

Dollars and Sense: The 2022 Canadian Defence Budget Increases

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The new strategic circumstances created by Russia's invasion of Ukraine on 24 February 2022 are quickly reshaping Canadian defence. Within four months of the invasion, the government of Justin Trudeau had already made two multi-billion dollar defence spending increases while pledging a second review of Canada's defence policy which may increase spending further. Between Budget 2022 and the 20 June announcement by the Minister of National Defence of a package of continental defence modernization initiatives, along with some previously identified funding, just under \$40 billion on an accrual basis has been added to the budget of the Department of National Defence (DND) over the next 20 years.

Expectations for an increase in defence spending ahead of Budget 2022 were higher than any other budget in recent memory. Russia's invasion of Ukraine created more interest in defence and security issues in the span of a few weeks than Canada had experienced in years. In March Prime Minister Trudeau gave the impression that the invasion had made his government "open to raising Canada's military spending."¹ Speculation ratcheted up even further when the Minister of National Defence stated in an interview that "I personally am bringing forward aggressive options which would see, potentially, exceeding the 2% level, hitting the 2% level, and then below the 2% level."² It was unusual language for a Cabinet Minister ahead of a budget, but fit with the tenor of discussion from many NATO countries at the time.

The ensuing Budget 2022 delivered a modest increase to defence spending, a promise to review Canada's defence

policy, and the government's first expenditure reduction exercise. The budget provided an overall increase of \$8 billion (B) (on an accrual basis) over five years to "strengthen Canada's contributions to our core alliances, bolster the capabilities of the Canadian Armed Forces; continue to support culture change and a safe and healthy working environment in the Canadian Armed Forces and reinforce Canada's cyber security."³ According to data provided by Department of Finance officials, the additional funding would result in an annual increase in spending of 3% in 2022/2023⁴ rising to 8% by 2026/2027. With inflation running at a multi-decade high, and many commodities critical to defence production experiencing dramatic cost increases, it is unclear how significant an annual increase the spending will produce once defence-specific inflation is factored in.⁵ According to a senior government official, if the anticipated defence spending occurs as forecast and the budget's other assumptions hold, by the end of the budget's fiscal period, defence spending would reach approximately 1.5% of Gross Domestic Product (GDP).⁶ The budget itself though, makes no mention of defence spending as a share of GDP, so this should not be construed as a spending target.

A full itemization of that \$8B is provided in Table 1. The main areas of spending are: Reinforcing our Defence Priorities; Supporting Culture Change in the Canadian Armed Forces; Enhancing Canada's Cyber Security; Supporting Ukraine; and the Renewal of Operation Artemis. Let us look at that list in reverse order. The extension of *Operation Artemis*, a counter-terrorism and maritime



Minister of National Defence Anita Anand, Prime Minister Justin Trudeau, Minister of Foreign Affairs Mélanie Joly, and NATO Secretary General Jens Stoltenberg tour the Cambridge Bay North Warning System radar facility on 25 August 2022.

Credit: Anita Anand's Twitter

Table 1. Defence Commitments from Budget 2022 (in millions)

	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	2025/ 2026	2026/ 2027	Total
Reinforcing our National Defence							
Reinforcing our Defence Priorities		100	1025	1475	1625	1875	6100
Supporting Culture Change	1	38	49	52	53	53	245
Less Departmental Resources	-2	-1					-3
Less reallocation of funding	1	-1					
Enhancing Canada's Cyber Security Addressing the Cyber Threat Landscape	0	88	128	187	223	249	875
Enhancing Canada's Cyber Security Research	0	1	1	4	6	6	18
Supporting Ukraine							
Expansion of Operation Unifier	0	116	112	109			338
Less existing Funds		-5	-2	-2			-9
Bolstering Ukraine's Fight		500					500
Renewal of Operation Artemis	37	43	38	2			120
TOTAL							8184

Note 1: Figures are taken from Budget 2022, Chapter 5, table 5.1, 145-146 and as that table indicates, they may not add up due to rounding. Note: The figures for Operation Artemis were calculated by the author by subtracting funds sourced from existing departmental resources from the newly apportioned funds.

security mission in the Middle East was renewed in August 2021, and will cost of \$120 million (M) over three years. The defence portion of the support for Ukraine contains two major initiatives. The first is an extension of *Operation Unifier* (\$338M from 2022/2023-2024/2025), Canada's military support mission for Ukraine, which has evolved from a focus on training Ukrainian forces to a broader set of activities supporting Ukraine's fight. The second component is \$500M in 2022/2023 to provide additional military aid to Ukraine. This money will flow through DND but be used to obtain additional military supplies and provide them to Ukrainian forces, including additional electro-optical systems for Ukrainian drones. The government also announced that Canada would send 39 Armoured Combat Support Vehicles originally purchased for the Canadian Army to Ukraine.⁷

On the cyber front, several initiatives were announced, totalling \$875.2M from 2022/2023-2026/2027 to enhance Canada's cyber defences, and \$17.7M over the same time period to establish a cyber research chair program. The enhancements to cyber defences include: enhancing the ability of the Communications Security Establishment (CSE) to launch cyber operations to prevent and defend against cyber attacks (\$263.9M); improvements to CSE's ability to prevent and respond to cyber attacks on critical

infrastructure (\$180.3M); funding for CSE to make critical government systems more resilient (\$252.3M); and an expansion of cyber security protections for small departments, agencies and Crown corporations (\$178.7M).

