

## QUESTION TAKEN ON NOTICE

<b>COMMITTEE</b> Standing Senate Committee on National Finance (NFFN)	<b>BY</b> Senator Loffreda	<b>DATE</b> Dec 06, 2023	<b>QTON #</b> 44.1.65
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### QUESTION:

**Senator Loffreda:** I thank all our expert witnesses for being here late this Wednesday night.

My question is for the Department of National Defence. Thank you for your service. It is much appreciated by all Canadians. The current geopolitical environment is a major concern. I'm sure many would agree. Beyond procuring equipment for National Defence, it is critical for the responsibilities of the department that our defence infrastructure is in suitable condition for use.

In National Defence's 2023-24 Departmental Plan, the target set was to have a minimum of 80% of our defence infrastructure in suitable condition. The department has reported a figure of no higher than 65% in the last three years. I do understand it is unrealistic to have a near-perfect infrastructure usability, especially given the number of buildings and systems within the department that are coming to the end of their life expectancy. However, having a third of our infrastructure in not suitable condition is an issue the department must face.

How important is that in terms of meeting National Defence objectives? How does the department plan on achieving its goals for the suitability of its own infrastructure to ensure operational readiness given the budget cuts and constraints contemplated in the future, although you are requesting at this point \$1.5 billion in Supplementary Estimates (B), which is an increase of 5.6% in authorities for the fiscal year?

**Ms. Crosby:** Thank you for the question. It's a big one. I may invite the general to join me.

Let me start by saying that the state of our infrastructure in National Defence is a concern. We need infrastructure not only to house our people but also to house our equipment. We also need infrastructure to conduct our business. Infrastructure is very important. In fact, National Defence is the biggest custodian of infrastructure in the federal government. That also comes with a big price tag. With this type of custodial holding, it's not unusual to have some of that infrastructure in critical condition — and we do — but we have an alarming amount that's in critical condition now.

How are we dealing with this? First, we are prioritizing any in-year investments that we can do. If I have any flexibility in my budget, I'm pushing that money toward maintaining our fleet and sustaining our infrastructure as well.

Second, we're ensuring that every time we bring in new fleet, like the multi-mission aircraft or the F-35s, we also bring in new money. This new equipment inevitably does not fit in the hangars and buildings that we have. We make sure that every new acquisition comes with sufficient funding for the infrastructure associated with it.

Third, we are prioritizing within our custodial holdings. For example, we spend anywhere from \$40 million to \$60 million on our current holdings of housing for our CAF members, but we have a plan to invest a total of almost \$360 million over the next four years not only to build new stock but also to renovate up to 12,000 units. We're prioritizing the sort of things that support our people and the sort of infrastructure that supports our new equipment. We're using every penny that we can to maintain the rest of the inventory.

**Senator Loffreda:** I would like to hear from the general as to how important that is in terms of meeting National Defence objectives. Thank you.

**Lieutenant-General Frances Allen, Vice Chief of the Defence Staff, Department of National Defence and the Canadian Armed Forces:** Good afternoon, Mr. Chair. In answer to the question, I would echo my colleague's statements with respect to the importance and criticality of infrastructure for us to be able to deliver on our missions and to meet the readiness state that we need to be able to deliver on the missions that we have going forward.

As the chief financial officer stated, as we are identifying new capabilities, we are also trying to identify what the new infrastructure is or whether the existing infrastructure meets the requirements to take it forward. It's also infrastructure for training, for people — infrastructure for everything that we need.

The current state of our infrastructure is not great. It's also not necessarily designed for the new systems and the new capabilities that we need today and going forward. It doesn't necessarily have all of the same infrastructure and services that are needed for the people that we have or for the functions that we want going forward. To be able to turn that toward meeting the requirements going forward really does take an investment.

Our Assistant Deputy Minister of Infrastructure and Environment has a good understanding of what it would take from the investment perspective to manage a portfolio in a way that is in line with established standards, but the funding to be able to do that is not there. We're in a prioritization approach for those things that are most important. It's not just buildings, of course; it's runways, jetties and all sorts of other infrastructure that are equally important. It's not just buildings. That is certainly important to us.

