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SSE's Sequel: Critical Questions for Canada's Defence Policy Update

by Geordie Jeakins

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POLICY PERSPECTIVE

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Since its publication in 2017, *Strong, Secure, Engaged* (SSE) has been the guidepost for Canadian defence strategy and procurement. The white paper outlined defence policies and priorities for the next two decades, centring on the aims of anticipating future threats, adapting to meet emerging challenges and acting decisively to protect Canadian security. To meet these goals, SSE 2017 committed $553 billion[1] over 20 years to develop and acquire the capabilities necessary to "modernize, renew, and restore"[2] the Canadian Armed Forces (CAF).

Since that time, defence saw a period of both progress and tumult. The government advanced a series of highly complex acquisition projects, representing major capability improvements across all domains. However, like the rest of the government, the Department of National Defence (DND) and the CAF navigated the disruption of COVID-19, simultaneously striving to meet their pre-determined commitments, protect the health and safety of their people and mobilize resources to help the country meet the pandemic's challenges. DND and the CAF have also worked to address sexual misconduct and harassment among the ranks. And, of course, Canada joined its allies to support Ukrainian resistance to Russia's invasion. In both the work it anticipated back in 2017 and the tasks that emerged unforeseen, the government's defence organizations achieved a mix of progress and continued challenges. All of this forms a new context for DND as it takes up the task of revising SSE as part of its defence policy update (DPU).

As the government renews its defence policy, it will need to grapple with three challenging questions:

1. *Strategy*: Will the DPU reimagine Canada's role amid a changing geopolitical context?
2. *Readiness*: Will it endorse a change to the CAF's readiness posture in terms of materiel and personnel?
3. *Modernization*: How will it approach modernization of key capabilities?

The direction the revised strategy takes will likely be shaped as much by practical realities, with budget availability perhaps first and foremost, as by ambitions. It remains to be seen which will be the driving force of the SSE update.

International Insecurity

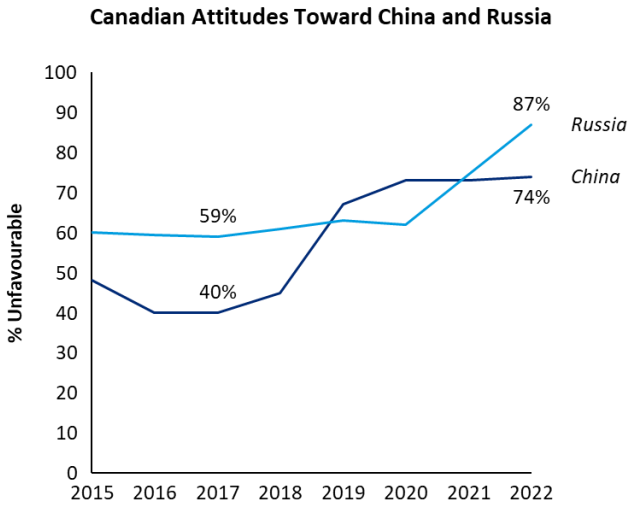
SSE 2017 laid out a security landscape that has become even more acute since the strategy was written. The return of great-power competition, the increasingly complex nature of conflict, rapid technological change, the effects of climate change and grey-zone conflict, among other trends,

[1] On a cash basis. Department of National Defence, "Defence Investment Plan 2018, Annual Update 2019," https://www.canada.ca/content/dam/dnd-mdn/documents/reports/2019/defence-investment-plan-2019-update.pdf.
[2] Ibid., *Strong Secure Engaged*, 2017, https://www.canada.ca/content/dam/dnd-mdn/documents/reports/2018/strong-secure-engaged/canada-defence-policy-report.pdf.

continue to upend the post-Cold War international order. SSE 2017 correctly identified these challenges as a call for Canada to remain a credible ally and responsible member of the community of nations. Unfortunately, these challenges have only grown in the six years since the defence strategy was released.

