



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on National Defence

NDDN



NUMBER 025



1st SESSION



41st PARLIAMENT

EVIDENCE

Thursday, February 9, 2012



Chair

Mr. James Bezan

Standing Committee on National Defence

Thursday, February 9, 2012

• (1105)

[English]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): Good morning, everyone.

We're going to continue on with our study on readiness.

For the first hour today we are joined by the Conference of Defence Associations. With us is retired Lieutenant-General Richard Evraire, who is chairman of the CDA. He also has with him retired Colonel Brian MacDonald, who is a senior defence analyst.

I welcome both of you to committee and am looking forward to your opening comments. If you can keep them to ten minutes, I'd appreciate it. You have the floor.

Lieutenant-General (Retired) Richard Evraire (Chairman, Conference of Defence Associations): Thank you, Mr. Chairman.

The Conference of Defence Associations, which this year celebrates its 80th year of existence, is very pleased to have been asked to testify before your committee.

Today our 51 associations continue, as have their predecessors since 1932, to consider problems of national defence, to coordinate the activities of our associations on matters of interest to all services of the Canadian Forces, to make such recommendations to the Government of Canada as may appear expedient, and to promote the welfare of the Canadian Forces as a whole.

We are especially delighted to be able to add our voice to the issue of Canadian Forces readiness.

[Translation]

Mr. Chair, my presentation will make the point that recruiting, training and retention of personnel must be very carefully managed if the Canadian Forces are to set and maintain appropriate operational readiness that we define as the timely deployment of the adequate number and type of appropriately trained and equipped military forces to achieve the assigned mission. I will further suggest that appropriate operational readiness will not be achievable if the Canadian Forces do not retain a full and deployable spectrum of military capabilities

My colleague, Col. Brian MacDonald, will then comment on the impact of technology and funding on the Canadian Forces' likelihood of achieving appropriate operational readiness.

[English]

The Government of Canada's Canada First defence strategy currently tasks the Canadian Forces with the following six core

missions: conduct daily domestic and continental operations, including those in the Arctic and through NORAD; support civilian authorities during a crisis in Canada such as a natural disaster; support a major international event in Canada, such as the 2010 Olympics; lead and/or conduct a major international operation for an extended period; respond to a major terrorist attack; and deploy forces in response to crises elsewhere in the world for shorter periods.

[Translation]

Government-wide fiscal restraint measures may cause the Canadian Forces to consider reducing staffing levels. If this occurs, the government should ensure that any reductions are undertaken strategically, in other words, in a manner that retains key skills and capacity across the defence establishment's demographic profile.

[English]

In the 1990s, during a period of considerable fiscal restraint, DND significantly reduced its staffing levels by halting recruitment efforts and providing early retirement or departure incentives to senior personnel. The unfortunate consequence of this measure is that the Canadian Forces and defence civilians now have a skewed demographic profile that features a number of personnel approaching retirement age and a large number of relatively inexperienced recent hires. As a result, the department is short of what should be its largest cohort: personnel with several years of experience but not yet approaching retirement.

[Translation]

Any future changes to defence staffing must ensure that a similar situation does not reoccur. To achieve this, if staffing reductions are required, they must be achieved by a combination of reduced recruiting, natural attrition, and releases that span the department's full experience and age profile. If this is not done, it will be extremely difficult if not impossible to retain adequate readiness targets.

The unforeseen events in the Middle East over the past year highlight the uncertain nature of global developments. Given this unpredictability, the long-standing Canadian policy of maintaining a full spectrum of military capabilities should be maintained. As we can't predict what the future holds, the government would be best served by hedging its bets by preparing for a full range of international and national/continental contingencies.

[English]

The government should also maintain its demonstrated commitment to ensuring the deployability of major elements of the Canadian Forces. Recently it has made significant progress on this front by procuring C-17 strategic-lift aircraft and renewing the Canadian Hercules fleet, two measures that facilitate the deployment of Canadian Forces at home and abroad.

To ensure that it can achieve its readiness targets, the deployability of the Canadian Forces must be maintained. It will therefore be necessary for the government to remain committed to renewing the Royal Canadian Navy's fleet, especially its at-sea replenishment capability via the joint support ship project.

Given the core missions assigned to the Canadian Forces in the Canada First defence strategy, will technology advances and funding levels be an impediment to readiness? Chairman, with your permission, my colleague Colonel MacDonald is prepared to respond to that very question.

Thank you.

• (1110)

Colonel (Retired) Brian MacDonald (Senior Defence Analyst, Conference of Defence Associations): Thank you, General Evraire.

Recent RAND Corporation studies done for the United States Navy and United States Air Force have suggested that increases in combat systems capabilities have led to defence cost increases in the order of 9% to 12% annually.

On the air side, these increases in costs have generated new capabilities, such as those found in fifth-generation fighter aircraft—for example, the F-22 and F-35 in the United States; the Russian T-50, sometimes referred as the PAK FA; and finally the F-20, which is a Chinese aircraft. These increases in capability can lead to extraordinarily high kill rates against fourth-generation fighters such as the F-15, the F-16, and either our or the Super Hornet F-18 classes.

Now, we saw this in an exercise that took place in 2007. An article in the U.S. Air Force news reported that the F-22's debut in combat exercises was at Exercise Northern Edge in 2006. According to U.S. Air Force data, the dozen F-22s involved achieved an unprecedented kill record of 144 to zero the first week alone, and suffered no losses overall.

On the naval side, the U.S. government accounting office reported in January of 2010 on a U.S. Navy proposal to stop production of the DDG-1000 class destroyers and to restart the older DDG-51 Flight IIA destroyers as a cost-saving measure. However, the new version of DDG-51 would require a redesign to incorporate a new air and missile defence radar, which is necessary to cope with the threat of

terminal-guidance ballistic missiles travelling at speeds of up to Mach 10.

What are the costs of the new DDG-51 Flight IIIs? Well, the following table provides procurement costs for the various U.S. options. It does not include, of course, life-cycle costs.

The Flight IIA, the older model, the last-built ship of that series, costs \$1.93 billion for each ship. The estimates for the new Flight III destroyers ranged from a low cost of \$2.3 billion to \$2.95 billion, in comparison with the DDG-1000s, whose costs range from \$3.2 billion to \$3.37 billion.

Now, Canada too needs to replace our three aging destroyers, and will also have to consider the need to project a naval task force against ballistic missiles or high-speed cruise missiles. The government will have to deal with their cost impact upon the Canada First defence budget.

The next question that comes into view is what is the funding for the Canada First defence strategy like? When we've looked at the rate of technological growth taking place in the potential combat sphere and at the sharply rising costs associated with deploying that technology, we've had increasing concerns about the funding level of the Canada First defence strategy and its ability to deal with the costs of capital renewal. These concerns are driven by the ongoing increases in defence costs, which in turn are driven by the technological increases in combat systems capabilities.

The original plan for funding increases in the Canada First defence strategy budget was for an annual 2% growth to cover inflation—the figure that's consistent with the Bank of Canada's inflation model—plus a 0.6% increment to cover the increases in defence costs. Together they would amount to an annual figure of 2.6%.

Now, more recent comments and testimony by senior defence officials have suggested that a more appropriate figure for defence costs would be in the range from 5.3% to 7% annually instead of the 2.6%. We believe, however, that even these increased estimates may be low given the 9% to 12% defence cost increase estimated in the RAND studies.

Seemingly the defence department has agreed with us, as defence budgets handily exceeded the 2.6% inflation-plus-growth figure, and had grown to the \$22-billion range by fiscal year 2010-11. This may be seen in the table that is attached to the text of this document. The table is drawn from the report on plans and priorities for fiscal year 2011-12.

This also included extra funding for the international peace and security operations, in Afghanistan primarily, which reached \$2.7 billion in that year. In the following years, the extra funding turned downward with the change from a combat to a training mission. The funding projections suggest a plateau of around \$21.3 billion had been established at that point for the defence budget. In addition, capital funding increased substantially, and was projected to reach the \$5-billion range in fiscal year 2013-14, which is shown in table 2.

The defence reviews, then, have as well had an impact upon defence funding. The defence budget had been earlier cut by approximately \$1.5 billion in the 2010 strategic review, and now we are to have the 2012 strategic and operating review, with the stated objective of further budget cuts of either 5% or 10%.

This would cut the defence budget by another \$1 billion to \$2 billion. If the new cuts were applied equally across all program activities, funding for readiness would drop by \$500 million to \$1 billion annually, and funding for capital renewal would drop by somewhere between \$250 million to \$500 million annually.

We have had, as we say, increasing concerns, even before the 2010 defence budget cuts, that the funding of the Canada First defence strategy might not be adequate to deal with the costs of capital renewal. Our concerns then were driven by this pattern of ongoing sharp increases in defence costs driven by technological increases in combat systems capabilities.

We now have, too, on top of this, the lapsed funding, which, in conjunction with the cuts to capital budgeting and the strategic and operational requirements, leads to further potential cuts in the overall budget.

So potentially, now, we then are about to ask the question of whether or not we have re-entered the period of the “decade of darkness”, the budgetary zero-sum game in which defence funding will be increasingly incapable of maintaining the readiness of both the current and future defence forces.

I think I shall stop it there.

• (1115)

The Chair: Thank you, Colonel, and thank you, General.

We're going to open up the floor to questions. We'll have a seven-minute round to start off.

Mr. Kellway, you have the floor.

