

Canada's Defence Policy Review

Authors: Alex Lussier and Joshua Walsh-Denis

Executive Summary

This policy review recommends that the Honourable Minister of National Defence - Harjit Sajjan, in concert with the Chief of Defence Staff – Gen. Jonathan Vance, remedy programmatic Defence issues through a 2-prong approach involving the establishment of an independent Defence procurement agency and a “needs-based” approach to budget.

The procurement process as it stands is cumbersome, inflexible, partisan, and has exacerbated budget planning issues with large procurement contracts leading to substandard operational conditions for our armed forces. Defence expenditures, while increasing under the guidelines of *Strong, Secure, Engaged*, are still only a return to pre-Global Financial Crisis levels and far from the 2% of GDP NATO target. Global trends have also aggravated Defence issues as strategic objectives incur repercussions to operational requirements for the CAF. The global pandemic has proven to be an overarching challenge to these already ongoing issues with both budget and capital project commitments likely to become the first victims of economic hardship.

The establishment of Defence Procurement Canada would result in a more efficient, less cumbersome procurement process with increased accountability and subject expertise. This new independent agency would therefore amalgamate with a needs-based approach to Defence budgeting, thereby not imposing a set budget, but letting the experts at the DPC request necessary funding for capital projects in addition to the personnel and operations & maintenance expenditures. The recommendation subsequently leaves room for future innovation in the domain of procurement, budget, and Defence strategy.

As a broker of international peace and security, Canada needs a strong military capable of protecting Canadian interests and supporting allies. Fixing programmatic Defence issues in budget and procurement is a first step in ensuring that the CAF remains operational for the years to come.

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Abbreviations

AOPS	Arctic and Offshore Patrol Ship
CAF	Canadian Armed Forces
CCG	Canadian Coast Guard
CGAI	Canadian Global Affairs Institute
CPC	Conservative Party of Canada
CSC	Canadian Surface Combatant
DDP	Department of Defence Procurement
DND	Department of National Defence
DPC	Defence Procurement Canada
DPS	Defence Procurement Strategy
GDP	Gross Domestic Product
ISED	Innovation, Science and Economic Development Canada
LAV	Light-Armoured Vehicle
LPC	Liberal Party of Canada
MND	Minister of National Defence
NATO	North Atlantic Treaty Organization
NFPS	National Fighter Procurement Secretariat
NGO	Non-governmental organization
NORAD	North American Aerospace Defence Command
NSS	National Shipbuilding Strategy
PBO	Parliamentary Budget Officer
PKO	Peacekeeping Operations

PM	Prime Minister
PMO	Prime Minister's Office
PSPC	Public Services and Procurement Canada
RCAF	Royal Canadian Air Force
RCN	Royal Canadian Navy
SSE	Strong, Secure, Engaged
TBS	Treasury Board Secretariat
UK	United Kingdom
UN	United Nations
US	United States
VCDS	Vice-Chief of Defence Staff

Background, History and Policy Process

Problems Facing the Nation

Canada is facing a number of challenges on both the strategic and operational front.

On the latter, the issue of Defence budgeting is once again at the forefront.

As Annex D highlights, the procurement process, cumbersome, inflexible, and partisan has exacerbated budget planning issues with large procurement contracts leading to substandard operational conditions for our armed forces (Collins, 2019). Recent deployment efforts have also come to be questioned by Canadian taxpayers on their benefits to Canada's interest and the heavy financial cost that they carry.

On the strategic end, the changing geostrategic environment has arisen as a pivotal challenge politically of which the implications inherently involve the CAF. How Canada will respond to the changing balance of power and the Cold-War-like environment created by the US-China rivalry will affect not only strategic ambitions but also operational requirements of our armed forces (See Annex D).

A connecting thread between these problems - COVID-19 - has proved to be a significant challenge for the Defence sector. Operation LASER deployed military personnel domestically, away from the important geopolitical challenges abroad (DND, 2020b). The economic fallout from the pandemic could also have weighty repercussions on the Defence budget in the medium-term future and, in turn, on procurement promises and strategic objectives alike.

Past Policies and Critical Decisive Moments

Timeline	Past Policies/Critical Decisive Moments	Details
1951-1969	Department of Defence Procurement	The DDP was a separate government department charged with the acquisition of military goods and services on behalf of DND (Collins, 2019). The DDP was terminated after the Glassco Commission found that there was poor coordination and weakened accountabilities in the existence of both a Defence department and Defence

		procurement department (Collins, 2019).
2007-Present	Arctic and Offshore Patrol Ship Project	In 2007, then-PM Harper announced the purchase of 8 AOPS (DND, 2007). 2 years later, a report by the CBC revealed the enormous gap between the projected cost of the AOPS design phase compared to an expert cost estimate (Milewski, 2013). The agreement had to be delayed and renegotiated to 5 ships with an optional clause for 1 more (Cudmore, 2015). The first AOPS was delivered in July 2020.
2008-Present	Canadian Surface Combatant	In 2008, the government announced the planned construction of 15 vessels set to replace the <i>Iroquois</i> - and <i>Halifax</i> -class ships for the RCN. (DND, 2020a). At the time, the cost was tabled at \$26 billion (DND, 2020a). Two Parliamentary Budget Officer reports have already tallied the cost of the CSC to be significantly higher, forcing DND to adjust its pricing (Perry, 2020). The upcoming PBO update is expected to bring the expected cost even higher (Perry, 2020).
2008-09	Global Financial Crisis	The economic hardship of the 2008-2009 Global Financial Crisis reverted past CPC Defence commitments with expenditures being once more reduced by the billions annually (Lang, 2020).
2010-Present	Next-Generation Fighter Jets Debacle	In 2010, the CPC announced Canada would purchase 65 F-35s (Tomlin et al., 2008). Two years later, an Auditor General report identified major issues with the procurement process and tallied the cost of acquisition at nearly \$10B more (iAffairs, 2016). In 2015, the Liberals initially scrapped the idea of

