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Chair: Ben Carr





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• (1630)

[Translation]

**The Chair (Ben Carr (Winnipeg South Centre, Lib.)):** Good afternoon, everyone.

[English]

I hope you've had a good start to your week. I'm going to call the meeting to order.

We are here for what is our last meeting on the defence industrial strategy. We've had a wonderful set of conversations over the course of the past number of weeks.

We have three witnesses here in the room with us today for the first hour, and then three will be joining us virtually.

I will just remind you, for the health and well-being of our interpreters, that if your earpiece is plugged in but not on your ear, please make sure that it's placed on the sticker on the table in front of you.

As I mentioned, we have three witnesses with us here today. From Galaxia Mission Systems, we have Arad Gharagozli, chief executive officer. From Samuel Associates Inc., we have Goran Pestic, president and chief executive officer. Finally, from Solace Power Inc., we have Neil Chaulk, chief executive officer.

Witnesses, you'll each have up to five minutes for your introductory remarks. I'll give you a little wave if you're going over time. From there, we will go into the lines of questioning allocated to the political parties represented across the table from you today.

With that, Mr. Gharagozli, we will go to you first. You have the floor for five minutes.

**Arad Gharagozli (Chief Executive Officer, Galaxia Mission Systems):** Mr. Chair and honourable members of the committee, thank you for the opportunity to appear before you today.

Good afternoon. My name is Arad Gharagozli. I am the founder and CEO of Galaxia Mission Systems. We are building sovereign space capabilities for Canada, focused on next-generation earth observation systems for both defence and civil applications.

Our goal is simple: Canada should not have to rely on foreign suppliers for core space capabilities. Galaxia is the only company building a fully Canadian space mission, where every major component is designed, manufactured, integrated, launched and operated here at home with Canadian SMEs. This is a truly sovereign system, and we are on track to launching this system in early 2028, hopefully from Canadian soil.

Space is now a cornerstone of modern defence. Every domain of war-fighting is relying on space, specifically Arctic awareness, resilience in communication, intelligence gathering, targeting, navigation and so on. If we want to be a credible and capable partner to our allies, we need to pick up the pace, because we cannot afford to lag in this domain anymore.

There are several recent reports that came out specifically on Canada's defence capabilities. One is from the Canadian Space Agency. RBC just released one, and it's showing a worrying trend of Canada really falling behind. We are last in rank out of 10...from the Organisation for Economic Co-operation and Development, as well as among G7 countries, when it comes to defence spending and public spending as a whole. Annually, the U.S. is putting about \$7 billion in venture funds into space capabilities. That's about seventeenfold more than what Canada is doing per capita.

What do we do about that? The answer to that is that Ottawa must become an anchor client to Canadian defence producers, and space is just a subdomain of that. Canada simply needs to buy more to enable Canadian SMEs to manufacture and innovate faster in order to become competitive globally.

We also need to rely less on foreign purchasing and on hoping that ITB will fix the gap later on. We simply need to empower our SMEs to build and innovate. This can happen through strategic procurement, scale, and financial tools focusing on technical excellence.

Right now, we create technologies and companies that are just orphans. We are developing a lot of R and D here in Canada, but that's about it. A lot of those companies do not see longer-term commercialization, so a lot of them move abroad, especially to the U.S.

Here's a very good example of how other nations are doing it. In the U.S., there is the SBIR program, which is funding these companies through small funds at the beginning, taking them through \$200,000...into \$1-million to \$2-million feasibility studies, and later on into \$50-million or \$60-million procurement programs. That really puts a lot of confidence in venture funds and other funds to show that space is truly a commercial market.

Let me close with this. Canada used to lead in space; we were early. We were the third country after the U.S. and the U.S.S.R. to get into space. We were bold, but leadership does not sustain and survive on nostalgia. We don't really have a lot to talk about when it comes to our future ambitions. We're really relying on what we have done in the past, and that's risky.

We can stay comfortable and watch our most innovative companies leave and grow elsewhere, or we can choose to help them lead globally by staying here in Canada. The window is narrowing. The first-mover advantage, especially in space and commercial space, is only months or years, not decades. This cycle will not break until Ottawa makes a firm decision and commits to building Canada's space and defence capabilities through a modern, predictable and rapid procurement system that anchors and skills Canadian SMEs. The clock is ticking.

Thank you.

• (1635)

**The Chair:** Thank you very much.

Mr. Pesic, we'll go to you next for five minutes. The floor is yours.

**Goran Pesic (President and Chief Executive Officer, Samuel Associates Inc.):** Thank you very much, Chair.

Good afternoon, ladies and gentlemen.

Vice-chairs and honourable members of this committee, thank you for this opportunity to address you today regarding Canada's future defence industrial strategy.

Let me just set the context here. Canada's security environment has fundamentally shifted, and that's in the past tense.

We meet at a pivotal moment in history. The era of the peace dividend has ended, and the assumptions that have carried us through the post-Cold War era have now essentially evaporated and collapsed. We're living through the most significant shift in global security architecture in more than a generation.

Budget 2025 recognizes this new reality, and I compliment the government for this very strong budget. With it, the government is beginning the critical work of reorienting Canada's defence industry. It acknowledges that Canada must first rebuild the foundations of its national defence through its industrial base. It is now time to begin the process of planning how to build a defence industrial strategy that provides the Canadian Armed Forces with the tools needed to advance this country's national interests.

I will make three recommendations to represent what I consider are three critical paths to meeting the new defence industrial strategy. These are perhaps a bit unconventional, but I'd like to be entertaining today just to add some spice.

The first is a credible path to Canada's NATO commitments. What I mean by this is that the defence industrial strategy's foundation should be based on a transparent, credible defence spending road map to meet our obligation of putting 5% of our GDP to defence by 2035. A transparent, phased-in, economically grounded plan is essential for ensuring that increased defence spending be-

comes a catalyst for growth, innovation and resilience in a framework with three major pillars that I'd like to propose today.

First—and this is a difficult one, but please bear with me—2% of the 5% should be slated toward the co-development of the continental defence apparatus with the United States. This includes integrating air and missile systems for NORAD modernization and—perhaps a little controversial, but I'm open to it—procurement of long-range strike capabilities through strategic bombers like the B-21 Raider, which would provide Canada with significant deterrence. At the end of the game, we all want deterrence as the end state and, certainly, interconnectivity for our Five Eyes partners.

Second, 1% out of the NATO 5% should go to Arctic contributions, dedicating a significant portion to building out dual-use infrastructure ports, including submarine ports with allied interoperability; satellite communications and constellations; northern airfields; icebreakers; and community resilience in the Arctic.

Third, the last 2% of the 5% should be slated toward manufacturing and development with allied support. This final portion would be given to Canada's interests in Europe and the Indo-Pacific in supporting advanced manufacturing that enhances both collective security and the development of capabilities to mine and exploit critical minerals.

This allocation of the 5%—2%, 1% and 2%—reflects a unique geopolitical position and the comparative advantages that it has. Laying down a detailed vision of how to spend this I believe is very important. It provides a credible direction to industry and all levels of government, allows Canada to coordinate with our allies to foster interoperability and interchangeability, which is growing, and provides credible targets to allow benchmarking for performance and accountability.

This brings me to my second recommendation: taking a whole-of-nation approach to defence industrial development. This strategic capability as envisioned cannot be bought with money alone. It requires a whole-of-nation approach that mobilizes the whole of the citizenry.

This starts with significant intergovernmental coordination. Without structured federal-provincial alignment, we risk building systems that don't connect, scale or work. Defence and economic development must move together, not in parallel silos. This also requires solutions-based procurement. Right now, innovation and procurement barely speak to each other, requirements take years to develop and risk tolerances are extremely low.

To bring in a culture of solutions-based procurement, I recommend the institutionalization of the particular new office that I'd like to propose today—the office of defence innovation and commercialization—to bring customers directly to producers. This model allows the Canadian Armed Forces to raise the capabilities they demand and asks industry to compete to propose optimal solutions. The office of defence innovation and commercialization could be situated within the new Defence Investment Agency, perhaps DRDC or perhaps even at ISED. That's just a proposition.

- (1640)

I would also like to bring up my third point, which is citizenship, duty and national participation—

**The Chair:** Mr. Pesic, I'm sorry to interrupt. We are now over the time that's been allotted. However, members have lots of questions, and I suspect that through their generosity, they will prod you to get to that third point.

I'm sorry to interrupt you, sir, but I have to keep us on schedule.

**Goran Pesic:** Thank you very much, Chair.

**The Chair:** Mr. Chaulk, the floor is yours for up to five minutes, and then we'll go to our line of questioning.

**Neil Chaulk (Chief Executive Officer, Solace Power Inc.):** I'll try to keep it snappy.

Thank you, Mr. Chair and members of the committee, for this opportunity to contribute to Canada's defence industrial strategy.