Fundamentally, Canada and its allies face a continuing rebalancing in geopolitical power. China and Russia represent emerging poles of competition to the current rules-based international order. Chinese belligerence towards its neighbours has grown substantially in recent years, with regular incursions into sovereign Taiwanese waters and airspace raising concerns of escalation. Even more troubling is Russia's ongoing, illegal invasion of Ukraine which, as of April 2023, had resulted in over 350,000 military casualties[3] and more than eight million displaced refugees.[4]

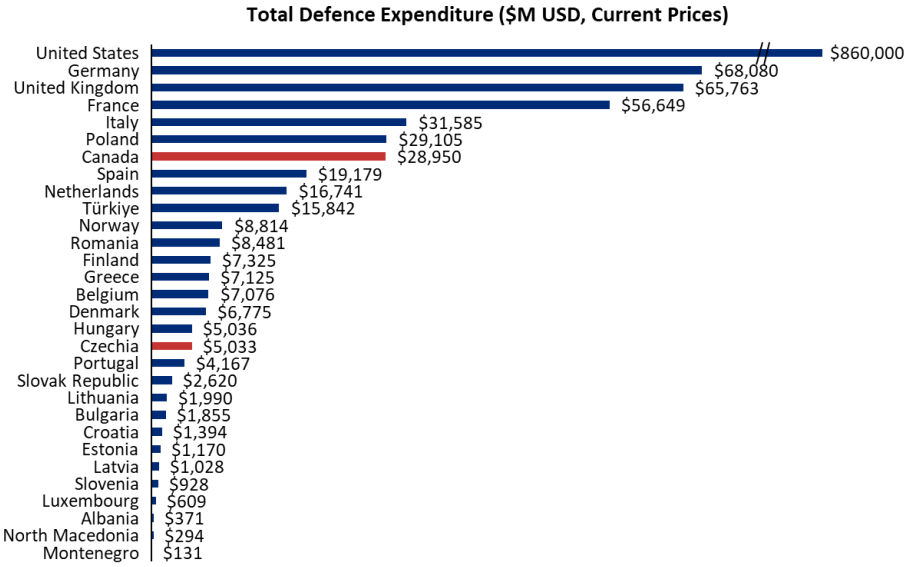
Considering the acknowledgment of a return to great-power competition in SSE 2017, it is highly likely that the upcoming strategy review will be even more direct in calling out the threat China and Russia pose. With Canadian public opinion turning decisively negative towards both countries,[5] there is also a political basis for the rhetorical sharpening.

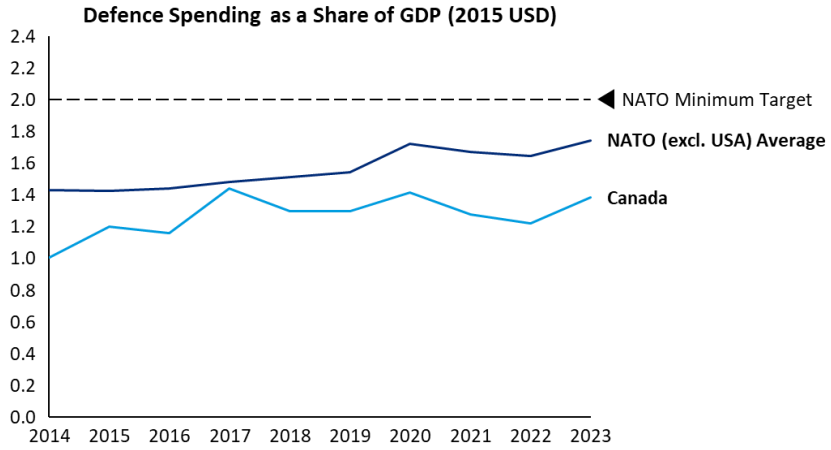


While a new defence strategy may come with a full-throated articulation of the threat, it is unclear how it will match that stance with a more activist defence posture response. This could involve multiple steps involving military capability, such as higher OPTEMPO or forward deployment, larger forces to meet a rising challenge or adding capabilities to Canada's toolkit that don't exist now. Making these initiatives a reality, however, will require sufficient investment. Considering the range of ongoing commitments and capital programs, realizing a more ambitious defence posture may be challenging under current budgetary resources.

[3] Guy Faulconbridge, "Ukraine War, Already With Up to 354,000 Casualties, Likely to Last Past 2023: U.S. Documents," Reuters, April 12, 2023, https://www.reuters.com/world/europe/ukraine-war-already-with-up-354000-casualties-likely-drag-us-documents-2023-04-12/.
[4] UNHCR, "Ukraine Situation Flash Update #45," April 23, 2023, https://data.unhcr.org/en/documents/details/100224.
[5] 2016 attitudes towards Russia are unavailable. PEW Research Center, "Views of China, 2002–2022," September 26, 2022, https://www.pewresearch.org/global/2022/09/28/views-of-china-xi-era-appendix-detailed-tables/pg_2022-09-26_views-of-china-xi_a-01/; and Ibid., "International Attitudes Toward the U.S., NATO and Russia in a Time of Crisis," June 22, 2022, https://www.pewresearch.org/global/wp-content/uploads/sites/2/2022/06/PG_2022.07.22_U.S.-Image_FINAL.pdf.