		<p>purchasing F-35s only to reopen the contract bidding process for what is now 88 fighter jets (Collins, 2018). The Trudeau government also planned to purchase 18 Super Hornets interim jets from Boeing in 2016 (Collins, 2018). This was later transformed into 25 Australian F 18s interim jets following a trade litigation between Boeing and Bombardier (Collins, 2018). The Future Fighter Capability Project remains in the definition project phase (PSPC, 2020b).</p>
2012-2014	National Fighter Procurement Secretariat	<p>The NFPS was primarily responsible for the review, oversight, and coordination of the implementation of the Government's action plan to acquire Canada's next generation fighter aircraft fleet (iAffairs, 2016).</p>
2014-2019	LAVs Scandal	<p>In 2014, the CPC signed a roughly \$14 million contract with Saudi Arabia over the sale of LAVs from General Dynamics Land Systems – A London, ON-based manufacturer (Sevunts, 2019). The deal was shortly halted in 2018 following dampening bilateral relations and a public outcry over Saudi Arabia's record of human rights (Sevunts, 2019). In 2020, the government reworked the details of the contract for the same amount (Brewster, 2020).</p>
2015-Present	Shipbuilding Scandal	<p>In 2015, the Tories awarded a contract to refit a civilian vessel into a support ship for the RCN to Davie Shipbuilding (CFPJ, 2019). Later that year, Irving shipbuilding allegedly approached the PM's Cabinet, asking for the deal to be reconsidered (CFJP, 2019). The situation quickly became a legal chaos when then-VCDS VAdm Norman ostensibly communicated Cabinet secrets to Davie Shipbuilding in</p>

		an effort to close in on the deal amidst political meddling (CFJP, 2019). Ultimately the contract remained in the hands of Davie Shipbuilding (CFJP, 2019).
2016	Election of Donald Trump as U.S. 45 th President	The election of Donald Trump, who campaigned on his opposition to international organizations and the issue of burden-sharing for the United States, put Canadian Defence policy to test. President Trump's personality and unilateralist ideology have resulted in stark criticism of Canadian engagement in the North American and Western alliance system.
2019-Present	COVID-19 Pandemic	In late 2019/early 2020, the novel Coronavirus took the world by surprise and plunged Canada into an all-encompassing public health crisis of which the implications are still unfolding.

Trends and Indicators

DND's budget allocation and where the spending is being assigned allows us to track whether a drastic reduction in funding, like one likely to occur in the aftermath of COVID-19, is materializing and how much of it will affect DND's operational capacity. If history is a guide, the economic hardship resulting from COVID-19 will inevitably lead to cuts in Defence spending as forecasts predict the sharpest drop in output since the Great Depression (Lang, 2020). Conversely, the recession could also play in the hands of the government as the latest NATO figures pose Canadian Defence expenditures at 1.45% of GDP, the largest share of the economy in over a decade amidst an 8% GDP contraction (Berthiaume, 2020). Notwithstanding, the current "fiscal culture" to budget is deeply entrenched in Canadian politics due to public opinions on Defence (See Annex B). Under this perspective, no Defence spending is inviolable, irrespective of established policies, as the availability of Defence

resources is second to other government priorities and dependent upon the economic outlook (Juneau et al., 2020).

The second indicator we can track is the large procurement contracts handed out by the government. Expenditures in capital projects are an indicator of future Defence capability, thus allowing us to assess whether the CAF will remain operational in the long-term (Juneau et al., 2020).

The third and last trend we can observe is a reduction in the number and size of deployments abroad. Deployments can serve as indicators of the government's willingness to participate in international peace and security abroad and whether it is willing to commit the extra financial resources needed by the Defence sector to that end.

Current Policies and Policy Alternatives

Strong, Secured, Engaged: Canada's Defence Policy

In June 2017, the Liberal government released the latest Canadian Defence policy report – Strong, Secured, Engaged: Canada's Defence Policy – promising the largest recapitalization of the CAF since the Korean War (Collins, 2018). The report engages on a wide range of strategic and operational challenges facing the Defence department such as budget planning, procurement, and the evolving balance of power. Notable initiatives presented under SSE are listed in Annex A. Over the next 20 years, the government promised \$62.3 billion in new Defence spending to help DND deliver on its commitments (DND, 2017). By 2024-25, total forecasted Defence spending as a percentage of GDP is expected to reach 1.4% as illustrated in Figure 1 (DND, 2017); a notable increase, yet hardly a return to pre-Global Financial Crisis levels (see Annex C).

SSE Military Expenditure Projections and Actual (% of GDP)

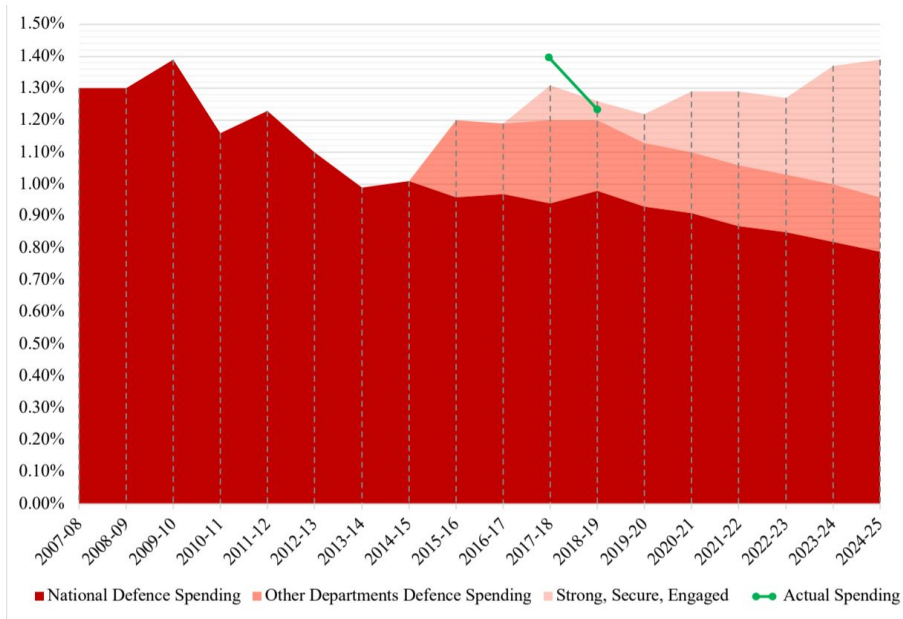


Figure 1
Source: DND (2017); Perry (2019)

Procurement was also a central focus of SSE with the majority of new Defence expenditures (\$33.8 billion) being allocated to major procurement projects on top of an estimated \$74.2 billion in previously announced equipment and infrastructure contracts (Collins, 2018). Expenditures on major equipment are set to exceed the 20% NATO target when it reaches 32.5% come 2025 (DND, 2017).