Mr. Matthew Kellway (Beaches—East York, NDP): Thank you very much, Mr. Chair.

Thank you very much, gentlemen, for appearing today. Congratulations on your 80th year of existence. That's quite an achievement.

I'm a bit shocked, actually, by the numbers you propose here, the 9% to 12% increase year over year to keep up with technological changes to provide readiness. Cumulatively, 9% to 12% year over year gets you into some phenomenal numbers in a very short time.

I'm wondering whether it is in fact your advice or recommendation to this committee that to achieve readiness, Canada have a defence budget that increases at that kind of rate.

LGen Richard Evraire: There are two answers to the question. First of all, of course, yes, that would require an increase of that magnitude. The alternative, of course, would be a change in the Canada First defence strategy to stay within whatever limitations are set by the budget.

Brian, would you care to add anything?

Col Brian MacDonald: If you examine the pattern of defence expenditure growth during the period of the Canada First defence

strategy, we've seen some very substantial increases that were made through the supplementary estimates rather than through the main estimates. So they were not immediately as apparent as main estimates figures. As a consequence of that extra flow of funding, we were able to move to the recapitalization of a number of significant platforms and to have new ones. I would say, for example, that the C-17 has had an enormous impact on the logistics capabilities of the forces, as have the other aircraft that have been bought over that period.

Our feeling is that were that pattern of capitalization continued, we would have a good chance of staying in sight of what's going on in technology. But if that is stopped, or even worse, reversed, we will be in a position that some major platforms are going to be very expensive to replace. This, then, drives the question of what we do now.

I would cite, for example, the F-35, whose numbers have been all over the map and are looking more frightening, depending on who is the latest person to comment. Even greater than that is going to be the problem of dealing with the replacement of the destroyers and frigates. There we are seeing some extremely large numbers. For example, the last Canadian patrol frigate built came in at a price of about \$850 million. Now, the figure the accounting office cites for equivalent American destroyers, at this point, is over \$2 billion per copy. We are looking at sticker shock problems that are going to be pretty horrendous.

• (1120)

Mr. Matthew Kellway: Going back to the original statement, then, you either follow with these increases or you go back and re-examine the strategy. I guess the suggestion is that it's a matter of, in a sense, prioritization or of what you focus on.

I have two questions. First, can you advise us on what you would change in the strategy? And where would you focus?

Second, maybe your suggestions about strategic changes play into the following issue. We had a contingent from Norway come before us. They talked about having a smaller but more nimble and more effective military. We've recently heard coming out of the United States the same sounds about downsizing and becoming more effective and more nimble. Would your adjustments to the strategy be along those lines: be smaller but more nimble and with more focus?

Col Brian MacDonald: The question is always what is meant by the term “more nimble”. In my experience, “more nimble” is usually the phrase used for “weakly armed and not very effective”. If you are looking at, then, withdrawing, essentially, from the world and withdrawing our expeditionary activities, this leads you to a change in the overall strategy, which can perhaps be dealt with through the limited and decreased amount of capital funding.

Our preference would be, of course, to follow on the Canada First defence strategy, which we believe has a good, sound basis of reason behind it, and be prepared to make the funding contributions that will allow it to be recapitalized, particularly in the face of the changes in the geostrategic environment. Arms races are going on around the world, which then may have an impact on our foreign policy in the future.

The problem here is that the capital budget constrains the future for us. When the Minister of Foreign Affairs or the government as a whole attempts to access it, suddenly you discover that we have something that is weak and that there are a limited number of things we can do to project Canadian interests and make our contribution to the collectivity of the west, shall we say.

Mr. Matthew Kellway: Thank you.

You commented earlier about the F-35 and the concerns about rising prices, etc. Could you elaborate on those concerns and any recommendations you have?

Col Brian MacDonald: Our concern is that the price of that aircraft is still unknown. We have no more access to the internal documents than anybody else in the industry has, but the numbers that are thrown around are ones that give some discomfort to us, in that we may again be looking at a sticker-shock case. The question then is whether we can afford an adequate number of aircraft to meet our requirements. With the purchase of 65 aircraft, with questionable allocation to attrition of aircraft and the depth of Canadian airspace, the ongoing tasks that are before us then may or may not be capable of being achieved. This is of concern.

• (1125)

The Chair: There's less than ten seconds, so I'll just move on.

Mr. Norlock, you have the floor.

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

To the witnesses, thank you for appearing today.

The institute provides research and support to the Conference of Defence Associations to promote debate on national defence and security issues. In your opinion, how have the Canadian Forces evolved over the past five to ten years? I think you talked a bit about that evolution. I'm talking about the meat and potatoes, in talking to the average Canadian. How do you view the CF's growth and development over the past five to ten years vis-à-vis the immediate past and before that? Perhaps give us a little glimpse of the future in the space of time we have.

Col Brian MacDonald: The increase in funding started with the Martin administration. Since then, it's been continued by the present government.

The ability to access capital investment money has made an enormous difference. We've had the acquisition of the C-17s—the magnificent, heavy, long-range transport—the acquisition of medium-lift helicopters, the acquisition of modern lightweight titanium howitzers for the army. I can mention quite a number of other things.

That has been very striking in its increases, but the problem is that it's now at the point where other things need to be replaced or repaired or acquired. The concern is that funding continue to allow that recapitalization. So it's well done to this point, but we have a big hill still to climb.

Mr. Rick Norlock: Very good.

I'd like to move on now to the promotion of Canada's interests abroad. Academics and experts, and people like myself, believe that the Canadian armed forces help promote Canada's role worldwide

and our foreign policy, as it were. My question is on how the enhanced capabilities over the past five years have enabled Canada to achieve its foreign policy and its role worldwide.

Col Brian MacDonald: Let me refer to two scenarios. One is our involvement in Afghanistan, where the Canadian Forces earned a high reputation. It is a view expressed by our partners or other members of our alliances that Canada can now be counted on to deploy well-trained, effective troops who will go in and do the job as well as or better than anybody else.

The other scenario concerns the operations in Libya. I remind you that the major European and North American powers are now willing to have their forces placed under the command of the Canadian lieutenant-general who commanded the operation in Libya. I don't think I can point to anything more strongly expressed than that, in terms of our good reputation. It's been earned by the forces.

Mr. Rick Norlock: Would you agree that that's the kind of reputation this country had, let's say, during the First and Second World Wars, and we could extrapolate that to Korea—that we now have the capability of building on that reputation? Would that be a relatively accurate analogy?

Col Brian MacDonald: I would agree with that.

I would add that during the period of the Cold War, certainly at the front end of the Cold War, the Canadian reputation continued at a very high standard. Even later on, when the capital equipment was beginning to erode, the European forces viewed the Canadian Forces as particularly well trained and effective and posed the question: isn't it too bad they are not better equipped? But fortunately now that second reservation is no longer there.

Mr. Rick Norlock: Thank you.

To continue in that vein, let's say that Canada were to make a decided change, an about-face, or halt its current spending trends. We've gone through one of the worst recessions since the Great Depression, so every government entity, including the Canadian armed forces, has been reducing its expenditures. We don't know exactly what that will mean; however, in a month or so we will know. But let's take the opposite view. Let's go with the view of some of the current government's challengers and say that we should just stop all this military spending or reduce it significantly and concentrate on domestic issues and perhaps some other things, like aid to other countries.

Would I be correct in saying that this would affect our ability to defend ourselves, number one, or to act as an important part of our mutual defence? I'm referring particularly to NATO. You referred to the C-17, which is deployed out of my riding, out of Trenton, and can do a lot of good things both domestically and internationally.

Could you connect the dots? A lot of people think the military is just about fighting. It's actually much more. If you could expand on that, I'd appreciate it.

• (1130)

Col Brian MacDonald: Let me give you one instance from my own experience. Earlier this summer I was invited by the Department of National Defence to attend Operation Nanook, which at that point was going on in Resolute Bay in the high Arctic. I arrived at Trenton, boarded the C-17, and off we went to Resolute. Travelling on that aircraft with me was a medical team that was being deployed to Resolute on a training mission as part of the exercise. Now, this was when an aircraft went into the ground in Resolute Bay. I was on that C-17. We landed 20 minutes after the accident took place. The medical team was deployed instantly. Because of that instant deployment and the availability of the C-17, there are a couple of Canadians who are alive today who under different circumstances would not be living.

So strategic resources capable of reaching far out in the combat sphere are also able to reach out to strategic distances within Canada to handle a civilian requirement such as a search and rescue.

So when we are looking at military resources, we are looking at dual-purpose resources. But they are dual purpose in the sense that they have a strategic distance capability. I remind you that it is the same distance from St. John's to Victoria as it is from Pelee Island to the top of the Arctic archipelago. These are distances that Europeans can't believe unless they are Russians.

The Chair: Thank you. Time has expired.

Mr. McKay.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair.

My thanks to both of you for a helpful presentation.

Colonel MacDonald, I want to say that your paper of last year was one of the few I've read that actually contained some insight into military financing. I find papers coming from the Department of Finance difficult enough, but the overlay of military financing on other financing really becomes confusing. The first thing I noticed in the paper was that the main estimates, what we're going to get next month, are kind of like a guess. It's sort of a pin the tail on the donkey exercise. Actually, the real juice is in the supplementaries. Over the last six or seven years, the supplementaries have been roundups of about a billion a year, on the average. So you start out with your budget and you add in your supplementaries.

