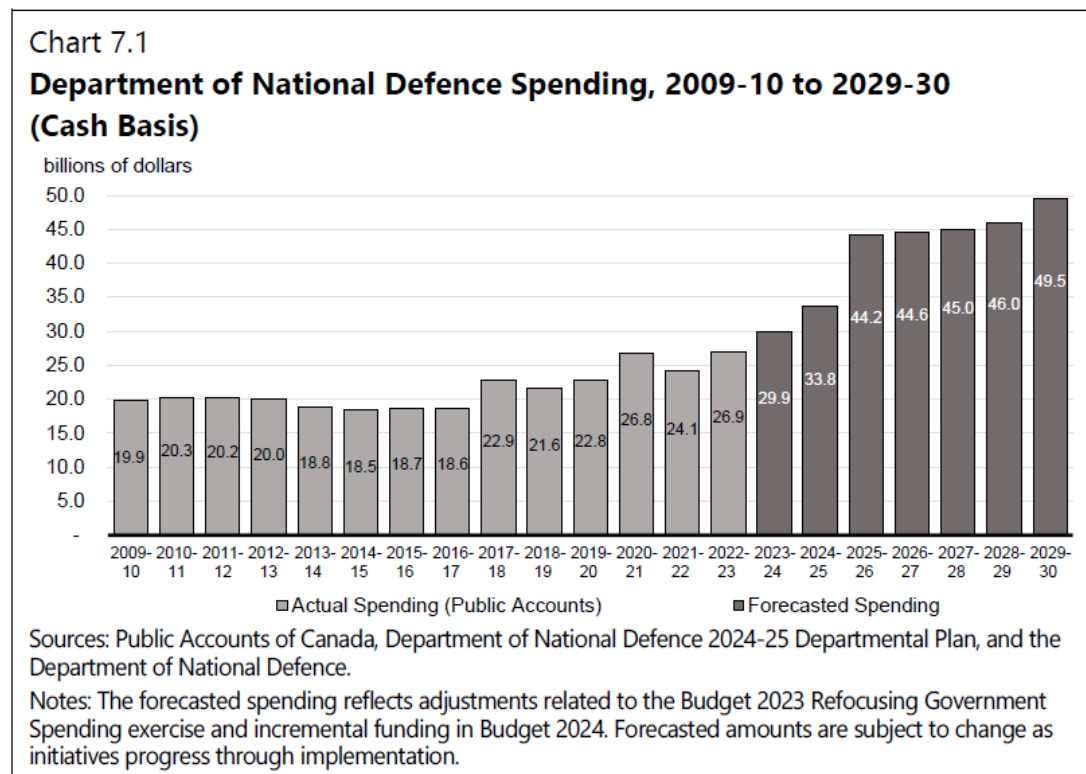


Budget 2024: Defence & Cyber Sector Overview

The Deputy Prime Minister and Minister of Finance, Hon. Chrystia Freeland tabled Budget 2024, titled [Fairness for Every Generation](#) in the House of Commons on April 16, 2024. The NDP will support the budget.

Defence received the of \$8.1 billion over five years, starting in 2024-25, promised in *Our North, Strong and Free* (ONSF) – the updated defence policy update released on April 8. The Budget lists specific projects, the amounts of which differ on occasion from those listed in ONSF.

It recommits to the \$73.0 billion over 20 years set out in ONSF going to the Department of National Defence (DND), the Communications Security Establishment (CSE), and Global Affairs Canada (GAC)



Leveraging and Changes to Public Procurement

Budget 2024 announces the government's intention to propose legislated procurement targets for SMEs and innovative firms to “drive innovation and support Canadian businesses bringing new, cutting-edge solutions to market.” It claims the government will consult with industry stakeholders, and innovation organizations, as well as evaluate international best practices in developing a proposal. A proposal for targets will be outlined in the 2024 Fall Economic Statement. It is unlikely that this legislation will be passed before the next election.

Budget 2024 also commits Canada to undertake a Defence Policy Review every four years, as part of a cohesive review of the National Security Strategy and commits to undertaking a review of Canada's defence procurement system, which we assume refers to the initiative led by PSPC's Siobhan Hardy.

Budget 2024 seeks to achieve savings through natural attrition in the federal public service. Starting on April 1, 2025, federal public service organizations will be required to cover a portion of increased operating costs through their existing resources. Over the next four years, based on historical rates of natural attrition, the government expects the public service population to decline by approximately 5,000 full-time equivalent positions from an estimated population of roughly 368,000 as of March 31, 2024. Altogether, this will achieve the remaining savings of \$4.2 billion over four years, starting in 2025-26, and \$1.3 billion ongoing towards the refocusing government spending target.