SSE's geopolitical assessment only makes slight references to China's growing hard and soft power projection, leaving the obvious geostrategic adversary out of the policy framework. Moreover, only the later chapters of the report are allotted to Canadian missions abroad leaving them ill-defined without any coherent threat assessment or discussion on the strategic objectives of the CAF (Juneau et al., 2020).

National Shipbuilding Strategy

The procurement process for the RCN and CCG fleet operates under the National Shipbuilding Strategy (PSPC, 2019). Under NSS, shipbuilding, repair, refit, and maintenance projects are done domestically in a sustainable fashion in both Halifax and Vancouver (PSPC, 2019). The government established long-term strategic relationships with two Canadian shipyards

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in Seaspan's Vancouver Shipyards and Irving Shipbuilding Inc (PSPC, 2019). Notable NSS initiatives are listed in Annex A.

Defence Procurement Strategy

Established in 2014, the DPS is an initiative spread across four federal departments to improve Defence procurement (PSPC, 2020a). While each is assigned different responsibilities for a distinct aspect of the procurement process, DND, CCG, PSPC, and ISED work conjointly to develop an efficient and streamlined procurement process delivered in a timely manner (PSPC, 2020a). Notable DPS initiatives are listed in Annex A.

Policy Alternatives

One long-term alternative to budget issues would be to adopt a "needs-based" approach shifting from the historical "fiscal culture" that has dictated Defence expenditures in Canada. Such a perspective would link fluctuations in spending to changes in the threat environment and allied behaviours (Juneau et al., 2020). A Defence budget approach based on needs would subsequently amalgamate with two other alternatives listed below.

The first is the creation of a Defence strategy. While SSE is laudable for personnel, budget, and procurement initiatives, it is a policy of operational needs and not a strategy (Juneau et al., 2020). There are some benefits to an absence of Canadian Defence strategy, chief amongst which is the ability to "free-ride" on the American security apparatus while simultaneously avoiding potential tensions over conflicting strategic ambitions (Juneau et al., 2020). However, Canadian public opinion ultimately influences whether the government perceives the need for a Defence strategy as beneficial or detrimental (Juneau et al., 2020). Canadians' views of the threat environment shape their appetite for a Defence strategy much like it does for expenditures (see Annex B). Such a strategy would clarify the needs of the CAF for a "needs-based approach" budget.

A second alternative is what experts have come to label as an "agile" procurement process. One of the biggest nuisances to the current framework is its rigidity. Canadian Armed Forces have a need to maintain interoperability with allies in an era where technological developments, notably through software, come at an astonishing pace and with countless updates (Juneau et al., 2020). As it stands, the procurement process does not allow for contract amendments on both requirements and costs (Juneau et al., 2020). A solution would be to adopt a contracting vehicle where contracts are managed in multi-phase bids, shifting away from the current format where agreements are in response to a predefined requirement (Juneau et al., 2020). This would allow flexibility in the procurement process with regards to changing requirements and costs in harmony with the "needs-based" approach to budget.

Furthermore, on procurement, Canada's process is unique among allies in relying on the coordination of three different departments for Defence acquisition (Collins, 2019). The current dynamic leads to a cumbersome and inefficient process due to the duplication of functions, disperse/poorly retained human resources expertise, as well as weakened accountability from the Ministers (Collins, 2019). While the creation of a single Defence procurement agency does not eliminate the number of responsibilities, the birth of Defence Procurement Canada would certainly address these issues (Collins, 2019).

Policy Analysis

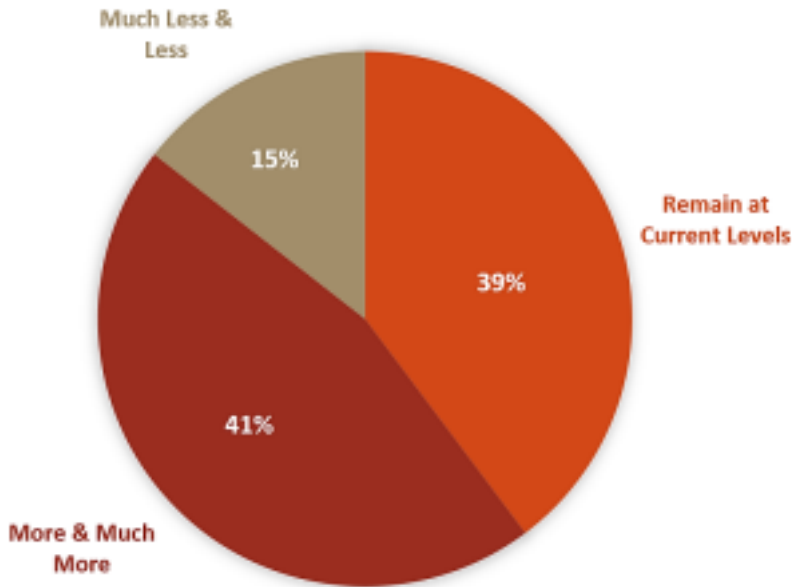
Interests and Values

Canadians seem to have a sense of duty in standing up for those who cannot stand up for themselves. In recent polling, Canadians confirmed this long-standing commitment to safeguarding human rights and defending victims of violence, prosecution, and injustice (Global Canada, 2020a). In fact, the top values Canada should uphold in international affairs, according to a survey of Canadians, are inclusivity (25 percent), peace (13 percent), human rights (13 percent), and democracy (11 percent) (Nanos, 2020).

