



**Executive Summary of the Statement by
Richard Evraire, Lieutenant General (Ret'd),
Chairman, The Conference of Defence Associations,
to The House of Commons Standing Committee
on Finance.**

October 17, 2006.

**Funding Ongoing Operations
and Immediate Capital Funding
Requirements**

The Conference of Defence Associations is pleased with the manner in which the Government of Canada has responded to two of the priorities for funding which we identified in our April submission to the Minister.

The provision of an additional \$1.3 billion to improve the funding of Ongoing Operations in 2006-07 is in line with our recommendations.

Similarly, the approval in principle of the Canadian Forces' Immediate Capital Requirements projects to deal with the well-known deficiencies in strategic and tactical lift is also in line with our recommendations.

**Planning and Funding
the Future Force**

Now that the most immediate requirements have been dealt with, the Conference of Defence Associations believes that it is necessary to turn to the planning and funding of the Future Force in the context of the continuing rustout of critical capabilities simply through old age.

As the tables in the Statement indicate only one of the five most important Naval platforms is under half

of its life expectancy, measured by Treasury Board mandated service lives. Two are already beyond their TB service lives.

The Army has only four of its eleven major platforms with over half their life expectancy left, and three are beyond the end of their service lives, though one of these will be replaced in the projects cited above.

The Air Force is in even worse shape—with all but one of their eight major platforms beyond the end of their service lives, though the projects cited above will replace three fleets.

Therefore the Conference of Defence Associations calls for:

- the publication of a comprehensive *Defence Capability Plan* which looks beyond the current five year (2006-11) Budget window,
- and for a properly funded *Defence Capability Financial Plan*, which is absolutely critical to the rehabilitation and preservation of Canada's defence and security requirements,
- and for the maintenance of at least the 1.3% of GNP, shown as Net Planned Spending for the Defence Programme in FY2008-09, in the years thereafter.



**Statement by Richard Evraire, Lieutenant General (Ret'd),
Chairman, The Conference of Defence Associations,
to The House of Commons Standing Committee
on Finance.**

October 17, 2006.

Introduction

Mr. Chairman, the Conference of Defence Associations is grateful for this opportunity to contribute to the preparation of the defence allocation in Budget 2006-07.

In our previous testimony to the Minister on October 13, 2006 we suggested three issues needed to be given serious consideration in this budget cycle:

- Providing adequate funding for ongoing Canadian Forces' operations;
- Addressing DND's current capital funding requirements, the unfortunate result of the rusting out of critical Canadian Forces capabilities; and
- Establishing an adequately funded long-range defence capabilities plan that will avoid the rusting out of Canadian Forces capabilities in the future.

We are conscious of and applaud the actions of the government in Budget 2006 to take the opportunity of building on the increases promised to the defence budget by the previous administration, and to add additional sums in the areas which we highlighted.

**The Funding of Ongoing Operations
in 2006/07**

In our previous testimony, the CDA stated that we believed that the current operational deployments of the Canadian

Forces, most notably the high operational tempo in Afghanistan, remained significantly under-funded, leading departmental managers to resort to short-term expedients such as running down stocks of spare parts, delaying needed contract services, and re-allocating monies originally intended for capital expenditures, in order to cover current funding shortfalls.

Our analysis indicated that the **annual shortfall** in the funding of ongoing operations - and here I am referring to the costs associated with national procurement of spare parts and contract services, operations and maintenance, the pay of the forces, recruiting and training - was in the order of \$1 billion.

We note that the Government of Canada, as reported in the 2006-07 Report on Plans and Priorities for National Defence, has undertaken to increase the sums allocated in Vote 1— Operating expenditures from \$9.861 billion in FY 2005/06. to \$11.156 bn in FY 2006/07, an increase of \$1.295 billion.

This increase is consistent with the annual shortfall that we had identified, when the \$169 million to partially offset the loss of purchasing power due to price increases, and the \$100 million to fund the expansion of the Canadian Forces, which were increases not included in our previous calculations, are included.

Accordingly we are greatly encouraged by, and applaud the action of the government to provide the increase we had called for, to fund Ongoing Operations in 2006/07.



