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Mr. James Bezan

Standing Committee on National Defence

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• (1140)

[English]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): We'll call this meeting to order.

We are going to continue with our study on the readiness of the Canadian armed forces.

Because of the bells, our first hour here has been cut short with our first witnesses, representatives of the Union of National Defence Employees. Joining us is John MacLennan, who is the national president, and Tim McGrath, who is a consultant.

Even though this was confidentially circulated to the committee on the weekend, it was in the media through the weekend and into Monday as well, so I'm a little disappointed that this wasn't tabled here first before it was turned over to the media. Regardless, it is what it is. There are some serious allegations in this report, and I don't know how much it has to do with readiness, but because of the gravity of the issues you are raising, I ask that you present it to committee now.

Mr. MacLennan, you have the floor.

Mr. John MacLennan (National President, Union of National Defence Employees): Thank you, Mr. Chair.

Good morning, committee members.

I'd like to start by thanking you for the invitation to discuss the Canadian Forces' readiness from my perspective as the national president of the Union of National Defence Employees. I look forward to answering your questions in the short time we will have following my comments.

During the course of these committee hearings, you have heard from many witnesses, including the Chief of Defence Staff, General Natynczyk. They have all agreed with his assessment that readiness is the ability to get the right people with the right skills and the right equipment to the right place at the right time, and to sustain that for as long as is required.

As the president of the Union of National Defence Employees, I am well placed to speak to that ability. We have a membership of over 17,000 employees who work in a wide range of occupations, which includes the skilled trades, mechanics, electricians, fire-fighters, safety inspectors, technologists, linguists, and intelligence officers. My membership is key to, and indeed proud to be a part of, the Canadian national defence team. In every case, from keeping the lights on to providing critical intelligence, each employee provides an important function that supports the Canadian Forces.

Ultimately it is my duty to consider not only how this period of transition impacts operational readiness, but also how it simultaneously impacts both our workplace and our people, with an eye to the government's current fiscal situation. All of this must be considered concurrently with the unique work of the Department of National Defence. In other words, fiscal interests and the costs must be balanced with sound national security. Recent developments have created a more independent cryptographic agency, CSEC, or Communications Security Establishment Canada, which is responsible for providing the government with foreign signal intelligence and is trusted with the protection of electronic information and communication.

We cannot do either of these tasks that are critical to our national security if contracting out infrastructure destroys our confidence. Across almost every line of work, from the skilled trades to the linguistic services, security is a factor. These unique considerations make an integrated work environment essential to effective operational security. Accountability and transparent practices are essential if we are to get value for our money, and staffing and contracting practices must be more sound today than ever before. Further, wages paid to our employees must be competitive in order to keep them employed in the public sector.

In addition, now that the first wave of the source contract projects for P3, public-private partnerships, are coming of age, evidence is showing that the cost savings originally anticipated are falling well short of initial targets. Why should we let contractors perform real property and contract administration functions at bases, for example, at premium when it is clear that there is expertise available to perform those duties in-house? It amounts to double-billing the Canadian taxpayers.

As Minister MacKay said over the weekend, speaking from the recent NATO ministerial meeting in Brussels:

"All of the buzzwords—streamlining, efficiencies—are very much being heard in the halls of NATO as they're being bantered around in the halls of Ottawa,".... "Everyone is talking more about partnerships, talking about what has been deemed smart defence. And smart defence means insuring that we're not duplicating efforts, that there aren't redundancies."

As we move through this period of transition while simultaneously undergoing strategic review, it will be essential to review local practices closely and, where appropriate, to identify areas for review and audit.

This brings me to the systemic issues that the union has seen emerge over the course of the last five years with Defence Construction Canada, DCC. As a result, over the past nine months we have undertaken a review of Defence Construction Canada and the impact it has had on construction engineering work sites at bases across Canada.

Our undertaking has discovered some very harmful evidence pointing to poor quality workmanship allowed by DCC: the duplication of services DCC provides, already being performed by public sector employees; the questionable application of the Financial Administration Act; the amount of wasteful spending of Canadian taxpayer dollars; and how DCC is becoming a shadow public service.

We have provided this committee with our executive summary of these highlighted issues. During these hearings we are prepared to provide what we have collected to support our findings by producing invoices, photographs, and information from our members on what I've just described. In doing this, just to be clear, it is not that we haven't proactively approached the department at the most senior and working levels, on many occasions in official and non-official forums, by addressing the path and the growth of Defence Construction Canada, which is documented.

These issues have not been given the full serious consideration of what would be expected to be true accountability. Most recently, we challenged why one part of the department is allowed to grow, meaning Defence Construction Canada, and the other part of the department is asked to do some belt-tightening, forcing resource cuts, with no business case to support it.

It is at this juncture that we are calling for a complete forensic audit by an outside, independent organization. Ultimately, we clearly understand that how much we invest in the future operational readiness must necessarily take into account how much we've already invested in the people and the specific skills they possess. While efficiencies must be found and difficult decisions made, it should not be at the expense of the hard-earned skill innovation.

To conclude, throughout this phase of hearings, we have heard from stakeholders who have described what readiness looks like overall as we transition from a high operational tempo to a post-Afghanistan context. We can agree that the priorities have and will continue to change significantly over the coming months and years.

Mr. Chair, I have no doubt that we are capable of balancing resource management with the need to deliver sound support to the Canadian Forces, and I thank you very much for this audience.

With me today, I have Tim McGrath, who we've retained as a subject-matter expert in real property work.

We look forward to your questions. Thank you very much.

• (1145)

The Chair: Thank you.

We're going to have only 15 minutes to go through this set of witnesses before we move on to the Office of the Auditor General. We'll do five to six minutes on the first round.

Madam Moore, you have the floor.

[*Translation*]

Ms. Christine Moore (Abitibi—Témiscamingue, NDP): Fine.

In the draft report that I had the opportunity to read, several problems were mentioned.

[*English*]

I just want to know if you can give me an example of those kinds of problems, of work that has not been done properly. Also, what are the solutions and what are the consequences if we do nothing?

Mr. John MacLennan: The type of work we describe in the report is the construction of buildings where.... We have photographs that show that after the contractor left, there is definitely a break between the building and the foundation. In one instance, we have a kitchen where the contractor came in and had to pour a concrete floor. When the contractor left, there was such a slope in the floor that now they cannot use that building, so there's a problem.

We have an incident where, in one of our ammunition depots, a contractor went in to build another building, cut the grounding wire, and they filled it back up. When the electricians—our members, the public servants—did an electrical test, they discovered there was no grounding wire, so the work had to be redone.

When these things happen, when the poor workmanship happens, it is normally the public service employees who are asked to go in and repair that work.

Ms. Christine Moore: What is the consequence, then? What is the solution for those problems?