Juneau et al. (2020) also found that Canadians are not opposed to having this commitment upheld through the use of force. “Canadians' attitude towards international interventions since the 1990s is supportive—with some exceptions such as the Iraq War 2003 and the Afghanistan mission in Kandahar 2006–2011—of both peacekeeping and military interventions” (Juneau et al., 2020, p.166).

Third, Canadians enjoy getting value for their purchases but are not opposed to spending money. Recent polling has shown this to be true for military procurement especially. In the same Nanos (2020) poll, 41% of Canadians were open to higher levels of military spending and 39% were comfortable with keeping spending at current levels (see Figure 2). Meaning that most Canadians (80%) do not wish to see military spending shrink.

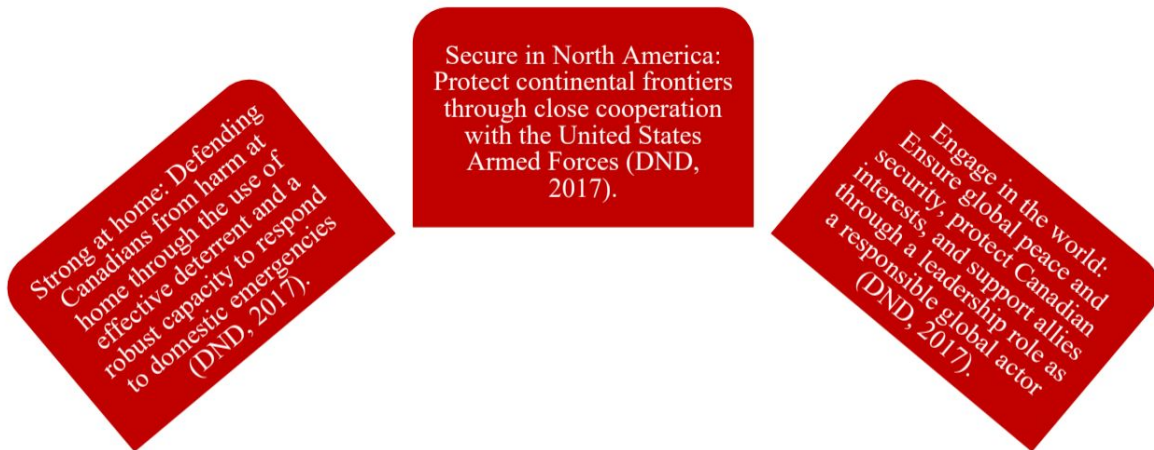
CANADIANS' OPINIONS ON DEFENSE SPENDING LEVELS



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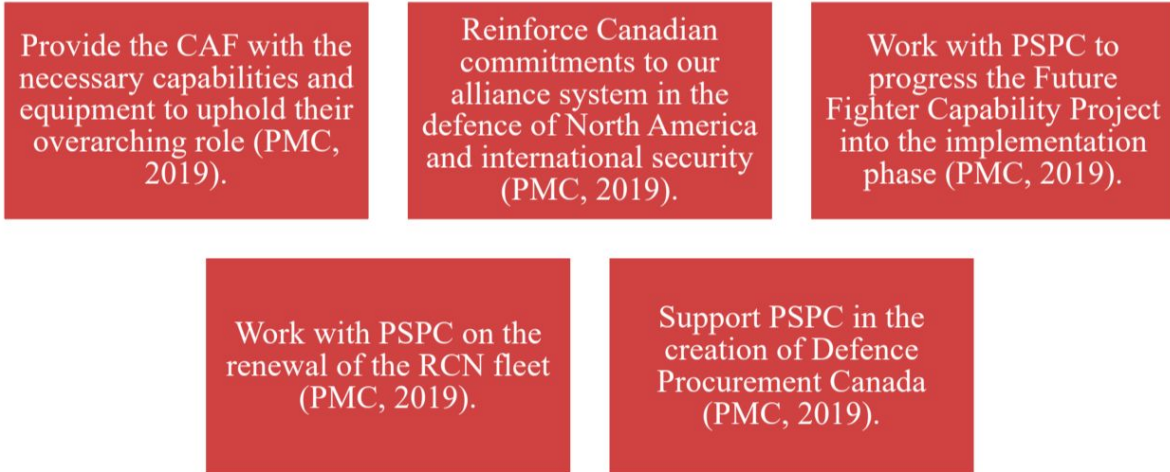
Goals and Objectives

Overarching Goals



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Mandate Objectives



Stakeholders/Allies and Detractors

Canadian Public	Canadians have a vested interest in where taxpayer's money is being directed.	Mixed: public opinion is divided with regards to what role the CAF should be undertaking in world affairs and the related spending that comes with a larger presence around the globe.
Canadian Defence Industry and Private Sector	Defence contractors compete for procurement contracts and private businesses are looking to take an increasing role in the creation/allocation of Defence technologies.	Ally: Businesses from the Defence industry are soaring as it brings along opportunities for procurement contracts. The Defence industry also has a vested interest in a leaner, less cumbersome procurement process.
Department of National Defence	DND acts as the main department in the defence of Canadian peace and security both at home and abroad.	Ally: Both military and civilians alike within the department understand the challenges facing them and are strong advocates for a stronger, more effective CAF.

