the U.K. off and on, with other countries also involved, until we felt we had the nature of the deal that we felt comfortable going to a minister with, and the minister felt comfortable going to his colleagues with, to pursue.

That's what evolved over that period of time.

**Mr. Rick Casson:** Is this something that your office handles? What kind of interaction is going on after the initial...?

**Mr. Alan Williams:** During this time there'll be a lot of interaction between my organization and, in this particular case, the navy. There also would be interventions from our policy group, in terms of preparing cabinet documents, and also our finance people, who are vetting the numbers to make sure the debits and credits balance.

• (1720)

**Mr. Rick Casson:** You stated earlier that for a lot of these platforms that you purchase, their life expectancy is extended—

**Mr. Alan Williams:** Yes.

**Mr. Rick Casson:** —and you indicated possibly that's not the right thing to do.

**Mr. Alan Williams:** I don't think I said that.

**Mr. Rick Casson:** I wish I had written down exactly what you did say. However, when this type of thing does happen, when you have a piece of equipment...let's say the present submarines that we're talking about right now, with a life expectancy of 30 years or 40 years or whatever you decide it's going to be, and then somebody in charge of the box, or the political end of it, says no, we don't have the money to replace those right now, you have to make them last another ten years.

So where does that all start? Does it go back to the navy, for them to tell you what they need to keep these things going? And how do the dollars work out there? If you have so many dollars for capital replacement and you have an idea what the priorities are of the military, and then all of a sudden there's a decision made to make something last another ten years....

**Mr. Alan Williams:** You've put your finger on one of the significant challenges we have. We have a capital budget of about \$1.5 billion. We also have what we call a national procurement budget, which actually, for the first time last year, we spent more money on. That's the budget we use to maintain and sustain things that we bought.

So if people are going to say, Alan, we have to keep this platform for another  $x$  number of years, then I'm going to say, all right, now I have to make sure I have the money, not in my capital budget but in my national procurement budget, to maintain and sustain it. That forces us to make difficult challenges and trade-offs, because our weapons systems cost more and more. A new weapons system costs more and sometimes twofold, threefold, and even fivefold what an old weapons system costs to maintain.

So we in fact have a challenge, and that is how to balance the books and how to make sure that we have enough money to sustain our assets, not just acquire them. It can be a significant challenge for us, absolutely.

**Mr. Rick Casson:** Mr. O'Connor made the statement in the House the other day, and I think other places as well, that just because it's new and improved doesn't mean it's less expensive to operate.

**Mr. Alan Williams:** In fact, I'd make the point that new and improved will virtually always cost more to maintain. It's really a fallacy to think that a piece of old equipment, replaced by a new piece of equipment...because it will cost more virtually all of the time. The technology, the software, is so much more sophisticated that in fact it requires much more care and maintenance. The new radio system we acquired, if you add on all the costs, costs five times as much for us to maintain for the army than the old one did.

This is something we're trying to make people much more aware of, that the cost to sustain equipment is as big or bigger a pressure than it is to get the initial equipment. That's why from now on within the department we're no longer going forward to the minister and to Treasury Board with a capital acquisition without presenting the whole life cycle cost. We're telling people, if you don't have the full life cycle costs accounted for, don't even start.

**The Chair:** Thank you.

Just one for myself and then, Mr. Martin, I think we'll be just about out of time.

Before I forget, for colleagues here, the tour of DND I would highly recommend if you are new member, but returning members might want a refresher too. That's tomorrow at 8:30 a.m. We meet at the back of the Confederation Building at 8:30 and go by bus over to DND headquarters. There will be a very good tour put on for us, and a briefing—not just a tour, but a briefing. I would recommend it, if you're available.

Mr. Williams, I understand you're not a lawyer, and I would understand if you don't want to touch this, but you'll understand I

want to ask this. There was a very unfortunate comment by British Defence Secretary Hoon, where he wheeled out the buyer beware, *caveat emptor* phrase that we all know too well. And of course his timing left a lot to be desired, to say the least, given the tragedy that we were mourning. Can you comment on what the legal position is of the Canadian government vis-à-vis the subs and the buyer beware concept at this time?