Mr. John MacLennan: The solution is that a lot of the work that DCC is undertaking now is outside their mandate. They're doing the small jobs on the bases, where their mandate is to look after the bigger administration of the construction of buildings. The resources are inside the department to do that work. Rely on the existing public sector to do it. The skills are there. That's the solution. As people retire in the department, DCC is becoming the shadow public service because the department is not backfilling those positions. They're going to DCC, which will contract out the work that could be done by the public service, instead of recruiting the public sector.

Ms. Christine Moore: Okay.

What are the consequences if we do not act right now or if we do not take fast action on this?

Mr. John MacLennan: There's a creep going on that the cost of doing business is going to rise. We have evidence of different work that our members did, and the same job was done by the private sector. The costs of that were just extraordinary compared to what it costs for the private sector to do it. There were inflated costs for material and also for hours of work.

In the context of defence readiness, if we're going to move forward, we want to make sure—and we're conscious of this—that the taxpayers are getting the best bang for their buck by the people who are currently doing the work, and that those resources can be freed up for other military assets. We have been working diligently over the last three years to put business cases forward proving that the work can be done better in-house than it can be if we have to rely on the private sector.

•(1150)

Ms. Christine Moore: Okay.

Are you able to tell me what the percentage of our costs are due to their not doing the job properly or their paying too much for something we are not supposed to pay for? What is the percentage of our costs, and how much money is completely wasted because the work is not being done properly?

Mr. John MacLennan: From the information we've collected over the last nine months—and we don't know if we have just scratched the surface—we have identified that the wasteful spending going on is becoming more systemic. I don't have a dollar figure.

Tim, is there anything that you discovered?

Mr. Tim McGrath (Consultant, Union of National Defence Employees): It's difficult to put a dollar figure on it. One example came out of Goose Bay. They changed the way that something as simple as batteries could be purchased. The member for DND used to be able to go down and buy batteries at the Canadian Tire. Two AA batteries would be a couple of bucks. Now they have to send a work order to the individual at Defence Construction. The individual from Defence Construction needs to engage the contractor, who goes and buys the same batteries, and sends an invoice to the Department of National Defence for \$12.

There are recent examples of a contractor suggesting that a bag of concrete he would buy would be \$2, but when he does work for Defence Construction he charges them \$20.

There was an example involving a scissor lift that we found in one of the sites we visited. A scissor lift for a job that was done by an outside contractor costs around \$5,800. When DND's employees went and rented that same scissor lift for the same period of time, it was \$1,700.

It's just this type of example. Again, we don't know if we found all of the examples. We may have, but we don't know if there are other examples out there, which contractors just see as doing business with the government without any direct consequences for overcharging. Nor did there appear to be any type of evidence showing there was rigour around checking the prices of material.

We have evidence of one job for which a construction and engineering employee found an invoice that came in on the fax machine. In this situation, the DND employees and the DCC employees were sharing the same work space. The employee saw it, understood sort of the magnitude of the job, went back and checked the time logs as to when this contractor was on site, and found that the contractor wasn't on site the number of hours he had suggested. He brought that invoice back to Defence Construction. Defence Construction took it, sent it back out to the contractor saying, "Hey, there must be a discrepancy in the number of hours that you're claiming." The contractor took the invoice, reduced the number of hours by half, doubled the rate he was charging for the hours, and then increased the amount of material used on the job. It was the very same job. He made reference to the work order. We have those invoices.

We weren't given full access to DND's records. It's quite understandable that we wouldn't be given full access. But based on the information that members were able to provide to us, the

questions are warranted: Is this a small problem? Is this a large problem? Should further investigation be carried out?

The Chair: Thank you. Your time has expired.

Mr. Chisu, you have the floor.

Mr. Corneliu Chisu (Pickering—Scarborough East, CPC): Thank you very much, Mr. Chair.

Thank you very much for your presentation.

I'm a military engineer with service in Afghanistan and also in Bosnia-Herzegovina.

I understand that you put forward some information, some allegations, against DCC. Minister Ambrose said she would deal with this issue if there is proof.

However, here is my question to you. You are aware that the subject that this committee is studying is readiness in the Canadian Forces, and I would like to assure you that my questions will be along those lines. I will not ask about DCC or other issues.

I just want to ask you, what contribution does the Union of National Defence Employees make to the overall readiness of the Canadian Forces?

In your opinion, as the president of the Union of National Defence Employees, what are the major contributing factors to readiness, in terms of the Canadian Forces being able to deploy at a moment's notice? Is it training, proper equipment, strategic planning? What are your insights in this regard as to how your employees are supporting this effort of the Canadian Forces to be ready?

You are an integral part of the effort of the troops to deliver their jobs. Are you giving any training? What do you think is necessary for the people in National Defence to contribute to the proper and efficient deployment of the Canadian Forces in the theatres of operation?

•(1155)

Mr. John MacLennan: Thank you for the question. I'm very proud to have the bragging rights of our membership in terms of what we do to support the troops when they're deployed, when they're in theatre, and when they're not.

We keep the buildings going on the bases. We turn on the lights; we turn off the lights. They have a secure building that they can rely on to sleep in, store their equipment, cook their food. And we also are deployed with the troops, as we saw in the past 10 years in Afghanistan.

We're very proud of what we do because we take ownership of what we do once the equipment is fixed. We have two major supply depots in Canada that warehouse a lot of military assets.

We were very active in the 2010 Olympics, in Comox, where we had people working around the clock keeping the pilots fed as they were doing their surveillance for 24 hours during the Olympics. We had people who were supporting the special forces in different aspects. That's domestically.

When we're deployed internationally.... Just down the road here in Trenton, Ontario, we have our people who work for DART, in the warehouse there, and they also keep the equipment tuned up and ready to go. When the soldiers land somewhere in the world on an issue for humanitarian assistance, the military, the soldiers, know that when they turn on their equipment, it's going to start, it's going to work, and it's going to save lives.

Mr. Corneliu Chisu: What professional development do you see for your people? It is necessary to have professional development to be able to efficiently support our troops.

Mr. John MacLennan: A lot of the members, I would say 80% of them right now, are products of the nineties. What I mean by that is that when the Department of National Defence was gutted, if I can use that word, in the nineties, they were part of that. They saw how much it hurt the capability of the armed forces. They've taken pride in ownership and they want to be accountable to ensure that this never happens again.

So when there is wasteful spending that they identify—and we've been working on this proactively—they want to bring attention to it and make a difference on this wasteful spending. We've been at it with our business cases.

There was one recently where a member—I think it was very well publicized—a bus driver, said he was told at four o'clock by his employer to park the brand-new \$200,000 bus in the yard. They didn't have any money to pay him overtime, yet troops still had to be picked up in Trenton, or here in Ottawa, or brought to Trenton so they could be deployed. They ran out of money to pay him overtime, so they hired a local bus company to the tune of \$800 for four hours' work. My members don't make \$800 for four hours work. So they challenged it with a business case, which was proven, and they found the resources to start paying that extra money to deploy the troops.