The Immediate Capital Requirement

Analysis that we, and others, had carried out indicated that the Canadian Forces were at a crisis point, verging on complete system failure in the immediate future, in the area of strategic and tactical lift capabilities.

This included the following components:

- 1) Long range strategic airlift
- 2) Medium range tactical airlift
- 3) Fixed wing Search and Rescue airlift
- 4) Medium or heavy helicopter airlift
- 5) The medium logistics truck fleet

We noted with approval that the previous administration had included, in Budget 2005, a specific increment to the capital budget to provide for the replacement of these capability components, and that these increments amounted to a total of about \$6.7 billion over three years; bringing the total capital budget from its then current \$2.25 billion to about \$6.0 billion in FY 2009-10.

We are encouraged that the current government has continued this plan to increase the capital budget, which will rise from \$2.237 bn in FY 2005/06, to \$2.5 bn in 2006/07, to \$3.574 bn in 2007/08, to \$4.502 bn in 2008/09.

We also note with approval the current government's decision to add \$232 million to the capital budget in FY2006/07 to accommodate urgent capital purchases to meet the unforecasted operational requirements of our forces in Afghanistan.

We are also pleased:

- With the decisions taken to address the specific strategic and tactical lift requirements, which we had identified;
- With the willingness of the government to accelerate the acquisition process to acquire and/or restore these critical capability shortfalls where the

opportunity exists;

- With the decision to accelerate the strategic airlift acquisition process from "Definition" to "Implementation" stage; and
- With the decision to accelerate to the "Definition" stage the tactical airlift, the medium-to-heavy helicopter and the medium support vehicle projects.

We are concerned, however, that the "Fixed-Wing Search and Rescue" Project is mired in the "Pre-Definition" Stage—particularly since the March 13, 2004 budget included the statement "This budget sets aside non-budgetary resources to allow the Department of National Defence to move this acquisition forward in time without displacing other planned capital investments."

Planning and Funding the Future Force

Now that the immediate "Ongoing Operations" and "Immediate Capital Requirements" issues that we identified in our previous brief to the Minister of Finance have been dealt with in good measure, we would like to turn our attention to two longer range issues which we had identified in our previous testimony under the rubric of "Funding the Future Force."

The first is our concern for the age of the remainder of the Department's major capabilities platforms.

The following major platform aging tables, which compare the ages of major platforms, at the current and future dates, to the Treasury Board life expectancies for those platforms, provide a quick, easily understood visual representation of the overall re-capitalization quandary faced by the department.

Green indicates that more than half the service life is left; yellow indicates less than half the service life is left; red shows that the service life has expired. Blue indicates a replacement project has been approved and has reached at least the "Definition" stage in the procurement process.



Major Platform Aging Tables

Navy

Platform	Number	Service Life TB ¹	Age 2006	Age 2010	Age 2015	Age 2020
AOR	2	25	37	41	46	51
Destroyers	4/3	25	34	38	43	48
Submarines	4	25	17	21	26	31
Frigates	12	25	14	18	23	28
MCDV	12	25	11	15	20	25

Army

Platform	Number	Service Life TB ¹	Age 2006	Age 2010	Age 2015	Age 2020
M109s ³	76	20	35	39	44	49
MBTs	114	20	28	32	37	42
MLVW	2769	20	24	28	33	38
HLVW	1212	20	14	18	23	28
LSVW	2879	20	13	17	22	27
COYOTE	203	20	10	14	19	24
ADATS		20	10	14	19	24
LAV 3	651	20	8	12	17	22
M113A3 ²	289	15	4	8	13	18
AVGP ²	401/301	15	3	7	12	17
BISON	199	15	3	7	12	17

¹ TB is Treasury Board Canada life expectancies.

² AVGP, BISON, M113A3 were rebuilt; accordingly their life expectancy is reduced to 75% of new builds.

³ Six M-777 towed howitzers were purchased for use in Afghanistan and have proved their worth. There is no further buy that has been indicated.