There are a number of areas that we need to address to be able to go forward. One area is the prioritization that I spoke about; the second area is rationalization and divestment, as needed; the third is the new structures that are required for the new capabilities that we have going forward. A focus on that is needed for us to be able to have the level of readiness that we need for the operational effectiveness that is required.

**Senator Loffreda:** Could you elaborate on the rationalization and divestment?

**LGen. Allen:** Much of our infrastructure is quite old and was designed potentially for activities at different scales and at different sizes. Workshops were different and had requirements for supporting different types of equipment than we do now. There is a need to modernize and adjust the infrastructure. To a large degree, there is a wide variety of things that you can do to modify it, but there comes a point when the reasonable life of infrastructure is no longer there. Our infrastructure and environment teams make recommendations to us on the priority for what they need to do.

It doesn't just stop at buildings, ships, jetties and runways. There are also the subsystems and the subinfrastructure that support the base. That is, the electrical systems, the water and the sewer systems, all of those types of things. It's a big job and it takes a keen focus on what infrastructure is required to support the capabilities that we have moving forward.

Maybe the importance of this can be seen in our most recent activity with respect to NORAD modernization. We have the arrival of the F-35 fighters; we also have a project that's called DCCF. I'm good with acronyms, but not with the words that make up those acronyms. It is all about creating the infrastructure that you need to be able to host, both at the main operating bases and at forward operating locations, and to support that moving forward. Significant work has been done within the department to tightly align and work on the prioritization and the sequencing of this in time so that we're able to support the aircraft and the missions when they actually arrive. But it is a big job, and there comes a point at which divestment of certain types of buildings and facilities needs to happen to allow you to build new.

**Senator Loffreda:** Do we have a dollar amount in order to meet your target?

**Ms. Crosby:** We have billions of dollars of deferred maintenance. We do have a dollar amount of what would be required to bring them all up to a certain level. I don't have that at my fingertips, but I would be happy to supply that.

**Senator Loffreda:** Can you put it in writing? Thank you.

**The Chair:** On the question that was posed by Senator Loffreda to Ms. Crosby, can you provide the complete answer to the last part of his question, which you started to answer, in writing to the clerk, please? Okay. Thank you.

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**REPLY:**

The [\*Defence Real Property Portfolio Strategy\*](#), sets out a long-term vision and approach to transforming the National Defence portfolio, including actions to right-size the Real Property portfolio, where feasible and appropriate.

The Defence portfolio currently has approximately \$8.2B in deferred maintenance. This includes a number of assets that are not considered to be in suitable condition (i.e. the property has poor financial performance and/or does not align with the strategic objectives of National Defence). Improving these assets to a suitable level would cost between \$1B - \$1.5B and may not be cost-efficient. As such, some assets may need to be demolished and rebuilt rather than fixed. Other assets may need to be consolidated so that National Defence can more efficiently manage and maintain them.

Ultimately, and per its Strategy, National Defence will continue to proactively identify opportunities to optimize and consolidate underutilized Real Property assets in order to facilitate the transition towards more modern, multifunctional and client-centric assets.

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<b>COMMITTEE</b> Standing Senate Committee on National Finance (NFFN)	<b>BY</b> Senator Forest	<b>DATE</b> Dec 06, 2023	<b>QTON #</b> 44.1.67
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### QUESTION:

[Translation]

**Senator Forest:** I'll stick with aviation; my question is for Ms. Crosby.

I'd like to understand what prompted the government — with no call for tenders, no less — to grant Boeing a \$6-billion contract for P-8A Poseidon aircraft, even though these are public funds and we have an internationally renowned company like Bombardier that had submitted a proposal. What led the government to skip the bidding process and give a \$6-billion contract to a U.S. company by mutual agreement?

