



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on National Defence

NDDN • NUMBER 007 • 2nd SESSION • 41st PARLIAMENT

EVIDENCE

Thursday, November 28, 2013

—
Chair

The Honourable Peter Kent

Standing Committee on National Defence

Thursday, November 28, 2013

• (0850)

[English]

The Chair (Hon. Peter Kent (Thornhill, CPC)): Good morning, colleagues. I call this meeting to order. Welcome to all.

We are joined this morning by the Minister of National Defence to assist us in consideration of supplementary estimates (B).

Welcome, Minister Nicholson.

The minister is joined by a number of officials: Deputy Minister Richard Fadden; Senior Associate Deputy Minister Michael Martin; Kevin Lindsey, the assistant deputy minister, chief financial officer, finance and corporate services; Rear-Admiral Patrick Finn, the chief of staff of the materiel group; Lieutenant-General Guy Thibault, the vice-chief of the defence staff; and John Forster, chief of Communications Security Establishment Canada.

Again, welcome, Minister. If you could, please take 10 minutes with your opening remarks.

Hon. Rob Nicholson (Minister of National Defence): Thank you very much, Mr. Chairman.

I'm here today, of course, to discuss the supplementary estimates (B) for the year 2013-14. This is, as you may know, my first appearance before this committee since I was appointed Minister of National Defence in July.

When the Prime Minister approached me to take on the defence portfolio, I was honoured. Like all Canadians, I'm grateful for the incredible work that our armed forces and their civilian partners do for us each and every day. I've come to understand the remarkable scope of the department's responsibilities.

DND faces unique resource challenges.

[Translation]

We have the biggest budget in government.

[English]

We are the biggest government employer, with approximately 92,000 full-time employees, including over 67,000 men and women in the armed forces.

Support by an integrated defence team consists of a dedicated and committed cadre of public servants as well, a team that does everything from financial analysis, logistics, and procurement to human resources, all with the goal of supporting our men and women in uniform.

DND holds a large number of properties across Canada to support the Canadian Armed Forces, adding up to approximately 47% of federally owned buildings—some 21,000 buildings. That translates into approximately five million acres of land, 5,500 kilometres of roads, and 3,000 kilometres of water, storm, and sewer pipes. That's without even mentioning any ships, aircraft, armoured vehicles, trucks, and so on.

But despite these huge numbers, what has struck me most is the complexity and breadth of the tasks that we entrust to the Canadian Armed Forces every single day, and how they deliver, when and where it counts, as we saw in Alberta during the summer floods, or training Afghan forces as part of our commitment to our NATO partners and the Afghan government, or helping save lives and bringing emergency relief in the immediate aftermath of disasters, as is the case with the typhoon in the Philippines.

It was my honour to personally see off members of the Disaster Assistance Response Team, the DART, when they left for the Philippines within days of that devastating storm. We now have more than 315 Canadian Armed Forces members there, including engineers, medical personnel, helicopter crews, air transport and maintenance crews, logistics personnel, and liaison officers. They have purified approximately 56,000 litres of water and treated almost 2,000 people in need of medical care. They have delivered approximately 6,700 pounds of food on behalf of non-governmental organizations, and they've cleared 113 kilometres of roads. Mr. Chair, simply put, they have saved lives and worn their uniforms with pride.

But to be in a position to do all this requires significant and sustained investment. Mr. Chairman, with the best will in the world, you don't get to the Philippines carrying hundreds of personnel and tonnes of equipment and supplies just with good intentions. It takes a strategic aircraft like our C-17 Globemasters. It's why, since 2006 and the development of the Canada First defence strategy, the government has worked to modernize our core equipment fleets.

[Translation]

It's also a matter of upgrading our infrastructure.

[English]

The government is also working to improve care for our ill and injured military personnel and to ensure that our military is ready and able to respond whenever the need arises, but to do this, Mr. Chair, in a way that's in line with our government's fiscal responsibilities.

That's why in October I met with the entire leadership of the Department of National Defence and the Canadian Armed Forces. We had a full and frank discussion regarding the future. From this meeting we launched the major initiative to bolster front-line investments by reducing inefficiencies, streamlining business processes, and reducing corporate overhead within Canada's defence organization. The process of defence renewal will help national defence continue to build a modern, first-class military, ready to take on the challenges of tomorrow.

As I discussed with the department's leadership in that meeting and others, our focus must be on achieving clear accountability, improving processes, and developing a stronger culture of innovation, a culture that will ultimately ensure that we maintain the support and trust of Canadians. We are finding savings that will be reinvested toward the continued modernization of the Canadian Armed Forces.

[Translation]

Our focus is on front-line capability.

[English]

We put front-line capabilities first because Canadians have high expectations for their armed forces. Not only do Canadians expect a military that is ready to take on challenges down the road, but they expect value for their tax dollars, and that's what they're getting.

Mr. Chair, in our supplementary estimates we are requesting just over \$1 billion in requirements, 50% of which is a result of the settlement of the Manuge case, a special circumstance. Of these funds requested, almost half are absorbed through funding that was previously appropriated by Parliament.

In the details of the estimates you will see that they support the training and readiness of Canadian Armed Forces and that they enable our shipbuilding strategy and commitment to the north to move forward by providing funds to design the AOPS and establish the appropriate infrastructure. They will highlight our ongoing cooperation with other departments and government-wide programs with regard to scientific research, security, diplomacy, and defence issues.

Mr. Chair, as we continue through the fiscal year, the Department of National Defence and the Canadian Armed Forces will constantly monitor our fiscal requirements in order to ensure value for taxpayers' dollars. We're keenly aware of the importance of balancing our requirements with the need to protect Canada's fiscal health.

Mr. Chair, we all have a role to play in this, and I'm proud to say that the Department of National Defence is doing its part. We are finding, and will continue to work toward finding, more efficient and better ways of doing our business.

I'm sure the committee might have some questions on the specifics of the supplementary estimates package, and along with the team I have here with me today, I am pleased to listen to the committee's comments and to answer any questions you may have.

Thank you very much.

● (0855)

The Chair: Thank you, Mr. Nicholson.

We'll begin our first round of questioning of seven minutes each with Ms. Gallant.

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

Canadians want to know that when we send our soldiers overseas and they are injured, either visibly or non-visibly, we are going to take care of them when they come home.

Minister, a key priority of our government has been the care of the ill and injured. Of the \$400 million allocated to supporting the implementation of the Canada First defence strategy, are there any funds dedicated to the care of our ill and injured? If so, can you outline why the support for our ill and injured is such a necessary aspect of the Canada First defence strategy?

Hon. Rob Nicholson: In the supplementary estimates, an amount of approximately \$25.6 million is being requested, and that is, of course, in addition to the increased commitment and investment by the government to ensure that our personnel and their families receive the care, services, and support they deserve. The Canadian Forces ombudsman recently acknowledged that military families receive more support than ever, and the issue has been elevated to a top institutional priority—and so it should be. There's no question about this, that we have to do whatever we can.

In your studies you will see, of course, that compared to our NATO allies, the Canadian Armed Forces has the greatest ratio of mental health services to members of our armed forces. Annual health care expenditures have increased by over \$100 million since 2006, bringing up the expenditures to approximately \$420 million.

We have a great responsibility to do what we can to support ill and injured Canadian soldiers, and to support veterans, of course. Again, I think it's important that we have this kind of commitment. It's not just a question of doing more than our NATO allies. As you can see, we are very good. It's the men and women on an individual basis who they try to reach out to and help. It's not an easy task, particularly when you are coming out of a combat activity such as members of our armed forces saw in Afghanistan. There are stresses and strains that result from such work and the subsequent challenges that presents to many of the individuals who are in our armed forces; nonetheless, I think it's important to note that we increase the number of health care professionals who are involved with our men and women.

Thank you for asking that. There is an allotment within the supplementary estimates (B) for that. Again, it's an important issue and we're committing to ensuring that our members get the support they should have.

● (0900)

Mrs. Cheryl Gallant: In the interests of time, I'll be sharing my time with Mr. Williamson, so he'll have a chance to question the minister.

This will be a brief question.

The world has not yet experienced an act of cyberterrorism. To the minister, would you please explain how the funding shown in the supplementary estimates (B) for the Communications Security Establishment Canada is being used to protect Canadians from such a threat?