At first glance, Canada's defence spending puts it at a respectable seventh place among NATO members.[6] However, Canada's defence spending as a share of GDP is approximately 1.38 per cent, well below the minimum NATO goal of two per cent of GDP. While the average NATO (excluding the U.S.) defence spending-to-GDP ratio climbed from 1.43 per cent to 1.74 per cent from 2014 to 2022, Canada's budget has recently begun to dip following an initial spike of SSE-related funding in 2017.[7] In terms of defence-spending-to-GDP, Canada's ranking in NATO falls to 25th place, joining the likes of Italy, Portugal and Slovenia.[8]





[6] Excludes Iceland, which has no defence budget. NATO, "Defence Expenditures of NATO Countries (2014–2023)," July 7, 2022, https://www.nato.int/cps/en/natohq/news_216897.htm.
[7] Ibid.
[8] Ibid.

This current level of spending is unlikely to be sufficient if Canada were to seek a more robust presence in key regions (e.g., the Indo-Pacific) and take on a greater leadership role in collective security.

Reversing this shortfall would require a significant rise in defence spending. While opinion polls indicate that Canadians are generally supportive of increasing spending to the NATO target of two per cent of GDP,[9] it is less clear if there is public will to reach that target at the expense of other priorities or increased borrowing. Budget 2023 forecast a deficit of $43 billion in 2022–2023, with no plans for a return to a budget surplus in the five-year projection.[10] The budget does project a drop in the debt-to-GDP ratio beginning in 2024–2025, though it is far from certain that this fiscal breathing room would allow substantially higher spending on defence.[11] In fact, efforts are underway to realize more than $15 billion in federal spending, with the DND likely to bear a portion of those cuts.[12] Reversing the trend towards deficit reduction would also not guarantee a major boost to defence spending, as numerous other domestic issues ranging from cost of living and housing availability to health care and climate change would be major competitors for additional spending. This is all notwithstanding the possibility of a recession or other external shocks further complicating the fiscal picture.

The DPU will have to navigate this challenging budgetary environment. Reorienting the CAF's mission to be more assertive would likely be an expensive endeavour. The new defence strategy will have to consider carefully if Canada wants to undertake this role and, if so, how it intends to marshal the resources to make it a reality.

Fielding the Force of the Future

The second key question that the DPU may address is how to augment Canada's military readiness posture. Like redefining Canada's defence posture, this too requires a sober consideration of the investment in people and materiel necessary to maintain a higher readiness level.

As the war in Ukraine has shown, the churn of modern warfare is exceptionally high. Despite the rise of advanced systems able to identify, track and engage targets at long range with precision, enough people, equipment and supplies remains crucial to success on the battlefield. In Ukraine, simple, reliable equipment, like the 155mm artillery shells, has inflicted the bulk of the casualties,

[9] Joey Chini, "About Two-Thirds of Canadians Support Increasing Defence Spending to Reach NATO Target: Nanos," CTV, May 8, 2023, https://www.ctvnews.ca/canada/about-two-thirds-of-canadians-support-increasing-defence-spending-to-reach-nato-target-nanos-1.6386522.
[10] Government of Canada, Budget 2023, March 28, 2023, https://www.budget.canada.ca/2023/pdf/budget-2023-en.pdf.
[11] Ibid.
[12] David Pugliese, "National Defence to Roll Out Spending Cuts Over Next Three Years — Officials Say Extent of Impact 'Yet To Be Confirmed,'" *Ottawa Citizen*, September 8, 2023, https://ottawacitizen.com/news/national/defence-watch/national-defence-to-roll-out-spending-cuts-over-next-three-years-officials-say-extent-of-impact-yet-to-be-confirmed.

not the high-end systems like HIMARS launchers or Bayraktar drones.[13] However, this critical materiel has been expended at a furious rate. Ukraine has been expending 6,000–7,000 artillery shells per day on average; Russia has been firing as much as 50,000 per day.[14] And while superior ISR and targeting have allowed Ukraine to use its limited munitions stocks more effectively, the quantity disparity has been cited as a major challenge for its forces.