That's the professional, academic side of it, for people to have skills.

Mr. Corneliu Chisu: I would also ask about the construction engineering staff you have on the bases. How do you make sure they develop professionally? That is an important part of the development and is contributing to our readiness for our troops.

Mr. John MacLennan: Yes, and in the construction engineering trades, we realized, because of the demographics of our membership, they were getting to be a more seasoned workforce, and some day they would retire from those skilled trades. We were able to negotiate with Treasury Board, in our collective agreements, very clear language on an apprenticeship program to replenish those skills. The Canadian government recognized that six years ago and put in an apprenticeship program. The Department of National Defence recognized it. There is annual funding of \$25 million for new apprentices coming in to replenish the stock. That's where you see the academic part of it coming into play.

• (1200)

The Chair: Your time has expired.

Mr. McKay, you have the last round.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair, and thank you, Mr. McGrath and Mr. MacLennan.

I have actually no difficulty linking this to readiness, because squandered money is squandered money. In the event that money is going in the wrong direction, that affects the ability of the forces to deploy and be effective. I think there is a clear linkage between the two.

You made some pretty serious allegations in your paper here of overbilling, double billing, shoddy work, dangerous work, and things of that nature. You say in your paper that you actually have approached senior officials. What response did you get?

Mr. John MacLennan: It was documented when we had national labour-management committee meetings with all the senior union reps—and the deputy minister co-chaired them with the labour rep.

We brought pictures of an example. Three years ago we discovered that a contractor was flown up from Trenton, Ontario, on a Hercules aircraft to replace the tiles. We had pictures of that job. After the contractor came back, the tiles all cracked. The public service had to go up there and fix it. We brought this picture and evidence to the department to show them what was going on. It stopped. It was like they said, "Okay, we know about it. It won't happen again."

They're not giving it the attention we think it deserves.

Hon. John McKay: How long have you been on this campaign?

Mr. John MacLennan: It started, looking at DCC, not in a campaign context, in 2007 when we started bringing it up. We have the documents from the meetings when we brought Defence Construction Canada up. They were at the most senior level with the deputy minister and the committee I sit on. We also went to each base and had those same conversations. So that has all been well documented.

Hon. John McKay: What was the response of the senior folks? Was it, "It won't happen again"? Was there a more substantive response than that?

Mr. John MacLennan: The clear response we got was that there was no money in the salary wage envelope to pay the public service employees with the amount of work they had going on, so they would go to the O and M budget, regardless of what it cost. That is what we saw.

Hon. John McKay: Is this kind of a bizarre side-effect of military accounting that you would rather take it out of the operations and maintenance budget than out of the wages budget, because the wages budget would go up, and the operations and maintenance budget still had some space in it? Do I understand that?

Mr. John MacLennan: There's a cap on the salary wage envelope budget that they've invoked themselves—the reduction and everything else. The operating and maintenance budget in a lot of cases gives a strong appearance of being a bottomless pit. So when we're looking at that we say we can't do all the work—

Hon. John McKay: What do you mean by "bottomless pit"?

Mr. John MacLennan: In the blink of an eye the work can be handed off to the private sector, and the costs aren't being challenged. When the mistakes are found and challenged, nothing's being done about it. Why not? So you would rather pay the bill twice to get something done that could have been done once.

Hon. John McKay: You hand it off to the private contractor. You get a fixed price, regardless of what the fixed price might be. At least you know what's in the budget for that purpose. But if you put it into wages it will be an ever-escalating trajectory.

Mr. John MacLennan: A trajectory for escalating wage increases—not in these current times, but yes, that's part of it too.

It still proves itself. From our own business case it's cheaper, when you include wages and benefits, to have the public sector do that work, and there's ownership at the end of it. These employees aren't making a profit. They're doing a job that they're proud to do.

Hon. John McKay: Some of the allegations you make in here are almost tantamount to fraud. Have you actually approached outside authorities about these kinds of matters?

Mr. John MacLennan: No, we haven't gone outside. As I said, we don't know how bad it is—if we've just scratched the surface or if it's a lot worse.

Just from the attention of the media yesterday, I am getting information from people who used to work for DCC, and they say that when they were there they were asked to do things that were against their own conscience. I'm not going to provide that information from that person who said it because I don't have their permission. Now this is the stuff that's starting to resonate with some people. They know it's been a systemic problem for a long time and we're bringing it to light.

We're bringing it to light, and it's the only part that we're bringing to light because with the rest of the stuff that's going on in the department we're working proactively to do our business cases. But DCC seems to be an entity out there in between Public Works and National Defence that doesn't look like it has any accountability.

•(1205)

Hon. John McKay: Thank you, Chair.

The Chair: Thank you.

Unfortunately, because of votes, that's all the time we have.

I do have a couple of quick questions. You said you haven't gone to outside sources, but I know that this summer the Auditor General's office went across a number of different bases, looking at operations and spending by the Department of National Defence and the Canadian Forces. Did you or any of your members at any point in time raise this issue with the AG?

Mr. John MacLennan: We usually don't get invited to those meetings or conversations. I know that we approached the Auditor General four years ago. We met with somebody in the Auditor General's office about some of the stuff going on around DCC. The AG had just finished an audit on DCC themselves and said that DCC got their designation changed through legislation as an agency or crown corporation and they were not due for another audit. Then it was seven years.

I think we did some research on what the audit did.

Mr. Tim McGrath: Actually, I took a copy. This is an excerpt from the Auditor General's website and the most recent review that they carried out in 2008. They do sort of recognize the issue that DCC is having with this rapid growth. From 2003 to 2008 they doubled in size, and since that time they've doubled in size again.

Part of the issue is that they're doubling in size and doing the work that was traditionally carried out by DND employees on the individual military bases, as opposed to what they were originally put in place for, which was the large construction projects, and particularly focused on contract administration.

The AG makes suggestions for areas of improvement, one of them being how to deal with this rapid increase in personnel and ensure that these people are skilled and qualified to do the work. That was part of the issue that we were finding, that perhaps these issues were coming up because some of the people in the positions didn't have the necessary skill set to understand if the work was being carried out in the most effective way and in the best manner and whether or not the work was done in the most efficient way and particularly was of good quality.

These are the types of things not only noted by us but also noted by the Auditor General back in 2008.

But certainly to your question specifically, Mr. Chair, it didn't appear that any people we had spoken to also spoke to the Auditor General during the time the Auditor General was on site doing their visits.

The Chair: In the process, when you were raising concerns to the superiors and the upper echelon of the department, did you ever present any of this information to either the Ministers of Public Safety, Public Works, National Defence, or Treasury Board?