Hon. Rob Nicholson: Yes. Again, the Minister of Public Safety has led the development of Canada's cybersecurity strategy, as you know, in 2010, and coordinates the implementation, but the defence portfolio also plays a role in ensuring Canada's cybersecurity. This is done through the unique expertise of CSEC, which provides advice, guidance, and services to help protect electronic information and infrastructure. Yes, there are collective threats to our cybersecurity, as you are aware, but we remain committed to strengthening our cybersecurity while ensuring that Canadians' fundamental privacy rights are protected.

Mrs. Cheryl Gallant: Thank you.

The Chair: Mr. Williamson, you have about two minutes and 45 seconds.

Mr. John Williamson (New Brunswick Southwest, CPC): Thank you, Chair.

Minister, it's really good to see you.

Before my question, I actually just want to take a moment to congratulate you, your department, and your officials for their rapid response to the chaotic situation in the Philippines. It was remarkable to see government assets being moved quickly into theatre, and I think taxpayers can know that if the Government of Canada is going to spend multi-billions of dollars on this type of military hardware, it's going to be put to good use.

In that same vein, while Canadians are a generous people and have no problem with helping people around the world, they also want to know that when there's trouble on our shores Canada is ready to respond. Here I'm speaking about our search and rescue operations. Could you tell us, please, what you're doing, what the government is doing, to ensure that our search and rescue operations are ready on standby to be there when Canadians might need those services along our long, long coast?

Thank you.

Hon. Rob Nicholson: You've touched on a very important aspect of what the members of our armed forces.... I mentioned in my opening remarks the support Canada's Armed Forces provide whenever there's an emergency in this country. I pointed out what took place in Calgary and the surrounding areas and how our armed forces were there and ready and able to help.

Search and rescue, again, is an important and vital component of where members of our national forces assist. I don't want to say we have the longest coastline in the world, but it's got to be pretty close to it. It's a huge undertaking that we have, and there are constant challenges. So, yes, improving the ability of Canada to respond when there is a challenge is one of the vitally important aspects of what we do and what our armed forces do.

Just this past summer, I was with the Prime Minister on King William Island, and much of the briefings and the discussions that we had took place with respect to the ability of our armed forces, in conjunction with the Canadian Coast Guard and others, to respond to

the challenges we have. These are unique challenges that we have, but again, I was very impressed by both the level of readiness and the commitment of the members of our armed forces to do that.

As you know, there is a quadrennial review that will be tabled soon on that, and I encourage you, of course, to have a look at that.

• (0905)

The Chair: Thank you, Minister. We've reached the end of that questioning period.

Mr. Harris.

Mr. Jack Harris (St. John's East, NDP): Thank you, Mr. Chair.

Welcome, Minister, to our committee and to your new role as Minister of National Defence.

I'm going to start with a general question. You're coming here looking for about a billion dollars of new money, yet the consistent reports from your department are that you don't spend the money you have. Last year, for example, \$2.3 billion less than what was allocated was spent, and going back every year for the last five or six years, there's been in excess of a billion dollars of money not spent. I guess the first question is, why do you need any money at all if you can't spend what you have? Are you prepared to acknowledge that you have a problem in your department with the inability to either budget properly or manage properly?

Hon. Rob Nicholson: I don't know if I'd consider it a problem if they don't spend all the money that is given to them. Just to be clear, it's not a billion dollars of new money that's in this vote. It's approximately, I believe, a third of this. I'll ask Kevin Lindsey to have a go at this. But some of the money, again...and I'm sure you would agree with me that we want all parts of the department to act as carefully as possible, to spend money when it's necessary, when it's appropriate.

That being said, I'll ask Kevin Lindsey to address some of the specifics of your question.

Mr. Kevin Lindsey (Assistant Deputy Minister, Chief Financial Officer, Finance and Corporate Services, Department of National Defence): Thank you, Minister.

Mr. Chair, the apparent public accounts lapse for DND in 2012-13 was \$1.45 billion. I think it's important to note, however—

Mr. Jack Harris: Would that be the subtraction from the \$2.3 billion for what you could actually keep and carry over?

Mr. Kevin Lindsey: Sir, that's the difference between what our spending authorities were and what we spent.

Mr. Jack Harris: Not \$2.3 billion....

Mr. Kevin Lindsey: It's \$1.45 billion.

Mr. Jack Harris: The Parliamentary Budget Officer is wrong on that?

Mr. Kevin Lindsey: I have not seen that number from the PBO, sir, but with respect to public accounts, we spent \$1.45 billion less than our spending authorities.

Mr. Jack Harris: The principle still stands.

Mr. Kevin Lindsey: That amount is composed of the following, because there are some important considerations that drive that number.

First of all, we had about a billion dollars in spending authority last year to settle the Manuge case. Unfortunately, because of timing issues, we were only able to spend less than \$500 million of that amount. As part of that \$1.45 billion, \$506 million is associated with the Manuge settlement, which will be spent, in fact, this year.

In addition, because the budget was tabled after the main estimates for 2012–13, there were budget measures that served to reduce the amount of spending authority that Parliament had given us. Included in that \$1.45 billion is a further \$210 million in spending authority reductions associated with budget 2012.

Further, there's about \$250 million associated with capital expenditure that did not occur because of delays in the delivery of the equipment.

All of which to say, Mr. Chair, that there's about \$1.1 billion included in that \$1.45 billion associated with reductions to our spending authority for reasons that were beyond our control.

At the end of the day, our operating budget carry-forward, an indicator you may be familiar with from other departments, was \$356 million, representing 1.7% of our spending authorities, well in line, I think, with other government departments.

Mr. Jack Harris: Thank you.

Mr. Minister, to follow up on Ms. Gallant's questions regarding the care of ill and injured soldiers, we have a grave concern about the number of suicides occurring among soldiers who have been deployed and come back from deployment. We've had reports of two in the last couple of days.

We also have identified a problem with respect to the military's investigation of suicides. The latest figures show that 50 boards of inquiry, which are supposed to look into these matters to find out what happened, what lessons might be learned, and what things might need to be changed, are still outstanding, some as old as 2008.

Can you tell us why this is an issue and a problem, and why we aren't getting these reports?

We've got the Military Police Complaints Commission looking into one of them, and we're giving them more money here in these estimates, but we still have this serious problem that is tragic in the extreme.

● (0910)

Hon. Rob Nicholson: The whole question of the individuals who commit suicide, who are not able to adapt to life, in many cases post-Afghanistan, is very worrisome. While the ombudsman for the Department of National Defence has acknowledged that military families receive more support than ever, and it's been elevated to a top institutional priority, we all must continue to concern ourselves with these difficult and sometimes tragic incidents.

With respect to the two individuals who committed suicide, this is, needless to say, a tragedy. The Surgeon General is looking into this, and I anticipate the report on that as soon as possible. That being said, you and I and everyone here, of course, send out our

sympathies and our prayers to the families of these individuals for what they suffer and will continue to suffer.

That being said, before becoming defence minister, I was supportive of the Joint Personnel Support Unit. I think these are steps in the right direction. We've almost doubled the number of health care personnel to work with the members of our armed forces. The increased budgetary commitments to health care and health care issues are all steps in the right direction. We don't want anybody to take their life, so we have to constantly look at these issues to ensure that every possible effort is made to give these individuals the health care support they need, and the support from the armed forces.

Mr. Jack Harris: Minister, my time is limited here—

The Chair: Your time is up, Mr. Harris.

Mr. Opitz.

Mr. Ted Opitz (Etobicoke Centre, CPC): Thank you, Mr. Chair, and through you, thank you, Minister, for being here today and for your presentation.

It's very important that we take into account all the infrastructure that we do have. I praise the DART. They make Canada very proud and have highlighted to Canadians the multiple roles that Canadians perform around the world, whether it's peacekeeping, war fighting, or helping people in distress, like in the Philippines.

I'm also very happy to see General Thibault here today. I served on his staff in the past, and I'm delighted that he's with us today.

Minister, these are very complex issues in your estimates, so I'm going to give you a two-part question. We really need to drill down, and Canadians need to understand what's in the estimates for them.

Sir, could you speak to how these investments overall are going to improve the readiness of the Canadian Armed Forces?

As well, can you also speak to how our role has now changed in Afghanistan. The combat role is over and we're about to conclude the training mission shortly.

