



## Happiness is – a rising defence budget?

By Don Macnamara

***Institute for  
Research on  
Public Policy***

***Institut de  
recherche  
en politiques  
publiques***

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It is indeed encouraging to see a Canadian Chief of Defence Staff not only happy but apparently ecstatic over a Canadian Federal Budget. This is indeed, as the Government has trumpeted, the largest increase in the defence budget in 20 years. However, whether such a reaction by General Hillier is justified in reality or, at the very least, by a sense of relief that there was at least no reduction will require time and analysis.

The budget documents state that the defence budget will receive additional funding as follows:

- \$3 billion to expand the Canadian Forces by 5,000 and the reserves by 3,000, delivering on the commitment in last year's Speech from the Throne.
- \$3.2 billion to strengthen military operations by improving training and operational readiness, enhancing military medical care, addressing critical supplies and repairs shortages, and repairing infrastructure.
- \$2.7 billion on a cash basis to acquire and operate new medium-capacity helicopters, trucks, utility aircraft and specialized facilities for Canada's elite anti-terrorism unit, JTF2.
- \$3.8 billion on a cash basis for further projects to support the objectives established for Canada's military in the upcoming International Policy Statement.

These general statements must await further clarification and detail, especially concerning the final statement regarding the yet-to-be-seen International Policy Statement. As the saying goes, the 'devil' may be in the details.

However, the Budget that makes the Chief of Defence Staff happy clearly does recognize that the Canadian Forces needs a major infusion of cash. It also appears to recognize that large amounts of money given quickly cannot be readily absorbed. It does take time to recruit people and equip people, to re-develop the run-down training facilities and staff, and then finally get on with the training itself. Likewise, it takes time to identify and select the new equipment, order and contract, take delivery and introduce it to operations. That is why the five-year plan appears to make sense. But, once again, the final analysis must await the details.

## Budget 2005 Defence Funding (cash basis illustration)

	2005-06	2006-07	2007-08	2008-09	2009-10	Total
	(millions of dollars)					
Expand the Forces (5,000/3,000)	80	100	500	1,200	1,180	3,060
Operational sustainability of the Forces	420	500	600	800	900	3,220
New medium capacity helicopters, logistics trucks, utility aircraft and JTF2 facility	0	0	338	1,232	1,187	2,757
Post Defence Policy Review investments	0	0	120	1,234	2,437	3,791
<b>Total</b>	<b>500</b>	<b>600</b>	<b>1,558</b>	<b>4,466</b>	<b>5,704</b>	<b>12,828</b>

Care must be taken in reading the table illustrating the annual allocations over the next five years. It is important to recognize that each year the allocation builds on the previous year. True, the 'new money' over 5 years totals \$12.828 billion more than might have been otherwise spent with a 'flat-lined' allocation of the current year \$13.3 billion. In fiscal year 2009-2010, if the budget is followed according to plan, the total Defence Budget will be \$5.704 billion more than 2004-2005, or a total of \$19.04 billion. This would raise the Defence Budget as a percent of GDP from 1.1% to 1.6%, in current GDP dollars – approximately the NATO average (excluding the United States). That is a decent target, but it is unfortunate that it will take five years to achieve, remembering that it is also based on current year GDP. A continuing increase in GDP with no concurrent increase in annual allocation could leave the defence budget to GDP ratio little changed. Once again, the final analysis must await the details.

In summary, as we await the arrival of the International Policy Statement and the companion Defence Policy Statement, the budget does have some promise for the future of the Canadian Forces. The combined financial needs for transformation in terms of personnel, infrastructure and major operational capital equipment are large after years of neglect. Whether the biggest increase in 20 years can overcome the ravages of the last ten years remains to be seen. The next steps will prove to be interesting indeed.