

Supply—National Defence

each program not just in terms of capital cost, but also in terms of support requirements, personnel and annual recurring costs.

The integration of navy, army and air force headquarters aided materially in the solution of the first of these problems. An integrated defence program has been established. This displays all approved National Defence activities and forecasts spending over the current year and the following five-year period. The program data relates the various military functions and missions to resource requirements of manpower, money and materiel. With this information available, it is possible to determine at once the implications both on a particular mission and on the integrated defence program as a whole, of any new requirement.

The defence programming system includes a program change procedure which keeps the IDP current as it reflects changing national and international conditions and the adoption of advantageous technological advances.

The development of this comprehensive system has been taking place for some months. To assist in its implementation, we have retained a consultant group familiar with the process, to advise us. Our present integrated defence plan should be programmed and the system in full operation in 1966. This will enormously simplify the preparation of the estimates for 1967-68. The operation of this system insists on the solution of the two management problems raised: First, as it includes all missions and the elements of all missions, it displays each of these in a way which facilitates the consideration of priorities and demands their solution. Second, the data required for the system includes capital costs, personnel and support requirements, and operating costs, and therefore the total effect of each new program change is known at the outset and available for review at any time. Thus all of the information necessary for management to make decisions is readily available and the system itself ensures that the data is presented in a manner that leads to realistic decisions.

• (9:30 p.m.)

Another improvement in management techniques has been the granting of authority to use the proceeds of the sale of surplus equipment by the department for the purchase of new equipment. This year, on an experimental basis, this system has also been applied to real properties up to the limit of \$5 million. This policy was suggested by the Royal

Commission on Government Organization. The reasoning behind it is obvious. It provides an incentive to management to make decisions. If there is no advantage in selling surplus materials and properties, there is a natural tendency to postpone serious consideration. When the proceeds are available for new high priority projects, however, there is a strong motivation to take a hard look at inventories and to make realistic decisions. In the fiscal year 1964-65 approximately \$7 million revenue was obtained from the sale of surplus materials, supplies and equipment, and \$4,744,000 has been realized from this source for 1965-66 to the end of December. During the current fiscal year as of December 31, real estate sales have totalled \$1,589,000. These sales reduce the cost of maintenance of the inventories.

Another important area which has been subject to re-organization is that of development. Each service had its own development vote, and in each case the administration and screening was carried out by the Defence Research Board, following receipt of submissions from the services. The system tended to be inflexible and slow. Program changes had to go through the whole system and the amount of time consumed was so great that the project momentum was often lost and the initial Canadian advantage overtaken by development projects in other countries.

The classic case is the armoured personnel carrier, the Bobcat-V.C. This project was out front at the outset but, due to the rigidities of the system and the decision-making process, all the initial advantage was lost and the project overtaken by developments elsewhere.

Mr. Churchill: The simulator is another recent example.

Mr. Hellyer: In order to develop a more flexible system, a number of important changes have been put into effect. The service development votes have been built into a single development vote in consonance with integration. Administration of development projects has been given to the services themselves. The Defence Research Board input and screening now takes place during the initial stage of the project definition in order to determine at that stage if the proposal is scientifically feasible.

A management group has been formed called the development and associated research policy group under the chairmanship of the chief of technical services. This group