Can you also speak to how the current fiscal climate is informing the decisions of our government?

Hon. Rob Nicholson: Thank you very much.

I'm tempted to pose a question to General Thibault to ask him how Colonel Opitz was, but this is not the time or place for that.

Voices: Oh, oh!

Mr. Ted Opitz: My PER has been signed, sir.

Hon. Rob Nicholson: Again, these estimates, as you'll see when you're studying them, will show a breakdown of the different components that are a priority for the armed forces. Some of them are expected, but they all contribute to making sure that Canada is ready and able to undertake the tasks that are given to it.

I mentioned briefly our role in the Philippines, and to be able to move that quickly underlines the improvement in the capabilities and the readiness of our armed forces. Literally within hours our teams were being assembled, and they were on their way to help in that particular disaster.

When you go over the breakdown of what we're looking for in these estimates, you will see things such as maintenance and repairs for Cormorant readiness, Chinook readiness, maintenance and repairs for land readiness, maritime readiness, the joint support team. That's to make sure we have the men and women, the equipment, and the ability to get there. Nobody wants to go back to the days when there was a problem somewhere in the world and we had to hitch a ride with somebody. Nobody wants to do that.

When I was at our base in Trenton a couple of weeks ago, to see that C-17 aircraft ready and the people who are willing and ready to support the people of the Philippines.... I think it fills all of us with a great sense of pride and a certain amount of satisfaction that we can be there to do that.

When you go through these estimates and you see the breakdown of the money, again, you will see that much of it is directed towards making sure we are able to maintain that capability, so we don't go back to the days when we're not ready or that we're asking favours of our friends.

Going back to the overall question, Mr. Chair, these are reasonable estimates. I know they're looked at very carefully between the Department of National Defence and the members of our armed forces, to see that these are the funds that we need to continue that. I think they're very reasonable and very supportable.

• (0915)

Mr. Ted Opitz: Thank you for that, Minister.

I was one of those guys who had to hitch a ride back in the day, and my knees and my ankles will tell you how bad some of the equipment was.

I'd like you to elaborate on the importance of the fact that we do have to stay well equipped, stay ahead of the equipment curve, and we have to ensure our troops have the right equipment for the theatres they may be called on to operate in.

I'd like you to discuss the need for looking forward, 10 years, 20 years, and sometimes even 25 or more years. What interested me in your presentation as well is that I don't think a lot of people quite understand the size of the infrastructure we have. You talked about the property, the sewer systems; in effect, those are small cities that we run.

Could you elaborate on that, please?

Hon. Rob Nicholson: Yes. Again, making sure that we have the equipment to support our men and women is absolutely vital, and you've made a very good point.

We have had a number of successes in the procurement area. I mentioned the C-17s, the Hercules aircraft, light armoured vehicle upgrades, medium to heavy-lift helicopters—those are what we have successfully delivered to the armed forces.

Going back to my meeting in Halifax this past weekend, we were right next door to the shipyards that are undertaking the shipbuilding program on the east coast, and there is one, of course, on the west coast. All of these are contributing to that readiness that you talked about that, quite frankly, was absent a number of years ago.

Yes, we have to continuously look at these and try to move forward, to make sure the men and women in our armed forces have the equipment they need.

Again, there are challenges. Procurement is a big file, needless to say. We've had these challenges, but there have been successes. I mentioned a number of those successes. Again, the reports I get back with respect to the shipbuilding programs on both coasts of this country are underlying that concern for capability for our men and women who serve our armed forces. This is what we have to have, and we have to continue in that vein.

The Chair: Thank you, Minister.

Ms. Murray, please.

Ms. Joyce Murray (Vancouver Quadra, Lib.): Thank you.

I want to also add my words of welcome to the new minister in his portfolio and to reinforce the previous comments of the importance of the department and our Canadian Armed Forces to the collective security and defence of our country and our playing our part abroad.

One of the challenges the minister has, of course, is that the Canada First defence strategy talks about stable and increasing funding as being foundational to the whole strategy, and he is dealing with budget reductions and budget cuts, contrary to the foundation of that strategy. Trying to understand how that may be impacting some of the goals....

I'm looking at the funding that's being requested of \$400 million to support the ongoing implementation of the Canada First defence strategy, talking about equipment. The question I have has to do with the closed combat vehicle project. It was announced four and a half years ago in 2009. The minister of the day said we owe it to Canadian soldiers to give them the protective equipment they need to do the job we've asked them to do.

Two billion dollars was budgeted for the 108 CCVs. They were intended to be arriving in 2012, and of course that's not the case. Currently there is uncertainty about this project.

Can the minister confirm whether that project is a go or not?

• (0920)

Hon. Rob Nicholson: Thank you for your welcome to the committee.

I'd be glad to address comments with respect to the Canada First defence strategy.

With respect to the equipment, as you gather, I'm sure, from the previous answer, we're committed to getting our men and women in uniform the equipment they need—of course at the best value for taxpayers. I can tell you on this, as with a number of the procurement projects, that we're continuing to work on this particular project, and when announcements are made, I'll make an announcement. That being said, we continue to work on them, but I thank you for your comments on that.

With respect to the Canada First defence strategy, you will see—

Ms. Joyce Murray: I appreciate that. As the minister appreciates, time is short.

Was that a confirmation that the closed combat vehicle project is still a go and there will be an announcement of the winning bidder on that project? If so, when?

Hon. Rob Nicholson: Again, all I can tell you is that we continue to work with Public Works on this project—

Ms. Joyce Murray: So the project hasn't been cancelled?

Hon. Rob Nicholson: Again, if and when any announcements are made, I will make announcements on those, but again—

Ms. Joyce Murray: Okay. So you have no comment.

Hon. Rob Nicholson: —as with a number of these procurement issues, they continue to be worked on. As you know, and you would be aware of, we work very closely with Public Works on these things.

Ms. Joyce Murray: So continuing to work on it means that this is still an active project and that the announcement will come in due course?

Hon. Rob Nicholson: All announcements come in due course, Ms. Murray, as you know. Again, I think I have been very clear, hopefully.

Ms. Joyce Murray: Okay. Well, it could be clearer, Minister.

I'm going to go to your comments about support for ill and injured, and of course around the committee we all have a genuine concern, as does the minister and your staff.

In the ombudsman's recent mental health report, the ombudsman is saying that the national defence minister “has not hired enough psychiatrists and other mental health professionals to deal with the cresting tide of post-traumatic stress cases”. Doubling the funding, as the minister mentioned, we know does not reflect the increase in actual challenges with PTSD coming out of an operational theatre. There's “a big gap between what the system can deliver and what it actually does for the troops” and “this shortfall has a profound impact on front line delivery of care”. This is all from the ombudsman.

The system is operating with 15% to 22% fewer caregivers than needed and there are significant bureaucratic problems, time delays, etc. I could give examples of particular JPSUs in which there are woefully inadequate numbers of support persons to the number of injured who are requiring care.

Could the minister tell us in these estimates how many registered medical professionals are being increased to address the shortfall the ombudsman has identified?

• (0925)

Hon. Rob Nicholson: Some of those details are a matter for the Surgeon General, but you did point out the Joint Personnel Support Unit. This is actually something that was put together by this government. I think everyone who has been associated with this will know that this is a definite improvement.

You did mention the ombudsman. The ombudsman said that of the support for military families, there has been more support than ever before and that it “has been elevated to a top institutional priority”.

Needless to say, we have to continue to work to support those men and women and their families who find themselves in a position of

difficulty. Again, I want to give you as many details as possible. Perhaps I might turn it to the vice-chief, General Thibault, to give some of the particulars of it. But I agree with you that this is and will continue to be a priority.

Yes, there is more investment. There are more health care professionals. Yes, we look very favourably when you compare us to all our NATO allies, but as I always say, we may be the best in the world, but we have to continue to get better.

General Thibault.

The Chair: A very short answer or contribution, please, General.

LGen Guy R. Thibault (Vice-Chief of the Defence Staff, Department of National Defence): Thank you, Mr. Chair.

Ms. Murray, thank you for the question. Certainly there is \$25 million in the supplementary estimates that will go directly to continuing to augment the capacity we have at these Joint Personnel Support Units. As you know, these are integrated with VAC and DND. It's providing complex care.