This study comes at a pivotal moment. Canada faces intensifying global security pressure, long-deferred capital reinvestment requirements and an unprecedented scale of forthcoming defence expenditure. The essential question is how to maximize the benefits of these investments so that Canada develops the sovereign industrial capabilities that are needed to equip the Canadian Armed Forces while strengthening Canadian competitiveness and economic resilience.

We need our chosen strategy to deliver on near-term objectives while also being effective over the long term. In this context, it is essential that a modern DIS focuses on the segment of Canadian industry best positioned to deliver near-term capability, generate enduring intellectual property and become global champions of Canadian technology. That segment is the technology scale-up sector. These are firms that have progressed beyond start-up experimentation: They possess validated products and revenue, they already employ experienced teams and they are poised for accelerated growth. They are a source of technology and vital intellectual property, and they will make a massive difference to our country.

Why should scale-ups be a centrepiece of Canada's DIS?

First, they can deliver relevant capability rapidly. They're characterized by validated technology; existing production and pilot customers; experienced leadership and engineering teams; and readiness for rapid production expansion. They are also a very natural source of unique, strong intellectual property.

For defence procurement, where programs run long, integration is complex and operational reliability is non-negotiable, scale-ups offer an optimum blend of innovation and maturity. These firms are

already solving commercial and government problems, and the Canadian Armed Forces' adoption becomes an acceleration, not an invention exercise.

Second, scale-ups can deliver an operational advantage to the Canadian Armed Forces. Canadian scale-ups are active in fields directly aligned with CAF needs: advanced sensors, harsh environment power electronics, wireless communication, cyber-defence and so on. Supporting these companies through procurement preference enables the CAF to adopt capabilities that reduce platform vulnerabilities, increase reliability and performance, shorten logistics and maintenance cycles and allow Canada to field differentiated and higher-performing capabilities among its allies.

Third, scale-ups are the engines of Canadian IP creation. A large amount of Canadian IP that reaches global markets comes from scale-ups. These firms have the capacity to file patents, harden technology and commercialize globally, all while retaining ownership within Canada. Strengthening them helps Canada avoid the IP leakage stage, where early-stage companies are often acquired by foreign entities before their technology matures. We see this very frequently in the media. A scale-up-focused DIS will ensure that Canada grows the acquirers, not the acquired, which is where we certainly are.

The next question I want to pose is this: How does the support of scale-ups build a sovereign Canadian defence industrial base?

Government demand is a very strong catalyst. We don't see a lot of it today, but it would be super strong if we had it. You can see it in other countries, because history shows us the most durable defence industries globally—the U.K. and the U.S. are two examples—grew their domestic procurement deliberately. They were not shy about giving preference to domestic companies, and I don't think we can say we enjoy that situation.

When the Canadian Armed Forces buys Canadian technology, three critical things happen: companies scale rapidly and sustainably, Canadian IP is entrenched in CAF platforms and architectures, and export opportunities grow through validation by a Five Eyes military, namely the CAF. This is the most powerful industrial strategy that Canada can deploy if it wants to grow an industrial base.

Additionally, scale-ups can convert that support into industrial capacity. They will increase employment in Canada and accelerate the next-generation R and D, all while anchoring IP and ownership in Canada. Each dollar invested in scale-ups produces a multiplicative return in employment, IP retention and long-term competitiveness.

• (1645)

These firms are where Canada will get the fastest, most reliable and most sovereign outcome. My proposed policy recommendation is to make scale-ups the centrepiece of a defence industrial strategy. Prioritize scale-up technology companies for procurement-linked support. Create mechanisms such as early CAF adoption, field trials and rapid procurement pathways. Also, maintain industrial benefits programs such as ITBs and procurement decisions that encourage scale-up participation.

**The Chair:** Mr. Chaulk, I'm sorry.

**Neil Chaulk:** Thank you. I know.

**The Chair:** I gave you the same 30 additional seconds I gave to the previous witness. It would be quite unjust of me to let you go beyond that.

**Neil Chaulk:** I understand.

**The Chair:** We are going into our lines of questioning.

Madam Dancho, the floor is yours for six minutes.

**Raquel Dancho (Kildonan—St. Paul, CPC):** Thank you, Mr. Chair.

Thank you to the witnesses for your opening testimony. I appreciate it very much.

Mr. Chaulk, I appreciated your comments.

I believe Solace Power's board chair's name is Neil Desai. He's made some interesting comments over the last number of months that I want to put to you, and I think they're quite in line with what you're putting forward.

In an article, he said, "The No. 1 issue I see for our country [is that] our economics don't work." The article went on to say:

Structures in Canada around talent, capital, intellectual property and companies' freedom to operate looked very different only a decade ago, with entrepreneurs saying that a welcoming and supportive ecosystem put the wind in their sails [at that time]...

But those structures have changed during the last 10 years, he said. "The wind has actually been in the face of the entrepreneurs who are trying to do this at scale from Canada for the benefit of all Canadians."

The article goes on:

Canada has this "weird" innovation ecosystem structural problem—not seen in other countries—where intermediaries such as financiers, universities, and business incubators and accelerators are put at the centre for validating businesses, he said. "Everywhere else the business gets to validate the business."

With your comments on IP, obviously we need a very robust ecosystem to support the scale-ups that you've talked about. In light of some of his comments, can you give the committee a few more ideas for our policy discussion of what the Canadian government should be doing to facilitate this type of renewed ecosystem for entrepreneurs?

**Neil Chaulk:** That's a complex question. I'll try to do my very best to answer it.

I certainly can't speak for Neil Desai, but I would say having the incubators and all the various supports you see for small business start-ups—not so much scale-ups, but certainly start-ups in Canada—is a very healthy thing. You see a lot of companies get going.

The statistics around success rates of start-ups are pretty terrible. You do get validation through incubation and some of the nurturing that happens there, but the most true validation of a business is from the market. I think that's what we're probably missing.

Procurement in Canada is a game where we play not to lose, to quote Emad Rizkalla, one of my friends. We're not playing to win. We're very careful and very cautious, and of course, as it's taxpayers' money we should be, but I think we need to be prepared to take more risks in procurement.

With the Canadian Armed Forces, if the current expansion of investment is going to provide the opportunity for full participation across this country, then I think we can get a lot of validation that's true to the market and that builds a lot of scale-ups into bigger and medium-sized companies.

• (1650)

**Raquel Dancho:** Thank you very much.

Mr. Gharagozli, I saw you nodding your head quite a bit there.

Your opening comments hit on a lot of this. I think in particular you said we need to rely less on foreign purchasing and need to empower our small and medium enterprises to innovate. Do you have any thoughts on that?

**Arad Gharagozli:** I'm specifically talking about the space side. I'm pretty sure defence as a whole.... Even in the maritime domain, we are becoming a purchaser.

Specifically talking to the space side, Canada just recently signed a contract on WildFireSat. Canada does not have a very active space ecosystem when it comes to contracting active projects. We just signed a wildfire project, and phase one is \$150 million, I believe. The companies that have that project are an American company and a German company.

I don't think that's anyone's fault. I don't think any Canadian companies are put out of that. The reason behind it is that we simply do not have the sorts of systems built in Canada that can respond to those needs. We basically end up going into the market and seeing what other countries are building, and we ask, "Can we use your systems? We'll pay for them."

That's very dangerous, because a lot of the capabilities across the defence domain need to be.... We need to pick and choose which areas we're working with. We have a very strong shipbuilding program. When it comes to other domains of defence, are we going to become just a purchaser or are we going to put our foot down? Some of these emerging markets, including commercial space, are very raw. However, we have countries like the U.S.... Germany is a very good example. A lot of G7 countries put a significant amount of funds behind these markets.

We're simply falling way behind, and we're going to sit in the back and become purchasers.

**Raquel Dancho:** I believe last year you were a witness at the defence committee. You mentioned, "We must increase support to the Canadian Space Agency to ensure that research and development in essential space capabilities continue to grow." It sounds like you would appreciate more support and want it to support our ecosystem in Canada in the space industry.

The Liberals just announced half a billion dollars for the European Space Agency. Do you feel that perhaps this money should have been for the Canadian Space Agency for better local support? How do you see this working on a grander scale?

**Arad Gharagozli:** That \$580 million, I believe, is going to the European Space Agency via the Canadian Space Agency, as we are a contributing member to it. That is a very good program. However, one thing about it is that you have to find a European partner to work with to unlock the \$500 million. It's not like we can just go to the European Space Agency and say that we want to work on a project and they say, "Here's a \$500-million project."

The problem in a lot of these cases is finding a European partner. We have a very good relationship with the European Space Agency. That program would be very good if it could be aligned with other similar investments that are directly invested in Canadian companies to bring them to a point where they are on the same playing field as German or U.K. companies, because we simply are not.

