

16. THE DEFENCE BUDGET

BACKGROUND

On 5 June 1987 the Government tabled the Defence White Paper, *Challenge and Commitment*, in the House of Commons. The White Paper was intended to provide a new defence strategy for the Canadian Forces for the ensuing fifteen years. It stated that significant changes had occurred in the international environment since the previous White Paper on National Defence had been released in 1971. However, East-West rivalry remained the predominant feature of international affairs. Accordingly, one of the White Paper's main premises was the need to maintain Canada's support for the West and its contributions to the NATO and NORAD alliances.

The White Paper stated, however, that a "significant commitment-capability gap" existed in the structure of the Canadian Forces, the result of long-term inadequacy in defence spending. The Government decided that through consolidation of some of its commitments--namely Canada's forces earmarked for Europe--and an established long-term funding programme, the gap could be closed.

To accomplish this, the White Paper announced a new method for establishing the defence budget, based on annual increases of two percent real growth with additional funding to be determined in annual Cabinet reviews. The declared purpose was to allow for long-term planning, particularly with major equipment procurement in mind.

The White Paper listed a number of major equipment purchases planned for the fifteen-year period, including new tanks, nuclear-powered submarines, patrol aircraft, and communications systems. Most observers agreed that increases in the budget closer to five percent annual real growth were necessary to implement the procurement programmes.

CURRENT CANADIAN POSITION

The 1989-1990 Canadian budget represented a watershed for the Department of National Defence (DND). The Canadian Government's overall fiscal restraint plan caused the planned budget for DND to be cut back severely. Total planned budgetary expenditures for the Canadian Government in 1989-1990 are \$142.90 billion. Of this, it is estimated that \$11.34 billion, or 7.94 percent, will be spent by DND. This is an increase of 0.9 percent over the 1988-1989 planned expenditures of \$11.24 billion.

The Department's share of the Government's deficit reduction programme for 1989-1990 is \$575 million, representing 37.2 percent of the total expenditure restraint measures of \$1.545 billion. For 1990-1991, DND's share of the restraint measures is estimated to be \$611 million, or 29.4 percent of the \$2.079 billion total. Over the next five years, it is expected that a total of \$2.7 billion will be saved through cuts to planned defence expenditures.

Much of the savings in the next five years is expected to come from cutbacks in capital acquisitions. This year's budget initiated this process by cancelling plans for Canada to purchase ten to twelve nuclear-powered submarines (see Major Equipment