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Public Services and Procurement Canada	PSPC plays a key role in supporting Defence equipment and infrastructure investments as the government's central purchasing agent.	Ally: PSPC has a great interest in the streamlining and modernization of the procurement process in Defence which has been problematic for a number of years.
United States	Canada's closest ally. The CAF is deeply integrated within the US apparatus as our Southern neighbor and regional hegemon. American and Canadian forces cooperate daily in a number of fashions ranging from the defence of aerospace through NORAD, joint operations, personnel exchange, and more.	Ally: Canada's commitment to the defence of the continent has been a subject of heated discussion in Washington for years. Americans have constantly pressured Ottawa to make Defence a priority and would welcome a stronger CAF with greater contribution to the alliance system and better interoperability.
NATO	Canada's biggest intergovernmental military alliance, committing the CAF to a number of obligations towards its member-states.	Ally: Burden-sharing has always been a delicate subject within the alliance. With Ottawa falling far from the 2% of GDP benchmark for years, NATO members have a vested interest in larger budget allocations for the CAF. Moreover, interoperability is vital to the alliance functionality, a matter that would be addressed in a renewed procurement policy.
Civil Society/NGOs	These groups are non-profit movements that organize to pursue a shared set of values and objectives in order to influence policymakers.	Mixed: Much like the Canadian public, interest groups are divided on the role our armed forces should be undertaking abroad, leaving much room for debate with regards to budget allocation.
Revisionists/Illiberal	Actors challenging the	Detractor: Countries like

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States	rules based order.	China, Russia, Iran, North Korea, and more reap the benefits of a weakened rules based order of which Canada posits itself as a fierce defender. Hence, revisionist actors benefit from a weaker CAF.
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Programmatic Needs

The establishment of Defence Procurement Canada should help with the achievement and analysis of future objectives. The DPC program would allow DND to centralize procurement within a single group. The problem, of course, being that this program has yet to be implemented and, therefore, we do not know many details on its proposed functioning. An analysis by the CGAI points out that if done right, an independent agency could leave project management in the hands of non-political individuals who do not have a personal interest in the program (Collins, 2019).

This could lead to greater efficiency by way of projects being more likely to be dealt with lesser personal attachment. Other programmatic needs following the establishment of DPC would be to better utilize shared programs. For example, increasing the use of NATO and UN peacekeeping programs would be of interest, as these would enable the CAF to be deployed in ways that are more internationally efficient, with the support of allies, and coherent financially as they benefit from the structure and participation of like-minded countries. Those play into the interest and goals that Canadian Defence wishes to project domestically and abroad.

Recommendations and Alternatives

Costed Options

Option 1: Adopt a needs-based approach to budget where independent experts decide what is required for military operations and dictates Capital project expenditures		
Pros	Cons	Expected Outcome
Reduces the risk of mismatch between the capital allocated and the actual expenditures	Opens the possibility of a lack of ceiling on Defence budgeting.	A more responsible procurement, where funds are not simply spent because they are available and political pressures on the overall system are reduced.
Funds would not be spent purely because they were budgeted.	Put in the wrong hands, this approach could become a “wants-based” approach with a wish list.	
Answers the mandated objective to provide the CAF with the necessary capabilities and equipment	Complicates budgeting, as it is no longer as simple as deciding a percentage by which the budget increases every year.	
Takes political pressure off as projects would have to be justified by a “need”.		

Option 2: Expedite the establishment of Defence Procurement Canada

Pros	Cons	Expected Outcome
Increases accountability.	Could potentially result in the same issues faced by the DDP.	A more efficient and less cumbersome procurement process with increased accountability and subject expertise.
Leaves project management in the hands of individuals who do not have a personal interest in the program.	Creating a new department or agency is a lengthy process.	
Lean approach with fewer veto points that can lead to more efficiency in project delivery.	Could potentially impede on already ongoing procurement contracts	

No duplication of functions across multiple departments.	Will require the sunseting of <i>DPS</i>	
Concentrates and helps with the retention of human resources expertise.		
Completes one of the key mandate letter objectives for MND.		

Option 3: Adopt an “agile” approach to procurement

Pros	Cons	Expected Outcome
Ensures interoperability of the CAF with key allies, answering to the mandate letter objective of cooperation with and contribution to the alliance system	Cannot be implemented for already signed agreement such as AOPS and would further slow down the Future Fighter Capability Project if the terms of the contract were to be changed	Increased flexibility in the procurement process allowing for amendments to both project requirements and costs over the life of the contract.
Keeps up with the speed of technological advancements.	Unclear whether a multi-phase bids framework would solely answer to the issue of procurement process rigidity.	
Allows for contract amendments over the life of the procurement agreement.	There are already a number of initiatives aimed at improving the efficiency of the procurement process (See Annex A)	
Works in sync with the needs-based approach to budget		
The multi-phase bids framework decreases the complexity of contracts allowing for smaller bidders		
to compete with larger corporations		
Answers the mandate letter objective to provide the CAF with the necessary capabilities and equipment to uphold their overarching role.		

Recommendations

Our recommendation would be a synthesis of the first and second costed options. These options are highly complementary, as the creation of a new independent procurement agency can also be a good opportunity to rethink the approach to budgeting. The first step would be to stand up the DPC as soon as possible. This would involve the creation of a new independent agency in the portfolio of the MND by the Prime Minister. Amendments to the Defence Production Act would have to be made to make DPC the sole responsible actor for Defence procurement in Canada. This means that the new agency would take away the responsibility of Defence procurement from PSPC, at the risk of making them a detractor owing to the removal of responsibilities. The creation of this new agency would responsabilize the procurement process, by putting acquisitions in the hands of experts. It would also help create greater synergies with DND as DPC would be staffed with mostly experts in Defence matters who would not have to hold multiple roles like within PSPC. The second portion of this recommendation would be to adopt a “needs-based” approach to Defence budgeting, thereby not imposing a set budget, but letting the experts at DPC request necessary funding for capital projects in addition to the personnel and operations & maintenance expenditures. Key stakeholders for this recommendation would be the proposed new independent agency, DPC, and the MND.

The main constraints to this are the procurement projects already underway. To ensure that no money is wasted, we suggest not eliminating the current process outright. Rather, we recommend sunseting it progressively, by keeping any active project under its umbrella; progressively downscaling it as less and less grandfathered projects remain. Any future constraints or feedback should be communicated back to the MND and the DPC through the House of Commons Standing Committee on National Defence.

Separately, our third option, agile procurement, is not necessarily antithetical to our recommendation. It could very well be a fruitful endeavor to pursue for future innovation. However, it would be a bad policy option to enforce on the system at the moment. On the one hand, changing the nature of a system being sunsetted/transferred to a different entity may lead to wasted human and financial resources. On the other hand, there is no reason to impose a granular choice on the experts at the DPC who already have to deal with the complex task of building a government agency from the ground up. Nevertheless, “agile” procurement may very well be advantageous for them in the long run; hence, we defer to the DPC in making that decision.