Of course, we are very concerned about the capacity we have—we've been affected, as have all government departments, by making sure that we are in fact living within the means we have. In this particular area, the decisions have been made to increase the capacity to deal with some of the shortfalls we have, and some of the funding in these supplementary estimates is destined to do just that.

The Chair: Thank you, General.

We'll now move into our second round of questioning, with five-minute segments.

Mr. Norlock, please.

Mr. Rick Norlock (Northumberland—Quinte West, CPC): Thank you very much, Mr. Chair, and through you to the minister and witnesses, thank you for appearing today.

Minister, while we're on the subject of procurement, I wonder if we could talk a little bit about our arctic/offshore patrol ships project. There were about three different questions I was going to ask, but I'll try to encapsulate them into one.

We're purchasing these made-in-Canada ships for specific reasons, for jobs and economic prosperity. I wonder if you could talk about our strategy surrounding the sovereignty and security of Canada and once again the economic importance of made-in-Canada patrol ships vis-à-vis our arctic sovereignty.

Hon. Rob Nicholson: Thank you very much, Mr. Norlock.

As I indicated to you, I was in meetings in Halifax. I wasn't at the shipyards, but just within a couple of thousand feet of where the meetings were taking place, the infrastructure is actively being put into place to produce these Arctic offshore patrol ships. As you will see in the estimates, there's a request for \$168 million that is related to the infrastructure to support this. You have to have considerable infrastructure.

You raised a very important point. These are being made in Canada, and, again, one of the things I would emphasize is that it's not just the jobs that are created right there at the shipyard; it's all the jobs that are associated with that—with the suppliers and indeed the other Canadian companies. This has an effect beyond just the contracts that are let to these companies.

That being said, these are important for what we need to do to maintain our ability for search and rescue, for emergency operations, and I think you even used the word “sovereignty”. We've got to have a strong presence in Canada's north; this is part of our northern strategy, as you know. The Prime Minister is there every year to support the people of Canada's north and to underline its importance to this country. Again, joining him for a short time this summer, I was very impressed to see the Canadian Rangers and others who are involved with this.

But they have to have the right equipment. Again, it was impressive for me to see a Canadian Coast Guard ship off the coast of King William Island. I think this is the kind of thing we have to do. This is an important part of Canada; we're very fortunate that this is part of this great land of ours. Again, not just for today but for the future as well, we have to invest in our capability, so that when questions arise, when there is an environmental issue, if there are sovereignty questions, where there are search and rescue requirements, or where there's an emergency anywhere in the north, we have to have the ability to respond and to respond very quickly. We have an outstanding record throughout the world of responding and helping people who find themselves in a crisis or an emergency situation, but we have to have that capability and we have to make sure that is available right here in Canada.

Yes, when you talk to me about the arctic/offshore patrol ships, I am very, very supportive of that. We have to have that capability; that's a part of what we have to have. We have to have icebreakers, and, as you are aware, those are part of the contracts on the west coast of this country. That being said, it's all part of a strategy to increase the capability and increase our ability to respond to the challenges we have today, and indeed the challenges we anticipate for the future.

● (0930)

Mr. Rick Norlock: Thank you very much, Minister.

You touched on the fact that we have the world's fourth largest aerospace industry, but we lost, after the Second World War, some of our shipbuilding capacity. I wonder if you could talk about how these made-in-Canada ships will permit the companies that will be tasked with building these ships.... What will their capabilities be afterwards with regard to civilian ability to build ships for Canada, and will this increase our ability to build ships in our country, which we probably have lost along with the jobs surrounding that, not only on our east and west coasts, but right across this country, from the technology—

The Chair: I'm afraid we've come to the end of your segment.

[*Translation*]

Ms. Michaud, go ahead.

Ms. Éline Michaud (Portneuf—Jacques-Cartier, NDP): Thank you very much, Mr. Chair.

I'd like to pick up on the matter of close combat vehicles. At the risk of disappointing you, minister, I would say you weren't all that clear about what's going to happen with the program. We've seen major cost overruns in numerous military equipment procurement processes, the F-35s and naval ships, just to name a few.

The Auditor General's last report highlighted a gap between the government's ambitious agenda, set out in the Canada First Defence Strategy, and available resources. And that gap is only growing. In light of that reality, we need greater transparency. The government must give us a clear answer.

For many months now, we've been hearing that the close combat vehicle program has been called into question. I want details and I want to know whether or not the program is going forward. Someone asked the question earlier, but your answer wasn't very clear. So I'm asking you again. If you still aren't sure what's going to happen, could you at least give us an idea as to when the government will be able to clearly tell us the fate of the close combat vehicle program?

[*English*]

Hon. Rob Nicholson: Perhaps I'll be a little clearer in this sense. I and the department work very closely with Public Works on these procurement issues, and it's not confined to closed combat vehicles. We're working very closely on the subject of helicopters as well, which received quite a bit of attention earlier this year.

That being said, I want you to know that all of these certainly have my attention and the attention of the department, and again, we are working on these with Public Works, and will continue to, to make sure we get the appropriate equipment for our men and women in uniform and that we get equipment that works for the needs of the Canadian Armed Forces at the best value for Canadian taxpayers.

So while I'm not making any announcements today, we'll make sure we contact your office whenever announcements are made on anything in the area of procurement, and, Mr. Chairman, we will certainly keep you informed on these. But we have to make sure on all of these that we basically make the right decision, and again, we're working very closely with Public Works on these.

[*Translation*]

Ms. Éline Michaud: Hopefully, the attention you say you plan to give the file will translate into a quick response. There are many of us wondering what's going on.

Furthermore, you said one of the government's priorities was Canada's presence in the Arctic and its capability to secure that presence. You said we needed to have the capability to deliver on that priority for the sake of our northern sovereignty. Since the program to acquire and build Arctic/offshore patrol ships is already five years behind schedule, you'll forgive me for questioning that priority.

Does the Department of National Defence anticipate further delays? Do you know how much that five-year delay has cost? We really need those ships.

[English]

Hon. Rob Nicholson: Again, I know they are very focused and working diligently on these to make sure they are a part of that. But I want to be as helpful as possible to you, so I'd ask Admiral Finn to elaborate.

• (0935)

[Translation]

RAdm Patrick Finn (Chief of Staff, Materiel Group, Department of National Defence): Thank you, minister.

[English]

In the context of the arctic/offshore patrol ship and the entire shipbuilding strategy, when you talk about the project delays...in 2008, when we launched the project, it was under a competitive approach that we were trying with other projects, as was the coast guard. We were not having a lot of success because of the state of the industry. It caused us to take a pause to establish the strategy. In fact, it was one of the catalysts to create the strategy.

We are now seeing already a quite positive effect of that. We've relaunched it. We are now creating world-class facilities on both coasts. We are moving to—

[Translation]

Ms. Éline Michaud: I don't have much time left, and I'd like to know whether the delays have resulted in any costs.

RAdm Patrick Finn: Yes, the delays have led to costs, but there's also—

Ms. Éline Michaud: How much exactly?

RAdm Patrick Finn: We're talking about specific numbers. Once the design phase is complete, the cost per ship has to be determined. At the moment, we anticipate being able to deliver—

Ms. Éline Michaud: But you have no idea what the delay-related costs are?

RAdm Patrick Finn: Yes, we absolutely have an idea of those costs.

Ms. Éline Michaud: Could you tell me what they are?

RAdm Patrick Finn: They're acquisition-related costs. In light of the delays, we developed a strategy that allowed us to create much more efficient shipyards.

So there are also—

Ms. Éline Michaud: If I understand correctly, I won't be getting those numbers this morning.

Thank you very much.

[English]

The Chair: Mr. Allen, please.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much, Mr. Chair.

I would just like to continue on with the arctic/offshore patrol ships and Mr. Norlock's questioning.

Minister, you talked a little bit about the icebreakers and the types of capabilities we were going to require out of this. I'd just like to understand—maybe you and your officials can answer this—the

definition phase and the importance of that, and more specifically what the deliverable is going to be out of that definition phase so that we make sure we get this construction done in a timely fashion.

Hon. Rob Nicholson: I'm going to ask Admiral Finn to again provide some of the details. We get reports from both coasts. I think in terms of procurement and contract letting and the ongoing commitment of the priorities, this has been a success up to this point in time. Indeed, I've been very encouraged by what's taking place on both coasts.