Defence Procurement related measures

Measure related to defence, marine, aerospace and space acquisitions include:

- \$549.4 million over four years, starting in 2025-26, with \$267.8 billion in future years, for DND to replace Canada's worldwide satellite communications equipment; for new tactical helicopters, long-range missile capabilities for the Army, and airborne early warning aircraft; and for other investments to defend Canada's sovereignty;
- \$1.9 billion over five years, starting in 2024-25, with \$8.2 billion in future years, for DND to extend the life of the *Halifax*-class frigates and extend the service contract of the auxiliary oiler replenishment vessel;
- \$1.4 billion over five years, starting in 2024-25, with \$8.2 billion in future years, for DND to replenish its supplies of military equipment;
- \$1.8 billion over five years, starting in 2024-25, with \$7.7 billion in future years, for DND to build a strategic reserve of ammunition and scale up the production of made-in-Canada artillery ammunition. Private sector recipients will contribute to infrastructure and retooling costs;
- \$941.9 million over four years, starting in 2025-26, with \$16.2 billion in future years, for DND to ensure that military infrastructure can support modern equipment and operations;
- \$917.4 million over five years, starting in 2024-25, with \$10.9 billion in future years and \$145.8 million per year ongoing, for CSE and GAC to enhance their intelligence and cyber operations;
- \$281.3 million over five years, starting in 2024-25, with \$216 million in future years, for DND for a new electronic health record platform for military health care;
- \$149.9 million over four years, starting in 2025-26, with \$1.8 billion in future years, for DND to increase the number of civilian specialists in priority areas; and,
- \$52.5 million over five years, starting in 2024-25, with \$54.8 million in future years, to Canada to join the NATO Innovation Fund.
- Reallocating \$156.7 million over three years, starting in 2026-27, and \$537.7 million in future years from funding previously committed funds in *Strong, Secure, Engaged* for:
 - \$1.2 billion over 20 years, starting in 2024-25, for DND's Capital Investment Fund; and,
 - \$66.5 million over five years, starting in 2024-25, with \$7.4 billion in future years to DND for the Future Aircrew Training program. Of this amount, \$66.5 million over five years, starting in 2024-25, would be sourced from existing DND resources.

A Finance Canada official and a DND official confirmed that the \$7.4 billion and the \$1.2 billion for the Capital Investment Fund are both over "future years", that is beyond the five-year fiscal framework of the government, and possibly well beyond that – and that those amounts are addition to the \$73 billion total referenced in both the ONSF and in the Budget commitment.

Budget 2024 provides Ukraine with:

- \$2.4 billion in loans for 2024, of which \$2 billion was provided on March 20, 2024, through the International Monetary Fund Administered Account for Ukraine.
- \$1.6 billion over five years, starting in 2024–25, to the Department of National Defence for the provision of lethal and non-lethal military aid to Ukraine.
- \$216.7 million (€137.2 million) over five years, starting in 2025-26, for Canada's share of the EBRD's general capital increase for Ukraine's reconstruction.

For innovation related programming and actions, Budget 2024 proposed modernizing the Scientific Research & Experimental Development tax incentives and further capitalizing the program with \$600 million over four years, and \$150 million per year ongoing, to boost research and innovation.

For space, Budget 2024 proposes \$8.6 million in 2024-25 to the Canadian Space Agency for the Lunar Exploration Accelerator Program and calls for the establishment of a new National Space Council to improve collaboration with the sector in the commercial, civil, and defence domains.

Cyber Procurement and Cybersecurity related measures

Measure related to cyber acquisitions and cybersecurity include:

- \$655.7 million over eight years, starting in 2024-25, with \$191.1 million in remaining amortization, and \$114.7 million ongoing to the Canadian Security Intelligence Service to enhance its intelligence capabilities, and its presence in Toronto.
- Over \$2.4 billion, including to launch a new AI Compute Access Fund and Canadian Sovereign Compute Strategy, and to support AI adoption.
- \$11.1 million over five years, starting in 2024-25, to the Treasury Board of Canada Secretariat to implement a whole-of-government cyber security strategy.
- \$27 million over five years, starting in 2024-25, and \$2.3 million ongoing to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) for cyber resiliency and additional data security.
- Making technical amendments to the *Financial Administration Act* to align Communications Security Establishment procurement authorities with similar authorities of other national security partners.
- Launching a data governance review of federal financial sector agencies, to be led by the Finance Department.

Veterans

Budget 2024 proposes to provide:

- An additional \$6 million over three years, starting in 2024-25, to Veterans Affairs Canada (VAC) for the Veteran and Family Well-Being Fund. A portion of the funding will focus on projects for Indigenous, women, and 2SLGBTQI+ veterans.
- \$9.3 million over five years, starting in 2024-25, to VAC to extend and expand the Veteran Family Telemedicine Service pilot for another three years. This initiative will provide up to two years of telemedicine services to recent veterans and their families.