Mr. John MacLennan: We didn't bring any evidence or any of our concerns to the Minister of Public Works. The Department of National Defence was it because they are the client. They are the one responsible for this \$21 billion budget. When we identified that there was wasteful spending going on, I would have expected that the department would have reacted and looked into it a little further.

The Chair: My final comment to you, Mr. MacLennan, is that we received this brief last week from you and it's clearly marked "confidential", for presentation to the committee here today. It is ruled that a document presented to a committee becomes the property of the committee and forms part of the committee's records until such time that it's made public here at committee, and it should never have been released to the media. Of course, this was in the media all weekend and all day yesterday.

So I am extremely disappointed that we're dealing with this through a media eye rather than under the scrutiny of the committee, first and foremost. It takes away our opportunity as committee members to do the proper job of scrutinizing and holding government to account for wasteful spending and things of this nature, or making a proper reference that this should be going over to the public accounts committee for their study, or sending it on to the proper authorities, such as the Auditor General.

Regardless, it is what it is.

We're going to suspend and allow our witnesses to change. We will bring in the representatives of the Office of the Auditor General.

Mr. John MacLennan: May I make closing remarks very quickly?

The Chair: Very quickly.

Mr. John MacLennan: Knowing what we're going through with the financial restraints and everything else, we completely understand the government's position that it is not going to reduce the armed forces lower than 68,000. If you're not closing bases, tearing down buildings, or ripping up roads or hydro lines, our work will not go away for the 17,000 people who do that job. It's always going to be there if you've got that entity in place.

Thank you very much.

• (1210)

The Chair: Thank you.

We are going to suspend. For those of you who want to grab a sandwich or a bowl of soup, it's in the back.

Mr. John MacLennan: Mr. Chair, what do we do with the background documents?

The Chair: Please leave them with us.

Thank you.

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_____ (Pause) _____

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• (1215)

The Chair: We'll call the meeting back to order.

I know some people are still grabbing a sandwich, but we'll get back to our study.

We have new witnesses at the table. Joining us from the Office of the Auditor General of Canada we have Jerome Berthelette, who is the assistant Auditor General; Pierre Fréchette, who is the audit project leader; and Mathieu Tremblay, who is the audit project leader as well. We welcome all three of you to the committee.

Mr. Berthelette, you have the floor.

[*Translation*]

Mr. Jerome Berthelette (Assistant Auditor General, Office of the Auditor General of Canada): Mr. Chair, thank you for this opportunity to discuss our findings from a recent audit that looked at how National Defence manages the maintenance and repair of its military equipment. Joining me at the table are Pierre Fréchette and Mathieu Tremblay, two audit project leaders who worked with me on this audit.

Sustaining operational capabilities requires that military equipment be kept in good working condition. Effectively planning, supporting, and carrying out maintenance and repair activities for military equipment is therefore crucial to the Canadian Forces' ability to meet their core missions.

In 2009-2010, National Defence spent more than \$2 billion to maintain and repair its military equipment. This included expenses for routine inspections, preventive maintenance, corrective repairs, spare parts supply, periodic repair and overhaul, engineering changes, and other related tasks.

Overall, our audit found that National Defence has planned and managed the maintenance and repair of military equipment to meet operational priorities in the short term.

The annual process of allocating available funds provides an effective forum to discuss priorities, with wide participation of those responsible for maintaining and repairing military equipment and those who need it for operations and training.

[*English*]

However, there is a significant gap between the demand for maintenance and repair services and the funds that National Defence allocates each year for this purpose. In addition, National Defence has indicated that its long-term investment plan for new equipment has likely allocated insufficient funds for equipment life-cycle costs.

The department does not know the specific long-term impacts of this funding gap on its operation and training activities. In the past some readiness targets had been downgraded in order to meet the capacity that was affordable with available funds.

Our audit also looked at contracting practices for maintenance and repair activities, an area in which National Defence has made significant changes over the last decade. In particular we looked at two new contracting approaches that were developed over that period: one, for existing equipment, called optimized weapon systems management, OWSM, in short; and one for new equipment, known as the in-service support contracting framework, or ISSCF. These new practices have the potential to help National Defence better manage maintenance and repair activities and realize cost savings.

We found that the implementation of the new contracting approach for existing military equipment, OWSM, has been slower and more limited than planned. As a consequence, National Defence has lost opportunities to derive potential benefits of improved performance, improved accountability, and reduced costs.

National Defence's in-service support contracting framework for new equipment awards both the acquisition and the long-term maintenance contracts to the same suppliers. Our audit found that National Defence is not adequately monitoring and mitigating the risk created by the introduction of this new contracting framework. For example, while the department knows this approach could reduce maintenance and repair expertise within the Canadian Forces and create dependence on a single supplier for each fleet, it has made little progress towards implementing mitigation strategies to address these risks.

• (1220)

[Translation]

In addition, we do not believe that the implementation of this approach has received the attention and resources it needs. Given that most of the acquisitions of new major military equipment planned under the *Canada First* defence strategy for the next two decades will be subject to the requirements of this framework, reducing the risks associated with the in-service support contracting framework will be important. Better coordination with other federal departments and the Canadian defence industry will also be required in order to achieve this.

Our report concluded that National Defence's ability to meet its training and operational requirements over the long term is at risk because of a persistent maintenance and repair funding gap, ongoing weaknesses in the implementation and oversight of the new contracting approaches, and the lack of sufficient cost and performance information for decision-making.

[English]

National Defence agreed with our audit recommendations and made several commitments in response. We understand that National Defence is currently completing a formal action plan to support its commitments.

Mr. Chair, this concludes my opening remarks. We'll be pleased to answer any questions the committee may have and to assist you in any way you may need with respect to this study.

Merci. Thank you.

The Chair: Thank you.

Mr. Kellway, I believe you're going first. Again, in the interests of time, we may keep the first round to five minutes, and we'll just continue on. You have five minutes, please.

Mr. Matthew Kellway (Beaches—East York, NDP): Thanks very much, Mr. Chair, and through you to the folks from the AG's office, thank you very much for your work and for appearing before us today.

I was wondering, in the context of the maintenance and repair, if you could identify for us some of the risks that emerge out of procurement of what I guess one would call developmental equipment.

I had the opportunity last night, in preparation for today, to skim through your previous reports on the acquisition of military helicopters and military vehicles. It seems to me that what emerges in those reports is a discussion about the differences between off-the-

shelf equipment that's being procured and developmental projects. Could you identify some of the particular risks that you, as the AG's office, see in the procurement of developmental projects?

• (1225)

Mr. Jerome Berthelette: Thank you for the question. I think the best example, as you have pointed out, is to be found in the helicopters chapter, where we noted that both the MHP and the Chinook helicopter acquisitions involved certain levels of development. Neither of these aircraft could be called "off the shelf". With the MHP in particular, if you look at the sort of range between off the shelf and completely developmental, it's really very close to developmental because it will result in essentially a new helicopter.