We didn't get into this, but we don't want to have this boom and bust cycle in the shipbuilding industry. These are long-term commitments. We were talking about the arctic/offshore patrol ships. We want to have a long-term commitment so that Halifax and other areas aren't in this boom-bust cycle. As your colleague, Mr. Norlock, pointed out, it's gearing up these things and starting them and having them come to an end.

This is a long-term project, and I think one that's going to benefit in every way... I mentioned some of the economic spinoffs, but I'll ask for some of the details from Admiral Finn.

Thank you.

RAdm Patrick Finn: Thank you, Minister.

The definition phase is to prepare in all respects the build for the ships. It's not just the design; it's testing the facilities, ensuring the procedures and processes are in place. It's an international best practice: to actually control costs in shipbuilding you do not start construction until you're fully ready.

Historically, we would have run a competition, selected a supplier, and then started the process of preparing to build, and we would likely have incurred cost overruns and potentially scheduled delays. In this particular case, the shipyard itself is literally being built anew on both coasts. In the case of Halifax, it's a brand-new world class facility that's rising. In the next 18 months they will continue to finalize the design. It's a very, very detailed construction design. We will actually build test modules in the facility, so there'll be a couple of components of the first ship that will be fully assembled and tested. We will look at acquiring long lead items, so material that would cause delays.

We're literally spending a couple of years to be fully ready to build these ships, which will also basically save us money in production. That was my point previously. Although we've incurred some costs for delays, we're actually also achieving some cost savings by being more efficient, by being fully ready, by having a completely capable shipyard ready to move, by having a design that has been completely tested, right down to having a 3-D model where we can do walk-throughs and test all of the availability and all the maintenance.

This is delivering a best-practice approach, a fully capable yard, a fully capable design, such that when we actually launch the construction we'll have a very good understanding of price, we'll know exactly what we're getting, and we'll be able to build through the arctic/offshore patrol ships and acquire both a capable facility and the people to then move through that and into the next generation of combatants.

• (0940)

Mr. Mike Allen: I have two quick follow-on question to that.

First, having been involved in construction projects before, I know there's always this design, and then, dah, dah, dah, dah, dah. So we're going to have very much an iterative type of process. We're almost going to have, in some cases, working models, so we're going to build an expertise in that. Confirm that, if that's true.

Then there is a second piece to this. Because of that expertise, do we see a situation where foreign allies could end up buying ships from us in the future because of this competency?

RAdm Patrick Finn: To your first question, yes, that is correct. We will have complete design. We will have done model testing against ice in an ice tank. We will know exactly what we're getting. The potential is there for others to pursue that, and we're seeing some interest in some areas.

But the other big area where it helps us, as far as building in Canada, is when we talk about cost. The through-life cost is what is key. It costs us as much to maintain ships as it does to build them. Building them domestically gives us the supply chains. Traditionally, in the maritime domain, we run into problems when we acquire offshore, not because they're not capable, but because often we don't have the inherent supply chain with them. We will understand these ships from the keel up.

The Chair: Thank you, Admiral.

[Translation]

Mr. Larose, go ahead.

Mr. Jean-François Larose (Repentigny, NDP): Thank you.

I want to welcome the new defence minister.

My first question has to do with something in the estimates I find a bit odd.

You're requesting an additional \$694 million in supplementary estimates (B). Is that correct?

[English]

Hon. Rob Nicholson: I think it's about \$684 million.

[Translation]

Mr. Jean-François Larose: Something doesn't add up. Did you request an additional \$100 million in supplementary estimates (A)? There's a \$100-million discrepancy between what supplementary estimates (B) say and what supplementary estimates (A) say. I'd like to know where the discrepancy comes from. The figure in supplementary estimates (A) is \$17.9 billion, but it's \$18.06 billion in supplementary estimates (B). So there's a discrepancy of \$100 million or so. I'm trying to understand why that is.

[English]

Hon. Rob Nicholson: Certainly, I want to help you on that. As I said, as part of the estimates you'll get a continuous breakdown of where they are.

I'd like to ask Mr. Lindsey to provide you with some of the details on that.

[Translation]

Mr. Kevin Lindsey: What page are you referring to?

Mr. Jean-François Larose: Page 1-15. There's a difference of \$100 million. That wasn't the amount originally authorized. I'm wondering what's behind the discrepancy.

• (0945)

Mr. Kevin Lindsey: Thank you, Mr. Larose. My apologies for making you wait.

[English]

The \$100 million you refer to is not a mistake or something out of order. It is related to a statutory change on the one hand, which is a spending authority enabled by other legislation and not an appropriation act. Secondly, it is an amount of \$97.4 million related to our operating budget carry-forward. So that is the same carry-forward that every other department receives, and the mechanism for receiving that carry-forward is that Parliament first appropriates money to Treasury Board and then Treasury Board transfers that money to departments. In this amount you're talking about, there are two components: a statutory adjustment of \$3.3 million and \$97.4 million for our operating budget carry-forward.

Mr. Jean-François Larose: Thank you.

[Translation]

My second question pertains to the Halifax International Security Forum, held from November 22 to 24. In supplementary estimates (B), you're seeking authority for an expenditure of \$1.3 million, if I'm not mistaken.

First, could you briefly explain what it's for, and second, could you tell me why you're requesting funds you already spent? Essentially, you authorized the funding yourself, without our permission.

[English]

Hon. Rob Nicholson: Again, support for the Halifax International Security Forum, I think, is very important. I think it's very worthwhile in terms of policy development and in terms of bringing individuals in from around the world. In fact, I'm pleased that you raised this matter, since I just returned from there Sunday night. It was very impressive. I believe there were 50 countries represented there, with Secretary Hagel of the United States, and I think four American senators, congressmen, the British security and defence department—all of them came together to discuss these issues.

My colleague, Minister MacKay, made an announcement that the government would continue to support this over the next five years, which is a big success.

Mr. Jean-François Larose: Thank you for that, but—

The Chair: We've come to—

Mr. Jean-François Larose: If I may, just shortly, because I was trying to interrupt the minister—

The Chair: Be very, very quick.

Mr. Jean-François Larose: Thank you.

There's still the fact that you authorized the spending before you presented this budget to us. I'm trying to understand why it wasn't authorized.

Hon. Rob Nicholson: It's part of this, and it's part of the commitment of the government over the next five years to put in place the infrastructure and the private support that will be necessary to continue to hold this. Again, the forum seemed to be overwhelmingly well received. In fact, it was my first time there, and I have to tell you how impressed I was with the interaction between so many different countries. This was part of the feedback I was getting. I had the opportunity to have a number of bilaterals with other countries. Again, they were unanimous in the sense that they liked this forum to exchange ideas.

Again, there has to be a commitment to do that. As you pointed out, there is an ongoing commitment to make sure.... You can't just put these things together 48 hours before they begin. So it's an ongoing commitment, but it's a very reasonable one, Mr. Chairman, and one that I think is of great benefit to Halifax, Atlantic Canada, and indeed this country.

The Chair: Thank you, Minister Nicholson. The time assigned for your appearance with us here this morning has expired, so thank you again.

We will suspend for a couple of minutes and then resume with your officials.

- _____ (Pause) _____
-
- (0955)

The Chair: We'll resume our meeting, colleagues. Our final questioner in the first five-minute round is Mr. Bezan.

The floor is yours.

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

I want to thank our witnesses for appearing, and also welcome Mr. Fadden to our committee. It's your first time to appear before us as a deputy minister. I welcome you to your new position, although you've been there since the spring. But it's still great to see you here.

I know we've already had a fairly robust discussion about arctic/offshore patrol vessels and arctic sovereignty but there are two points in the estimates that I did want to get more detail on. As part of the arctic/offshore patrol ship program, we have funding, I believe, that goes towards the development of arctic berthing and developing our naval facility up at Nanisivik. I also understand that there is a transfer from DND over to Natural Resources for the ongoing operation and maintenance of the Canadian Armed Forces arctic training centre, and that actually came in under budget and ahead of schedule. I wanted to get a little more detail on that.

Mr. Richard Fadden (Deputy Minister, Department of National Defence): Thank you, Mr. Chairman.