Support to Culture Change in the Canadian Armed Forces (CAF) includes \$144.3M over five years to expand health services and physical fitness to be 'more responsive to women and gender-diverse military personnel.' It also includes \$100.5M over six years for a range of initiatives including strengthening leadership in the Canadian Armed Forces, modernizing the military justice system, and engagement and consultation on culture change.

Finally, the most significant funding line in the budget for defence was \$6.1B over five years, starting in 2022/2023, for "defence priorities, including our continental defence, commitments to our allies and for investments in equipment and technology to immediately increase the capabilities of the Canadian Armed Forces." Roughly half of this was subsequently identified as funding for continental defence modernization, discussed further below.

Looking forward, the budget also committed to two potentially consequential measures for defence. The first is the Trudeau government's second defence policy review, which will cover "amongst other things, the size and



Flanked by Labrador MP Yvonne Jones and Chief of Defence Staff General Wayne Eyre, Minister of National Defence Anita Anand announces at 5 Wing Goose Bay that it will be one of four northern locations that will be upgraded as part of Canada's NORAD modernization plan.


capabilities of the Canadian Armed Forces, its roles and responsibilities, and making sure it has the resources required to keep Canadians safe and contribute to operations around the world.”⁸ In her Budget Speech, Finance Minister Chrystia Freeland stated it would be “a swift defence policy review to equip Canada for a world that has become more dangerous.”⁹ The specific remit of the review is not yet clear, but a senior official indicated that it would be broad and examine the level of funding required to support the full array of Canadian defence commitments.¹⁰

The ‘swiftness’ of the exercise is likely subject to interpretation. Further, even if what seems to be an almost entirely internal exercise can be completed quickly, that does not mean the government will rapidly choose and announce its preferred option. At the time of writing in early September 2022, the window to have the exercise concluded in time for inclusion in the 2023 budget cycle was already narrowing considerably.

Finally, of note, the Trudeau government has entered into a period of more restrained fiscal policy. The budget committed to a review of previously announced spending with the objective of “reducing the pace and scale of spending that has yet to occur by up to \$3 billion over the next four years,”¹¹ in other words, spending less than intended on previously announced initiatives. It is also launching a Strategic Policy Review, that aims to save \$6B over the next five years, and \$3B annually each year thereafter. No details were provided about these plans, but during the last round of expenditure restraint during the 2010s about one-fifth of the overall savings came from DND, proportional to DND’s share of government operating expenses.

In June 2022 the Minister of National Defence presented the government’s plan for modernizing continental defence, an even more consequential set of spending pledges than the budget. The plan includes investments in five

areas: surveillance systems; command and control; advanced air-to-air missiles; infrastructure and support capabilities; and science and technology investments.¹² The funding arrangements for this announcement are complex, so much so that the Chief of Defence Staff indicated in an interview that he did not fully understand them a week after they were announced.¹³ The full value of the announcement over 20 years is \$38.6B on an accrual basis, comprised of \$3B in funding announced in Budget 2022, \$8.9B identified in the Fall Economic Statement in 2020, as well as new money.¹⁴

While the full details of this spending are not yet well understood, and may never be, given how complicated they are, when added to the Budget 2022 commitments, they represent significant new defence spending. Since Russia invaded Ukraine, the government has added approximately \$35B in new funding to DND’s budget over 20 years: \$8.2B in Budget 2022, plus the \$38.6B announced in June for continental defence, less the \$3B from Budget 2022 and \$8.9B in the Fall Economic Statement in 2020 that were included in the continental defence modernization announcement. For the sake of comparison, *Strong, Secure, Engaged* added an extra \$53B to the defence budget on an accrual basis over 20 years in 2017. While the Trudeau government has certainly not made it easy to understand what it has been doing with the defence budget, it has increased it meaningfully. 

Notes

1. Marieke Walsh, “Prime Minister Justin Trudeau Open to Raising Canada’s Military Spending,” *The Globe and Mail*, 7 March 2022.
2. Interview with Minister of National Defence Anita Anand, *Power and Politics*, 16 March 2022.
3. Her Majesty the Queen in Right of Canada, Department of Finance, Budget 2022, 7 April 2022, p. 133.
4. The increase for 2022/2023 includes the \$500M for military aid to Ukraine. If this is removed, the increase roughly 1.5%.
5. World Bank, “Food and Energy Price Shocks from Ukraine War,” Press Release, 26 April 2022.
6. This would also include the spending that occurs outside of the Minister of National Defence’s portfolio that is included in the NATO-accepted definition of defence expenditures. This same point was also made in a pre-budget leak to the CBC’s Murray Brewster. See “Defence Getting Billions of Dollars in New Money from Thursday’s Budget: Source,” CBC News, 6 April 2022.
7. Murray Brewster, “Trudeau Promises to Arm Ukraine with Modern Military Equipment,” CBC News, 30 June 2022.
8. Budget 2022, p. 133.
9. Minister of Finance, Chrystia Freeland, “Budget Speech, Budget 2022,” Department of Finance, 7 April 2022.
10. Senior Government Official, Media availability, Budget 2022 lock-up, 7 April 2022.
11. Budget 2022, p. 213.
12. Department of National Defence, “Minister Anand Announces Continental Defence Modernization to Protect Canadians,” News Release, 20 June 2022.
13. Interview with Chief of the Defence Staff, General Wayne Eyre, *The West Block*, 26 June 2022.
14. Canada, “Fact Sheet: Funding for Continental Defence and NORAD Modernization,” 21 July 2022.

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