Right now, if you look at the space ecosystem in Canada, it's not a really diverse ecosystem. We have one or two companies generating a lot of products and they have exports. When you look at the SMEs, there's a huge imbalance there, if you will. It would be good if that money could be coordinated, with the same amount going directly back into the Canadian industry.

• (1655)

**The Chair:** Thank you, Madam Dancho.

Mr. Noormohamed, welcome to the industry committee. The floor is yours for six minutes.

**Taleb Noormohamed (Vancouver Granville, Lib.):** Thank you, Mr. Chair, and thank you to the witnesses for being here.

Mr. Chaulk, I want to pick up on something you were just speaking about. I'm curious. In the context of capital structures in this country, one of the big challenges or big questions when you have companies like yours that are in the earliest stages is how we make sure the capital structures in this country are able to support the assurance that companies doing leading-edge work, particularly in defence, remain sovereign. One of the observations we would make

is that, particularly in early-stage companies, access to capital in a space like yours—and I would imagine in space as well—is severely constrained vis-à-vis the U.S.

What should we be looking at in this country to incentivize the private sector—Canadian capital in particular—to start making the types of investments it seems more comfortable making in similar ventures in other countries and more reluctant to make in similar Canadian companies? What is the mindset challenge we need to overcome when it comes to capital coming into these companies to do the type of innovative work that builds the defence sector in the way we need to do it?

Perhaps I'll start with you, Mr. Chaulk.

**Neil Chaulk:** With the mindset in this country, the capital is very specifically focused on what is currently the buzz, whatever that is. Today it's AI. It seems the entire market just swings with whatever the current technology is. It's partly because—and maybe we should be a little forgiving—we're not a large country economically, so we have a smaller set of opportunities.

There's a lot of data out there for this, but if you're looking for investment in Canada and you're not in a swim lane that's part of what everybody has recognized as a good bet today, whatever that is—at one point it was SaaS companies—then you'll have to go to the U.S. It doesn't matter if you start in Canada.

When we did it, we had one round. We bootstrapped ourselves for years and got one investor. It turned out to be a U.S. company. We talked to 200 different potential investors here and couldn't get anybody, but a customer bought us. We have a product going into production in automotive next year. We've done a ton of business with Boeing and a bunch of others and couldn't get an investor because we're a hardware company. Hardware today is not a cool thing. It's a bit about culture.

As for what the government can do, I don't actually know, except for fostering this ecosystem and building up a culture of worrying about scale-ups and medium-sized companies. Some of them will grow to be large. Germany is a fantastic example with a massive number of medium and large companies.

**Taleb Noormohamed:** Obviously, this is one of the challenges. It isn't for government to wave a magic wand and say, "We can solve this." To your point, the ecosystem and investment community in this country need to shift their own psychology.

As an entrepreneur, if you were to speak directly to the PE and VC funds and pension funds in this country that carry the massive opportunity of investing and are willing to invest in other countries, what would you say to them about the opportunities available to them in Canada?

This is one thing we need to emphasize. There are great, innovative companies, particularly in this sector, this space, when we're talking about national sovereignty, but they aren't seeing the same action from our own investors.

**Neil Chaulk:** For me, they can take a math approach to this. We still need to support start-ups. I'll say that to begin with. Start-ups are where scale-ups come from, but scale-ups are much less risky.

Once you pass a stage and become a 50- to 70-person company, have customers already, have a proven product, have markets internationally and have revenue, your probability of failure is much lower. Clearly, someone wants it. If you can use that as a metric to make investments, there's a reasonable risk there that the taxpayer probably could support.

• (1700)

**Taleeb Noormohamed:** Thank you.

With my remaining time, I'm going to Mr. Pesic. It's good to see you after close to 20 years.

I want to take you back 20 years to a trip we took to visit NATO in Brussels. One of the conversations happening 20 years ago was about sovereign wealth funds in markets making investments in aerospace, defence and industry that would support sovereignty at that time.

Through successive governments of different parties, we've never really broached the idea of a sovereign wealth fund that looks at defence and that looks at sectors and aerospace and so forth. Do you think it's time for us to start thinking about that?

**Goran Pesic:** It's good to see you. My hair is a bit whiter, but 20 years have gone by in a flash. It's nice to see you and congratulations.

We need to look at the notion of patient capital. Patient capital, to an earlier point, could come from pension funds or definitely from a sovereign wealth fund of some form—however we determine patient capital needs to look.

We need to define what that means in our context. This is all new. Whatever we believe Canada needs, we shouldn't be looking to other countries for examples. We need to create, with our home-owned solutions, opportunities that are meeting our current circumstances and our marketplace needs and demands.

The defence industry is a managed economy. It's outside the normal business cycle. For example, if the normal business cycle is five to seven years, basically the defence business cycle is one of potentially 10, 15 or 20 years, or even a generation. This managed economy needs to be seen as such, with different rules that apply versus market-based rules that are for the commercial market.

**The Chair:** Thank you, Mr. Noormohamed.

[*Translation*]

Good afternoon, Mr. Ste-Marie.

You have the floor for six minutes.

**Gabriel Ste-Marie (Joliette—Manawan, BQ):** Good afternoon, everyone.

Thank you to our witnesses for joining us.

I'd like to begin with Mr. Pesic, from Samuel Associates.

Mr. Pesic, since you didn't have time to finish the third point in your presentation, I'll give you time to wrap up your remarks to ensure we understand your point of view.

Thank you.

**Goran Pesic:** Thank you very much.

[*English*]

The third point is the notion that integrated defence literacy needs to be among our population. I would propose that a national day of recruitment to celebrate service and inspire national pride—provincial, regional and local—be celebrated on the first Monday in June. This is about creating a team environment.

For instance, how do employees from Canadian Tire, Tim Hortons and McDonald's, or any employees wearing a uniform, get involved? Honestly, I see the national day of recruitment as a great opportunity for them to show how they're doing work in the service industry with a uniform and delivering excellence to customers. That notion is how we can get those sectors of the economy, especially the service sector, to be in an excellent place to promote a national day of recruitment.

I'd like to mention something important, and that is not to forget our veterans. According to an organization we've supported and continue to work with, the Homes for Heroes Foundation, there are currently 10,000 homeless Canadian veterans. That's according to a McGill study it had commissioned.

When we think about a defence industrial strategy, we need to think about the veterans in different categories. In considering the ITB policy or Canadian content—however we get involved with the metrics around the obligations towards some projects—perhaps a veterans component could be seen as improving the ITB regime, or whatever point system one would have in a competition for an RFP.

That was my last point. I hope that completes my thoughts on some recommendations today.

[*Translation*]

**Gabriel Ste-Marie:** Thank you very much, Mr. Pesic. Perhaps I'll get back to you later.

I'd like to clarify something with Mr. Chaulk, from Solace Power.

First, Mr. Chaulk, it appears that you didn't have enough time to finish your presentation. You can take some time to do so now.

• (1705)

[English]

**Neil Chaulk:** Thank you. I was nearly done as well. I apologize for that. I actually did try to time it.

My final point was regarding policy recommendations: maintain the industrial benefits programs and procurement decisions to encourage scale-up participation, and ensure that scale-ups have access to long-term procurement visibility; to continued support of the regional development associations, such as the Atlantic Canada Opportunities Agency, the western diversification fund and so on; to export support through the trade commissioner service; and to IP retention and development incentives. These are all essential things, and they're such a force multiplier for start-ups that it's impossible to overstate that. That's it.

[Translation]

**Gabriel Ste-Marie:** Okay, thank you very much.

Mr. Pesic, could you provide more details about the office you have recommended? Who would connect clients with producers?

Perhaps you can share a few examples.

[English]

**Goran Pesic:** The proposed new office of defence innovation and commercialization is intended to be a one-stop shop for companies, associations, interested entrepreneurs and others. I like to look at it as a window into what we consider all the defence innovation initiatives. Companies that are looking for grants could have a place to go to get information and qualification. Information, such as on getting a security clearance or participating in programs on the innovation side, could be seen as that, so this is a very high-level proposal that I'm suggesting.

On the commercialization side, this is a very big “valley of death” slope that a lot of companies hit. They may get, for example, Government of Canada money to participate in a program, like the IDEaS program, but where they fall off is on the notion of commercialization. Currently, no government organization, department, agency or Crown corporation has the opportunity to help a company to the next step of commercialization, so that could be seen as important.

Also, this office could serve as the hub for intellectual property. As government is giving grants and developing innovative technologies, it could be seen as working with companies on how to protect IP. What does that actually mean? Does the government want to purchase some of the IP and provide royalties for IP? Also, how does one secure IP from adversaries?

We don't necessarily have answers, but those would be some of the early-stage discussions on this new office of defence innovation and commercialization.