With respect to the second part of your question, the transfer to Natural Resources, we had initially thought to develop the capacity that you're talking about on our own, if I can put it that way. On the other hand, Natural Resources Canada has been operating in the

Arctic for some considerable amount of time. They have a great deal of expertise. They've developed ways of doing things that I think have resulted, and will result, in considerable savings. So the transfer reflects the work that we've done with NRCAN, and it reflects a considerable savings since we initially made these estimates. We really are building on their capacity, their centres, and the work they've done in the Arctic for some time.

Mr. James Bezan: Thank you.

There's also a transfer here from National Defence over to CSEC for the development of the Canadian cryptographic modernization program. I was wondering, Mr. Forster, if you could speak about what that actually entails.

Mr. John Forster (Chief, Communications Security Establishment Canada): The crypto modernization program is a project that we're managing and delivering. We're working very closely with the Department of National Defence and the Canadian Armed Forces. It's a 20-year project begun in 2005, and it's really about how we modernize the communications and secure communications of the equipment that's used by the Canadian Armed Forces.

As cyber capabilities get more sophisticated by countries around the world, we need to modernize and upgrade our encryption capabilities to make sure the forces can communicate securely. The money in the supplementary estimates is a transfer from Defence to us to help do that equipment, working closely with them.

Mr. James Bezan: Thank you.

Part of our ongoing commitment to the Canada First defence strategy, of course, is the acquiring of new equipment. I know that we've taken possession of new Leopard tanks, new Chinooks, and other assets. I'm just wondering where we're at in having those new assets in operation, fully kitted out?

Mr. Richard Fadden: I wonder, Mr. Chairman, if I could ask Admiral Finn to answer this.

RAdm Patrick Finn: As the assets come online, we are immediately putting them in for first training and then starting to deploy them. Some examples...you asked about the Chinooks. They have started to arrive. The wing has been put together in Petawawa. It's moving to its new facility. So it's now going through training and will shortly be available for operations.

On the naval side, the Halifax-class modernization has been a very large undertaking. The first ships are back in the fleet now undergoing sea trials. We're marching towards ultimately making them operational next year. The first of the light armoured vehicle upgrades, very significant upgrades to those vehicles, have arrived. They're in testing. So we have a number of areas under the Canada First defence strategy where the equipment has arrived and in fact is well on its way to being available for operations when required.

Mr. James Bezan: On the standpoint of readiness and training, I just wanted to get more information on how we're doing with recruitment and training and keeping.... I know that operational tempo is reducing as we withdraw from Afghanistan and I know that we're on track to be completely withdrawn by the end of March. I just wanted to get a feel of what type of readiness.... I guess the doctrine we're now doing within the forces....

● (1000)

Mr. Richard Fadden: I'm going to ask the vice-chief.

LGen Guy R. Thibault: Certainly the funds in the supplementary estimates are really dedicated to joint collective training, which is really the way we bring together the elements of the armed forces in a post-Afghanistan kind of context. In the last 10 years we've been very focused in the Canadian Forces on that particular mission.

Of course, as we now look to the future we need to be prepared for all possibilities. One of the keystone activities for us is of course training in the north. We've had a number of training activities such as Operation Nanook, which is really a major joint operation exercise in the north. The funds that we have specifically in these supplementals are really to continue our efforts post-Afghanistan for the joint training exercises we have.

Of course, readiness is much more than just collective training. It's individual training; it's making sure that our men and women who are in our three services have the right skill sets—that it's in our school houses, and we bring it all together really as a part of working together in these very complex environments.

So training post-Afghanistan is really how we will maintain our readiness, and certainly for the allocation of funds, that's where we really are putting our resources.

The Chair: Thank you, General.

[Translation]

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

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Thank you, Mr. Chair.

I'd like to let the committee know I'll be sharing my time with Mr. Harris.

According to our documents, Communications Security Establishment Canada's funding is going up 4.9%, from \$439 million to nearly \$461 million. That's huge in a time of budget cuts.

What troubles me, however, is that we're finding out about it today. According to documents obtained by CBC, the United States conducted an extensive week-long spying operation during the G20 summit in 2010. And the whole thing was allegedly carried out with Canada's permission, and perhaps with the participation or permission of Communications Security Establishment Canada, as a partner.

Can you confirm or contradict CBC's claims?

Mr. John Forster: Thank you for the question.

[English]

For the first part, on the budget increase, the CSEC's budget continues to increase related to increased resources, particularly in

the area of cyber-defence. So as the government implements its cyber-strategy over several years, we are building our capabilities to defend the computer network of the Government of Canada and the information of Canadians from cyber-attacks, and that's one of the reasons for the ramp-up in costs. The four items that are in the supplementary estimates that we've proposed are about \$20 million.

On the second part of your question, related to the story on the CBC, I can't comment on the specifics of our intelligence operations or capability with either Canada or the allies, as the information is classified. I would, however, just stress that under law, CSEC cannot target Canadians anywhere in the world or anyone in Canada, including visitors. I cannot ask my international partners to do anything that I am not allowed by law to do. Both of those would be against the law. As you know, the commissioner of the CSEC reviews our activities constantly to make sure we are lawful, and has found our activities to be lawful.

Mr. Jack Harris: Thank you, Chair.

Mr. Forster, I want to go back to you here with respect to CSEC, to the Canadian top secret network. Some of the money here is for modernizing that, so-called. I want to ask about CSEC's top secret network mission related to the activities in Brazil that have been reported. Can you tell me how the Brazilian government's Ministry of Mines and Energy becomes such a national security threat to Canada? Who tasked such a project? Was your agency directed to do that? How does that happen?

Mr. James Bezan: On a point of order, Mr. Chair. The question by Mr. Harris is not at all related to supplementary estimates (B), which we're studying. I also draw your attention to O'Brien and Bosc, page 1068, in chapter 20, on how special caution is needed in questioning public servants on their roles and the responsibilities they have to ministers. I believe this question is out of order.

● (1005)

The Chair: I agree.

Mr. Harris, can you—

Mr. Jack Harris: Before you agree, there's \$8.559 million in vote 20(b) under appropriations for the Canadian top secret network. This is a specific program—

The Chair: It's for a program, and Mr. Forster has already answered.

Mr. Jack Harris: Well, it's not out of order, sir, because it's related directly to a line item in the budget.

The Chair: Mr. Harris, could you rephrase your question to make it more supplementary (B) related?

Mr. Jack Harris: It's related because we're talking about the top secret network program and he's looking for more money for a program. The question that arises is, how is this money being used? For example, the Brazilian government's Ministry of Mines and Energy was a target of this agency's work, according to reports. That's very directly related if he's looking for more money to do the same sort of thing.

Is that what we're looking for money for?

The Chair: I will allow that question to be asked as is, now, and within the restrictions with regard to national security. I will allow the witness to answer.

Mr. John Forster: Thank you, Mr. Chair.

The money in the supps (B)...we've requested approximately \$9 million this year for work on Canada's top secret network. CSE manages the top secret network on behalf of the Government of Canada. It is a network used by approximately 20 agencies that are involved in and need to work with highly classified top secret information. CSE is the steward or manager of that network for those departments. We have embarked on a five-year \$44 million project to modernize and enhance the security of that network to make sure that our departments are able to deal with and share classified information at the top secret level amongst them as well as with our allied partners. That's the nature of the supplementary estimates there.

Mr. Jack Harris: So you're saying that top secret network has no relation to the activities in Brazil?

Mr. John Forster: It has no direct relationship.

Mr. Jack Harris: I have another stand-alone question related to the Cormorant helicopters that Canada purchased.

As we know, nine helicopters from the U.S. presidential fleet... they were known as Kestrels, a variant of the Cormorant. Is any of the money in this \$400 million of additional funds allocated to put these helicopters into service as Cormorants? There was some talk back in June about a study being done with respect to that. Obviously, the Cormorant helicopters have performed very well as a platform for search and rescue, and if we could have nine more at a reasonable price, that would be a good thing to do. Is there any of this allocation here for that purpose?

Mr. Richard Fadden: No, Mr. Chairman.

Mr. Jack Harris: Are there any plans to do that?

Mr. Richard Fadden: No, Mr. Chairman.

Mr. Jack Harris: Is there any reason why the government doesn't seem to want to talk about these nine helicopters that were purchased from the U.S. for about \$164 million according to reports?

