

Minister's Speech

Speaking Notes for The Honourable John McCallum Minister of National Defence at the Conference of Defence Associations Annual General Meeting

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Ladies and Gentlemen:

Thank you for inviting me to your conference.

Today I would like to address two themes. The first is the Canada-US relationship and North American solidarity. The second theme addresses the budget and the way ahead for the Canadian Forces.

Canada-US Relations

Canada's core covenant with the United States on matters of defence and security has remained a constant since the Ogdensburg agreement of 1940, agreed to by President Franklin D. Roosevelt and Prime Minister Mackenzie King.

That covenant can be described as follows: Canada works with the United States to jointly defend North America. Canada does everything in its power to ensure that America's northern flank is never a security risk for the American people.

Terrorists and possible missiles from rogue states have one point in common: a total disrespect for the forty-ninth parallel. I hardly need mention that the border is also ignored by chemical and biological agents.

The fact that our enemies have no respect for the border concentrates our minds. It reminds us that on the most basic of government responsibilities - the safety and security of our people - Canada and the United States are truly in the same boat.

Over the years, Canada and the United States have disagreed on many issues. However, not one of these issues compromised Canada's core commitment to the joint defence and security of the people of North America. I can assure you today that no future action by this Government will ever compromise that core commitment.

The words of former Prime Minister, Lester Pearson, written more than 30 years ago, still resonate today:

'Above all, as American difficulties increase, we should resist any temptation to become smug and superior. 'You are bigger, but we are better'. Our own experience, as we wrestle with our own problems, gives us no ground for any such conviction.'

Never has this message been more apt than today, especially for those of us who are members of the political party of Lester Pearson.

Since September 11, 2001, the Government has taken substantial steps to reinforce our responsibilities in the area of security.

Last year's budget committed \$7.7 billion over five years for enhanced security measures. My colleagues and I are working to implement these measures, often in close collaboration with our US counterparts, in areas that include intelligence; airport and marine security; customs and immigration; and homeland security.

On the defence front, the new Canada-US military planning group represents a logical extension of bi-national cooperation in the post-September 11 world. We continue to consult with the United States on missile defence.

At a time when some of our NATO allies have cut or frozen their defence budgets, Canada has just announced a significant increase in defence spending.

Perhaps most important, after September 11, the defence of North America required action against terrorism abroad. Canada was in Afghanistan in the early days, contributing the fourth largest contingent.

Canada is in the region today. Just three days ago, HMCS Iroquois set sail to lead a multinational task force of eight to twelve ships in the war against terrorism. Canada will continue to be in Afghanistan in the future.

Afghanistan

This brings me to the Government's recent decision to commit a battle group and a brigade-level headquarters to the UN-sanctioned security and peace support mission in Afghanistan. We are the first country to commit to two consecutive six-month deployments, rather than one. The mission will begin in the late summer of this year.

The Afghanistan mission is right for Canada.

It underscores Canada's continuing commitment to the war on terrorism.

It speaks to Canadians' Pearsonian instinct to help a country in distress, to provide security, which is the *sine qua non* for progress, as well as to work on the diplomatic and foreign aid fronts.

That is why I will be working closely with my colleagues, Bill Graham and Sue Whelan, on this file.

Consequently, in this single mission, we will both help defend Canada and the world against terrorists and help the people of Afghanistan.

This mission has the enthusiastic support of our US and European allies, including the Secretary-General of NATO.

Defense Secretary Donald Rumsfeld welcomed the initiative, stating on February 19th that "Canada has been a solid ally in the global war against terrorism, and we thank the Canadian people for their support in defending freedom around the world".

Mr. Rumsfeld, I might add, is fully cognizant of the fact that this mission limits the deployment of Canadian land forces to other parts of the world for well over a year.

Let me also add one last point about this mission.

The Government's commitment to Afghanistan does not reflect any lack of confidence in the combat capabilities of Canada's army. Quite the contrary. Our soldiers are outstanding Canadians who are fully capable of carrying out difficult combat missions.

Indeed, the editor of the prestigious journal *Jane's World Armies* has described our infantry as being "at the top of the premier elite when it comes to the world's fighting forces". This recognition comes in spite of the Army's well-known challenges.

Moreover, the Afghanistan mission is not a traditional peace-support operation. It is dangerous. It is risky. It will be extremely challenging. And it will require more than just combat capabilities.

It will also require negotiating skills, sound judgment in difficult situations, and empathy and respect for the local population. In short, this mission will require all the skills for which our soldiers are recognized around the world.

All in all, then, this is the right thing for Canada to do at this time. I am confident that the people of Canada will be proud of the manner in which the Canadian Forces carry out this important mission.

Budget

Early in my time as defence minister, I was told by the senior military leadership that we faced a \$936 million sustainability gap in the Defence budget. In other words, there was a \$936 million gap between the size of our budget and the cost of carrying out our existing commitments in a sustainable fashion.

I agreed that this was a credible number. The analysis was also validated by the Government's central agencies.

My strategy was simple: obtain an extra \$1 billion per year to close this gap; of which \$800 million would come from the Government and \$200 million from internally generated improvements in administrative efficiency and re-allocations.

Little did I know at the time that the Government would rise to the occasion with an immediate \$800 million increase in the base budget, as well as several hundred additional millions to cover the cost of deployments, inflation and so on.

For this, I have many people to thank: the Prime Minister and Finance Minister for making it happen; my caucus colleagues, especially David Pratt, for speaking up for defence; the opposition defence critics; various stakeholders, including the CDA; and, last but not least, the people of Canada who, through polls and in other ways, have demonstrated their desire for an increase in the defence budget.