[Translation]

**Gabriel Ste-Marie:** Thank you very much, Mr. Pesic.

Thank you, Mr. Chair.

**The Chair:** Thank you, Mr. Ste-Marie.

Your generosity is making me look like the villain here. Anyway, that's kind of you.

[English]

Mr. Falk, the floor is yours for five minutes.

**Ted Falk (Provencher, CPC):** Thank you, Mr. Chair.

Thank you to our witnesses here this evening at committee.

Mr. Gharagozli, I'd like to start with you, if I may. You talked about there being more investment dollars available in the U.S. for venture capitalists. I'm a little curious, though, about the process, because we are looking at the procurement for the whole department.

As a space company, do you have to come up with an idea for a shiny new object you have to sell to somebody? Do you get your direction from the government, in its budget or vision, on what's needed? Does the department come to you and say, “This is what we would like you to come up with. Can you develop it?”

**Arad Gharagozli:** That's a really good question. I think that can come in different formats, depending on what the direction of the company is.

When it comes to defence, it's a bit of a tricky area. I would say that many Canadian companies do not have the classification to have those talks freely with the CAF to understand what the gaps and requirements are to then put forward a proposal. For example, if you're looking at sovereign and Arctic communication systems, or if you're looking at above-ground horizon systems, what are the gaps, where can we come in and where does the innovation come in?

There, programs like IDEaS come in, and they propose a general idea. They say they're looking at enhancing communications, say, and ask if anybody has ideas. That's one stream. A lot of companies look at that and try to understand what the requirements are, but it's a shot in the dark. Most of the time, they might not be true.

In the second case, you can look at what other countries are doing, what sorts of capabilities they have and whether we can develop the same things here. We certainly use a lot of those capabilities, especially when it comes to earth intelligence as well as communication. We simply do not own a lot of those capabilities, so some companies may look elsewhere and—

• (1710)

**Ted Falk:** When you buy those capabilities from some of our defence partners, do they come with source code?

**Arad Gharagozli:** Most of the time, no.

We buy them as a system, if that. It depends on the platform you're talking about, but most of the time you just get access to the data. In a lot of cases, the data goes through almost a filtration system to see, for example, if Canada is okay to own that sort of data or intelligence.

**Ted Falk:** Thank you.

Mr. Chaulk, I'd like to expand a bit on some of your comments.

Your board chair has previously stated that there have been a lot of headwinds when it comes to developing products in the last 10 years under the Liberal government. They haven't created an environment for entrepreneurship and innovation. Start-ups are very different from scale-ups.

When you access government money—and you talked about most of our IP leaving this country for commercial purposes—is there an opportunity for government to create equity in these companies when it provides initial funding?

**Neil Chaulk:** I would say there is an opportunity. It's not typically done. Usually it's a loan from the RDAs, such as ACOA. That could be a consideration.

One thing I see as a problem with the way it is done today is transitioning from a start-up to a scale-up, given the magnitude of money required to sustain a scale-up. Your payroll goes from a couple of hundred thousand dollars a month to \$1 million a month or so, and then more. The level of risk that the RDAs and others are willing to take on to invest in you—in other words, the amount of money—is not there. There's really no mechanism for that today that I know of, except maybe the SIF program under ISED, but that's not easy to get either.

**Ted Falk:** Boeing has made a significant investment in your company.

**Neil Chaulk:** Yes.

**Ted Falk:** Is that because there are government incentives in the United States for them to do that, or is that just because they see commercial value?

**Neil Chaulk:** Boeing gets ITBs when they do anything with us, because we're a small Canadian scale-up.

All of our business with Boeing, with one exception, was on projects like CH-47 or other things. We were doing work that they wanted done. We are probably one of the only companies in the world that do the harsh-environment wireless power thing we do. Even under water, we can transfer energy.

We've done a lot of helicopter work, mostly with them. They did it, but of course, ITB sweetened the pot. Also, we had, last year, a \$10.3-million investment framework. That made them get the multiplier for the investment framework.

**Ted Falk:** Okay.

**The Chair:** Thank you, Mr. Falk.

Madam O'Rourke, the floor is yours for five minutes.

**Dominique O'Rourke (Guelph, Lib.):** Mr. Gharagozli, your presentation really resonates. We heard a presentation two weeks ago at the space reception. The head of Space Canada, I believe, said that there is no defence without space. There are no telecoms and there is no surveillance—all that stuff. We need space. Your point was very well taken.

I'm curious. Budget 2025 has put nearly \$82 billion over five years into defence. We'll meet the 2% NATO commitment, and we're throwing a path to meeting the 5%. Is that not sufficient? Should it be allocated differently? Perhaps you could answer really

quickly, because I have a couple of other questions for the other witnesses.

• (1715)

**Arad Gharagozli:** That amount is sufficient, but how much of that money is actually going directly into space capability development programs, and how much is actually going to advance a lot of these SMEs from a start-up scale to a scale-up stage? Those are very important questions.

**Dominique O'Rourke:** We've also introduced a productivity superdeduction and a newly expanded SR and ED program. Would either of those things also be helpful to the space sector? I ask because they're sector agnostic.

**Arad Gharagozli:** The SR and ED program and R and D rebate programs as a whole are good, but a lot of companies at this stage just need direct funding in the form of projects to build rapidly instead of trying to spend money up front and then going through the process to reclaim it. The most efficient way for any of these companies to go from the scale of a start-up to the point where they can be export-ready SMEs is to have multiple programs that can propose projects that build capabilities across all defence domains.

If we say there is going to be a five-year program, even at \$15 million, that creates predictability. That allows companies like ours to hire talent, train them and build infrastructure, which is actually much more important. However, we doubt that. There is a lot of uncertainty. Private sector investors are not that excited about it either.

**Dominique O'Rourke:** You're looking for a project that calls for proponents, not for you to develop something and then seek a contract. Is that right?

**Arad Gharagozli:** Yes, ideally.

**Dominique O'Rourke:** Okay.

To the other witnesses, budget 2025 introduces a \$1-billion small and medium business credit program for defence contracts. There are two things I'm wondering about there. One, is that a welcome addition? Two, the United States has what's called APEX Accelerators to help small and medium-sized business bid on government contracts. Is that something you would recommend for Canada?

**Goran Pesic:** I can take this one.

As I mentioned earlier, I think when we look at the Canadian jurisdiction, our own framework, our own realities, we should try to create programs that will work for us. Even though there are models working under different jurisdictions, like in the United States with the DOD and others, they're in a different category. There's also a lot of heritage there in how they've been working and how they've been reforming recently.

My suggestion is that we look for a made-in-Canada, Canadian-made solution. I think we have enough intelligent people to come up with a unique Canadian-made program to fit the needs of Canadian start-ups, scale-ups, large and small businesses, and entrepreneurs trying to access these funds.

That's my suggestion. We have an opportunity to do something by ourselves, for ourselves. Let's take that on with serious challenge and output.

**Dominique O'Rourke:** I have another question for you, Mr. Pesic.

You talked about a whole-of-nation approach, mobilizing the whole citizenry, and defence literacy. In our first or second meeting, an assistant deputy minister said to us that we don't have time for silos. She said explicitly that this is not peacetime. I suspect that most Canadians going about their business are not thinking that.

What do you think of the concept of having more citizens engaged? While we should have our made-in-Canada model, it's been the case that other countries have mobilized citizens when there's emergency preparedness. Do you think Canada should be looking at a model where there's more preparedness on the part of regular people?

**Goran Pesic:** That's a very fair question.

I think the old public safety ads that ran perhaps 10 or 15 years ago about being ready for 72 hours apply just as much today as they applied when they were first rolled out, in any stripe of government. I think that's an important public safety message: Be ready for 72 hours. Given the climate, given where we live, that's an ongoing message.

I'd like to propose again this notion of a national day of recruitment. We don't have such a thing. Perhaps others do; we don't. Again, it's a Canadian solution for Canadian times. What I like to think about when we're talking about ITB programs is, why not include Canadian Tire, Tim Hortons, McDonald's—anyone who is wearing a uniform—or even veterans' organizations?

A national day of recruitment should be seen as something we celebrate as a way of perhaps bringing new Canadians into the Canadian military system, and also Canadians looking for alternative employment who maybe didn't consider a military career, even a reservist opportunity. This could be done, I would say, fairly inexpensively. However, the commercial market out there—perhaps retailers, just as an example—I think would welcome such an opportunity to get involved in a new defence industrial strategy.

This is what I'm proposing, and it is something of a mind shift, but we need to think differently in the times that you're describing as the end of peacetime. Perhaps it's the time of preparation, which a lot of nations are signalling, like the United States.

• (1720)

[*Translation*]

**The Chair:** Thank you very much, Ms. O'Rourke.

Mr. Ste-Marie, you have the floor once again. We don't have more opening remarks, so feel free to ask a question.