Why do we have to do it this way? Why can't the military tell the Department of Finance what they need, what they can live with, and how much money they will actually need to get by on for the fiscal year ending March 2013?

Col Brian MacDonald: I think that you really require somebody from the ADM finance side of the department to give you a comprehensive answer to that. It's all part of the government budgetary cycle where you start, basically, in the previous summer. You call for, then, the responses to the Department of Finance as to what various departments will want. This eventually then leads to the work-down of the program to the point where the budget is tabled, the main estimates are tabled, and then we wait to see if there is going to be any action in the supplementaries.

Interestingly, this past year there has been no significant increase in funding in the supplementary (A) or supplementary (B). We haven't seen the supplementary (C) yet, so I can't project on that one.

• (1135)

Hon. John McKay: Supplementary (C) is due in another few weeks, isn't it?

Col Brian MacDonald: Yes, (C) is due in another few weeks.

Hon. John McKay: In the context of CDS saying what we need is 2% to 3% to keep going, the senior defence people saying 5% to 6% to do something, and the RAND folks saying that really just to keep up you need 9% to 12%, and you put that against the government's stated goal of a reduction of 5% to 10% across the board, it creates an extraordinary mix of numbers, which seems to lead you to a conclusion that the path on which the government has been thus far is not a sustainable path.

Col Brian MacDonald: You have to look at some other numbers that are coming into view. The process for the last several years has been for increased transparency in the financial numbers, if you know where to look.

Hon. John McKay: Yes, that's a big—

Col Brian MacDonald: If you look, for example, at the new quarterly statements for this fiscal year, when you look at the individual program activities you'll see a spending ceiling, and then where you are in relation to that ceiling. You're looking at about a 20% gap between the actual spending and what was proposed originally at this point.

Hon. John McKay: Doesn't that just lead to the whole question about the March madness that goes on around here, where they spend 60% of the budget over the course of the year, and then in the last month they spend 40%?

Col Brian MacDonald: In fact the minister announced that it would not be looked upon with favour this year.

Hon. John McKay: I saw that, but the Treasury Board was saying they really don't like it. Well, that plus a loonie gets you a coffee at Tim Hortons.

Col Brian MacDonald: Of course.

I don't know what the answer to that is. I don't know whether we will see significant things come up in the supplementary (C) that would allow the third-quarter financials and the fourth-quarter financials to show that the gap between availability and actual is going to continue. My suspicion is that we'll see slippages.

On the capital account, as well, many of the projects are running behind their planned expenditures. In part, this could be issues of simply the slippage. In part it can be the question of whether or not we are buying military equipment off the shelf, like the C-17, which requires no modification, or whether we're buying something that is still in development, and then that development cycle is more and more iffy as you get into it.

Hon. John McKay: General Leslie commented on that, particularly with respect to the lapsed spending. His commentary was that this whole procurement stuff is sometimes confused and sometimes incoherent, and frustratingly delayed at times. The consequence of that is that the military doesn't actually spend the money that it's been given, which begs the initial question of why you needed it in the supplementary estimates in the first place.

You keep going around in this crazy circle where what you will see in Mr. Flaherty's budget in March is just a remote approximation of what will actually be spent.

Col Brian MacDonald: There is, of course, the response that has been made, which is accurate. Some of the lapsed funds in fact are not lost to the department; they are re-profiled into a future year. That money in fact still stays available, but you don't get it now.

Of course that means you're running into inflation in the general economy, in that a dollar now is worth more than a dollar five years from now.

Hon. John McKay: Which can work.

Col Brian MacDonald: It can work. There have been the allowable budgetary carry-forwards, but certainly there is still what is permanently lapsed in this past period, and that was a clear \$1 billion that went down the tubes.

Hon. John McKay: It begs the larger question Mr. Kellway was kind of edging around. Some of the strategic decisions, particularly with respect to the F-35, are coming into question. You, like us, are into this realm of "Is this a \$75 million plane, or is it a \$150 million plane?" Nobody seems to really be able to come to ground on this.

The core reason for stealth is that you want to be the first into a conflict. If it's a Libyan conflict, you're the first one there. However, the Americans didn't deploy their F-22s. They used missiles and other stuff to be there first. When you see all of this movement in the funding and trying to protect the core goals, the core missions of the military, it brings into question why in heaven's name we want to be the first into any conflict, because that is the point of a stealth fighter.

• (1140)

Col Brian MacDonald: Well, I would disagree.

Again, if you look at the American concept of a high-low mix of an air superiority fighter, on the low side is primarily an attack fighter but with a dogfighting capability. For example, in the U.S. Navy you had the F-14, the Tomcat, which was the heavy air superiority fighter with a targeting radar. That can pick up something way out there and fire a missile at it and remain dominant in the air. The F-18 was the smaller aircraft that did the general purpose things.

In the situation now, the American concept was that the F-22 would be the air superiority fighter. Certainly the evidence from the exercises I've looked at in Elmendorf Air Force Base—and in fact I spent a couple of days there talking to the F-22 pilots—was that at the end of it the F-15 pilots said they really didn't want to play any more because they couldn't find the F-22s.

If you have a requirement for an air superiority struggle, an air superiority phase, then you have to have that big heavyweight fighter that has the stealth capability. If you don't have stealth capability and

you're going to be facing a Russian T-50 or a Chinese J-20, you're sending your pilots up to die.

In that sense, I think the decision to go for the F-35 was a case of there being no other alternative. There is the F-22, whose line is closed, and the Americans won't sell it outside the United States anyway. There is the 50 PAK FA, which is Russian, and I don't see that we've ever bought Russian equipment before, and the J-20, which is the Chinese one, which again has not been a normal supplier of technology.

The Chair: The time is up. Thank you very much.

We're going to go to the five-minute round.

Mr. Chisu, you have the floor.

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

Thank you very much, General, and thank you very much, Colonel, for your great presentations.

I know a little bit about the Conference of Defence Associations, as I have been following it in the last years. I am former military, with service in peacekeeping operations in Bosnia-Herzegovina, and also in Afghanistan, in 2007, and I understand very well your concerns and your promotion of the new equipment and so on.

The Canada First defence strategy was released in 2008 as a comprehensive plan for the Canadian Forces. How does a document like the Canada First defence strategy advance Canada's global interest?

I will focus more on the training of the personnel. It is very important. We can have all the equipment in the world, but if you don't have the properly trained personnel, we have a problem.

You probably recall our history in the Second World War. We sent pilots to England to fight for England in the war against Germany. We provided the human resources.

We could have the best equipment in the world, but if we don't have the personnel who are able to manage that, we have a problem. Could you explain how you see the training of personnel in this context of fast-evolving technological warfare?

Col Brian MacDonald: There is no question that training is a critical part of readiness—no question whatsoever. But when we look at training, we have to look at the division of that training, starting with the recruiting and basic level training and then the splitting off in the various streams to the three services and the sub-components within that.

What is often of concern to us is whether or not adequate phasing of training is able to take place in order to keep the young soldier busy and growing and achieving new successes. As you know, the worst thing you can possibly have is doing nothing and waiting for the next course to start. That is an element that gives us concern.

The other element that gives us concern is the area of collective training: building teams, building platoons, building batteries, building regiments, and ultimately building brigades. That collective training is absolutely critical. That is where you build the teams, where you give the direct exercise in leadership.

A problem the military has is that if you suddenly require a trained battery commander, you can't go out on civvy street and find a trained battery commander who could be taken in directly. Essentially you're taking your people in at the bottom and training them up. It takes 12 years to create a battery commander, and you can't do that in a matter of weeks.

This then really comes back to this part of readiness. Again, if you look at the tables I've provided for you, which come from the RPP, they are divided into program activities so you can see various categories of that. You will see that readiness as a funding area is in the order of roughly \$10 billion. If you look at the changes in that, you can see the pattern of where the training is going and where it's not going.

This is a complex area. It accounts for something in the order of half of the defence budget, and it probably should have a bit more than that in it if it had a larger defence budget.

• (1145)

LGen Richard Evraire: I would simply add that a good example of the difficulty they're in is given by the period in Afghanistan, where so many of our obviously well-trained personnel were deployed, when there was a dearth of available personnel to carry out the training of recent recruits and other personnel at various other levels requiring additional training.

This is why in my comments originally this morning I indicated that you don't turn off recruiting, as was done in the early 1990s; you don't ask people with experience to leave prematurely when they could serve for a longer period, because that creates a rather strange demography in the personnel in the forces. As my colleague has just mentioned, you take 10, 15, or 20 years to train a warrant officer, for instance, or certainly an officer at the rank of colonel; therefore the budget must be adequate to provide sufficient funding for all of those activities.

If reductions must be made, then they must be made in a way that will preserve the maximum amount of experience in the total force. Otherwise, you will end up with serious gaps, such as I've just indicated existed during the Afghanistan deployment.

The Chair: Thank you. Your time has expired.

[Translation]

Ms. Moore, you have five minutes.

Ms. Christine Moore (Abitibi—Témiscamingue, NDP): Could you please provide some clarification about what you said to Mr. McKay? Do you anticipate that we will have to face China or Russia in combat? Do you think it's possible or rather unlikely?

[English]

Col Brian MacDonald: In my experience studying the work of the People's Republic of China, including the development of the joint research agreement between the Beijing Institute of International Strategic Studies and the Canadian Institute of Strategic Studies while I was its director, I have gained the view that Chinese strategic policy is extremely cautious. The works of the great General Hsu basically said it is best to avoid battle and achieve your victories in other ways. He suggested that if you're out looking for a general to hire and you have the choice of one who has won a

hundred battles, then stay away from him, because he is a person who will take you into battle, which is going to be very costly.