While there are off-the-shelf variants of the Chinook helicopter available, the one that Canada is acquiring has been Canadianized and as a result involves significant development. It will result in about \$350 million being paid for non-recurring engineering costs. The risk related to this is that with any developmental project that involves complex equipment like helicopters and the technology that goes into it—all the black boxes, so to speak, and the self-defence suite of equipment that goes with it—it becomes very difficult. It's a complex undertaking.

It requires a concerted effort on the part of both the department and the manufacturer to come together to try to deliver this on time. The risks really are time, technology, and cost. So there are three main risks, and when you have developmental projects, each of those three risks is likely to be high.

Mr. Matthew Kellway: What would your recommendations to the department be in terms of procuring developmental versus off the shelf, or if, in a sense, from the department's perspective, you were forced into procuring developmental projects...? What recommendations would you have to the department to mitigate those particular risks?

Mr. Jerome Berthelette: Managing developmental projects is complex, as I previously said, and it requires a great deal of attention on the part of both the department and the manufacturer. I think in most cases involving developmental projects, National Defence pulls together a team and asks the team to concentrate on that particular project. They spend a lot of time dealing with the manufacturer one on one as they work through the various issues that arrive in terms of the development of the project.

I think the most important thing National Defence should do is to focus on risks, analyze what those risks are, and make sure they have mitigation strategies that are consistent with the risks they've identified. The risks will vary between projects, and I can't give you or the committee, Mr. Chair, a list of what those risks could be, but certainly they go back to time, technology, and cost.

The department needs to focus on those areas and identify first and foremost what developmental projects are likely to be high risk and that they require the resources to manage them.

Mr. Matthew Kellway: Can developmental strategies be put in place for these things, though? I understand each project will be different, but it's a way of approaching these things. I'm looking for, generally, what the recommendations would be around the strategy apart from careful monitoring.

Mr. Jerome Berthelette: I think management attention, careful monitoring, staying on top of the manufacturer, identifying key timelines for deliverables, and also including, as we have noted in this chapter, the in-service support contracting framework and OWSM. Performance incentives and penalty clauses are important elements as well.

Mr. Matthew Kellway: Is strict adherence to procurement policy and procedures also what you would describe as a useful strategy for risk mitigation?

Mr. Jerome Berthelette: Absolutely. Normally, the policies we've looked at have been those leading up to the acquisition during the actual production of the helicopters in this case or of any developmental equipment. I think it's important and I think policies suggest that program management principles be applied, which means constantly going back over the project charter, the risks, and making sure they are current and the department is addressing them.

• (1230)

The Chair: Thank you.

Moving on, Ms. Gallant, you have the floor.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you, Mr. Chairman, and through you to our witnesses.

Sir, your report found that the Department of National Defence owns, operates, and is responsible for maintaining and repairing military equipment costing more than \$30 billion and that the department spent over \$2 billion to maintain and repair its military equipment. Is this more than most other departmental costs on such things?

Mr. Jerome Berthelette: Oh yes. I think National Defence is the largest owner of equipment in the government.

Mrs. Cheryl Gallant: Do you know by how much?

Mr. Jerome Berthelette: No, I'm sorry, I don't know that answer.

Mrs. Cheryl Gallant: Okay.

How does the procurement of new land vehicles, aircraft, and naval assets, as well as the revitalization of shipyards in Canada assist the Canadian Forces and the Department of National Defence in assuring the long-term viability of the Canadian Forces?

Mr. Jerome Berthelette: The Canadian Forces is all about people and equipment. Without good, modern, up-to-date equipment, the Canadian Forces would be hampered in its ability to carry out its missions, its operations, and its training.

Mrs. Cheryl Gallant: Can you relate this to the subject matter at hand, which is the study of readiness in the Canadian Forces?

Mr. Jerome Berthelette: Readiness is a product of trained soldiers, support, and equipment. New equipment provides the army, the navy, and the air force with the ability to carry out their operations, to make sure the soldiers are trained to be able to fulfill the operations. New equipment is fundamental to the operations of the armed forces.

Mrs. Cheryl Gallant: The optimized weapons system management is realizing cost savings, reducing maintenance inspection times, producing greater administrative efficiencies, and, most importantly, increasing fleet availability for Canadian Forces operations and training exercises. The report expresses concern that

the slower than planned implementation of the OWSM framework could result in a negative impact on fleet readiness and availability.

How do you explain the gap?

Mr. Jerome Berthelette: For those pieces of kit that are under the OWSM framework, they are achieving those results, according to National Defence, which you have cited. There is still a lot of equipment within the air force, the army, and the navy that is not operating under that contracting framework. As a result, some of this equipment will have hundreds of contracts that will need to be managed by National Defence. It becomes very difficult and inefficient to be able to manage that. It becomes very difficult to hold the companies accountable, and it becomes very difficult to achieve cost savings. What we've found is that until the department moves the OWSM framework out into other existing pieces of equipment, it will not be able to realize the savings and the efficiencies you have identified.

Mrs. Cheryl Gallant: Is the equipment you're referring to fairly old? What pieces of equipment would you be referring to? I want to think back to when they would have been purchased, where we didn't have a similar system in place.

Mr. Jerome Berthelette: I could refer members of the committee to page 19 in exhibit 5.3 of the chapter, if you have it in front of you. I'll use that as an example. In terms of the air force, we have the CC-130 Hercules, the CF-18 Hornet, the CP-140 Aurora, and the CH-146 Griffon. Some of these pieces of equipment have been around for more than 20 years and some for 30 years. The army, the air force, and the navy tend to keep their equipment for a very long time.

Mrs. Cheryl Gallant: I think we're all familiar in this committee with the F-18s. They were bought over 40 years ago, and that's why you're saying it's difficult to hold the companies to account, because it has been such a lengthy period of time.

Insofar as the newer equipment we've been purchasing, we have been taking care of the maintenance and contracts in a much more efficient way.

• (1235)

Mr. Jerome Berthelette: Yes.

The ISSCF framework as applied to new equipment promises to provide exactly those types of cost savings and efficiencies that OWSM provides as well.

Mrs. Cheryl Gallant: And the F-35 as well, I believe.

The Department of National Defence has agreed with the recommendations found in chapter 5 of the 2011 fall report. In your estimation, are you seeing that the Department of National Defence has planned and is taking on the action to address these recommendations?

Mr. Jerome Berthelette: I have two parts to this in terms of my answer.

First, with respect to the information management system, we refer to the new departmental management information system that is being rolled out. We have seen evidence during the audit that in fact the system is being rolled out and that it is going to be a very good step in terms of being able to provide the department with the information it needs to manage its equipment. They expect to have this rolled out according to the department by December, 2013. I think that's a good step.