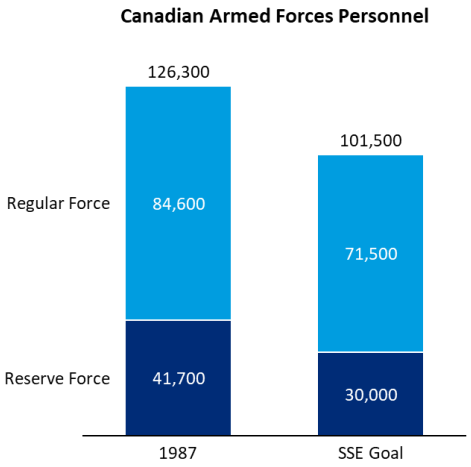
Currently, the CAF would be strained to sustain the grind of modern warfare on display in Ukraine. Production and sourcing of ammunition, for example, is regulated by the Munitions Supply Program, which seeks to ensure small but steady munitions purchases.[15] The MSP's rationale is sound when peacetime training exercises require only a modest supply of ammunition on a predictable and recurring timescale. However, scaling production to meet a sudden surge of demand such as the Ukraine conflict has proven challenging, as indicated by reports of Canada approaching South Korea to purchase 100,000 155mm rounds to restock the CAF's inventory.[16] Other materiel too, ranging from pistols[17] to helmets,[18] is in short supply in the CAF, a challenge which would be exacerbated in a high-intensity conflict.

It is unclear if the updated defence strategy will seek a change in materiel readiness. While the geostrategic environment might necessitate an expansion in stocks of munitions, spare parts and other materiel, it would require significant, upfront investment. Whether the CAF focuses on expanding equipment inventory levels, improving surge production for emergencies, or both, additional funding will be required to meet this new demand.

Beyond materiel, a change in readiness posture might also consider the human resources required to meet the demands of a modern, large-scale conflict. Since the end of the Cold War, Canada and most Western militaries have reduced their overall force structure. When Brian Mulroney's government released the final Canadian defence white paper of the Cold War in 1987, the CAF had approximately 126,000[19] regular and reserve personnel. In contrast, SSE 2017's goal of

[13] David Hambling, "How Ukraine's Artillery Is Doing More Damage Than Russia's, Even With Fewer Rounds," *Business Insider*, April 26, 2023, https://www.businessinsider.com/ukraine-artillery-does-more-damage-with-fewer-rounds-than-russia-2023-4.
[14] Sanya Mansoor, "Why the West Is Getting Nervous About Ammunition Shortages for Ukraine," *Time*, March 16, 2023, https://time.com/6263802/ukraine-west-ammunition-shortages/.
[15] Public Services and Procurement Canada, "Munitions Supply Program," https://www.tpsgc-pwgsc.gc.ca/app-acq/amd-dp/munitions-eng.html.
[16] David Pugliese, "Canada is in Discussions to Buy 100,000 Artillery Shells for Ukraine," *Ottawa Citizen*, May 31, 2022, https://ottawacitizen.com/news/national/defence-watch/canada-is-in-discussions-to-buy-100000-artillery-shells-for-ukraine.
[17] Ken Pole, "SIG Sauer P320 to Replace Browning Hi-Power Pistol," *Canadian Army Today*, November 5, 2022, https://canadianarmytoday.com/sig-sauer-p320-to-replace-browning-hi-power-pistol/.
[18] Murray Brewster, "An 'Embarrassing' Gear Shortage Has Canadian Troops in Latvia Buying Their Own Helmets," CBC, June 5, 2023, https://www.cbc.ca/news/politics/canadian-soliders-latvia-equipment-helmets-1.6864290.
[19] Department of National Defence, "Challenge and Commitment, A Defence Policy for Canada," 1987, https://publications.gc.ca/collections/collection_2012/dn-nd/D2-73-1987-eng.pdf.

increasing the CAF force structure was set at just over 101,000 personnel,[20] despite Canada's population growing by approximately 10 million people during that same period.



Fielding a smaller force than that which existed during the height of the Cold War made sense when SSE 2017 was written. Experiences in post-Cold War peacekeeping operations (e.g., Somalia, the Balkans, etc.) and in the missions in Afghanistan showed that a more modestly sized, well-equipped and supported force was more appropriate than the sprawling standing armies common in many Western militaries of the Cold War period. However, the return of hot war in Ukraine has illuminated the continued importance of a military with sufficient depth in people. The scale of people required in combat and support functions during an active conflict is immense. The CAF is not currently configured to meet these challenges.