Having said that, the People's Republic of China has been devoting an enormous amount of money to the acquisition of new, modern equipment. Some of it is very impressive.

I think you will find that there will continue to be a maneuvering—an arms race, shall we say—between the technology-driven sides of both the Americans and the Chinese, as well as a drive for new capital acquisitions by the local countries in the southeastern and east Asian area.

I am not prepared to predict whether or not we will ever be in conflict directly with the Chinese. That simply is something to which producing a credible response becomes too speculative. But what we must be able to do is match the technology that is developing around the world to ensure that if the time comes in which action takes place, our troops are equipped to the best possible level in order to survive and achieve the objectives we have for them.

• (1150)

[Translation]

Ms. Christine Moore: China and Russia are currently working hard on building aircraft that are explicitly designed to counter the F-35. To date, it would seem that their aircraft are effective enough to be able to do that and that the strategic advantage, if you can call it that, would then be lost.

With this in mind, should we not just set this project aside and make a choice that seems more logical to us economically, among other things? When you come right down to it, most places we go don't have fifth-generation combat aircraft or extremely advanced military aircraft technologies.

The Webb and Byers report that came out yesterday stated that we could buy two Super Hornets for the price of one F-35. In his 2011 report, the Auditor General said that the distribution of the funds available to the Department of National Defence was one of the decisive factors in the operational readiness of the Canadian Forces. To maintain our operational readiness, wouldn't it be wiser to choose less costly aircraft that have done well in trials and have demonstrated their qualities, rather than invest in the F-35, which has not yet had its effectiveness proven? We also know that military forces are currently building aircraft specifically to counter this aircraft. Wouldn't it be wiser to make a less expensive choice in order to maintain a global operational readiness?

[English]

Col Brian MacDonald: I think there's an assumption in your statement that we are not going to have a situation in which Canadian aircraft are coming into combat with stealth aircraft of other nations. I suggest that is an extremely risky assumption. The evidence is quite clear from the exercises the Americans have undertaken that stealth against non-stealth results in the defeat of the non-stealth and its being shot down.

The exercise I've cited in my text was one in which F-22s—now, those are not F-35s, but they are a superior fighter—against F-15s, F-16s, and F-18s resulted in a score of 144 to zero. It seems to me the conclusion that I draw from this is that if you're going to put a stealth aircraft against a non-stealth aircraft, the non-stealth aircraft dies.

The question here is are we going to invest in an aircraft for the past environment, in which there were no stealth aircraft, or are we going to invest in an environment that contains stealth aircraft? It seems to me that, from a standpoint of risk—combat risk and risk to the lives of our aviators—we have no choice but to acquire an aircraft that is a stealth-capable aircraft.

My preference would be for an F-22, but they won't sell that to us, and the line has been closed.

The Chair: Thank you. Time has expired.

Mr. Opitz, it's your turn.

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

General, Colonel, it's good to see you again. I know the colonel and I worked together before on the Atlantic Council of Canada. Back when he was the brigade commander, I was but a young lieutenant.

Sir, taking off that line of questioning on the F-35, you had said the F-35 is superior to the F-22 in some senses of capability. What would you comment on why an F-35, besides just the stealth capability, is important for a readiness for Canada and the survivability of our pilots in particular?

Col Brian MacDonald: I don't think I said the F-35 is superior to the F-22. Since you raised the issue, I in fact had described to me one area in which there has been an increase in capability. That is the actual radar-absorbent paint covering. The technology has advanced under the F-35 development to the point where it is now being retrofitted to the existing F-22 fleet to improve the stealth characteristics of those aircraft.

We continue, as a sovereign nation, to have the responsibility to maintain our sovereignty. That maintenance of sovereignty comes in three packages, as it always has: navy, air, and army. It's necessary for us to maintain forces that are technologically up to date, that give our people the ability to fight and win, to ensure their training is appropriate, and to ensure their logistic support can support all of that.

The F-35, or the replacement—and when you look around, there is no alternative to the F-35—is a critical element of ensuring our air force is able to do its job of maintaining its responsibilities in the sovereign defence of this country, in my view.

• (1155)

Mr. Ted Opitz: The pilots you talked to who were flying the F-22s, what were their comments on the aircraft, their ability to handle it, and the advantages they had? As you cited, there was the 144-to-zero score, but what made it so besides the stealth capability of it? What does it do in the cockpit that allows the pilot to focus on flying?

Col Brian MacDonald: I will cite one point that was made by one of the pilots, who was not an American, but was rather a Brit who was flying there. I think he was flying an F-15 at that point, with one of the greatest search radars going. He said, "There was at one point an F-22 inside our space within visual range—I could see him—but my radar was not able to lock on him. If I had fired a missile at him, it would have been a random shot."

The real point on the technology of stealth is that it prevents the other aircraft's targeting radars from being able to lock on you, which they have to do for a period in order to have a chance that when the missile is fired it is going to impact the target area. The stealth dimension is absolutely critical in the future air force combat environment.

Mr. Ted Opitz: It's a force multiplier.

Col Brian MacDonald: It's a force multiplier. The pilots we have had reports from who have driven the F-35 think that it is a superb aircraft because in addition to stealth it has a fusion capability, which takes the data flow from all of the sensors and integrates it such that the pilot is totally aware of his combat environment. Purely as a non-stealth fighter aircraft, it's an extremely effective aircraft.

Mr. Ted Opitz: I know from your work on the Atlantic Council editing many strategic studies and so forth, you have long experience. I think your service began in the late 1960s, if I'm not mistaken.

Col Brian MacDonald: It was 1957.

Mr. Ted Opitz: I won't go all the way back to 1957, but you've lived through the lean years, the dark years, the decade of darkness, up to the point where we entered Bosnia and relearned past lessons, and of course through Afghanistan.

What would you and the association perhaps foresee that Canada would be involved in, missions similar to Haiti or Libya? Have you any particulars? Could you provide any forecast?

Col Brian MacDonald: Yes, I will make the forecast that the future is not very solidly forecastable.

I was certainly totally surprised by what developed in terms of 9/11 and then the involvement in the Afghan mission that followed. I was totally surprised by the Arab Spring, surprised by the revolution and civil war in Libya, and surprised by a whole bunch of other events that are going on around the world.

If you ask somebody in the strategic studies business to make a hard forecast, you're going to get a very cold stare.

Mr. Ted Opitz: Therefore we need to remain ready, because almost anything could crop up on our radar?

Col Brian MacDonald: Exactly. The greater range of capabilities you have gives you the greater ability to respond to the unexpected, and the unexpected is critical.

Mr. Ted Opitz: Absolutely. Thanks.

Chair, do I still have time?

The Chair: You're out of time. Thank you very much.

We've got time for one more round.

Mr. Sandhu.

Mr. Jasbir Sandhu (Surrey North, NDP): I'll pass my time to Christine, please.

The Chair: Okay.

Madame Moore.

[Translation]

Ms. Christine Moore: Let's talk about the development of fifth generation fighter aircraft. In comparison with the Chinese and Russian aircraft of the same generation, how does the F-35 perform in air combat situations?

[English]

Col Brian MacDonald: There has not been an air combat involving F-35s or J-20s or the T-50s, since all three aircraft are at various stages of development and there's not been a sufficient body of data to be able to run this thing through the simulators.

There is speculation as to what is intended to be done by these aircraft. For example, the suggestion is that the J-20's mission will be the forcing back of the United States Navy by being able to approach an American carrier battle group in this stealthy fashion, then carry a high-speed missile and drop it when they're within range of the carrier, and by this then being able to saturate the carrier's air defences. That seems to be the logical thinking that is currently going on in the People's Liberation Army.

On the Russian side, of course, the Sukhoi aircraft is intended to be a counter to the F-22 and therefore is being seen as an air superiority fighter whose job it is to secure the air, in which attack aircraft could then do various jobs.

The F-35 has not been run against either of these aircraft, so I can't give you an answer to that, but it certainly is a very legitimate question to ask.

● (1200)

[Translation]

Ms. Christine Moore: I'd also like to talk briefly about Arctic sovereignty. It's one of the pillars of the Canada First Defence Strategy. We consider it quite important.

The F-35 has one engine, while other fighter jets, such as the Super Hornet, have two. A number of experts agree that operations conducted in the Arctic with a single-engine aircraft are riskier for pilots if there is engine failure. Rescue operations take longer in the Arctic in the event of a mechanical problem. Given the temperatures, it's very risky for our pilots. Although the reliability of the engine is better, there is still only one and the risks theoretically remain higher.

Also, the F-35s can only cover 2,220 kilometres before refuelling, whereas the CF-18s can fly 3,700 kilometres. We've also heard that adjustments were needed, that the F-35 communication systems won't be operational when they start being used in the Arctic and that the landing strips are too short.

What's your opinion about this? What do you think about the operational capacity of the F-35s in the Arctic?

[English]

Col Brian MacDonald: When you are looking at deploying fighter aircraft into the Arctic, you then look immediately at the question of how you're going to have enough gas. Then the responses are, first of all, that you look at the existing forward operating locations, which are in Iqaluit, Whitehorse, and I've forgotten the third one in the centre. This allows you to deploy forward to a base, which is one that has fuel on it, and refuel your

aircraft and fly them out of that base at the time of whatever the exigency is.