Communication Strategies

Communication for this recommendation is a relatively straightforward process. This

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is helped, in large part, by the support for military spending at current or higher levels by the public (Nanos, 2020). Other than the public, no other stakeholders would be directly impacted by communicating this change in a meaningful way. The work that needs to be done is therefore not to convince Canadians to continue Defence spending but rather to persuade them that the change in processes is worthwhile. The biggest player in framing this policy change would be the PMO communications office as the policies are being introduced. Going for news interviews, selling the new process as getting Canadians the best “bang for their buck”, and introducing the DPC as a new “responsible purchaser” is likely all that is required to gain approval from the Canadian public. From DND, a press release, submitted to the media, welcoming the “needs-based” approach allowing for more flexible needs as they are required is what would be expected.

Key Performance Indicators and Timeline

Establishment of DPC	2021-2022	Track the on-time delivery of procurement projects
		Track the commitment-capability gap
Needs-based approach budget	2021-2022	Defence expenditures as a percentage of GDP (aim for 2% NATO target)
		Defence expenditures on major equipment (aim for 20% NATO target)
		Attainment or exceedance of SSE projected spending targets

Annexes

Annex A

Initiatives Under Current Policies

Overarching Issue	Initiative	Current Policy
Procurement	The RCN, through the AOPS project, will be receiving 5-6 ice-capable ships aimed to provide armed surveillance of Canadian waters as well as a modernization of its surface fleet through investments in 15 Canadian surface combatants, 2 joint support ships, and it's already existing 4 Victoria-class submarines (DND, 2017).	<i>National Shipbuilding Strategy</i>
Procurement	Project development and approval time will now be reduced by at least 50% for low-risk and low-complexity projects “through improved internal coordination, increased delegation and strengthened approval process” (DND, 2017, p.75). In May 2019, DND’s contracting authorities were also increased for goods up to \$5 million from \$1 million allowing it to manage over 80% of its procurement contracts without requiring TBS approval (DND, 2017; DND, 2019). The government also intends on increasing transparency and timeliness of communications with both the Defence industry and the public (DND, 2017). Finally, the procurement workforce will undergo a more rigorous accreditation process that will require additional training and the addition of new procurement	<i>Strong, Secure, Engaged</i>

	specialists to the staff (DND, 2017).	
Procurement	In late 2018, <i>DPS</i> launched an 18-month pilot program aimed to reduce administrative burden by taking a risk based approach to Defence procurement contracts (PSPC, 2020a). During the course of this pilot, PSPC in conjunction with DND and TBS will evaluate the potential repercussions of relaxed oversight for low-risk contracts above PSPC/DND contracting limits (PSPC, 2020a).	<i>Defence Procurement Strategy</i>
Budget Planning	<p>Defence budget will now be managed under a single, consolidated format using only the accrual basis of accounting. This will allow project development and acquisition cost of the equipment to be accounted for over the expected life of the asset in addition to operating and sustainment costs of equipment, resulting in better long term planning while enhancing transparency (DND, 2017).</p> <p>Defence budget planning will also undergo significant reform of which the accrual accounting format is the first segment (DND, 2017). Increased transparency and the implementation of rigorous costing reviews of major equipment, including through the use of third parties can also be expected from now on in Defence budgeting (DND, 2017).</p> <p>Moreover, for the first time in Defence policy, the report lays out a projection of the Department’s anticipated allocations which will allow for comparative analysis of actual</p>	<i>Strong, Secure, Engaged</i>

	<p>allocations from what was promised under SSE (Juneau et al., 2020). Defence Investment Plans outlining how the CAF will be funded in the coming decades and decoding the policy context behind funding decisions are to be renewed every three years with updates published yearly (DND, 2019).</p>	
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Annex B

Public Opinion Views on Defence

Research data shows that Canadians feel increasingly vulnerable in the post 9/11 environment (Juneau et al., 2020). Canadians are twice as likely to see a high rather than low degree of international threats with the top threats identified as in Figure 3 Canadians feel especially threatened by the rise of authoritative China. According to Pew Research Center, 73% of Canadians have a negative view of China, the lowest in 15 years and a significant increase from the 40% 3 years ago (Silver, Devlin, & Huang, 2020). Data from the Angus Reid Institute rather puts the tally at 86% of Canadians sharing a negative view of the Middle Kingdom (Angus Reid Institute, 2020).