Nevertheless, personnel recruitment and retention are vexing senior military leaders.[21] Brig.-Gen. Krista Brodie noted earlier this year that the CAF was approximately 16,000 personnel short, roughly evenly split between regular and reserve forces.[22] These shortfalls are particularly acute for highly technical roles such as mechanics and intelligence and cyber-officers,[23] forcing the CAF to rely heavily on contractors to fill the gap. The prospect of increasing personnel numbers is likely unfeasible without an overhaul of compensation, benefits, working conditions, culture and growth opportunities. Also, larger force structure would impose substantial extra costs on the CAF in the form of materiel to equip the force, larger training exercises and more frequent operational deployment.

Cultivating Capabilities

Since SSE 2017, the CAF has made significant strides in acquiring new platforms. Major capital programs like the Future Fighter Capability Program (FFCP), Arctic and Offshore Patrol Ship

[20] Ibid., "Canadian Armed Forces 101," March 2020, https://www.canada.ca/en/department-national-defence/corporate/reports-publications/transition-materials/defence-101/2020/03/defence-101/caf-101.html.
[21] Rachel Gilmore, "Military Recruiting Issues May Be 'More Serious' Than Senior Ranks Letting On: Hillier," Global News, October 23, 2022, https://globalnews.ca/news/9217070/military-recruitment-canada-armed-forces-hillier.
[22] Dylan Dyson, "Canadian Armed Forces Facing Member Shortage 'Crisis,'" CTV, April 5, 2023, https://ottawa.ctvnews.ca/canadian-armed-forces-facing-member-shortage-crisis-1.6344761#:~:text=The%20CAF%20currently%20employs%20about,the%20military%20personnel%20generation%20group.
[23] Department of National Defence, "Managed Shortfall," April 20, 2018, https://www.canada.ca/en/department-national-defence/maple-leaf/rcaf/2019/01/managed-shortfall.html.

(AOPS) and the Light Armoured Vehicle (LAV) have entered various stages of implementation, representing a major recapitalization and upgrade across the air, sea and land domains.

But with most major platform recapitalization moving forward, the next significant area of modernization emphasis for the CAF is an array of C4ISR initiatives. The CAF is presently pursuing multiple efforts to modernize command, control and communications (C3) systems. For the army, these include:

- Joint Fires Modernization (JFM);
- Tactical Communications Modernization (TCM);
- Tactical Command and Control Information System (TacC2IS) Modernization; and
- Canadian Forces Land Electronic Warfare Modernization (CFLEWM).

The air force needs to modernize its Tactical Integrated Command, Control, Communications Air (TIC3Air) and the navy must work on Naval Communications Modernization (NCM), among other efforts.