Alternatively, when you put a fighter aircraft up, you put a tanker up with it. As it goes on its mission and runs to the point where it's now beginning to run out of gas, it simply refuels from the tanker that is there. You can in fact maintain a pattern between us and the Americans of tankers to support a forward-deployed aircraft.

Now, certainly when one looks at the existing forward operating locations, they are in the mid-north, not in the high north. I would certainly think that as we continue to develop Resolute Bay, then the gravel runway that is there should be then upgraded to a proper tarmac runway, and additional tankage put in there so it in fact becomes a high north refuelling location in addition to the ones in the lower north.

From Resolute Bay you can then cover the entirety of the choke point of the Northwest Passage, and you're within reasonable range of being able to go to Alert, if necessary, and to move into the area beyond northern Alert, up to the North Pole, which is now part of the search and rescue responsibility we have agreed to as part of the Arctic negotiations.

The Chair: Thank you. The time has expired and our first hour here is up.

I want to thank both General Evraire and Colonel MacDonald from the Conference of Defence Associations for your insight today and for helping us with our study on readiness.

Again, as was pointed out earlier, congratulations on your 80th anniversary. I know that with the upcoming conference on defence and security on February 23 and 24, there will probably be some celebrations of your 80 years and the positive input you've had in the Canadian Department of Defence and of course our Canadian armed forces.

With that, we're going to suspend, as we'll switch around our witnesses here quickly. Lunch is served to committee members in the back corner.

We're suspended.

● (1200)

_____ (Pause) _____

● (1210)

The Chair: We're going to call this meeting back to order so that we can maximize our time this morning.

Joining us for the second hour, from the Rideau Institute we have Steven Staples, the president; and from the Canadian Centre for Policy Alternatives, we have David Macdonald, who's a senior economist. I'll ask both of you to make your opening comments.

Mr. Staples, you have the floor.

Mr. Steven Staples (President, Rideau Institute): Merci.

I want to thank you, members, for inviting me to appear today to contribute to your study on the readiness of the Canadian Forces.

I'm joined by my colleague, David Macdonald, who works both for the Canadian Centre for Policy Alternatives as an economist and for the Rideau Institute as a contributor and who wrote *The Cost of 9/11*, our recent report released last fall, which he will speak to after my remarks.

The Rideau Institute is a non-profit, non-partisan research, advocacy, and consulting group. We were founded in 2006. We specialize in international affairs and we are funded by more than 2,000 individual supporters, by commissioned research, and through our social enterprise, which provides consulting services to leading Canadian non-profit groups and trade unions. We do not receive government funding and our supporters do not receive tax deductions for their donations.

I would like to thank David Macdonald, Bill Robinson, Josh Libben, and Kathleen Aiken for their research contributions to our presentation today.

Your report is timely. More than a decade after 9/11—which was followed by such tremendous changes, growth, and heavy combat by our armed forces—the tide is shifting. In answer to the question you are considering, “Are they ready?”, one might answer “Yes, they are” or “No, they’re not.” But I think the answer to the question is a question, which is “Ready for what?” Readiness is a measure against a need. What threats are there to Canada? What are the priorities of our foreign policy, to which the Department of National Defence is one contributor?

As you know, the United States has just announced a new direction for its armed forces, borne out of three factors, according to *The New York Times*: troubled government finances, the winding-down of wars in Iraq and Afghanistan, and a changing geopolitical environment. We’re not exempt from these same factors, so such a review is also needed here in Canada, since we have our own financial challenges to address. Our Afghanistan combat mission has ended, and Osama bin Laden is dead.

As David Macdonald pointed out in *The Cost of 9/11*, in the last decade, military spending has increased dramatically. Military spending has nearly doubled: 90% in 10 years, or 48% if you adjust it for inflation. When you include other departments, Canada has devoted an additional \$92 billion to national security spending over and above what we would have spent had 9/11 not happened and if defence spending had stayed at its then-level: in adjusted dollars, \$69 billion.

Some charts were distributed, and I want to draw your attention to chart 1. You’ll see that national defence spending has never been higher. Spending is more than \$21 billion. In terms of real dollars, we are the sixth-highest spender among the 28 members of NATO and we’re in the top 15 spenders globally. Despite a small decline last year, as you see on chart 1, the Department of National Defence is predicting further increases in accordance with the Canada First defence strategy.

I direct your attention to chart 2. Looking at defence spending since the end of the Second World War, when adjusted for inflation, our spending has never been higher, exceeding even the height of the Cold War, when we faced off against thousands of Soviet nuclear weapons and long-range bombers. Can we say we face a greater

threat than that today? If not, should we continue spending like we do? The fact is that we are overspending on defence right now, and we lack a clear sense of how to know when enough is enough, when it’s the right amount.

• (1215)

I direct you to chart number three in the package, which shows the division of government spending on various departments and transfers. This was provided by the Department of Finance. You can see that national defence now accounts for 7.9% of total government spending. However, when you only look at federal departmental spending as when it is crown corporations, defence is consuming one out of every four dollars available to you.

As Lieutenant-General Andrew Leslie pointed out in his CF transformation report, there is substantial room to find savings within the Department of National Defence. Every area of the government that has been asked to contribute in time of need to help our federal finances needs to make a contribution.

Many people I’ve heard from in the last few days—and more than 400 have sent ideas for this presentation—are worried that their pensions are at risk and social programs may erode. They certainly support a military capable of defending our sovereignty and contributing to international missions, particularly UN peacekeeping operations, but not at the expense of our finances and caring for people here at home. Since we’re overspending on defence, social programs can be better protected through national defence spending reductions, while still making an international contribution.

The final chart is number four. It gives some new numbers that we’re presenting for the first time today. MIR reports have indicated that the Department of National Defence may be asked for reductions in excess of the 5% or 10% that’s been requested by the government from all departments. I think this is reasonable, because our examination of defence and government spending over the last decade shows that while government spending has increased by 40%, defence spending has increased by 60%. That is, defence spending has grown 1.5 times faster than government spending over the last ten years. In one year alone, as Colonel MacDonald pointed out, the defence budget grew by more than 12%.

It’s clear that the commitments made in the Canada First defence strategy must be reviewed. Our allies are going through the same process. Many are questioning stealth-plated aircraft programs like the F-35, and Canada can do the same. As Professor Walter Dorn says—I think you’re going to hear from him later in your further studies at the Canadian Forces College—there are hawks and there are doves, but what we need are more owls. We need to spend more wisely.

British Prime Minister David Cameron shared a bit of this wisdom in his speech to Parliament last year. I’m sure you were there. He asked you to look at Afghanistan and said that if we had put a fraction of our current military spending on Afghanistan into helping Afghanistan develop 15 or 20 years ago, just think what we might have been able to avoid over the last decade.

We can get into a debate about whether the financial burden borne by Canadians over the last ten years was warranted, but I think we should be asking ourselves if we want to continue spending at this high level. More importantly, what are our needs? Can we take action so that we're ready to meet our legitimate security needs and contribute on the international stage in a manner that Canadians want and support?

As Lieutenant-General Andrew Leslie pointed out in his report, if we're serious about the future—and we must be—the impact of reallocating thousands of people and billions of dollars from what we're doing now to what we want them to do to position us for tomorrow will require some dramatic changes.

Thank you, and I look forward to the question period.

I'll turn it over to my colleague, David Macdonald.

The Chair: Mr. Macdonald.

Mr. David Macdonald (Senior Economist, Canadian Centre for Policy Alternatives): Thank you, Steve.

Thank you for inviting me today.

In the report *The Cost of 9/11*, which came out in September of last year, I looked at the growing costs not only of defence spending but also of other security programs and public safety programs since 9/11. Some of those programs didn't even exist in 2001, and in fact were created later, as departments were put together and more money was put into them.

The report concludes, as Steve already summarized, that \$92 billion has been spent since 2001, in addition to that 2001 base, or about \$69 billion in inflation-adjusted terms. We could certainly argue about whether that money was well spent on this burgeoning national security establishment that encompasses certainly the Department of National Defence, but also border security, CSIS, the RCMP, and the Department of Public Safety. But I think the question, as Steve stated correctly, is should we continue to spend at that same level, given that we are now ten years out from 9/11?

In fact the spending has ramped up over this period, with the most significant increases in the last several years. We are now spending \$13 billion, in inflation-adjusted terms, more than we spent in 2001, a significant amount on all these national security establishment programs. So I think it's an open question as to whether, in the current economic environment, we should continue to be spending in these areas or in other areas. The government is certainly concerned about deficit reduction, and \$13 billion a year is a significant piece of that deficit.

Although this isn't particular to the Department of National Defence, some of the other programs, in particular, have grown substantially and have grown much more rapidly, in fact, than National Defence itself. The Canada Border Security Agency, which didn't even exist in its present form, has grown by almost 200%. Canada's spy agency, which certainly did exist, has grown almost exactly by 200%. But Public Safety and Emergency Preparedness, this completely new department that didn't exist at all in its current form, has grown over 400% since 2000.

The question today for us, and for you, is whether we should continue spending at this level, whether we should reduce this level,

or whether this money could be better spent in other areas of the federal government.

Thank you.

I'd like to open up the floor for questions for either Steve or me.

• (1220)

The Chair: Thank you.

Madam Moore, you're going to kick us off with a seven-minute round.