I believe that those who oppose my commitment to finding \$200 million through reallocation are wrong. Government has a responsibility to the taxpayer to deliver services at maximum efficiency and minimum cost. New corporate and university leaders, as well as new ministers, will always be told that the low-hanging fruit has been picked and there are no more cost savings to be had.

I disagree. Anyone with a \$13 billion budget who cannot find \$200 million in savings -- less than 2% of the budget -- should be in another line of work. Other reasons for the \$200 million in reallocation are more pragmatic. Without it, as the Minister of Finance has confirmed, Defence would have fared much worse in the budget.

To those who say that Defence did not get nearly enough in the budget, I would also disagree.

Some had argued for an immediate increase of up to \$4 billion in the base budget for defence. But the reality is that the Department would be challenged to spend billions of dollars in new funding productively, in a single fiscal year. As this audience can fully appreciate, new equipment purchases take careful planning and time.

The total additional spending next year resulting from budget measures is \$4 billion, of which Defence gets \$1 billion. Billions more for Defence next year would mean nothing or next to nothing for health care, social programs, and other priorities. This is not what Canadians want. It is not what the Government wants. And it is certainly not what this Minister of National Defence wants.

Now I'd like to say a few words about the broader strategic environment.

Strategic Environment

Militaries around the world face a daunting double challenge: an altered security environment and rapidly changing technology. Not much more than a decade ago, the dominant threat to the West was the Soviet Union.

Integral to Europe's defence were rows upon rows of tanks. What is Europe to do with all those tanks now that the Soviet threat is history? Canada too was configured for the Soviet threat, with a military presence in Europe, much of the navy directed to countering Soviet submarines, and an air force focused as well on the risk of Soviet attack.

The Post-Soviet hopes for a peace dividend proved largely illusory, even before September 11, as deployments of the Canadian Forces since 1989 were triple what they had been in the 1980s. Since September 11, it has become clear to all that the world is as dangerous and risky as ever, but for reasons that are new.

As if this changed environment were not challenge enough, militaries around the world are also faced with rapidly changing technology.

Essentially, this revolution in military affairs is the military counterpart of what civilians know as the information age or the new economy. It is the application of computer power to radically increase both the precision of weaponry and the information available to commanders and their troops.

A major challenge is to achieve rapid or even instant sharing of this information with all who need it within a country's own military and also with allies.

Militaries around the world have no choice but to transform themselves in the face of these enormous changes. For us, the only question is whether Canada will achieve this transformation as well as or better than other countries.

The way ahead

I come, finally, to the way ahead.

My plan is to operate on two parallel tracks. The first track involves sustainability and the process of transformation. The second track is the defence review. Let me say here what the defence review is not. It is not an excuse to delay decisions. The defence review may result in more money for the Canadian Forces. Or it may not.

Today, however, my focus is on the first of these tracks.

Part of the budget funding will be directed to medium-term sustainability:

- continuing our ongoing recruitment campaign,
- addressing key shortfalls in operating budgets,
- increasing the capital budget and proceeding with the acquisition/ upgrading of essential equipment,

- strengthening the capabilities of the Reserves, and
- providing adequate funding for pressing infrastructure and environmental issues.

I also plan to achieve a substantial improvement in the performance of the Canadian Forces in the area of official languages, or bilingualism.

These funds will also be used to accelerate the process of transformation. In order to liberate additional funds for this purpose, I have asked the Department to examine existing procurement plans with a view to weeding out low priority projects.

Domestically, there are core functions that the Canadian Forces must always carry out. The army must respond to domestic crises like the ice storm, and it must contribute to homeland defence. The navy must patrol our shorelines, and the air force must patrol our skies.

Overseas, on the other hand, since Canada always operates as part of a coalition, we have greater freedom to build on our strengths, to specialize, and to choose among alternative capabilities.

Since the budget is less than ten days old, it is too early to offer a blueprint for the transformation process. I can, however, do two things. First, I can say that we will have to make difficult choices, asymmetric, unequal choices.

When one is embarking on the path of transformation, the worst policy in the world is to have across-the-board budget increases that are equal for all. Second, I can describe three procurement issues by way of examples.

Three examples

First, the Canadian Forces will not be unilaterally purchasing large transport planes, at a cost of some \$3-5 billion. Only two of our eighteen NATO allies, the United States and the United Kingdom, have this capability and their militaries are far larger than ours will ever be.

We will consider other, much more cost-effective options, such as a strategic lift capability shared with NATO allies, including the United States.

Second, I am impressed by General Jeffrey's vision of the army of the future. Part of that future involves the ISTAR project, which is a good example of transformation and the technology-driven substitution of brain for brawn.

ISTAR, which stands for Intelligence, Surveillance, Target Acquisition and Reconnaissance, is a high-tech system that will serve as the eyes and ears of our commanders. It is the sort of project that will help transform our military into a technologically smarter, more modern force. ISTAR is projected to cost \$600-700 million over ten years.

Let me turn, finally, to the subject of tanks. Here we have to ask two questions. Do we need tanks? Many, including some in uniform, have their doubts. I share these. Does the army need some form of direct-fire support? That is certainly a priority. Moreover, there exists a made-in-

Canada direct fire capability that the US military is in the process of acquiring in large numbers. This is an option that we will explore.

Conclusion

Finally let me thank you for today's invitation to address this conference. While we may not all agree on the exact way ahead, Canadians and the world need a forward-looking Canadian Forces that can make a real contribution. This has been my overriding objective and I will continue to work in that direction.