We have not seen the action plan in terms of the other recommendations. I think it is important that the department move efficiently to roll out OWSM and that it ensures it has the proper framework for the ISSCF contracting framework, to ensure that it is applied consistently across all new acquisitions.

The Chair: Thank you.

Your time has expired.

Mr. MacKay.

Hon. John McKay: Thank you, Mr. Chair.

Thank you, witnesses.

Gwynne Dyer is one of my favourite authors. He talks about the next war. He says it's going to be a "come as you are" war. His point is that the war will be over so quickly that whatever you have is operational is what you will use and whatever is in the garage will never get out of the garage. It's the whole issue of not only procurement but that the ongoing maintenance of these assets is extraordinarily as important as procurement itself.

When you say in paragraph 5, "In addition, National Defence has indicated that its long-term investment plan for new equipment has likely allocated insufficient funds for equipment like life-cycle costs", can you give me an example of that?

Mr. Jerome Berthelette: I'm sorry, I don't have a specific example. This was a statement that National Defence had made generally about the investment.

Hon. John McKay: Then can you explain to me what that statement means? Is DND saying they don't allocate sufficient funds for long-term maintenance costs?

Mr. Jerome Berthelette: That's correct.

Hon. John McKay: As almost a regular approach to budgeting?

Mr. Jerome Berthelette: Well, in terms of a regular approach to budgeting, the national procurement budget, which funds the maintenance and repair of equipment, allocates about 70% of the express demand, so there is a gap of approximately 30% between the express demand for maintenance and repair among the armed forces and the amount that is actually budgeted.

Hon. John McKay: When Ms. Gallant said they allocate \$2 billion a year to maintenance on \$30 billion worth of assets, is it your view that they should actually be allocating \$3 billion? I'm using raw figures obviously.

Mr. Jerome Berthelette: Well, it's National Defence's own studies that have indicated there's a 30% gap.

Hon. John McKay: The \$2 billion covers 70%, so you need another 30% on top of that \$2 billion just to maintain level, if you will.

Mr. Jerome Berthelette: To meet the express demand. That's correct.

Hon. John McKay: Okay. And the way DND handles that is to basically leave maintenance on some assets much longer than it should.

Mr. Jerome Berthelette: That can happen, yes.

Hon. John McKay: I was talking to some folks today and they mentioned that the military standard of maintenance is far below civilian standards of maintenance. They were specifically referring to helicopters.

Did you make that observation when you were doing your audit?

• (1240)

Mr. Jerome Berthelette: No, we did not make that observation.

Hon. John McKay: It's a curious observation, to me, because a helicopter is a helicopter, and I would have thought the Department of Transport's standards would be the standards the military would adopt. In fact the argument was that the helicopters were not even maintained to the Department of Transport standards.

That's not an observation you made?

Mr. Jerome Berthelette: No, we have not had any observations about that. It would strike me as surprising, though.

Hon. John McKay: It struck me as surprising, and I thought that in the course of your audit you might have come across something similar to that.

My final point is about this optimized weapon systems management. You go on, in paragraph 8, to say that it's been slower and more limited than planned and that DND has lost opportunities to derive potential benefits, improve performance, improve accountability, and reduce costs. Then in your final paragraph you wind up by saying that National Defence has agreed with your audit recommendations and made several commitments and they're going to have a formal action plan.

The question is, when do we get it? Have you received anything beyond an agreement that they agree with you?

Mr. Jerome Berthelette: We have not received a copy of the action plan yet.

Hon. John McKay: When was your report done?

Mr. Jerome Berthelette: This report was tabled November 2011.

Hon. John McKay: Okay, so it's reasonable to give them a bit more time.

What were the deficiencies of the optimized weapon systems management—only the military could think up these acronyms, for goodness' sake. What does that mean in English, and what do you mean by lost opportunities?

Mr. Jerome Berthelette: I know members don't have the audit in front of them, but for the record I would refer to paragraph 5.39 of our chapter, on page 17, through to probably paragraph 5.43, where we talk about that in particular. If you want, you could go back and take a look at that.

Historically, National Defence has relied on the private sector to maintain and repair equipment, mostly what they call third- and fourth-line services. This involved hundreds of contracts, as I said previously, for particular fleets, and over the course of the year there were thousands of contracts that had to be managed by National Defence for all of its fleets.

In the 1990s, when National Defence had a reduction in personnel, it identified the risk of not being able to manage all those contracts effectively and efficiently with fewer personnel, so it put in place the optimized weapon systems management program. This aimed to reduce the number of contracts per fleet, from hundreds down to two, three, or four, depending on the nature of the fleet, thereby reducing the need for the number of personnel within the office to manage those contracts, and within those contracts to be clear about the accountability on the part of the contractor for delivery—what is going to be delivered, when it's going to be delivered, and at what cost—and hold the contractor to those commitments.

The optimized weapon systems management framework provides the opportunity for the department to rigorously manage all of its contracts and effect savings.

The Chair: Thank you. Your time has expired.

We'll move on to Mr. Opitz.

Mr. Ted Opitz (Etobicoke Centre, CPC): Thank you, Mr. Chair.

First of all, in defence of Canadian Forces' maintainers—and I know no slight was intended towards them—there is no group of more inventive, more innovative people anywhere in any industry. The Canadian Forces' maintainers are magicians. They have managed to keep equipment that should never be running, running. They're a tremendous group of individuals, and I would suggest that their standards far exceed most other groups in Canada. So here's one for the maintainers.

Sir, you talked about risk assessment, in terms of the project management process overall, and you mentioned time, technology, and cost. But could you compare that to operational necessity? When you're making some of those decisions, there are times when there's nothing going on and there's not a tremendous amount of pressure to, say, procure or get equipment, but then there are times when, of course, we are in high operational tempo, such as Afghanistan, and then there is the added pressure of operational necessity. Can you make a comment on that, sir?

• (1245)

Mr. Jerome Berthelette: Certainly.

Maybe I'd just second, Mr. Chair, what the honourable member had to say about the maintainers. We have visited many bases, and they are top-notch, best in the world at what they do.

The optimization of the resources goes on every day within the military. You visit a base and you will see that they will prioritize the maintenance and repair of their equipment based on what they have to do in the next week, month, six months, year, and so on. So if they're getting ready for an exercise in the far north, that becomes the priority for the maintenance and repair technicians. They make sure the equipment is ready to go, and when the training begins, the equipment is there and it can go.

In periods of high operational tempo, of course, the priority has to be to make sure the soldiers in the field have the equipment they need. So when you have a limited number of human resources, those human resources will focus on the equipment that's required for the soldiers in the field.

Mr. Ted Opitz: Okay.

Your report stated that the CF and DND has no long-term plan for its equipment. Does your report take into consideration factors like the Canada First defence strategy? That plan provides for about \$60 billion of spending for new military equipment, and it further allocates \$140 million for spare parts and maintenance. Can you comment on that?