[Translation]

Ms. Christine Moore: My first question concerns the acquisition program for the F-35, the additional capabilities of this aircraft in comparison with a 4.5 generation aircraft and the difference in cost between the two aircraft. Do you think the difference in cost is worth it? Would a 4.5 generation aircraft provide us sufficient operational readiness in Canada? Would the savings be greater than the additional capabilities this aircraft would provide us with?

Mr. Steven Staples: Thank you very much for your question.

[English]

It's a very good question.

There's an old saying in the defence industry that goes, "The last 5% of performance is 50% of the cost." I think that's a general rule of thumb that can be taken into consideration for the F-35. The fact is we don't really know what this plane is going to be capable of. Its testing is very early on. In fact, there has been some good news in the F-35 program. Last month they did their first test of flying the plane at night. We now know it works in the dark, which seems incredible, considering that they're already producing these aircraft and they hadn't actually tested them at night yet.

So it's very early days. This is the reason why, as you read this week, the Pentagon's chief officer responsible for purchasing the aircraft declared that the F-35 was acquisition malpractice—that it has gone into production far too early without proper testing. It was all of these qualifications and specifications, and performance was mostly based on computer modelling, which has turned out to be quite flawed. I think there are some real questions about what the performance is going to be of the F-35.

You also asked about this four generation, five generation.... To be honest, I've never found anybody who could explain to me clearly what the first four generations of aircraft were. It seems to be, ironically, a made-up generational number. I don't know if anyone has come before this committee who can explain what the first generation was, or what the second generation was. I've never seen that clarified. It's generally a marketing term.

I think there are questions about our needs. I did the report on the F-35 in October 2010, and at that point we said that first we need to be clear on what our capabilities are and what's going to be required of our aircraft. I think everyone agrees that we need to replace them, but with what kinds of capabilities—and is stealth, in particular, one of those capabilities that's required? The stealth factor limits the performance of the aircraft quite a bit. It limits its range, for instance. You can't put additional fuel tanks on because then it loses its stealth capability. You can't mount weapon systems out on the plane's wings. They have to be all carried inside the aircraft in order to maintain the stealth capability. It's something, for instance, that South Korea, which is about to enter a competition for the replacement of its aircraft, has pointed out as a major problem. They want to be able to use weapon systems mounted outside.

I think there are significant questions around the performance and whether the F-35 is the right aircraft. It can only be solved through a clear statement of the requirements for the replacement of the CF-18s, and we would have to see an open competition.

• (1225)

[Translation]

Ms. Christine Moore: Do you feel that the additional cost associated with an F-35 aircraft compared with a Super Hornet, for example, is really worth it? In this period of fiscal austerity, considering there's a threat of economic crisis, do you find that this investment is worth it?

[English]

Mr. Steven Staples: No, I think it's clear that given the financial situation we're in right now, there are going to have to be significant reductions to defence spending if we're to maintain other priority areas of government spending. The Canada First defence strategy is in essential need of review. The fact that this capability has been written into the defence strategy demands that we re-look at this strategy that's requiring us to buy an F-35 aircraft.

I don't think the expense is warranted. There are many other cheaper aircraft out there that could perform just as well as, if not better than, the F-35 is advertised to be, and could provide capability equal to our CF-18s.

[Translation]

Ms. Christine Moore: To wrap up, with respect to the F-35, the initial tender for research and development for a fifth generation aircraft was issued in 1996. So that was before the wars in Afghanistan and Iraq. I'd like to know what you think about the fact that the needs assessment was done before we went through that situation. Have adjustments been made to the needs after everything that has happened on the military side?

[English]

Mr. Steven Staples: I don't know whether you've spoken to Alan Williams, but I think he makes a pretty compelling case that with the initial contributions of Canadian dollars into the development phase—there were three levels you could participate at, and we were at the lowest level—it was not intended that we actually purchase the aircraft. Our participation was really a subsidy to our industry so that they could get access to the technology and be part of the global supply chain for that aircraft and prepare for the eventual production. The acquisition was separate.

I take him at his word for that. However, at the time, organizations such as ours were warning that continued investment into the research and development phases of these aircraft was going to put pressure on us eventually to purchase the plane. As we have now found out, this was pushing us in that direction. We were issuing that warning.

However, circumstances have changed dramatically. Given the economy, given the change we've had in winding down in Afghanistan and other missions, and the changing geopolitical situation, just as the United States and our allies are looking at their defence policies and their budgets, so should Canada.

• (1230)

The Chair: Mr. Alexander.

Mr. Chris Alexander (Ajax—Pickering, CPC): Thank you very much, Chair.

Thanks for the presentation.

I think what many of us around this table and many Canadians will be taking from your testimony so far, Mr. Staples and Mr. Macdonald, is a call for lower levels of readiness.

We invited you to testify at our study today in the context of a study on readiness. I think we are quite satisfied as a committee that readiness is based on three main factors: highly qualified personnel, plus their training, plus equipment, which may be technologically advanced or not. You're calling for cuts—potentially dramatic cuts—in all areas, which would lower levels of readiness.

What leads you to think that lower levels of readiness would be acceptable or required from the Canadian armed forces in this decade, when we seem to be facing not lessening demands for expeditionary capability, but greater ones, and potentially unexpected ones? There are uncertain situations in the Middle East, peace-building and conflict resolution required in Russia, diminishing commitments, as you said, from some of our allies. These don't mean that there will be less pressure on us, but rather greater pressure to look after our own sovereignty and meet some of the demands that were previously met, throughout the Cold War, by our allies.

Why this call for lower levels of readiness?

Mr. Steven Staples: Thank you. That's a very good question.

I'm heartened to hear the mention of peace-building and conflict resolution. That's certainly an area we are concerned about.

In terms of readiness, I think many people and our organization have argued that we should be making increased contributions to UN peacekeeping operations, for instance. We have traditionally been a main contributor, and at one point we were the highest-level contributor of troops to UN peacekeeping operations. Right now we're down somewhere around Malawi. According to the latest numbers we have for 2011, you could fit all of our soldiers who do UN peacekeeping missions in a single school bus. We have 35. In fact, we send more police on UN peacekeeping operations—about 163—than troops. So I think that's a shift that would be supported by Canadians. They want our forces to contribute internationally. UN peacekeeping is definitely one of those areas that we want to do.

Mr. Alexander, I'm not suggesting that we be less ready. I believe we're overspending on national defence right now. We've had a tremendous increase over the last ten years of more than 12% a year. It has outpaced government spending by one and a half times the amount of growth. We are now spending more than we were at any point during the Cold War. This seems to be a tap that only turns one way.

Listening to some of the other presentations here, there's always an argument for more and more. But as members of Parliament, you know that there's only one taxpayer, as they say. Every dollar you contribute here means a dollar that you're not able to contribute over there. You have to balance these out. That's your responsibility as elected representatives and as members of the government on your side.

I think we need to be smarter. Certainly reductions need to be made across the board. Defence could bear more of those. I don't see it as being less ready. For instance, we're spending millions of dollars on submarines that are not operational right now, and there's very little chance of them ever being operational. I think that reducing spending on them would not diminish our readiness in any way. I think we've wasted more than a billion dollars on Leopard tanks that we've hardly used and are set for retirement. I'm not sure we actually needed all of them. Close combat vehicles are another issue. I don't think the Canadian government needs to go ahead on them, in addition to the F-35s. I would put them in the same category.

• (1235)

Mr. Chris Alexander: I would simply like to correct the record about peacekeeping. In the UN mission managed by the UN Department of Peacekeeping Operations in which I served, on every day I was there, no bus on earth could have held all of the Canadians who worked for that one mission. So let's not exaggerate.

Canadian Forces have been engaged in non-UN missions because the UN doesn't have the capability to run a combat mission. It self-declared that it lacks that capability. There have been combat missions to which, regrettably, we have had to contribute, and for which we've had Canadian support broadly and deeply.

But my question is really about spending levels. You talked about our having surpassed spending during the Cold War. Are you aware that for decades at the end of the Cold War, and certainly in the 1990s under Liberal governments in every case, we had the second-lowest per capita spending of any NATO country, slightly higher than Luxembourg? Is that the kind of record we should be repeating now?

Mr. Steven Staples: Thank you for that.

We've heard the example of Luxembourg raised before, and I think you may have meant as a percentage of GDP, as opposed to per capita. NATO uses three measurements of military spending in order to compare: one is actual dollars; the second is percentage of gross domestic product; and the third one is per capita spending. Most defence analysts would agree—and I think Brian MacDonald would say the same thing—that the per capita measurement is probably not the best one, because it understates spending by countries like India and China, which have large populations.

Secondly, you can look at a percentage of GDP—that is a very common measurement. Canada's spending as a percentage of GDP was around 1.1% or 1.2%—a respectable amount. That puts us more in the middle of the pack along with Spain, Germany, and Belgium. I'm not sure if it's the only way you would want to look at it, because as one of my interns from Carleton University, whose home country is Pakistan, pointed out yesterday, Pakistan spends 25% of its GDP on defence. I don't think that's the gold standard we want to aspire to.

Our view is that you have to look at the actual dollars. That's how much money you're able to spend on equipment, how much firepower you're able to deliver. I think that is the best measurement.

