

Adjusting the costs of some of these support functions will not be easy. More than seventy-five percent of the funds expended in this way are for management and related functions or for pay, allowances and pensions. Such areas are especially difficult to tackle in light of employment statutes, and the political and other costs of making changes.

Another major issue concerning the defence budget is the relationship between capital expenditures and outlays such as P, O and M (Personnel, Operations and Maintenance). The Canadian Armed Forces have faced a major problem regarding equipment acquisitions since the early 1970s, and were only part way on the road to addressing a massive backlog of requirements when the 1989 spring budget once again cut the core out of their fonder hopes. It slashed \$2.7 billion of equipment acquisitions that had been planned for the next five years; and -- although the budget itself did not spell this out -- put an end to the hopes for a continuing, massive build-up effort over the next ten to fifteen years. Some programmes remained, but after the 1989 budget, there was little prospect of acquiring most of the \$30 to 50 billion of new equipment that the defence planners had been considering.

Projects cancelled in 1989 included the ten to twelve nuclear-powered submarines (SSNs), the *Tracker* aircraft update, and thirteen or more new *CF-18* interceptors to meet requirements expected to arise from peacetime attrition.

Projects scaled back or put on hold in 1989 included the plans to acquire up to 250 new main battle tanks and the programme to obtain 820 new northern terrain vehicles (reduced to approximately 400 and subsequently cut further). In addition, a \$670 million programme to replace the *Kiowa* light observation helicopters was put on hold until further notice.

Projects rescheduled included the plan to acquire approximately 199 Militia Light Armoured Vehicles (LAVs) and twenty-two tracked vehicles. This was postponed to 1990-91, but is in fact now under way.