You have the floor for two and a half minutes.

**Gabriel Ste-Marie:** Thank you, Mr. Chair.

I'll address Mr. Pesic first and if I have more time, I'll ask the other witnesses to chime in.

Mr. Pesic, how can the government evaluate the success of its defence strategy?

What performance indicators could it use and how?

**Goran Pesic:** That's a great question, Mr. Ste-Marie.

[*English*]

Success has to be seen in non-material terms. We talk about sovereignty. What does that mean? That can't be quantified in material terms. That is a much higher order thing.

Success has to be seen as preparing Canada for the 21st century under current geopolitical constraints, partnerships and shifting interests. Success has to be seen as, for example, building a railway from coast to coast. It was a vision that someone had that others bought into. This was a nation that got behind an idea, and to this day, 150 years later, we are still using those rail networks. That was a success that nobody thought it would be back then, but they saw the potential of not only large-scale infrastructure projects—as we're talking about infrastructure—but also nation-building projects.

We need to think in the context that a successful country is a country with a perpetual nation-building status. We need to be seen not as armchair participants, with the arena in front of us and others somehow dictating what the game looks like. We need to be seen, every day in this House, and in businesses and universities, as being in the craft of nation building. That is a very important process, because if we stop, other adversaries don't. They have ambitions that may overtake ours.

I'm just saying that success has to be defined in national and strategic terms. At a military level, if Canada can provide a significant defence deterrent—in other words, deterrence against adversaries—with our allies, including the United States, NATO and partners, then that is a major success for all of Canada for the future.

I hope that answers your question. It is a hard one, but it is more existential and philosophical than it is, perhaps, material.

[*Translation*]

**Gabriel Ste-Marie:** Thank you very much.

Thank you, Mr. Chair.

**The Chair:** Thank you very much, Mr. Ste-Marie.

[English]

Mr. Guglielmin, I'll give five minutes to you.

**Michael Guglielmin (Vaughan—Woodbridge, CPC):** Thank you, Chair.

Mr. Gharagozli, Galaxia has gone further than most start-ups. You launched MÖBIUS-1. You secured CSA and DND support, yet you also told the national defence committee that current bureaucratic procurement processes still block new space firms from fully engaging.

Based on your experience, what specific parts of the procurement process need to be improved so that our tech start-ups can actually scale?

**Arad Gharagozli:** It requires a significant overhaul.

We just secured a new contract with the Department of National Defence for our CTOS project. It's a Canadian tactical operations satellite. Just to give you an example, from the time it was awarded to when we had the contract signed, it took us more than, I would say, 14 or 15 months. That is a forever time in a start-up life cycle. A company can easily go under before that contract even materializes.

A big part is that these programs are not designed for the new generations of companies coming up. They're trying to build rapidly. They want to iterate as fast as possible.

When you're looking at, for example, the U.S., almost every regiment, like the special ops, the Air Force or even the CIA, almost has their own investment funds. From an idea up until investment, it's a one- to three-month process. You do a pitch and put your product in front of them, and they say, "I like it. Here's the first round of contracting."

If you're looking at start-ups and not at larger primes, we need a better approach, more like a venture capital approach. I feel like even organizations like BDC are still moving at a government scale and at a government pace. There is a lot to learn from the venture world on how to keep up with the pace of start-ups and support their innovation.

● (1725)

**Michael Guglielmin:** In the past, you've described Galaxia's satellite as software defined with AI on board for real-time insights that could be critical for Arctic surveillance for NORAD-related missions, yet we continue to hear, as you've just been saying, it takes years sometimes to move from demonstrations to deployed capability.

If we're serious as a country about faster time to field under the new defence industrial strategy, what specific decisions do you think need to be taken so we can avoid this becoming just another pilot project for most companies?

**Arad Gharagozli:** We need to target, number one, CAF's needs when it comes to defence: What do we actually need in maritime, under water, space or whatever it is? Then, when those companies approach CAF, we can rapidly give them a project and say, "Here's

phase one; build it." It takes about \$1 million, but we can ensure that's going to turn into a commercial contract.

For example, in our case, right now we're building a satellite—it's going to launch in 2027, I believe—but there is absolutely no path after that. We're not going to scale that up. It's just a demonstration mission. It's absolutely crucial to have a path forward after that to, let's say, a \$50-million contract that is going to bring you, in the next five years, to commercializing and even exporting that.

**Michael Guglielmin:** You've also said that Canada needs launch capabilities for satellites to be shot into space. What kind of minimum launch capacity do you think Canada needs on its own soil to credibly claim space independence?

**Arad Gharagozli:** Right now, a lot of military operations happen within low-earth orbit, which is about 500 kilometres above earth. We have companies like Maritime Launch Services, based in Canso, and Reaction Dynamics, which is building the hybrid launch vehicle, that can take 200 kilograms, 300 kilograms or 400 kilograms of payload into space in launch-responsive format. You can launch within months.

That is perfectly fine for responding to what we need right now and for catching up with the rest of the world, so we are on the right track, but again, even within those limits—we work with those guys a lot—and even in that domain, you can see that the investment is moving slowly. There was a recent commitment of, I believe, \$185 million for launch capability, so that's a really good sign, but to be perfectly honest, \$180 million Canadian is a drop in the bucket when compared to other nations building launch capability and space capability. It needs to be significantly boosted so we can keep up.

**Michael Guglielmin:** Thank you.

**The Chair:** Thanks very much, Mr. Guglielmin.

Mr. Bains, you'll close out this round with five minutes.

**Parm Bains (Richmond East—Steveston, Lib.):** Thank you, Mr. Chair.

Thank you to our witnesses for joining us here today.

I'll begin with Mr. Pesic.

There are around 600 different defence manufacturing service providers and suppliers in Canada, and many of them in that ecosystem are concentrated in different regions and hubs around the country. In British Columbia, my home city has Boeing and MDA Space. We have a strong aerospace and geospatial intelligence sector.

I'm curious to know your thoughts on how the government can leverage these regional strengths to build a more integrated defence industrial ecosystem.

**Goran Pesic:** That's a very good question. I would offer some insights and suggestions.

When we're looking at the notion of a defence industrial strategy that will eventually lead to a policy, we need to think of it as being set within a national industrial strategy. When we talk about dual-use companies, a lot of companies are producing.... Actually, I would even go on to say that it's tri-use. What I mean by tri-use is consumer and commercial, defence, and national security. It's dual use, but in my opinion, there are actually three things, because consumer and commercial are grouped together and then you have defence and national security on that side.

I think the government just needs to make a conscious decision to create what was created many decades ago—that is, Ontario does autos, for example, and specializes in the Ontario area for that for the purposes of concentration, scale and the ecosystem. That was many decades ago. Aerospace in Montreal, for example, was an architecture that was envisioned many decades ago as well.

I think what we are talking about today is more about ecosystems. How do we create ecosystems that create a portfolio of capabilities and then have regional distribution? Instead of making a widget that somehow gets sent to the other side of the country, we may want to think about a portfolio of capabilities that can be applied to a national security and defence export orientation.

I think we're ultimately creating a community of companies and entrepreneurs and a new culture of co-operation with the government and maybe lenders or others, in a new way, but we have to think about a portfolio of capabilities. It's okay if there's a portfolio of capabilities within British Columbia and a completely similar-looking portfolio in Halifax, Nova Scotia, for example, but some of those portfolios might be different.

You might have some space capabilities in there. Some could be cyber and some maritime, and some could be other types of advanced manufacturing. When the government is looking at this and saying that it needs a capability for a future concept of operation and asking where it can go, if I have a portfolio of capabilities, it's easy to send out a group email and then get some feedback. That's just a straightforward suggestion.

• (1730)

**Parm Bains:** Thank you.

Mr. Gharagozli, you mentioned something about venture capital and finances. We've heard other witnesses prior to your panel talk about the stigma in defence around financial backing. We've heard about debanking, a term being thrown out there for people in the defence area, and that it's difficult for them to get financial support.

Can you talk about the financial ecosystem and what we may need to do to ensure there's financial backing for a lot of the start-ups?

**Arad Gharagozli:** It's very hard to secure financing for what I'm going to say are real technologies. I'm talking about hardware. Whoever did this, it was a very intelligent play, because it really

made.... As Mr. Chaulk alluded to, hardware is not interesting and a lot of companies are focusing on just SaaS.

Nobody is investing in the infrastructure, but the reality of it is that if you do not have infrastructure, the entire SaaS thing falls apart. It doesn't matter if you're building airplanes or data centres, building hardware and infrastructure is very expensive, very risky and very difficult and complex. There is a reason that not a lot of people are going after it, and that's it.

Once you achieve that, you're in a position where you can attract investments into your country. You can have people come to you and say they want to be part of this ecosystem, as opposed to having salespeople come into our country and say, "Come buy our capabilities."