Top Threats Identified by Canadians in 2020

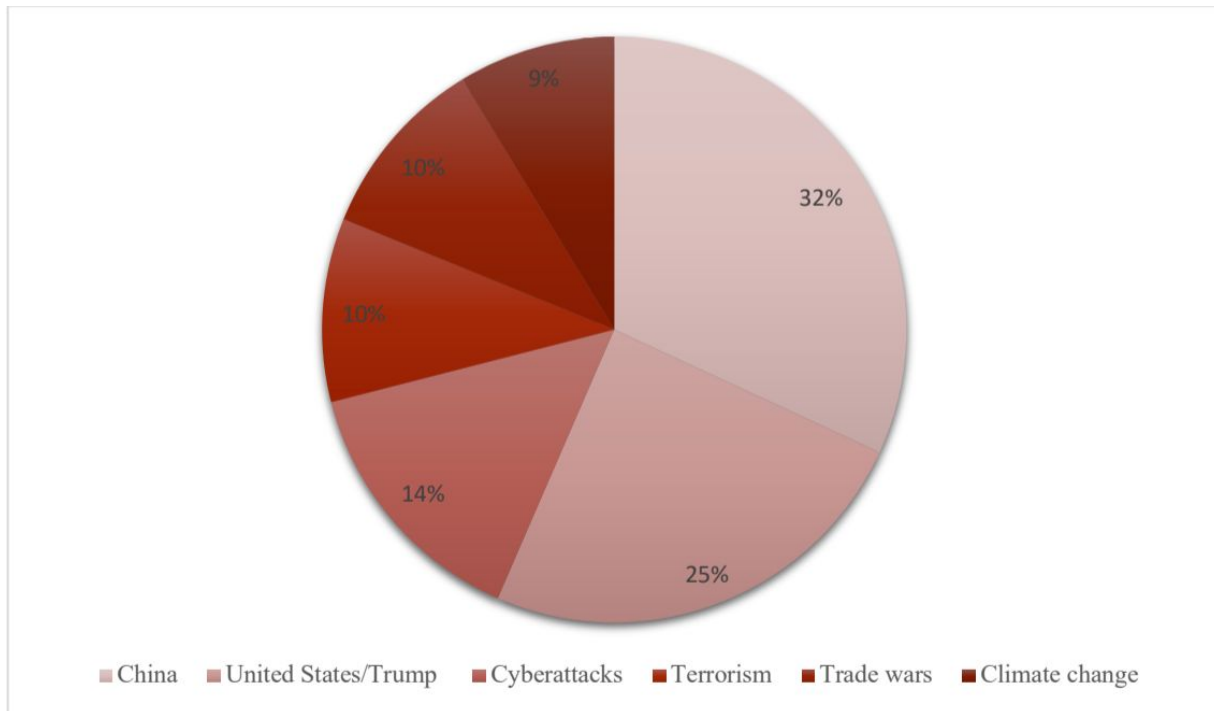


Figure 3
Source: Nanos (2020)

On military interventions, peacekeeping operations remain at the center of Canadian identity building. In fact, between 1993 and 2015, 65% of Canadians consistently said that Canada should join peacekeeping operations even if it puts our soldiers at risk (Juneau et al., 2020). Canadians believe the country's role in the world should be that of peacekeeper/mediator (31 per cent), followed by a leader (13 per cent), an advocate for human rights and freedom (10 per cent), and a role model for what countries should be (10 per cent) (Nanos, 2020). Nevertheless, public support remains divided when asked about specific operations. For instance, Canadians are more supportive of NATO peace-support operations and UN-sanctioned PKO than they are of US led missions (Juneau et al., 2020; Nanos, 2020). All in all, Canadians are generally more favorable to the use of force to promote international peace and security (Juneau et al., 2020). "Canadians do not perceive peacekeeping operations and military interventions as mutually exclusive and do accept the cost of promoting peace and security in the world" (Juneau et al., 2020, p. 166).

When it comes to Defence expenditures, studies have shown that public attitude towards spending follows a "thermostatic model" i.e., the public adjusts its preferences for more or less policy response to issues depending on what policymakers do (Juneau et al., 2020). With regards to Defence expenditures, as policy increases more and more, the preference for more policy also decreases further and further (Juneau et al., 2020). Since 2011, Canadians have wanted to spend

either more or about the same on the military, indicating how far the government was on the opinion on the Defence spectrum (see Figure 4). The most recent figures show that only 15% of Canadians want less or much less Defence spending, 41% want more, and 39% would like spending to stay at the current levels (Nanos, 2020).

Canadian Attitude Towards Military Spending (1988-2017)

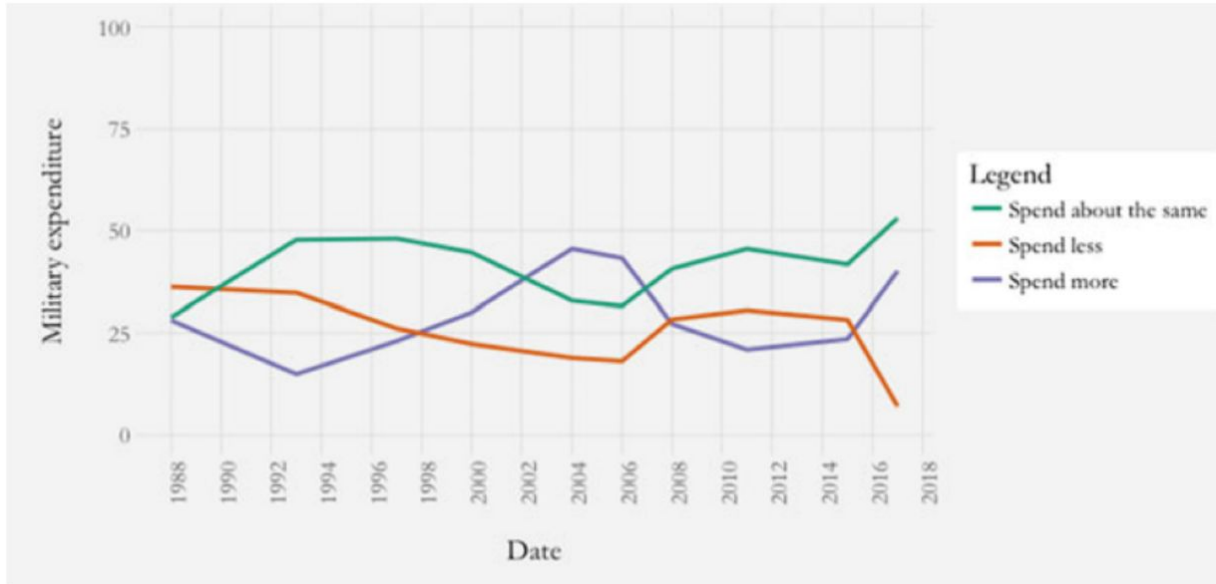


Figure 4
Source: Juneau et al. (2020)

The literature posits internal and external factors as the main determinant of public opinion on Defence. In the Canadian context, the type of intervention (whether the aim is peacekeeping or peacemaking) does not matter as much as some elites have come to frame it (Juneau et al., 2020). The type of partnership, although does have significant implications. As seen above, Canadians tend to support military deployments that are organized by NATO and the UN but less by ad-hoc coalition (Juneau et al., 2020). Canadians are also more likely to support interventions if they are led by European allies, notably the UK and France, than by the US (Juneau et al., 2020). Studies have also shown a correlation between support for Defence policy and partisanship with Conservative voters being generally more supportive than voters affiliated with other parties (Juneau et al., 2020). Other internal considerations such as demographic variables, national identity, and cultural traits still lack proper empirical evidence (Juneau et al., 2020).