Mr. Jerome Berthelette: Mr. Chair, I'm not sure that in this particular chapter we said there was no long-term plan. The Canadian defence strategy does set out a long-term plan with respect to the acquisitions for National Defence and the amount of funding that is going to go with those acquisitions. So there is a long-term plan, in terms of acquisitions. In terms of what we looked at here, what we said about the two contracting frameworks is that they need to do more work to push them out and to operationalize them.

Mr. Ted Opitz: Okay, great.

Your report also suggests that weaknesses in the implementation and oversight of DND's contracting approaches for maintenance and repair, as well as inefficient management of the information, could hamper the department's ability to meet some of those training needs and operational requirements over the long term. How do you account, then, for DND's long-term success in Afghanistan and in other key missions such as Libya and Haiti, to name a couple? Would the Canadian Forces, do you think, be able to experience such a high level of success if it were not particularly proficient in maintenance and repair of its military equipment?

Mr. Jerome Berthelette: Mr. Chair, I think we have to distinguish between the ability of the technicians to prioritize and meet those priorities with the equipment at hand, to make sure it's available, versus ensuring that across the range of fleets a high serviceability level is being maintained. The OWSM and the ISSCF, when fully instituted, would allow National Defence to maintain a high serviceability level, a high performance level across the fleets, and, in the case of an operation, be able to reallocate the resources in order to meet that higher operational tempo.

The ability to meet operations, as I say, is really one of prioritization.

The Chair: Thank you.

[Translation]

Mr. Brahmi, you have the floor.

Mr. Tarik Brahmi (Saint-Jean, NDP): Thank you, Mr. Chair.

Could you tell me whether Defence Construction Canada (DCC) was included in your audit?

Mr. Jerome Berthelette: Defence Construction Canada was not involved in this audit.

Mr. Tarik Brahmi: I would like to touch on the supply of trucks in the armed forces. Could you tell me whether you have done an audit on all aspects regarding the truck replacement program? Do you have any special comments that you would like to make on this subject?

• (1250)

Mr. Jerome Berthelette: No, we did not conduct any audits regarding the purchase of trucks.

Mr. Tarik Brahmi: Have you conducted any audits involving navy submarines?

Mr. Jerome Berthelette: No.

Mr. Tarik Brahmi: I would like to come back to the paragraph in your report where you state that the department has lost opportunities to derive the potential benefits of improved performance, improved accountability, and reduced costs.

Could you give us some clear examples of these lost opportunities for improvement that would have a significant impact on the effectiveness of Canadian Forces procurement?

Mr. Jerome Berthelette: Mr. Chair,

[*English*]

I would refer the honourable member to page 19, exhibit 5.3, where we have some specific examples concerning equipment that has not yet become part of the OWSM framework. I will just read a section of paragraph 5.45.

National Defence had attempted to enter into nine OWSM contracts by December 2005. These contracts would have applied to the Hercules, Hornet, Aurora, and Griffon. According to National Defence:

Three of the nine planned contracts were awarded by the original target date of December 2005.... these... have led to performance improvements, such as faster maintenance turn-around times, increased aircraft availability, and improved management of spare parts. Two of the nine planned contracts were awarded in late 2010 and...2011. As of April 2011, the remaining four contracts had yet to be awarded.

Two of those contracts are for the Hercules, two of those contracts are for the Hornet, and one was for the Aurora.

[*Translation*]

Mr. Tarik Brahmi: Is that a significant example of the improvements that you would suggest?

Mr. Jerome Berthelette: Yes, that is an example of better performance concerning the management of contracts by private companies.

Mr. Tarik Brahmi: Have you looked at the famous JSF/F-35 contract recently?

Mr. Jerome Berthelette: We are currently in the process of auditing that procurement.

Mr. Tarik Brahmi: Had you done a prior review of the process that led to the decision that the F-35 was Canada's best opportunity concerning aircraft?

Mr. Jerome Berthelette: No, we did not do that audit.

[*English*]

The Chair: Your turn, Mr. Strahl.

Mr. Mark Strahl (Chilliwack—Fraser Canyon, CPC): Thank you, Mr. Chair.

We heard from Ms. Gallant and yourself that DND is unique in terms of its size and the amount of equipment it has. As a result, it also has some unique financial constraints in regard to lapsing funds and carry-forward percentages. What effect, if any, does that have on the department's ability to effectively plan, as you've called on them to do?

• (1255)

Mr. Jerome Berthelette: Back in the spring of 2009, we tabled an audit entitled "Financial Management and Control—National Defence". I would recommend that audit to the committee members. It talks about the planning processes within National Defence related specifically to, in some instances, the financial situation.

What we observed was that National Defence's ability to carry forward money was limited to about 1%. According to the Auditor General of the day, given the size of the budget, which is \$19 billion, \$20 billion, a 1% carry-forward is a very tough target to meet. It's very tough to manage your budget down to 1%. Other departments have a 5% carry-forward; National Defence's was 1%. Given the size of its budget, of course, it probably would not get 5%, but as a result of this audit and the recommendation of the Auditor General, the carry-forward was increased, I believe, to 2.5%.

That gives the department more flexibility in the management of its programs, particularly in the management of acquisitions and capital projects, because when you have a hundred capital projects during the course of the year, it is difficult to make sure that all the work planned for a specific year actually occurs within the specific year. It could be as a result of the contractors' work. It could be a result of not having certain decisions made on time, which is nobody's fault in either case necessarily, but some of these contracts can fall behind. This will free up money. National Defence does attempt to take the freed-up money and use it for other purposes, but when it can't be used for other purposes, if they don't have a sufficient carry-forward, it can get lost.

So with this type of budget, with this complex organization, with the number of contracts and capital projects in place, it is very tough to be able to manage within a small carry-forward. They do the best they can with the people they have.

Mr. Mark Strahl: To follow up on Mr. McKay's questions about delayed maintenance, did you come across any examples or situations where the safety of our troops was put at risk because of lack of maintenance of their equipment?

Mr. Jerome Berthelette: We didn't see any such situation during the course of this audit. I think the armed forces, as I've been exposed to it, as I've visited the bases, are very careful to make sure they don't expose their soldiers, their armed forces personnel, to risks because of maintenance and repair issues.

The Chair: I'll go to Madame Moore and then get back to Mr. Norlock.

Mme Moore, s'il vous plaît.

[Translation]

Ms. Christine Moore: In your 2011 report on military equipment repair and maintenance, it was noted that there was a shortage of qualified employees and other challenges in terms of human resources, as well as declining skills and expertise within the Canadian Forces in the area of equipment repair and maintenance, because of the new method of awarding contracts to external suppliers. This was also emphasized in the report by the Union of National Defence Employees.

I would like to hear your comments on my concerns. Is there a risk that, one day, members of the Canadian Forces will no longer be able to carry out these tasks because too many of them will have been entrusted to external suppliers and they will be under the obligation to call upon these people, regardless of the cost?