On average, Canadian investors are educated about hardware and infrastructure. They look at them, but compared to most other countries, they do not have capital to deploy. That's where the government comes in: to de-risk a lot of this infrastructure. It can say it is going to purchase about 250 million dollars' worth of this infrastructure, and if it does that, it can be pretty sure that a lot of other private investors are going to follow on.

If we don't do that, we're not going to sell domestically. If we don't sell domestically, obviously we're not going to sell efficiently globally either.

• (1735)

**The Chair:** Thanks very much, Mr. Bains.

Colleagues, that's the time we have for the first hour.

Witnesses, thank you very much for availing yourselves of the time to be here today, and for providing some further guidance and insight to us.

Colleagues, we're running a bit over time, and I have to suspend to allow us to turn the panel over. We might have to clip a bit off the very tail end of the final round in our second hour.

I'm going to suspend, and we'll come back to things right away.

• (1735)

(Pause)

• (1740)

[Translation]

**The Chair:** Colleagues, I call this meeting back to order.

We have three new witnesses and they are joining us by video conference.

[English]

We are tracking a bit behind schedule and we have some business to attend to at the end, so we're probably looking at having to cut the bottom two slots.

[Translation]

Mr. Ste-Marie, I think you'll have one minute during the second round of questions.

We are joined by Mélanie Lussier, president and chief executive officer of Aéro Montréal, and Véronique Proulx, chief executive officer of the Fédération des chambres de commerce du Québec.

[English]

From the Western Arctic Marine Training Consortium, we have John Vandenberg, executive director.

Witnesses, you'll have up to five minutes. I'll have to be tight with the time because we're already behind. The easiest thing to do, with the exception of the first person—unless you can do this quickly as I'm talking—is pull out a little timer on your phone and keep track of how much time has gone by. I'll do my best to give you a little wave, but I may have to interject if we go over the time.

With that, I will turn to the first witness.

[Translation]

We'll start with Ms. Lussier from Aéro Montréal.

Ms. Lussier, you have the floor.

**Mélanie Lussier (President and Chief Executive Officer, Aéro Montréal):** Mr. Chair, if I may, I'll give the floor to Ms. Proulx because we'll do our presentation as a team. Ms. Proulx will go first, and then I'll supplement her presentation. We're doing this together.

Is that okay with you, Mr. Chair?

**The Chair:** That's okay with me.

• (1745)

**Mélanie Lussier:** That's great.

**The Chair:** You have the floor, Ms. Proulx.

**Véronique Proulx (Chief Executive Officer, Fédération des chambres de commerce du Québec):** Good evening, everyone.

My name is Véronique Proulx. I am the chief executive officer of the Fédération des chambres de commerce du Québec, the FCCQ. I'm very pleased to have the opportunity to speak with you this evening.

The FCCQ represents 120 chambers of commerce, from metropolitan Montreal all the way to Matane, and 1,000 companies operating in the manufacturing, construction, agri-food, life sciences, information technology and financial sectors.

In short, the FCCQ and its members represent Quebec's economic fabric. Through our network of chambers of commerce, we represent 40,000 businesses operating in all economic regions across Quebec. The FCCQ ensures the voices of businesses are heard by federal and provincial governments, advocating for legislation and regulations that support our businesses and regions.

We have four key priorities, which reflect the interests of our members. Our first priority is access to labour and talent. The second priority is access to markets, including the U.S. market, and to public procurement, which we'll be discussing today. The third pri-

ority is business competitiveness, and the fourth one is regional dynamism, which is vital for keeping our regions open and sustaining operations.

It's a pleasure to meet with you this evening to talk about defence, because this is a priority sector for us and for our businesses. Why? First, given the significant investments that will be made in Canada and around the world, this is a growing niche and a promising sector for Quebec's businesses. Second, Quebec is strongly positioned to meet expectations and to capitalize on the forthcoming investments from the federal government across various sectors, including aerospace, naval, onshore and cybersecurity sectors. We are therefore well equipped to support the government with its projects and its investments.

Additionally, the federal government's investments are likely to benefit a wide range of companies. That's our goal and that's exactly what we're striving for. We certainly want that. Our aim is to secure concrete benefits for Quebec-based businesses across multiple areas of economic activity. Business opportunities will undoubtedly be important in Canada and even more so in the U.S. and Europe. To capitalize on these prospects, it is essential to have a strong voice that highlights Quebec's strengths and demonstrates how we can support the federal government.

That is why we created the Coalition québécoise pour la défense et la sécurité. I'm here with Ms. Mélanie Lussier, with whom we collaborated to design and establish this coalition. Our goal is very simple: to rally stakeholders in Quebec's ecosystem to ensure we speak with one voice on behalf of the defence and security sector. We also want to ensure that federal policies focus on Quebec's strengths, again in the aerospace, naval, cybersecurity and onshore sectors. The government's investments over the next decade have the potential to have a significant impact on the growth of our businesses—especially small and medium-sized businesses, or SMEs—and our economy.

We conducted a survey to help shape our initiatives. I will provide a brief overview of the results of the survey, which was conducted with Quebec businesses. The majority of the businesses that took part in the survey have an interest in the sector, even though only 20% of them are already in operation in the sector. Seventy per cent of the respondents say they are ill prepared to seize emerging defence-related opportunities. Obviously, the needs vary depending on business size.

Major suppliers and big businesses that are already involved in defence have a very simple message for the federal government: maintain access to the U.S. market. We must prioritize our relations with the U.S. government to maintain access to that market. While what takes place in Canada is important, it's even more important to ensure that our businesses can leverage the investments that will be made in the U.S.

When it comes to small and medium-sized businesses in Quebec, it's clear that more needs to be done to promote awareness since 80% of the businesses say they have average, limited or no knowledge of defence-related regulatory requirements. Over 50% of the businesses believe that to integrate procurement chains, they need initiatives or linkages with the major suppliers.

We feel it is important to collaborate with the federal government to advocate for Quebec's priorities and discuss procurement strategies and the industrial benefits program, to ensure that our businesses can profit from the investments that will be made across Canada.

Without further ado, I'll turn the floor over to my colleague Ms. Lussier, who will share our recommendations with the committee.

**The Chair:** Thank you very much, Ms. Proulx.

Ms. Lussier, you have the floor for five minutes.

**Mélanie Lussier:** Thank you very much, Mr. Chair.

I wish to thank committee members for inviting us here, and Ms. Proulx for putting the issue in context so clearly.

I'd like to clarify one small point. Aéro Montréal is Quebec's aerospace cluster. We represent all the 250 companies that manufacture aircraft parts, aircraft, helicopters and flight simulators in the province.

I have the privilege to represent 43,000 individuals who are passionate about working in the aerospace sector in Quebec. I also have the pleasure of working with the FCCQ and with another seven member organizations of the coalition that Ms. Proulx and I co-founded.

The coalition has made five recommendations, which I will share with you today. Previous witnesses have spoken to these recommendations and so I won't have many surprises for you. However, I believe these recommendations will resonate with your work.

Our first recommendation emphasizes the importance of aligning the future industrial defence policy with existing niches of excellence. Every region in Canada has its unique strengths, and it is essential to build on these assets.

As Ms. Proulx said earlier, the aerospace sector in Quebec, which I represent, is one of the clusters we expect to see feature in the industrial defence strategy, along with naval and onshore defence, and of course the cybersecurity sector. Our goal is to ensure these clusters, which are Quebec's strength, are reflected in policy to clearly signal to businesses the need for continued development.

Our second recommendation focuses on examining how we do our procurement, which means reviewing the defence procurement strategy to maximize benefits for Canada and Quebec.

Clearly, we'd really like to move from a transactional procurement-based mode to a more proactive mode where we determine in advance the sovereign capabilities that need to be maintained and developed. This will make it easy to collaborate with industry proactively and share the needs of defence and the army. This would allow us to gain a deeper understanding of what industry has

to offer, while enabling it to determine what it needs to develop in the coming years—all in a proactive way.

For example, in the aerospace sector, France and the U.S. send these clear signals way in advance. Instead of taking a transactional approach to procurement, they adopt a much more proactive mindset.

We're very pleased with everything that we've heard about "buy Canadian". However, we also want a government that can be bolder with its procurement approach in Canada or abroad.

Our third recommendation concerns the need to modernize our industrial and technological benefits policy, or ITB, to make it more transparent and ensure that the amounts invested give preferential treatment to the promising niches I spoke about at the beginning of my presentation. We should therefore adopt a transparent, consistently used ITB policy that is enforceable. We feel that at times, the ITB policy comes across as overly cautious. Other provinces and territories are more stringent when it comes to formulating their industrial and technological benefits needs. We therefore want to ensure that our province is equally demanding.