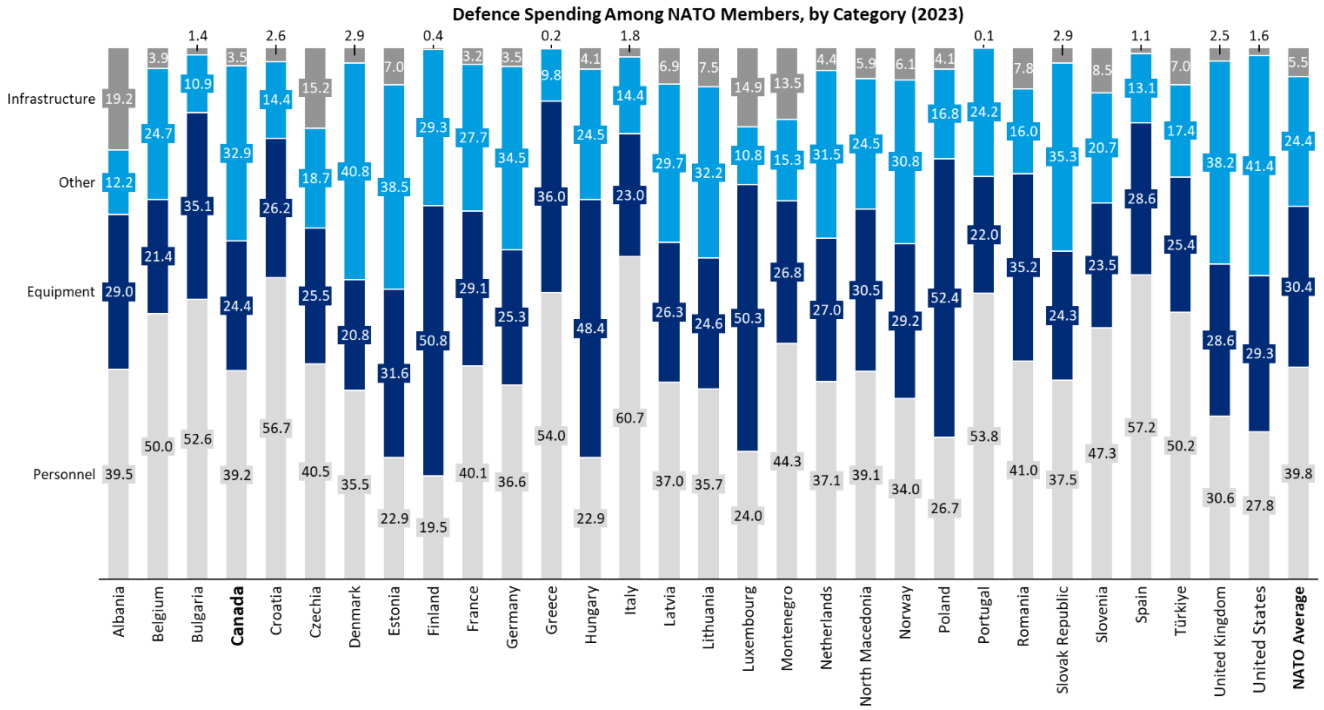
Unlike most military platforms, C4ISR capabilities are subject to fundamental changes in technology, business model and relationships between defence and commercial sectors. Resolving this thicket of issues will test the adaptability of Canada's defence acquisition system, just as our allies have often struggled. For example:

1. How will these and other C4ISR initiatives integrate to ensure seamless capabilities among systems and across the CAF services?
2. How will this architecture integrate with allies?
3. Perhaps most challenging, will Canada seek to source solutions from the established defence industrial base or integrate new, commercially oriented suppliers? If the latter, how will DND incentivize innovative, non-traditional firms towards partnership?

Beyond these questions of policy and acquisition strategy is a concern about budget. Canada's defence budget currently has limited space for additional investment efforts. While key allies are shifting money into investment programs to acquire new equipment,[24] a disproportionate amount of Canadian defence spending goes towards non-investment activities like personnel and operations. While Canada's share of defence spending on equipment has jumped considerably (from 11.5 per cent in 2022 to 24.4 per cent in 2023), it is still well below the NATO average of 30.4 per cent.[25] In contrast, Canada spends a disproportionate amount of defence funding on

[24] Sean Carberry, "BUDGET 2024: Air Force Budget Continues Divest to Invest Strategy," *National Defense Magazine*, March 14, 2023, https://www.nationaldefensemagazine.org/articles/2023/3/14/air-force-budget-continues-divest-to-invest-strategy.
[25] Excludes Iceland, which has no defence budget. NATO, "Defence Expenditures of NATO Countries (2014–2023)," July 7, 2022, https://www.nato.int/cps/en/natohq/news_216897.htm.

operations and maintenance activities (O&M), a likely byproduct of the CAF's aging ground, air and maritime platforms, all of which require ever-increasing sustainment funding to keep operational.



Observers should watch carefully how the DPU does or does not seek to shift budgetary priorities between capital equipment and other expenses. While there are critical modernization efforts to pursue, it is equally important to invest in the CAF's personnel and infrastructure to properly manage and support those capabilities.

Conclusion

As Canada looks to renew its defence strategy, it should focus on the evolved threat environment it faces and how best to respond. The strategy presents a unique opportunity to redefine Canada's role in the global defence and security space and outline a path to meeting those objectives in readiness and modernization of capabilities. However, fundamental challenges, particularly as they pertain to defence spending and investment, may not allow for such an ambitious vision.

About the Author

Geordie Jeakins *is an associate in the Transportation and Services practice at Oliver Wyman, a globally leading advisory firm. Geordie supports public sector and corporate leaders in aerospace, defence, space and government markets on issues related to market analysis, growth strategy, international benchmarking, defence industrial policy and more. Geordie holds a master's of global affairs from the Munk School of Global Affairs and Public Policy and a bachelor's in history and international relations from the University of Toronto.*

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