



CANADA

PRIME MINISTER • PREMIER MINISTRE

JUN 15 2012

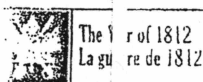
Peter
~~Dear Colleague:~~
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The Canadian Armed Forces (CAF) are a crucial instrument for protecting Canada's sovereignty and defending our national interests. Over the past several years the men and women of the CAF have been particularly active and have distinguished themselves by serving their country and their fellow citizens both at home and abroad. As we begin the process of reviewing the Canada First Defence Strategy (CFDS), I wanted to provide you and General Natynczyk with some initial guidance.

First, we must begin by recalling what our Government has already invested in defence since taking office. The defence budget has increased from just under \$14.7 billion per annum in 2005-06 to \$20.3 billion per year in 2010-11. In addition to supporting effective military operations, this investment has facilitated the re-building of Canadian military capabilities that were allowed to erode under the previous Government. It has also set DND and the CAF on a firm financial foundation to ensure that our military can remain an effective instrument of national policy over the coming decade.

Second, we need to acknowledge that, given the current fiscal climate, there can be no expectation that the defence budget will grow in the next few years. As a result, it will be imperative that we make every effort to ensure that each dollar currently devoted to defence is targeted towards enhancing our operational capabilities.

The Honourable Peter Gordon MacKay
Minister of National Defence
Room 509-S, Centre Block
House of Commons
Ottawa, Ontario
K1A 0A6



It is my understanding that within the current \$20 billion budget, over \$9 billion can currently be attributed to corporate and institutional support and services. A further \$2 billion can be attributed to management and C2 within the defence organization, leaving just under \$9 billion (or about 44% of the defence budget) attributable to what has been termed "the ready force". Even if one accounts for those elements of Corporate/Institutional Services and Management/C2 that contribute directly to sustaining this ready force, it is apparent that there is a serious imbalance in our current defence organization.

It is important that we reduce the current overhead in regular force military and civilian personnel, and in those activities that do not directly contribute to operational readiness. Resources will then be available for reinvestment to ensure a more effective operational force. In the same vein, improvements must be sought in business processes and the conduct of military procurement to identify improved governance, efficiencies and outcomes in these areas.

As we begin our review of CFDS I ask that you start by making the detailed completion of your Department's Deficit Reduction Action Plan (DRAP) your first priority. Thus far, your DRAP proposals have not sufficiently addressed corporate and institutional support and services. You should work closely with the next iteration of the Strategic and Operational Review Committee, as well as central agencies and my office, and present detailed proposals that critically examine corporate and institutional overhead with a view to avoiding budgetary reductions that impact on operational capabilities, the part-time reserves, training within Canada, and the promotion and protection of our national sovereignty.

You will need to demonstrate that all internal efficiencies have been identified and pursued, in addition to those in the 2011 Transformation Report. This should include: critically examining the corporate and institutional overhead with a view to reducing duplication and consolidating on both the military and civilian sides; considering options to reduce DND's real estate holdings while remaining cognizant of government priorities; transforming business processes (including in the governance of defence procurement, currently being studied by the Honourable Rona Ambrose, Minister of Public Works and Government Services); and avoiding functional overlaps within and between the Department/CF.

It will be important to complete this detailed DRAP process before moving on to consider the next iteration of CFDS. However, as you formulate options and proposals to eliminate corporate and institutional overhead as part of your DRAP process, you should also prepare to take advantage of this same process to redirect broader savings into modernising CAF operational capabilities.

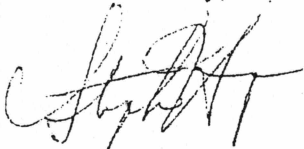
Your initial priority in this regard should be the protection of Canada's sovereignty. Whether it involves the protection of our Arctic sovereignty, monitoring and defending Canadian territory, ensuring effective intelligence and cyber capabilities to address evolving threats, improving Search and Rescue (SAR), or having the capacity to respond rapidly and effectively to domestic emergencies, the CAF should be positioned to provide the capabilities that will be needed in the years ahead. As part of this process, you will need to include options and recommendations to establish a clear sovereignty protection mandate for 5 Wing Goose Bay, as outlined in my letter to you of January 17.

In subsequent phases, we can turn our attention to the broader challenges emerging for Canada in international security. This should focus on those challenges that impact most directly on our national security and economic interests and which will therefore require attention going forward.

Given the role of your ministerial colleagues in the CFDS, I have forwarded a copy of this letter to the Honourable Ronald Ambrose, Minister of Public Works and Government Services and Minister for Status of Women, the Honourable Tony Clement, President of the Treasury Board and Minister for the Federal Economic Development Initiative for Northern Ontario and the Honourable Christian Paradis, Minister of Industry and Minister of State (Agriculture).

We will need to find in CFDS going forward the right balance between personnel, equipment, infrastructure and the level of ambition so that our military is best positioned to serve Canadians in the coming years.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'C. Paradis', written over a horizontal line.