**Ms. Crosby:** Thank you for the question.

[English]

Once again, I might ask for my colleague General Allen to join me.

To start off, I would say, as the minister announced recently, we have decided to purchase up to 16 of the P-8A multi-mission aircraft, which is a Boeing product. From my understanding of it, this product is meeting the needs of the Canadian Armed Forces, and there is no other product available now, in the timeline that we need, that will meet our requirements. For this reason, that particular product was chosen.

It is, in fact, a \$10.6-billion project in total. The acquisition is a little bit smaller than that, but these are the main reasons why we're going forward.

I don't know if General Allen wants to add to that.

[Translation]

**Senator Forest:** We invested \$3 billion to extend the life of our CP-140s, which are doing the job right now. Some say that these investments have extended the life of these planes and could easily keep them going into the mid-2030s. Bombardier, even if it wasn't mandatory... I wonder, because Bombardier wasn't demanding a private contract, it was simply asking for the opportunity to bid on a contract.

Both Quebec and Ontario, and particularly Montreal, which is an international hub in the aerospace sector... I don't understand the logic of not having these two companies compete. Yes, the P-8A is ready to use as an aircraft now, but it's already dated. By the time it's delivered to us, it will probably have flown more hours than it has left. I can't understand the logic behind this decision, which is probably political. I can't understand the logic of this choice, when you look at the impact of all this on the future of aerospace in Canada.

**Ms. Crosby:** Thank you for the question.

[English]

Maybe General Allen would like to start us off.

**LGen. Allen:** Thank you very much. Certainly, I think I would want to go back to first principles in how we take a look at any procurement that we have and any requirement that we have when it comes to a military capability. It's based upon what we see as the need in the current and the future operating environment and the assessment of the types of threats that exist, thus the capabilities that we need various assets to be able to have, to be able to operate not just today but in the circumstances of the future as well.

In the lead-up, as you said, we have been making investments in the old CP-140 platform. There have been some investments made in trying to upgrade and keep the system current, but there are probably two parts to every piece. There is the aircraft itself and making sure that it still supports all of the flying capabilities that are required, and then there are systems and sensors that are part of that system as well. Both of those things need to be able to be continuously upgraded and be able to meet the threat environment that we see ourselves in today and tomorrow.

In knowing that we were going to need this, the replacement for the CP-140, as Ms. Crosby identified earlier, has been in Strong, Secure, Engaged in our capital investment plan for some time.

**The Chair:** To General Allen and to Ms. Crosby, if you want to complete that question in writing, we would appreciate it because of the time frame that we have. I'll give you a date to send it through the clerk, please.

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## **REPLY:**

To enable Canada to credibly defend its interests, at home and abroad, the Canadian Armed Forces need to be able to identify, detect, track, and potentially engage advanced surface and subsurface threats using an array of highly sophisticated sensors.

The P-8A Poseidon is the only currently available aircraft that meets all Canadian Multi-Mission Aircraft operational requirements. It delivers the best anti-submarine and intelligence, surveillance, and reconnaissance (ISR) capabilities for Canada, and there is no alternative on the market today. This platform is a proven capability that is also operated by all our Five Eyes allies – the United States, the United Kingdom, Australia, and New Zealand – as well as other defence partners.

This aircraft will replace the aging CP-140 Aurora, which has been in service for more than 40 years, and will enable the Canadian Armed Forces to sustain a technological advantage over potential adversaries. As it ages, the CP-140 aircraft is becoming increasingly difficult to support, expensive to sustain, and less operationally relevant in comparison to the threats against which it must defend. That is why, in line with Canada's Defence Policy – Strong, Secure, Engaged (SSE), National Defence is committed to acquiring up to 16 P-8A Poseidon aircraft for the Royal Canadian Air Force.

Boeing's economic commitments to Canada have the potential to generate more than 3000 jobs annually for Canadian industry and value chain partners, contribute at least \$358 million annually to Canada's gross domestic product over a ten-year period, and will bring benefits to hundreds of Canadian companies.