I was very pleased to see that the representatives of SMEs appeared during the first half of this meeting because our fourth recommendation focuses on the need to facilitate access to the defence and security markets for these businesses. SMEs must also benefit from the major investments that are coming.

How can market access be made faster and more seamless? One approach is to provide SMEs with support, including helping them obtain the necessary certifications. It's also important to assist them in meeting relevant standards, such as controlled goods standards, and to help them with accreditations. Supporting SMEs also means sharing recommendations on available programs. As Ms. Proulx pointed out, we must ensure there are no barriers that prevent them from entering the U.S. market.

The ReArm Europe program represents \$800 billion in defence investments, while the U.S. government invests \$1 trillion annually in defence. This market therefore continues to be important for our SMEs. There is a need to ensure ongoing support for them in this area.

I have 20 seconds to go and I've followed your instructions, Mr. Chair. We're delighted that the last budget provides for some changes in how Defence Research and Development Canada, or DRDC, operates. DRDC must work closely with businesses to ensure that the innovation for defence excellence and security program, or IDEaS, and BOREALIS, the bureau of research, engineering and advanced leadership in innovation and science that will be established, advance commercialization.

In Canada, we are strong in research, but we need to get our innovations to market. That's it. My five minutes are up.

• (1750)

**The Chair:** Thank you very much.

Maybe you could share a few pointers with my colleagues on how to follow my instructions.

**Mélanie Lussier:** I lead by example, Mr. Chair.

[*English*]

**The Chair:** Mr. Vandenberg, the floor is yours for five minutes.

**John Vandenberg (Executive Director, Western Arctic Marine Training Consortium):** Mr. Chair, members of Parliament, ladies and gentlemen, good afternoon. Thank you for this opportunity to speak today.

I'll begin by giving a brief background of the organization I represent. The Western Arctic Marine Training Consortium is a Northwest Territories registered not-for-profit corporation. All of our directors and 50% of our board are indigenous. The board includes representation of two of the larger commercial shipping companies in Canada.

It's our mission to deliver Transport Canada-approved seafarer training and certifications to northerners, indigenous people and women. These are our target groups, all being under-represented in the marine industry. It is our objective to assist our students to become graduates, to gain certificates, to prepare them for the workplace, to introduce them to employers and to see them gain rewarding lifetime careers as seafarers.

Ours is the only Transport Canada-recognized marine training institution located north of the 60th parallel. Our main campus is in the subarctic community of Hay River, Northwest Territories. We also deliver programs and courses at regional centres in remote communities throughout the north. Our courses are delivered by a roster of marine professionals and experienced seafarers, and all our instructors are approved by Transport Canada. Our school is spacious and well equipped, and with additions next summer, we'll have over \$2 million invested in modern simulation equipment to support marine training.

We began delivering programs in January 2024—not quite two years ago. Our operation is funded primarily by Transport Canada through the oceans protection plan, for which we are grateful. The contribution agreement that supports this funding is to end on March 31, 2027. We're also grateful for the contributions made by the Canadian Northern Economic Development Agency, CanNor. These contributions make it possible for our not-for-profit to continue to bring training to northern residents and indigenous people and to deliver capable and certified graduates to industry.

Canada's marine sector plays a vital role in the economy, contributing significantly to GDP and employment. In 2023, the marine economy generated over \$50 billion in GDP, and nearly 450,000 Canadians are employed in the marine sector—almost 2% of the national workforce.

There's a significant need for workforce development and training in the marine sector. The job vacancy rate in the sector is about 11%, which is over three times higher than the national average, and the sector will need about another 8,300 employees over the next five years, which is over 30% of the current workforce. The

marine workforce is predominantly older and male, with an under-representation of women and minorities. Progress is being made in increasing that participation, but challenges remain. It's estimated that over the next five years, the educational system in Canada will supply graduates sufficient to fill only 42% of the required positions in key marine occupations.

Increased collaboration among the federal government, marine industry stakeholders and seafarer training institutions is essential to improve this situation. We believe this need and the existence of our organization represent an excellent opportunity for northerners and indigenous residents, who are typically under-represented in the marine industry and remote from the larger marine educational institutions.

How am I doing for time, Mr. Chair?

• (1755)

**The Chair:** Mr. Vandenberg, you have about a minute and 45 seconds left.

**John Vandenberg:** Well, I'll skip through some of my verbiage, then, and I'll get closer to the end.

I have a few recommendations for the committee today. I'll leave out the centre part of my discussion with respect to supporting marine training in the north. These are our hopes, if you will, but they're necessary if we are to build a marine workforce that includes those who have often been excluded.

Let us fund initiatives that increase career awareness by visiting and presenting at schools—middle schools, northern schools, high schools, regional centres and remote communities—and by having senior seafarers and role models spread an understanding of the opportunities and educational pathways available to enter the marine industry. Let us improve financial supports for marine training and provide funding for northern educational institutions and educational subsidies for our students. Let us fund projects that provide opportunities for northern students to gain practical experience on vessels to achieve their professional certifications. Let us fund the modernization of training methods, materials and equipment to align with industry needs and to reflect new technologies and northern and Arctic geographies, conditions and perspectives. Cultivating interest in marine careers, whether they're with commercial carriers or with our Coast Guard or navy, is an essential precursor to recruitment.

We have 243,000 kilometres of coastline in this country, 162,000 kilometres of it in our Arctic regions, and all of our larger marine training institutions are located in our southern latitudes. A small northern institution such as ours need not match the advanced training programs and sophisticated equipment that the large public institutions offer—it's not our intent—but it can be on the front line, informing those who otherwise would not know, recruiting those who are inspired and able, and providing pathways to the opportunities they otherwise would not have.

Thank you.

• (1800)

**The Chair:** Thanks very much, Mr. Vandenberg.

As you know, I had the pleasure of visiting when I was in Hay River a couple of months ago. You're doing some really impressive things up there. I'm glad you can be with us today.

Colleagues, we'll move into our first line of questioning.

The floor will be yours, Mr. Guglielmin, for six minutes.

**Michael Guglielmin:** Thank you, Chair.

Madame Lussier, your organization represents aerospace firms most directly integrated into our allied supply chains—companies like Pratt & Whitney Canada that already supply parts to the F-35s.

We've seen reporting that the F-35 outperforms the Gripen E “by a mile”—that's in the DND's 2021 report—scoring 95% on capability compared to 33% for the Gripen. Given that Canadian firms already have high-value work in the F-35 global supply chain, would a shift to a non-partner platform like the Gripen effectively pull us out or risk pulling us out of a multi-billion dollar, multidecade-long network that directly supports jobs in Quebec and Canada?

**Mélanie Lussier:** I might give a bilingual answer.

As an association, we never choose a side in decisions. Both sides will benefit whether we procure the F-35 or the Gripen. In the case of the surveillance contract that was awarded a couple of months ago—Bombardier versus Boeing—my association never took sides. There's a benefit to any decision. As an industry representative, my goal is always to ensure that we get the most benefits.

We could argue that a lot of investment will be done by Lockheed Martin. We could also argue that Saab will do a lot of investment. Among my members, I have people who say they prefer the F-35. Really, I'm going to refrain from choosing a side in that battle. The only thing that interests my members in Aéro Montréal, and my representation, is that in any decision we make, we have to make sure we have Canadian content or that Canada benefits from procurement.

**Michael Guglielmin:** Thank you.

Ms. Proulx, you said that the budget contains very important opportunities—record defence investment, a buy Canadian push in R and D, and a productivity-oriented tax measure. You also warn that taxes remain high and that labour policies limit growth. You pointed to measures taken by our neighbours down south, like the One Big Beautiful Bill Act, as putting Canada at a disadvantage.

I was wondering if you could highlight or elaborate on that briefly.

**Véronique Proulx:** Yes, for sure.

Canada is very close to the U.S., and we have to take into consideration what tax measures are being put in place in the U.S. With the One Big Beautiful Bill Act, the U.S. is reducing regulations and putting in place more incentives to incentivize companies to invest in the U.S.

Right now, when we look at Quebec companies that are exporting to the U.S., a lot of them are being challenged because of the tariffs. It's very difficult for them to access the U.S. market. Plus, protectionist measures are being put in place more and more as the years go by. The question is why a company would stay in Quebec or in Canada if they're being challenged in exporting to the U.S. When they do look at the Quebec or Canadian market, they don't necessarily have access to public procurement, because we don't have criteria in place that favour local content or service companies that employ people here.

The second thing is that we have companies all over Quebec that are not necessarily impacted by the U.S. tariffs but don't have access to the labour they need. What we're saying is that in the current context with President Trump, we don't have a lot of influence on what he will do, but one thing the Canadian government could and should do is make sure we have access to public procurement so we have contracts and have access to the labour we need.