In the 1990s, the so-called decade of darkness, all countries in the world were reducing defence spending. The Cold War was over. Anybody who kept spending levels up at the end of the Cold War would have been seen as living in a cave somewhere, because of course the Cold War was over: defence reductions were warranted. In fact, some studies we've done have shown that Canada's defence spending declined at a much lower level than the global average did—although you'd be looking at countries like Russia, which really dipped fast, and those would pull the average down, admittedly. So I think that was warranted.

Defence spending started increasing, actually, with Paul Martin's first surplus budget around 1998. As you see on chart 1, it started increasing at that point.

Thank you.

The Chair: I'm going to have to cut you off there, Mr. Staples, because time is dragging on.

Mr. McKay, it's your turn. You have the last of the seven-minute rounds.

Hon. John McKay: Thank you, Chair.

Thank you both for coming.

I'd like to engage Mr. Alexander's question further, but I'm not going to. It's always a truism that an army marches on its stomach. The truth of the matter is the military marches on its budget. So as budgets go up, military spending generally goes up. As budgets go down, similarly, military capability therefore goes down as well, which is exactly what's happening in the United States and pretty well every other nation on earth. So the actual lower levels of readiness are going to be dictated by the government's ability to raise funding. If we read the newspapers and listen to what Minister Flaherty and Minister Clement are saying, it's something in the order of 5% to 10% across the board. I have an extraordinary amount of skepticism as to whether that will actually occur, but nevertheless the government is in fact lowering its own level of readiness if in fact there's a direct correlation between money spent and readiness, which is, as you properly point out, not entirely a direct correlation.

However, having said that, I did want to go to what I thought was an extraordinary presentation by Colonel MacDonald earlier. I assume you were in here. He made a pretty vigorous, and I thought far more eloquent defence of the F-35 than anything I've ever heard from a government minister. His argument essentially was that stealth kills non-stealth. He cited some study showing that the unprecedented kill record of 144 to zero justified the acquisition of the F-35.

So I'd be interested in your response to what I thought was a fairly articulate argument justifying the government's, I would say, almost bizarre commitment to this program. If we put aside all of the issues of industrial benefits, and put aside who knows what the price is going to be, and instead focus on the military issue, I'd be interested in your views.

• (1240)

Mr. Steven Staples: Thanks so much.

I was here for that presentation, and I did find that aspect of the discussion a bit curious, because what he was describing in terms of those numbers of 144 to zero kill rate was not the F-35. He was talking about the F-22, which is an entirely different aircraft.

I know he was trying to make comparisons that the planes were essentially the same and would have the same performance because they are both stealth, which was the inference, but that's not the case. They're completely different aircraft.

For instance, a lot has been made of the number of engines a Canadian plane should have. Our F-18s have two engines. The F-35 has one engine. Now, the Americans have a plane that they won't sell to anybody, which is the F-22. How many engines does it have? It has two engines. So I think you can tell immediately that there is a performance capability gap here between these aircraft. The F-22, in terms of charts that I've seen, in terms of acceleration and these kinds of things, really does rank very high. It's a very expensive aircraft. It's the most expensive fighter aircraft ever built, and the production line, as Colonel MacDonald mentioned, is closed. But that's not the plane we're going to buy. The plan is for the F-35, which can't even accelerate as fast as our current F-18s.

Hon. John McKay: But isn't his underlying assumption, though, that the F-35 is going to be better than the F-22?

Mr. Steven Staples: Well, it was a bit unclear, I found, in his presentation because he seemed to be easily ascribing characteristics

of the F-22 over to the F-35, when—let's be clear—we're not buying the F-22.

The F-22 exists. We can go and see it, it flies, and we can measure it. We can't say that for the F-35.

Hon. John McKay: The other point I thought he made, which was kind of interesting—and I think it was in response to one of the questions over here—was with respect to our strategic needs.

In your paper you make the point that we generally aren't at the pointy end of any combat mission. We're kind of the follow-up guys, and that's been true back into World War II as far as I recollect, and the Korean War. Any time we've flown jets we don't do the pointy part; we come in afterwards.

Now the government, for whatever reason, wants to be at the pointy part—you know, first in and forget whether we have to use missiles or drones or anything like that. We want to have the first jets in.

My question is, why. Are we going to be fighting the Russians over the North Pole, or are we going to be fighting the Chinese somewhere? On a strategic threat assessment, how realistic is that, given that you'd like to be ready for everything but you're never going to be ready for everything?

Mr. Steven Staples: Yes, we can't afford to be ready for every imaginable circumstance. Maybe we could if we could imagine a budget as big as we wanted it to be, just magically, and then we could be ready for any scenario we could dream up. But the fact is that we live within the confines of our finances and other competing needs, like social programs and other things. So these all have to be weighed together.

The point is that the F-35 is designed to be first over the beaches in a shock and awe type of mission. That's what you would have the stealth for, in order to have the radar-evading capability for ground defences. That is in the unlikely situation that they would actually activate ground-based air defences, because once the radars light up, then they reveal their location, as I'm sure you probably know. But that's what the role of the F-35 would be. Some have described it as a bomb truck. It's meant to go in on the first strike on the way to Tehran or somewhere like that. I can't imagine any situation where Canada would be involved in the first wave of strikes like that.

Let me just draw one quick comparison to the F-22. If stealth were so required now for a type of mission when you're first in over the beaches to take out air defences, you would imagine that the attack on Libya would have been led by F-22s. It wasn't. They never deployed the F-22s to Libya. The Americans held them back—I think maybe because they're so expensive and they didn't want to risk losing any of them—and they didn't really need to use them, because all the air defences were taken out with British and American cruise missiles.

• (1245)

Hon. John McKay: We just have a few seconds left.

Just let me ask the fundamental question here, because your point is that military spending is rocketing way ahead of government spending—62% to 40%, and that sort of thing. Given that our encroachment in the world is through military, diplomacy, and aid, have those other two budgets—diplomacy and aid—achieved a similar level of increased spending? And are you able to provide the committee with the figures with respect to both aid and diplomacy over a comparable period of time that military spending was spent?

The Chair: Mr. McKay, your time has expired.

Whoever responds, whether Mr. Macdonald or Mr. Staples, a very quick response, and if you can't supply the information, then you can always do that at a later date.

Mr. David Macdonald: Expenditures for the Department of Foreign Affairs and International Trade, looked at as a proxy for diplomacy, have increased less rapidly than expenditures for the Department of National Defence. As everyone knows, the aid budget is now frozen at \$5 billion a year. I don't have the aid figures in front of me to see how much they've grown, but certainly to try to increase the funding has been an ongoing battle.

The Chair: If you can answer that question in writing, it may be the best way to go about it.

Mr. Strahl, it's your turn for five minutes.

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

First, I think I saw the gleam in some eyes across the way when you talked about a return to soft power as the exclusive tool in Canada's foreign policy arsenal.

I would say from my perspective that we're talking about real lives here, real people. I have a cousin on the ground in Afghanistan right now as a member of the Canadian Forces.

I recall that when our troops were asked to go overseas previously, since there had been significant reductions in military spending they were sent with open-air Iltis jeeps built on a Volkswagen Rabbit chassis. They were given green forest fatigues to fight in a desert theatre. They were provided with axe handles to fend off wild dogs because we hadn't done the planning in the decade prior to that to allow our military to do the job we asked them to do at the time of need.

So I think to say we don't know what's going to happen so we should cut military spending significantly is very short-sighted. As we've heard when we've been talking about readiness, it's a requirement to have the right people with the right training and the right equipment being able to be delivered at the right time. If you take out the training and the equipment, you can't deliver the troops at the right time and they'll be ill-equipped, as they were when they first went into Afghanistan.

We've had other examples. When the ice storm hit Canada, instead of being able to deploy our troops domestically, we had to rent Russian aircraft to move our people and equipment around the country.

So that would be a commentary on what we can look to as to what happens when we don't plan, when we don't keep a level of

investment in our forces that allows us to be mobile and respond to a number of different missions.

I want to go back briefly to when you said the stealth capability of the F-35 is not worth the cost. We heard the colonel say previously that the stealth capability keeps our pilots alive or will do so in these scenarios. So what price do we put on the safety and the lives of our soldiers? Should we be treating that as a cavalier...? Is that not a very real question that should be answered? Do you agree or not that stealth capability will keep our pilots safer?

● (1250)

Mr. Steven Staples: I'm not convinced. Stealth has been around for a number of years. We had the F-117 Nighthawk, which flew in Bosnia. That had stealth capabilities. The B-2 bomber was a stealth plane that was built in the 1980s. It's been around for many years.

As I mentioned, I think if the stealth requirement was absolutely necessary for the United States in Libya, they would have deployed those F-22s right away, but they didn't do it. Nobody really knows why. It's an unanswered question, why the F-22s weren't sent to Libya. I just don't think that is the be-all and end-all. You also would have to look at the other capabilities of the aircraft: for instance, its speed—it's slow. It's not as fast as even a 30-year-old F-18.

So what is the main capability that's going to keep a pilot alive? Is it the radar-absorbing paint on the outside, or the fact that it can fly at Mach 1.8 instead of Mach 1.6, or the range? I think you have to consider other factors.

Mr. Mark Strahl: Right.

How much time?

The Chair: You have about 45 seconds.

Mr. Mark Strahl: Okay.

Because of the significant cuts to spending that you're advocating, which of the six core missions of the CFDS would you eliminate?

Mr. Steven Staples: In terms of defence strategy, there are always three key missions for the Canadian Forces: the first is defence of Canada; the second is contribution to the defence of North America; and the third is international contributions. In our view, we can do all three, and we should be primarily focused on them in that order.