**Mr. Alan Williams:** It may not be the legal position, but in my opening comments I referenced a number of times the relationship we have. In particular, I have a wonderful relationship with Sir Peter Spencer. When we've had problems in the past, we've been able to resolve them between the two of us. So first of all, should there be a problem, I am an optimist: we'll find a way of squaring the circle.

We haven't received any bills as yet, so I don't know what the final position is going to be. We do have an MOU signed in 1996 that basically outlines relationships. It is what we call consistent with the NATO SOFA agreement, which basically says that when these things arise you can pay in kind or you can pay in cash and there are always different ways of resolving this thing.

We trust that we'll work out a deal. Now, will we for sure? I can't be certain, but so far both organizations, both countries, have behaved as allies, and I see no reason why we won't continue to.

• (1725)

**The Chair:** All right, thank you for that.

We'll give Mr. Martin a question and then Mr. O'Connor the last word.

**Hon. Keith Martin:** It's really a comment on what you were saying, Mr. Williams. Perhaps it's important for us to reiterate the concept that in order for our forces to work and to be interoperable with our allies.... There's a curious difference between the ability of some of our allies. They invest a certain amount of money into their capabilities, and things are becoming so much more complicated with respect to software and computers that they are gradually sliding, particularly the U.S., away from everybody. We're trying to keep up, under very difficult circumstances, to try to meet that interoperability, which is exceedingly important for our forces to function.

It's just more of a comment to reiterate what you said: that it's essential for us to keep up with the computer technology and the high-tech capabilities in order to maintain and continue that interoperability, which is essential for our forces to work with our allies, not only for our domestic security, but also internationally.

Do you agree?

**Mr. Alan Williams:** Indeed. And did you know that the joint strike fighter program, the last word I got, has 17 million lines of code? The weapon systems are actually software systems now.

**The Chair:** Last comment to Mr. O'Connor, then I'll make another announcement, and then we'll adjourn.

Mr. O'Connor.

**Mr. Gordon O'Connor:** Mr. Chairman, after I've had a chance to review all these documents I've asked for and the documents Mr. Bachand has asked for, I hope it is possible that we can recall these witnesses at an appropriate time, as well as the Chief of Maritime Services.

**The Chair:** Absolutely. Very good point. I know that these gentlemen would be very happy to come back at the committee's invitation.

I think it's very important that we're clear on this, as colleagues. We already discussed this briefly at the steering committee. We worked out the parameters of this study, which we will discuss on Wednesday and perhaps get the blessing of this whole committee. The steering committee, with good help from our research assistants, has worked out the parameters based on our input. But as we get into this study, if we want to add or change those parameters, we're going to do that. If we want to add to our witness list, which is already considerable, we will add to the witness list.

As you note, Mr. O'Connor, quite likely we will want to have certain witnesses back. I'm sure Mr. Williams and Captain Williamson would anticipate that they'd probably be high on the returnee invitation list. It's a very good point to make.

I'll finish with this announcement. Wednesday is a very important business meeting of the whole committee, to look at the parameters

of the study and for a discussion of the witness list. Please bring any additional suggestions you have. You can always add later. It's a growing list. There are quite a lot of witnesses we want to hear from.

The clerk will present a kind of start-up budget for the study, if you will. That can be altered, obviously. And we can look at our consensus decision to go to Halifax—very quickly, just down and back—for a briefing and to see actually what we're talking about, one of these submarines.

At that point, we'll probably have a motion presented from Mr. Blaikie.

Mr. Williams.

**Mr. Alan Williams:** Just as a last point, Mr. Chair, I think Mike and I both did enjoy ourselves, so we certainly would be happy to come back.

In addition, to perhaps help new members, we have distributed a book that really does outline all of our major equipment platforms. That might give you some more insight into it. There is a little quiz at the end, but that's optional.

Thank you again, very much.

**The Chair:** Thank you very much.

The committee stands adjourned until Wednesday.

---





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

**Publié en conformité de l'autorité du Président de la Chambre des communes**

**Also available on the Parliamentary Internet Parlementaire at the following address:  
Aussi disponible sur le réseau électronique « Parliamentary Internet Parlementaire » à l'adresse suivante :  
<http://www.parl.gc.ca>**

---

**The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.**

**Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.**