Mr. Richard Fadden: I don't think we're unwilling to talk about it, Mr. Chairman. They were purchased for the particular purpose of providing parts for our program. That was the understanding that we had with the United States when we purchased them, and insofar as I've been made aware, that's exactly what we're using them for.

I don't know if Admiral Finn has anything to add, but we're acting in a manner consistent with the purchase order from the United States.

Mr. Jack Harris: There was, however, a—

The Chair: Your time has expired, Mr. Harris.

Mr. Jack Harris: There was a statement by the previous minister back in June about a study being undertaken.

The Chair: Ms. Gallant, you have the floor.

Mrs. Cheryl Gallant: Thank you, Mr. Chairman.

Mr. Lindsey referred to a part of what the lapses were allocated for, and we're on the topic of helicopters, so we're going to hone in on that for a minute.

The EH101...we all know the Liberals campaigned to cancel that procurement. The EH101 actually had three variations. There was the search and rescue, which Mr. Harris is alluding to, which was never ordered, and now we have the Cyclones, and instead of cannibalizing those for parts, we have just heard that other helicopters have been purchased so that we can keep them up in the air to do the wonderful work that our search and rescue techs do. The second was for medium and heavy lift. We have since obtained the Chinooks that are taking care of that tasking.

Still outstanding are the Sea King replacements, and we know that back when the Liberals were in charge, they purchased a replacement, the Cyclone, of which we have not yet taken delivery, to my understanding. So when Mr. Lindsey indicated that part of the lapse was due to equipment that was not delivered, I would assume that perhaps some of that would be the Cyclones.

Would he please tell me, cumulatively, over the years, the total amount that has lapsed as a consequence of non-delivery of the Cyclones? We'll start with that.

• (1010)

Mr. Kevin Lindsey: Mr. Chair, it is true that over time there have been lapses associated with the acquisition of the Cyclone. I do not have with me.... We will have to get back to you to answer your question, which I took to be "How much in aggregate have we lapsed as a result of that acquisition?"

Mrs. Cheryl Gallant: Thank you. The reason that's important, Mr. Chairman, is that what we've been told previously is that when there is non-delivery, that money has to go back to general revenues, Treasury Board. When delivery eventually occurs, DND will have to find the money to pay for that out of its operating costs.

I look forward to having the answer sent to the clerk and his sharing that with the committee.

Thank you.

The Chair: Do you relinquish the rest of your time, Ms. Gallant?

Mr. Richard Fadden: Mr. Chairman, could I ask Mr. Lindsey to comment on one aspect of Ms. Gallant's query, just to clarify?

The Chair: Sure.

Mr. Kevin Lindsey: Just to clarify, when this money lapses, it is carried forward by the Department of Finance in the fiscal framework and made available to DND when it's required for the acquisition. I did not want to leave the committee with a misapprehension on that.

Mrs. Cheryl Gallant: Thank you, Mr. Chair. That may be the aggregate number I'm looking for.

The Chair: Thank you. That ends the second round of questioning.

The third round of questioning will begin with the NDP, Ms. Michaud.

[Translation]

Ms. Éloise Michaud: Thank you, Mr. Chair.

The department is requesting authority to transfer funds to a variety of agencies and organizations, including Atomic Energy Canada Limited and the Canadian Grain Commission, to support the Canadian safety and security program. The amount being sought is more than \$5.9 million.

Can you tell me exactly why the transfer is being sought and how the money will be spent?

[English]

Mr. Kevin Lindsey: This is the Canadian safety and security program, which involves a number of departments and agencies. How the funding works is that DND effectively serves as the banker and a committee of officials reviews project proposals every year for departments and agencies that participate in this program. As those projects are approved, DND then transfers the money to the departments and agencies to carry out that work.

[Translation]

Ms. Éloise Michaud: Since I don't have a lot of time, I won't ask you to go into the details of the programs affected by the transfer. Could you, however, provide them to the committee in writing in short order?

Mr. Richard Fadden: Absolutely, to the extent they aren't confidential.

[English]

I can give her that.

[Translation]

Ms. Éloise Michaud: Of course. Thank you kindly.

The Department of National Defence is asking for authority to transfer more than \$1.1 million to Natural Resources Canada for ongoing operation and maintenance of the Natural Resources Resolute facility and related logistics support to the Canadian Armed Forces Arctic Training Centre.

How much exactly of the transferred funds will be used to provide logistics support to the Canadian Armed Forces Arctic Training Centre?

• (1015)

Mr. Kevin Lindsey: As we mentioned earlier, DND shares access to infrastructure with the Department of Natural Resources, which has considerable experience with northern operations. The transfer is simply to reimburse the Department of Natural Resources for operating costs arising from DND activities.

Ms. Éloise Michaud: Fine, but I'd like to know exactly how much of the \$1.1 million is going to logistics support for the training centre. The \$1.1-million transfer request pertains to the ongoing

operation and maintenance of the Department of Natural Resources' facilities, so I'm just looking for a small clarification.

Mr. Kevin Lindsey: It has to do with heating, power, snow removal and maintenance. It's tied to the cost of operating the facilities.

Ms. Éloise Michaud: So of that \$1.1 million, you don't know the exact amount allocated to that? My question is this. Do you know, yes or no? No?

Mr. Richard Fadden: We don't have that information right now, but we would be happy to send it to the committee.

Ms. Éloise Michaud: Wonderful.

DND is requesting another transfer, one to Environment Canada, the Department of Fisheries and Oceans, and Parks Canada. It's just under \$700,000 for investments in search and rescue prevention and coordination projects. I'd like to know what kinds of projects the money will fund.

Mr. Richard Fadden: Could I ask Mr. Martin to answer that?

Ms. Éloise Michaud: Of course.

[English]

Mr. Michael Martin (Senior Associate Deputy Minister, Department of National Defence): Mr. Chairman, as you know, the Minister of National Defence is the lead minister for search and rescue in Canada. In that capacity we provide resources to other government departments that deliver services in this area, as well as to the provinces and territories, and to volunteer organizations, to support both specific initiatives to strengthen the capacity as well as for prevention.

[Translation]

Ms. Éloise Michaud: I know that funds are being transferred, but I'd like more details on the projects in question.

[English]

Mr. Michael Martin: Mr. Lindsey can provide more specific information.

The Chair: Very briefly, please, Mr. Lindsey.

Mr. Kevin Lindsey: To Parks Canada, we are providing funding in the order of approximately \$250,000 for avalanche prediction work and to provide visitor safety measures.

To the Department of Fisheries and Oceans, we are transferring approximately \$200,000 for the delivery of a remote-operated vehicle that will provide an underwater sonar imaging capability that enhances search and rescue underwater capability and also provides a safer environment for rescuers.

Lastly, to Environment Canada, we are transferring approximately \$85,000 for a weather radio facility at Haida Gwaii, which will help in tsunami prediction.

The Chair: Thank you very much.

Mr. Williamson, please.

Mr. John Williamson: Thank you.

I'm following on Ms. Michaud's questions because I am going to go along the very same line.

Could I ask about something perhaps a little more specific? It comes up occasionally—I'm a member from New Brunswick—on the east coast. The difference in terms of your response rates, your daytime response rates versus your nighttime response rates, is a question that I'm asked from time to time.

I'd like to get some input on how that works and what your targets are and how you hit them.

Mr. Michael Martin: Mr. Williamson, I think you're referring to the air force's response times. Is that correct?

Mr. John Williamson: Well, I'm referring to search and rescue in general for boaters who might be in distress.

Mr. Michael Martin: I would have to get back to you on the coast guard's particular response times and the standards in that regard.

Generally, the response times for the air force can be measured in minutes, but we can provide you with the specific details based on our latest information.

• (1020)

Mr. John Williamson: Okay, I'd appreciate that. Thank you.

In terms of some of the planning that goes on, perhaps as part of this transfer, is that something that...? There is a concern that when it might be the end of the day shift for government officials, activities are still happening on land and on sea, for men and women who work in those areas.

How are those addressed, updated, to ensure that when Canadians need assistance, they are going to receive it as quickly as they can?

Mr. Michael Martin: The search and rescue system, as I mentioned, is a partnership in which there are clearly defined roles for each member. National Defence, through the Royal Canadian Air Force, responds to air incidents. The coast guard has the lead responsibility for incidents at sea. Ground search and rescue is the responsibility of the provinces and territories, except in national parks, where it's Parks Canada.