If there is a lack of competition and we are no longer capable of doing it ourselves, we will have to pay the cost of maintaining our equipment, regardless of how much these people charge. As concerns operational readiness, if our service members are no longer able to maintain and repair equipment that is deployed overseas, is there not a risk that we will not be able to use this deployed equipment and that we will find ourselves in a situation where we will not be able to use a piece of equipment for a month because there is no one to repair it and we are unable to find someone to do so abroad?

• (1300)

Mr. Jerome Berthelette: Your question has many elements. If you don't mind, I will begin with the part concerning the risks.

[English]

For the record, I refer the committee members to page 28, paragraph 5.63. In that paragraph the department identified a number of risks related directly to the ISSCF framework itself. These include a "loss of work traditionally conducted in Canada if ISSCF contracts are awarded to foreign suppliers".

[Translation]

This is also mentioned:

"Total dependency on one supplier for each fleet; reduced financial flexibility and ability to change requirements and priorities as needed, because of long-term, fixed-price contracts; loss of skills and expertise required to assess value for money and industry proposals, resulting from the transfer of responsibilities to the private sector; overpayment for services, especially in a directed contract situation; and uncertainty that the required culture change will be successful within federal departments faced with having to adapt to the new contracting approach."

[English]

The department has identified those particular risks.

We should keep in mind that the contracting framework deals with essentially the third and fourth level of service. It doesn't always deal with the first level, which is the mechanics who are on the base, on a day-to-day basis, along with both the civilian and military personnel who are actually working on the equipment, maintaining it on a daily basis.

When it comes to the maintenance of equipment, there should always be either civilian or military personnel available to maintain the equipment at the base. So the equipment in the short term should always be available, but if the third and fourth level work isn't done, what happens is it will be subject to breakdown, it will require more extensive repairs. And if we don't take care of those particular risks, there is a risk that, over the long term, the equipment might not be available.

The Chair: Thank you.

Mr. Norlock, you have the last question.

Mr. Rick Norlock (Northumberland—Quinte West, CPC): Thank you.

That was going right down the lines I was going to go.

What you're saying is there's regularly scheduled maintenance and then there's maintenance due to operational requirements, such as an engagement overseas, or the military are engaged in another function in our country. There are two levels of maintenance.

Please correct me if I'm wrong or right here. The regularly scheduled maintenance appears, from your audit, to be done in a proactive, acceptable manner. Would I be correct so far?

Mr. Jerome Berthelette: Yes, I think that's a fair observation.

Mr. Rick Norlock: Would your concern be that when the equipment is used in an operational capacity, especially an operational capacity where there may be an emergent situation, there may be some lack of human resources to be able to accomplish maintenance in a field of operation? Is that correct, or have I gone a little too far with that, in interpreting your findings?

Mr. Jerome Berthelette: I think in terms of operations, National Defence will ensure it has the people in place to maintain the equipment in theatre, and that can be a combination of both the military and civilian and contract services.

I've just been reminded that in fact they take the technicians with them when they go into operations.

• (1305)

Mr. Rick Norlock: You have to realize that I always speak so that the people at home who are watching or listening or who might read this....

The interpretation is that where there is a need to ensure the safe and proper operation of equipment, whether it be aircraft or ground vehicles, whether it be regularly used or used in a military capacity, the Canadian armed forces have been and continue to be able to ensure that the equipment and material used is in such a condition that it's safe to operate and is operating as it was designed to operate, vis-à-vis the safety and efficiency of the people who are using it. In other words, everything from the tanks to the ships to the aircraft....

Mr. Jerome Berthelette: As equipment is required for operations or training purposes, there are maintenance and repairs prioritized. They are brought up to the required level and they are then used. National Defence would not put the safety of its personnel at risk by not doing this. If equipment was not ready, they would not use it.

Mr. Rick Norlock: I may have misinterpreted what you said. You talked about the third and fourth levels of service. There appears to be a gap or a lack in there. Could you explain that in an easy-to-understand manner so that the average person out there knows what you mean by third and fourth levels of maintenance?

Mr. Jerome Berthelette: I would refer committee members to page 6, paragraph 5.6 of our chapter, when you have a chance to look at it. By third- and fourth-level maintenance and repair, what we mean are lengthier and more complex inspections, major repair, or complete equipment overhaul activities. These can take days, weeks, or months to complete. These are managed centrally by headquarters.

I think that answers your question.

Mr. Rick Norlock: It does. Thank you very much.

The Chair: We're going to wrap up here because we're over our time allocated to one o'clock.

I want to thank the Office of the Auditor General for appearing today. We had Jerome Berthelette, Pierre Fréchette, and Mathieu Tremblay. Thank you very much for your insight and participation in our study of readiness of the Canadian Armed Forces.

Mr. Allen, I understand you have a quick question.

Mr. Malcolm Allen (Welland, NDP): Yes, thank you, Chair.

To my colleagues across the way, through no fault of our own, obviously, votes being where they are, with the first set of witnesses we were actually basically limited to 15 minutes. I'm not disputing, and I understand the chair's displeasure with what happened with information that went out before. I share that displeasure, by the way, Mr. Chair, as someone who has been around here for a while.

This side would certainly like the opportunity to question them again. Obviously, I can't make a motion at this moment, and I don't intend to, Mr. Alexander, but I would suggest that perhaps you take it back to the steering committee to see if there's a way to actually

work your schedule to bring them back. As someone who sits on the public accounts committee, I can say to you that this work is invaluable. I think you know that at this committee, but you're really doing a great service to us at the public accounts committee as well by exploring these things. It's extremely helpful.

Rather than us duplicate perhaps, if you explored it even further by bringing them back, it would prevent us from doing it at the public accounts committee, because there's nothing worse than two committees doing the same thing.

I leave that in your hands, obviously. I'm the guest today, and I appreciate the opportunity.

The Chair: I have one quick intervention from Mr. Alexander, because of time.

Mr. Alexander.

Mr. Chris Alexander (Ajax—Pickering, CPC): Thanks for the point. We will have all relevant discussions in the steering committee, including on that issue. But to be fair, among friends, in this open forum, a lot of their testimony did not relate to the report we are trying to focus on. There are other fora in which the issues they raised, which don't fall into the rubric of readiness, deserve to be followed up, including by the Auditor General's office, potentially. There is a schedule for DCC being reviewed as part of one of their studies. The public accounts committee and other committees have full authority to delve into these matters if they consider them relevant.

● (1310)

The Chair: Yes, definitely, at the steering committee we will talk about this matter. At the same time, I believe the public accounts committee is probably the best place to deal with the proper use of taxpayers' dollars, rather than here, where we're talking readiness.

With that, I'm going to entertain a motion to adjourn.

The meeting is adjourned.

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