Air Force

Platform	Number	Service Life TB ¹	Age 2006	Age 2010	Age 2015	Age 2020
Mar Hel	29	20	43	47	52	57
CC130E	19	20	43	47	52	57
CC115	6	20	39	44	49	54
CC130H	13	20	31	35	40	45
LRPA	16	20	27	30	35	40
CF18	80	20	25	29	34	39
A310	5	20	20	24	29	34
Tac Hcls	78	20	13	17	22	26

The second issue of concern is that the 2006-07 Report on Plans and Priorities for National Defence shows many of the increases in funding as “Adjustments: To Planned Spending Levels,” which are reflected in the “Net Planned Spending” line, rather than in the “Total Main Estimates” line.

This implies that these welcome increments to the Defence Budget may effectively be only “one-off,” transitory “adjustments,” rather than continuing base-line increments to the Defence Main Estimates bottom-line.

This difference is hardly trivial, as the following table indicates:

Year	2006/07	2007/08	2008/09
Main Estimates	\$14.789 bn	\$15.144 bn	\$16.131
Adjustments	\$0.675 bn	\$2.211 bn	\$3.187 bn
Net Planned Spending	\$15.464 bn	\$17.355 bn	\$19.318 bn

We believe that the projected Main Estimates level shown in the 2006-07 Report on Plans and Priorities is hopelessly inadequate to deal with the costs of other critical capabilities, beyond the five immediate capital projects which we identified in our previous submission that

are now at or past their effective service lives, let alone the costs of keeping pace with “technological rust out.”



The Conference of Defence Associations

CDA Statement to Parliamentary Committee 2-2006

Recommendations

Accordingly, the Conference of Defence Associations urges the government to establish a comprehensive multi-year strategic ***Defence Capability Plan*** that deals with the rest of the “Rustout Crisis” facing the Canadian Forces, by laying out the acquisition requirements over a fifteen year horizon, which are needed to create a future force able to meet Canada’s foreign, defence, and security policy objectives.

Such a comprehensive 15-year Defence Capability Plan, with meaningful financial allocations and growth, is essential beyond the current five year Budget window of 2006-2011 in order to replace the major fleets such as the CF-18s, the City Class Frigates, and the LAV-III.s.

The CDA recognizes that changes in the strategic and technological environments may not require a “one for one” replacement of current assets and may well require the acquisition of new capabilities.

We do not propose to make specific recommendations, as we have every confidence in the professional capabilities of the Department’s planning staffs and senior management to do so.

Secondly, the Conference of Defence Associations recommends that, at the very least, the sum of the “Adjustments” shown in RPP 2006-07 be folded into the “Main Estimates” baseline on a continuing basis, such that the re-capitalization of the Department may continue.

In fact, we believe that the required funding level will be substantially higher as the “bow wave” of “rustout” continues to sweep through the Department.

Our estimate is that the government would need, as a minimum, to allocate 1.3% of GDP to defence from 2011 to 2020, to ensure Canada is able to replace its major capabilities and has a viable future force with a three-ocean navy, a

robust army and a revitalized air force.

Chairman, again, the Conference of Defence Associations is grateful for this opportunity to participate in these consultations.

Glossary of Military Acronyms

AOR – Auxiliary Oiler and Replenishment Vessel

MCDV – Maritime Coastal Defence Vessel

M-109 – Self-propelled 155mm howitzer

MBT – Main Battle Tank

MLVW – Medium Logistics Vehicle Wheeled

HLVW – Heavy Logistics Vehicle Wheeled

LSVW – Light Support Vehicle Wheeled

ADATS – Air Defence Anti-Tank System

LAV – Light Armoured Vehicle

AVGP – Armoured Vehicle General Purpose

LRPA – Long Range Patrol Aircraft

CDA Statements to Parliamentary Committees may be freely reproduced in their entirety for academic research or instructional or journalistic purposes provided that the author’s and the Conference’s copyright is acknowledged.

The Conference of Defence Associations

359 Kent St., Suite 502

Ottawa, Ontario, Canada

K2P 0R7

Telephone : (613) 236-1252

Facsimile : (613) 236-8191

E-mail : cda@cda-cdai.ca