Certainly providing a service to Canadians and an aid to civil order right here in Canada, which would comprise defending our sovereignty, is a key capability that we need to maintain. Search and rescue is also part of that mandate, and that has been sorely lacking in terms of replacements of the Buffalos. Fixed-wing search and rescue on the west coast has been gone for years, yet we've gone out and acquired Leopard tanks and C-17s, and everything else seems to jump the queue over needs for our military right here at home.

I hope there's been more discussion about the search and rescue technician who unfortunately perished waiting for four hours for a helicopter to come and pick him up in the Arctic late last year. I think that exposed a significant gap and oversight within our domestic search and rescue capability. I think we should definitely focus on that.

We are contributing to the defence of North America. We are part of NORAD. I think that will continue. I'm happy, though, that Canada did not join ballistic missile defence and the mid-course ground-based missile defence system. I think that was a wise decision, and I support that.

Contribution to international missions, where it makes sense.... As I mentioned, I think we need to contribute more to UN peacekeeping operations. I would also say that I'm relieved this government has brought missions to votes in Parliament. I think that's an important change and something that Canadians welcome. I hope the government will continue with that.

• (1255)

The Chair: Thank you.

Mr. Kellway.

Mr. Matthew Kellway: Thank you very much, Mr. Chair.

To our guests, thanks for coming today.

I'd like to continue on in the same vein as Mr. Staples was responding to that question. One of my frustrations with this study so far has been that we seem to be talking past each other on this issue of readiness. We started off with a long lineup of senior military folks coming to talk to us about readiness. At some point on the definition of readiness, the response was, "We're always ready. Irrespective, in a sense, of the state of our armed forces, we're always ready." I appreciate very much that attitude, but at some point it doesn't help advance the study.

Then we get this response from the folks who were here earlier today saying we have to be ready for the unexpected, which is to say that we have to be ready for anything. That, too, isn't all that helpful.

Chris suggests that spending has this correlation with readiness. As John pointed out, the more you spend, the more ready you are. Then Mark said, well, the soldier's life is priceless. Agreed, but where does that take us, because we spend—I don't know what we end up spending.

Yet we also heard from the Norwegians when they came here that they actually made a lot of spending cuts in their defence and came to the conclusion and told us here that they came out of that process with more effective defence forces. We've been reading the same from the Americans with their recent cuts as well.

Somewhere in all of this there has to be a definition of readiness that isn't correlated entirely with the money you spend, that isn't just equated with "We've got to protect every soldier's life because they're priceless". I don't know where that takes us. One obvious response is to take them out of combat if we're putting them in danger.

You made the hawk, dove, and owl reference earlier, which I like very much. What does the owl say about a definition of readiness

that's useful for us here, that we can actually use to assess if we're ready? What does it even mean? Could you comment on all of that and relieve my frustration somewhat?

Mr. Steven Staples: It's difficult. As I say, you could say yes, we are ready, everything's fine, and just carry on. Or you could say no, we're not ready, as some of the previous presentations said, and the answer is a 9% to 10% increase in defence spending year after year, continuing into the future, which I don't think is realistic either.

I think the question, as I said, is being ready for what? It's defining our core capabilities. I think we owe it to our military services to say, as Canadians—we should involve the public in defining this as well—that this is what we see as the threats to our country that we need to defend ourselves against.

We also want to make contributions internationally. I think we're fundamentally internationalist people who support the United Nations. These are the missions and capabilities we want to do. If we can make that make sense within a fiscal framework, we should do that and make sure that our men and women in the armed forces have the equipment to accomplish those missions carefully. We should make sure that we choose those missions and those deployments very carefully as well.

I grew up in New Brunswick. A lot of my friends went into the military. A lot of the military folks are drawn from the Maritimes. That's where I'm from. They volunteered their lives. I have a lot of respect for that. They did that knowing that they would carry out their orders. But they had to be assured that the missions they were asked to carry out were absolutely necessary, essential, and that they were not the first resort but the last resort. That's the kind of social contract we have with soldiers. I think we need to bear that out.

If we don't have a clear definition of what we want our forces to do.... There are bound to be gaps that emerge as various special interests within the military establishment and elsewhere want to get their pieces of the pie funded. In the end, you just end up not doing anything very well. You're spread over too many capabilities.

• (1300)

The Chair: Thank you. Your time has expired.

Mr. Lobb, you have the last question of the day.

Mr. Ben Lobb (Huron—Bruce, CPC): Thanks for coming today, Mr. Staples.

Does your institute submit a pre-budget submission to either Minister MacKay or Minister Flaherty?

Mr. Steven Staples: Yes, we do.

Mr. Ben Lobb: What was your spending advice this year for defence? What was the number for the 2012-13 budget?

Mr. Steven Staples: You may have a number, as well, in the alternative federal budget....

At that point we look mostly at trends overall. We did put a pre-budgetary submission in. We outlined some of these concerns. We said that over the next five years or more, we should be returning to pre-9/11 levels.

Mr. Ben Lobb: What was your trend for this year?

Mr. Steven Staples: I think that if you're looking at 5% to 10%, and you're considering that defence has grown one and a half times what the government has had, that should be a factor. Maybe we should be looking at a 7% to 15% reduction in defence spending this year and phased in over time. I think you can't look at it in one year.

Mr. Ben Lobb: What's the number five years from now? We're at \$21 billion or \$22 billion. What would it look like five years out? Do you have a number? Is it \$15 billion, \$10 billion? What's the number?

Mr. Steven Staples: I'll ask David to respond.

Mr. David Macdonald: I think your submission to the alternative federal budget this year was a goal of approximately \$15 billion.

Mr. Ben Lobb: Five years from now it would be \$15 billion.

Mr. David Macdonald: That's right.

Mr. Ben Lobb: What kinds of things are you proposing to cut? We're interested in hearing what specific things you're planning to cut.

Mr. Steven Staples: I mentioned a number of equipment acquisitions and some projects that I think could go. Submarines, number one, should be gone tomorrow. They should be the first thing retired.

Mr. Ben Lobb: Okay.

Mr. Steven Staples: Then there are new acquisitions coming online: close combat vehicles—gone; F-35s—shelved. Go back to a competition on that.

The shipbuilding strategy I'm worried about. I don't know what's in that basket. It's a very big figure. A lot of people are excited about it, but I don't think it's very clear what the various missions of these ships are going to be. I think all of that needs to be reviewed.

The Canada First defence strategy needs to come under review.

I think we could look at troop levels as well, and whether we need to maintain them. Certainly personnel costs eat up a very large proportion of our defence spending.

Mr. Ben Lobb: Fair enough. That's your position, and those are your suggestions and submissions for the next five years. So we're cutting 35% or 40% at least—close to 50% with your numbers there—I guess probably 40%.

That being said, is it your position that Canada can still be an effective member of NATO?

Mr. Steven Staples: Certainly. I think we can be a very effective member of NATO. Canada will always be welcome around the NATO table.

The good thing about NATO is that it's a coalition of countries, and we shouldn't all be trying to do the same thing.

Mr. Ben Lobb: I think there's a distinction, though, between being an effective member of NATO and being welcome at the table.

There's a distinction there. We shouldn't mix our words with the specific issues.

Do you feel that Canada, moving forward, should be involved in missions such as we were in Libya? In the future—who knows what will happen with the geopolitical climate in the Middle East with Syria—do you feel that Canada should participate in those missions, or should we sit on the sidelines? What is your position?

Mr. Steven Staples: If those are legitimate missions that meet the requirements and support of what Canadians want, yes, we should. Yes, we should be a part of those.

I regretted that we weren't part of the UN mission in the Congo when we were asked a few years ago. We could have made a really important contribution there.

Much has been made of the C-17 capability. I was reluctant to make that acquisition, but we have the planes now. The UN is crying out for the kind of logistical capability that I think Canada could contribute internationally.

I'm not an isolationist. I think we need to make a contribution internationally to those right missions.

Mr. Ben Lobb: So it's safe to say, then, you're not going to be on Ron Paul's campaign team. That's safe to say.

I'll just take a little bit of a turn here. What is your view on funding with CIDA? Should it be increased or decreased? Also, what is your viewpoint on funding for the Department of Veterans Affairs? Do you think it should be increased or decreased?

• (1305)

Mr. Steven Staples: Absolutely our veterans need to be taken care of. We owe it to them. That's an important obligation that has to be met.

In terms of CIDA, I've been very—

Mr. Ben Lobb: Do you think funding should be increased or decreased at Veterans Affairs? Given your position with national defence spending, is it up or down?

Mr. Steven Staples: It's a different line item. It needs to meet whatever those requirements are. I haven't specifically looked to see whether the Department of Veterans Affairs is meeting its requirements, although I am very sensitive to the voices of those veterans who say they haven't been getting the kind of help they need. So I think that is important.

In terms of CIDA, I like David Cameron's analysis on Afghanistan. Had we done the foreign aid in the right place at the right time, we could have avoided a lot of big costs and saved a lot of lives. I wonder what we're missing today that we could prevent in the future.

The Chair: Thank you. Time has expired. We are also out of time for our meeting.

Mr. Staples, Mr. Macdonald, thanks for your input and for joining us on our study on readiness. We'll take your testimony into consideration as we draft our report.

With that, I'll entertain a motion to adjourn.

Okay, we're out of here.

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