As part of the work that's ongoing in the system, there is a constant evaluation of the challenges and the ways in which we can strengthen the system.

One of the initiatives undertaken as part of the quadrennial review was a forum where we had a discussion to try to identify very practical areas where we could improve outcomes, strengthen our measurement of how we respond, and strengthen interoperability among all parts of the system. That work is ongoing, and we expect the government to report further on the results of that review in the near future.

Mr. John Williamson: One last comment.

Again, I raised this with Minister Nicholson. Congratulations have to go to all the men and women in uniform. The response to the situation in the Philippines was remarkable, seeing how quickly events turned around. I remember seeing it as well in Haiti; the assets were deployed so quickly.

My comment is this, and it's more just to be aware. Canadians are generous and do want to see those assets deployed to help people. They do also want to know that when they, themselves, require assistance in our waters, on our land—and from my point of view, particularly, on the waters, where men and women go to work—that this same focus and these same resources are there as well for Canadians. That's something I would ask as well.

Thank you very much, and I appreciate your being here today.

The Chair: There's about a minute remaining in your time, Mr. Bezan—

Mr. John Williamson: Could you comment on that, Mr. Fadden?

Mr. Richard Fadden: I was just going to say, Mr. Chairman, that the government has made it very clear, for whatever resources the Canadian Forces have, as the Canada First defence strategy implies, Canada comes first. The commanders of the three services are very well aware of this, and they manage their resources in order to be able to do this.

I'll pass on your comments about maritime search and rescue to the Commissioner of the Canadian Coast Guard, but I believe he would say exactly the same as I'm saying.

The Chair: Very briefly, Mr. Bezan.

Mr. James Bezan: Mr. Chair, I just have one question.

Again, it goes back to the supplementary estimates. We're talking about the \$514 million for the Manuge lawsuit and settling that. Is this now going to finalize that deal and all moneys are going to go to Manulife, which is managing that disbursement of funds to the veterans? I just want to make sure that this is it and we won't have to come back to this again.

Mr. Kevin Lindsey: The expectation, Mr. Chair, is that this will settle it. Of course, the exact number of claimants and the amounts of their respective claims remain to be determined. We believe this amount of money will meet our obligations under the settlement.

The Chair: Thank you.

Ms. Murray, you have the floor.

Ms. Joyce Murray: Thank you, Mr. Chair.

I think Canadians want our armed forces to have the equipment they need, and what they really want from the government is competence and transparency. The challenges are enormous at a time of budget cuts.

It turns out that in 2009 the national shipbuilding procurement strategy estimated that 100 million labour hours would be necessary for the defence strategy of naval ships, but only 70 million person-hours would be affordable. Even at that time, in 2009...and since then the budgets have been cut.

My question relates to how risks are reflected in the budget here. There are two aspects to that. One, because of the lack of competition in the shipbuilding industry under the NSPS, several risks were identified for scheduled delays, unaffordable costs, and technical risks. According to the Auditor General's report, there are not adequate measures in place to be overseeing and monitoring these risks, and there's inadequate monitoring of these risks themselves. My question is, has that increase in work to have proper measures and monitoring shown up in the budget, and if so, where, and how much?

I have a second question, too.

● (1025)

RAdm Patrick Finn: I was involved in creating the report you're quoting from. It was at a time when we had just come through the first attempt for ships. The coast guard had tried two attempts to benchmark patrol vessels, taking a historical, competitive approach, as we would do for other commodities. It really did not deliver the kind of contract and ability to do it. It was that work that caused us to pause and actually develop the shipbuilding strategy. The 100 million person-hours versus 70 million person-hours was a very macro measurement without having done any of the design work of what we thought it would require.

Ms. Joyce Murray: Could you go right to my question, please, on the dollars for addressing the absence of key measures and monitoring?

RAdm Patrick Finn: Okay.

In the Auditor General's report that came out this week—and we work with them extensively—one of the findings was that in fact National Defence and Public Works are working to acquire the ships in a timely and affordable manner, consistent with the strategy. They have highlighted that there are risks around a cost; we acknowledge it, and in fact shared that information with them. The point of implementing the strategy is to actually improve the facilities and the capability in Canada—

Ms. Joyce Murray: Excuse me, I'm sorry to interrupt. I'm really looking...are there dollars and cents in these supplementary estimates to increase the work of putting in place measures and monitoring? That's really all I wanted to know: yes or no and how much?

And then I have another question.

RAdm Patrick Finn: It's not specifically in the estimates, but yes, it is in the work that we're doing....

Ms. Joyce Murray: So no further funds have been put in place yet, but you're thinking about it?

RAdm Patrick Finn: No. Public Works leads in the strategy.

Ms. Joyce Murray: Thank you.

The second risk question I have is this.

There is a risk, obviously, of project cancellations, delays, or reduction in scope. Under the initial RFP, those risks were assumed by private enterprise. Since then, that has been renegotiated, and there has been a transfer of risk of a half a billion dollars from the private sector to the taxpayers. This was raised by the Auditor General. He commented that there was inadequate clarity to avoid that kind of extra assumption of risk by government.

First, is the risk perceived to be higher than it was when the RFPs were being negotiated due to budget cuts?

Second, why would the government voluntarily assume a half a billion dollars of risk that the proponents had already assumed in their bids?

Third, are there contingent liabilities in the books for this potential half billion dollar cost to the taxpayer?

RAdm Patrick Finn: The requests for proposal themselves were not designed around transferring this risk. It actually allowed the bidders to come in and put in a price against their infrastructure upgrades, which we anticipated paying over time and in fact had money in the budgets to cover that.

All of the bidders came in with no infrastructure costs to the crown—all of them came in that way. So they actually got their funding for their infrastructure elsewhere, and in fact we are not guaranteeing any of their loans. The Auditor General, in fact, commented on the process, saying:

The competitive process for selecting two shipyards resulted in a successful and efficient process independent of political influence, consistent with government regulations and policies, and carried out in an open and transparent manner.

What occurred after the two shipyards were selected was that both of them said they were assuming a financial liability here and were going to take that on themselves, but they needed to know that we were in this with them for the long term and wanted to know what happened if we walked away.

As we looked at it, walking away from all of these projects is de facto saying that Canada will not have a coast guard or a navy.

● (1030)

Ms. Joyce Murray: Excuse me, but the questions were pretty specific.

Has the risk been perceived by the bidders to have escalated due to cost uncertainty or budget uncertainties and delays?

The Chair: A very quick answer, please.

Ms. Joyce Murray: I'm just asking Mr. Finn to address the exact question.

RAdm Patrick Finn: Okay.

I can't speak for the bidders. Our discussions with them indicate that, no, it's not an increased risk. It's a reality of getting a degree of backstop certainty given the financial liability they are incurring.

Ms. Joyce Murray: Why was the risk transferred, and where is it in the figures, the contingent liability for a half a billion dollars?

RAdm Patrick Finn: We had budgeted for actual infrastructure improvements, assuming the bidders would come in and ask for that funding. They have not. They have sought that funding elsewhere, so the funding does exist within the project budgets.

The Chair: Thank you, Admiral, and Messrs. Fadden, Lindsey, Martin, Forster, General and Admiral. Thank you very much for your time.

We will suspend now for a couple of minutes and then resume committee consideration of the actual votes for the supplementary estimates (B).

Thank you very much.

- _____ (Pause) _____
-

The Chair: Okay, colleagues, we have the specific votes now to consider. The clerk reminds me that in effect vote 1b is already before us.

NATIONAL DEFENCE
 Department
 Vote 1b—Operating expenditures.....\$713,103,522
 Vote 5b—Capital expenditures.....\$1
 Communications Security Establishment
 Vote 20b—Program expenditures.....\$12,624,635

Military Police Complaints Commission
 Vote 25b—Program expenditures.....\$3,349,559

(Votes 1b, 5b, 20b, and 25b agreed to)

The Chair: Shall the chair report the supplementary estimates 2013-14 to the House?

- (1035)

Mr. Jack Harris: Yes, without amendments.

The Chair: Without amendments.

All right, colleagues, thank you.

This meeting is adjourned.

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

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the Parliament of Canada Web Site at the following address: <http://www.parl.gc.ca>

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

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : <http://www.parl.gc.ca>