

fundamental issue, which resulted in the Prime Minister's deciding that a review should be undertaken of the tasks required of the Canadian Forces, the effectiveness and optional levels of effort at which these tasks could be performed, and the organization and resources necessary to do the job. I want to emphasize that this Defence Structure Review was Cabinet-directed. It was established under the direction of a steering committee chaired by the Secretary to the Cabinet, and comprising our Deputy Minister, the Under-Secretary of State for External Affairs, the Secretary of the Treasury Board and myself.

The steering committee decided to have the review conducted in three broad phases, which would be addressed separately by the Cabinet. The first phase defined tasks the Canadian Forces must perform based on current foreign and defence policy. The Cabinet was invited to accept or modify them on the basis of the rationale developed from the foreign policy review of 1970, the Defence White Paper of 1971 and other Government policy papers. After review, Cabinet accepted the 55 tasks that were presented to them as a basis for further study, and directed that we proceed with Phase II.

The second phase of the review examined optional force structures that provided various levels of effort in meeting the tasks set out in Phase I. The structure of the options was based on tasks requiring a combat capability. The residual capability within the options to conduct sovereignty and peacekeeping tasks were identified so that later "add-ons" could be made to the option selected to ensure that the Forces could undertake all our assigned tasks. You would agree, I hope, that our basic structuring had to be based on hard operational needs. Phase II of the review was just recently completed, and you should be aware that the Minister has advised NATO of the decisions that affect the Alliance.

We are now at Phase III of the review. This phase will be a total package presentation that will include the command and control, logistics and training infrastructure required for the selected force model. In addition, Phase III will recommend a military plan on how the force model may be most effectively "postured" to fulfil our roles in the most efficient manner possible.

I mentioned a few minutes ago that the source of our problems over the last decade has been instability caused by inflation and budgetary restraint. The DND financial picture is now much improved. Recently, the Government announced that our budget would be increased as follows: personnel, operations, and maintenance would increase annually to compensate for the effects of inflation. For capital-equipment procurement expenditures, the Government has agreed,

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