Annex C

Strong, Secure, Engaged Budget Commitments

There are a number of ways to assess the increase in Defence expenditures under SSE. The first consideration is that, until the release of the report, Canada did not follow customary practice amongst NATO members to include Defence spending from other government departments such as payments made directly to veterans, peacekeeping and humanitarian operations, direct IT support to Defence, centrally funded Defence personnel costs, and direct program support to Defence (DND, 2017). Hence, for years Canada has been under-reporting Defence spending.

A second consideration is that, from a retroactive look, 1.4% of GDP, while notable, is not a significant increase in Defence spending in comparison to previous years. For instance, before the Global Financial Crisis, Defence expenditures (without accounting for other departments' spending) were respectively 1.30%, 1.30%, and 1.39% from 2007 to 2009; compared to 0.96%, 0.97%, and 0.94% from 2015 to 2017 (DND, 2017). If anything, 1.4% is a return to pre-Global Financial Crisis spending levels where other departments' spending accounted for at the time.

Moreover, 1.4% is still far short of the 2% of GDP NATO target to which the report counters that "Canada continues to argue that Defence spending is not the most effective measure of fair burden-sharing. Canada continues to place a premium on tangible operational contributions, as well as demonstrating a commitment and capacity to deploy and sustain personnel in support of the Alliance" (DND, 2017, p. 46).

Annex D

The Programmatic Issue of Defence Procurement

The issue of Defence procurement as it stands is highly problematic for both DND and PSPC. In recent years, a number of acquisition projects have led to waste of taxpayers' money as contracts either under-projected estimated costs or were significantly overfunded. Notable recent examples include:

- Arctic and Offshore Patrol Ship Project (2007-Present): In 2007, then-PM Harper announced the purchase of 8 AOPS (DND, 2007). 2 years later, a report by the CBC revealed the enormous gap between the projected cost of the AOPS design phase tallied at \$288 million compared to expert estimates that the project should only cost between \$10-15 million (Milewski, 2013). The agreement had to be delayed and renegotiated to 5 ships with an optional clause for 1 more (Cudmore, 2015). The first AOPS was delivered in July 2020, 13 years following the announcement.

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• The Future Fighter Capability Project (2010-Present): In 2010, Defence Minister Peter Mackay announced Canada would purchase 65 F-35s (Tomlin et al., 2008). Two years later, an Auditor General report identified major issues with the procurement process and tables the cost of acquisition at nearly \$10 billion more (iAffairs, 2016). In 2015, the Liberals initially scrapped the idea of purchasing F-35s only to reopen the contract bidding process for what is now 88 fighter jets (Collins, 2018). The Trudeau government also planned to purchase 18 Super Hornets interim jets from Boeing in 2016 (Collins, 2018). This was later transformed into 25 Australian F-18s interim jets following a trade litigation between Boeing and Bombardier (Collins, 2018). The Future Fighter Capability Project remains in the definition project phase (PSPC, 2020b).

• Canadian Surface Combatant (2008-Present): In 2008, the government announced the planned construction of 15 vessels set to replace the Iroquois- and Halifax-class ships for the RCN. (DND, 2020a). At the time, the cost was tabled at \$26 billion (DND, 2020a). Following a 2017 PBO report that estimated the cost of the project at \$61 billion, DND adjusted its projections under SSE to \$56-60 billion (Perry, 2020; DND, 2020). Two years later, another PBO costing revealed the projected cost to be closer to the \$70 billion mark (Perry, 2020). In early 2021, in yet another PBO update on the CSC cost, it is expected that “several more money [will be] needed to deliver [the project]” (Perry, 2020). This programmatic issue in Defence procurement is attributable to the nature of the current policy framework. The prior examples have shown how significant mistakes can form under the current procurement process. DND itself has identified several strategic flaws in the current system, indicated in SSE. In it, it states that “70% of all projects are not delivered on time” and that this can be attributed to “cumbersome decision-making and approval processes [that] have introduced undue delays” (DND, 2017, p.74).

Part of this has to do with partisan decision-making. In the past, we have seen large Defence projects used as election promises one way or another. A clear-cut example of this reality being the acquisition of the next-generation fighter jets which the LPC made a cornerstone of its 2015 election platform to cancel (Campion-Smith, 2015). Regardless of political opinions on the decision, it did extend the process considerably and caused Canada to acquire interim used fighter jets from Australia on top of what will now be more F-35s than previously announced by the CPC (CTVNews.ca Staff, 2019).

The current process is also cumbersome and inflexible, mostly due to its fractured nature. There is no single arbiter wielding the responsibility for Defence procurement as functions are currently split between PSPC, DND, and ISED. SSE itself identified the process as having diffuse and unclear accountability (DND, 2017, p.74). This divide between departments also causes employees to lack proper training and expertise on Defence matters since procurement for large military jets is fundamentally different from other businesses conducted by PSPC. SSE recommends having “greater

education, training and tools” for procurement professionals, because “capability requirements have not always been clearly communicated to industry.” (DND, 2017, p.74).

The geostrategic environment also has significant implications for Defence procurement. How Canada will respond to the changing balance of power, driven by the US-China rivalry, will affect not only strategic ambitions but also the operational requirements of our armed forces. In answering to the changing nature of conflict and competition, the needs of the CAF will likely include:

- Increased funding to the RCN and the RCAF as the center of competition shifts towards the Indo-Pacific where Canada’s prosperity relies on the maintenance of free and open maritime routes of navigation (DND, 2017).
- The rising interest in the Arctic as a result of technological developments and climate change will necessitate further investment into Northern capabilities (DND, 2017).
- The increasing use of hybrid warfare methods in grey zone conflicts requires a significant recalibration of a number of civilian and military domains including cyber, space, and information (Belo & Carment, 2020; DND, 2020).
- The nature of our confrontation with strategic adversaries using multilateral channels reinforces the need for interoperability with allies (DND, 2017).

The source of this changing environment in which our armed forces operate is well-beyond the scope of this report as is the detailed justification for the reallocation of resources. Nevertheless, it is important to grasp how the operational needs of our military evolve as a reaction to the threat environment and the implications it carries for future capabilities.

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