When we look at the defence industry and the investments being made there, we want to make sure, as Mélanie just mentioned, that Quebec benefits from the investments that would be made. Also, it's not just about benefiting, but making sure they go to the right sectors and subsectors so we can develop our supply chain for now and for years to come.

**Michael Guglielmin:** Thank you for that.

The FCCQ's own survey shows that over 70% of respondents feel poorly prepared to seize defence opportunities, and around 80% report low or no knowledge of defence regulatory requirements. I'm just wondering, from the ground, if you feel there's enough detail in the defence procurement strategy for SMEs to understand the process, or if you find it overly complex.

• (1805)

**Véronique Proulx:** A lot of companies don't really understand what the defence industry is about and how to integrate the supply chains. I think a lot of work will need to be done by the government, by economic associations like ours and by the network of chambers across Quebec and across Canada to make sure we can explain where the opportunities will be coming from and what it means for an SME to integrate the supply chains. Where do they actually start? Where do they get the information? Where are the contracts coming from? How can they conform to eventually submit proposals or respond to bids?

**Michael Guglielmin:** Madame Lussier, Aéro Montréal works on supply chain development and initiatives like MACH. That underscores how critical it is for some SMEs to upgrade and integrate into the global value chain.

In practice, what are some of the biggest barriers that Quebec SMEs face when they try to enter the defence supply chain?

You'll have to be brief.

[Translation]

**The Chair:** I'd like to remind our witnesses that we have interpreters and that our guests can use their language of choice.

[English]

**Mélanie Lussier:** If you have difficulties hearing me, let me know and I'll switch into French.

With the MACH program, and all the other programs that Aéro Montréal has, we try to de-risk the first contract. Having the first contract in defence is going to take long, especially in aerospace. The investment cycles are very long. We tend to make sure we get funding from the federal and provincial governments to give back to the SMEs in a fashion they understand.

We have programs that are not complicated. The support the SMEs will need will be on de-risking their first certification. The first certification is with ITAR, for example, for controlled goods, or with CMMC. It can cost up to \$150,000 to be certified with CMMC.

If you want to deal with the DOD in the United States, that's mandatory. What we do with our programs that are funded by the government is de-risk the first step in the defence market.

**The Chair:** Thank you, Mr. Guglielmin.

Mr. Danko, welcome back to the industry committee. The floor is yours for six minutes.

**John-Paul Danko (Hamilton West—Ancaster—Dundas, Lib.):** Thank you, Chair.

My colleague opposite did an excellent job of asking some pertinent questions. My questions are mainly for Madame Lussier and Madame Proulx.

I'm trying to get a sense of the size and scale of the Quebec aerospace industry and defence cluster. Are there some lessons from the success we've seen in Quebec that could be applied to other jurisdictions across Canada?

[Translation]

**Mélanie Lussier:** As I said earlier, the aerospace industry in Quebec represents 250 businesses and 43,000 employees. It has annual sales of \$23 billion. It's the largest exporter in the province.

One of the most effective initial steps was the government's decision to support the industry and to position it as a strategic priority. We're fortunate to have a Quebec aerospace strategy that effectively aligns various ministerial priorities with business priorities, ensuring businesses receive the support they need.

One area where we've not done as well as other provinces and territories or other countries is in developing dual-use technologies. On our end, we have always designed civilian aerospace products. I'll use the obvious example of Bombardier, which produces the Global Express and modifies it for military use and missions. Meanwhile, France and the U.S. use their defence sectors to design products, and businesses can later take them to market for civilian use.

More investments in defence give us an opportunity to turn around what we have always done and use the defence sector to design products that can be commercialized later.

That said, there is no doubt that having a Quebec strategy enables us to align orders, set priorities and focus on a strategic sector for the province.

[English]

**John-Paul Danko:** Madame Proulx, did you have anything to add?

[Translation]

**Véronique Proulx:** The government has recognized industry as a strategic priority and has actively invested in it accordingly. These investments were essential to eliminating risks for our businesses and for fostering their growth. The aerospace sector model, by dint of the support provided by the government, is a very good model that should be replicated in the naval, onshore and cybersecurity sectors. It's important to ensure that companies in these sectors can compete globally. We need to keep in mind that governments are very involved in the U.S. and in Europe, in any country with an aerospace industry. In defence, we must ensure that we support development and diversification in these sectors.

I would like to return to the industrial and technological benefits policy, which will be essential to developing forward-looking sectors and to having an industrial and technological benefits program with specific objectives. We need to ask ourselves what we want to develop in the onshore and cybersecurity sectors in Quebec and Canada. We can't do everything and so we have to make choices, and the industrial and technological benefits policy will certainly be an interesting approach for the government.

• (1810)

[*English*]

**John-Paul Danko:** Thank you.

I want to switch to procurement. This is a particular interest of mine, having worked in private practice and government and having written quite a few contracts myself.

Difficulty in accessing defence contracts seems to be a particular barrier to expanding defence benefits across the country. Are there any particular barriers or things related to defence procurement in particular that you would like to see changed to benefit the industry by being more open on the procurement side?

That is to either Madam Lussier or Madam Proulx.

[*Translation*]

**Mélanie Lussier:** Procurement is certainly a long and complex process. That's why it is difficult to access contracts. Many of our members are SMEs, as I said earlier. We must cut red tape and reduce paperwork. As mentioned earlier, the first hurdle is figuring out how to secure a first contract.

There's one area where we've not done well in recent years and that relates to key industrial capabilities that have been defined. I'll take the example of Canadian Aviation Electronic Industries, or CAE. The company offers pilot training and flight simulation programs. It's the best in the world in this field and has extremely important capabilities for Canada. We're fortunate to have a company like CAE, which is considered a key industrial asset, and yet, it is forced to bid on contracts. This process spans several years and demands substantial financial resources, along with a large team to manage the application paperwork.

That's fine, it must be done, but when it comes to areas where we know we are the best in the world, we need to be more agile and faster.

As I've mentioned in various forums, we need to adopt a bolder approach that is less traditionally Canadian and actively support Canadian companies, particularly those with critical industrial capabilities.

In short, when it comes to procurement, we must be willing to choose our champions and proceed a little more directly, while reducing red tape. We also need to simplify the procurement process.

We're not saying that we should automatically award all the contracts without review. We need to exercise due diligence and carry out the necessary checks, but we also need to ensure that we give priority to our businesses. There is no doubt that we need to make the process less complex and to reduce red tape.

[*English*]

**John-Paul Danko:** Thank you.

How much time do I have? Am I out?

**The Chair:** I'm sorry, Mr. Danko. We are over.

[*Translation*]

Mr. Ste-Marie, you have the floor for six minutes.

**Gabriel Ste-Marie:** Thank you, Mr. Chair.

I would like to welcome the three witnesses and thank them for joining us today, and for their presentations.

My questions are for Ms. Proulx and Ms. Lussier.

Ms. Lussier, you mentioned that Quebec has an aerospace strategy. Unfortunately, that is still not the case in Ottawa.

Is the industrial defence strategy a good opportunity to adopt an aerospace strategy?

**Mélanie Lussier:** Yes, that's correct. We have persuaded the government to adopt a strategy that includes defence components. This will be done in a slightly reverse order, but I'm looking forward to this strategy so that we can get the signal we have been asking for for so many years. It's extremely important to us.

First, we want to ensure that the industrial defence strategy will consider the aerospace sector as a sovereign capability requiring development and targeted investment. We believe that this will compensate for the absence of a national aerospace strategy. In any case, we will certainly welcome it.

• (1815)

**Gabriel Ste-Marie:** Thank you.

In your opinion, is it important to focus on local expertise in the industrial defence strategy?

**Mélanie Lussier:** I'll give Ms. Proulx an opportunity to supplement my answer, but beyond the initial contract, this allows us to develop products that can also be exported subsequently. The aerospace industry is an export industry. Accordingly, the skills we develop here when we award contracts to local companies can also be used abroad.

Beyond the initial investment, this creates economic spinoffs and allows us to develop the skills needed for decades to come. In the aerospace sector, defence contracts last 50 years. We can therefore imagine what will happen when we have the capacity to export the products we develop here to five or six countries. It's a double win for Canada and the industry.

**Gabriel Ste-Marie:** Thank you.

Ms. Proulx, would you like to add anything?

**Véronique Proulx:** I will reiterate what I said earlier. It's important that forthcoming investments provide an opportunity for us to develop businesses and capabilities we can export for years to come.

This afternoon, as part of our RV Affaires activities, we had the opportunity to welcome Martin Brassard from Héroux Devtek. This company successfully positioned itself internationally, thanks to the industrial benefits program that was in place at the time.

With the billions of dollars set to be invested, it's important to deliberately assess which areas within the aerospace sector we want to develop.

Today, I spoke with people from the technology and engineering services sector. Several sectors can benefit from the forthcoming investments. We must ensure that we develop local expertise and then export it to create wealth for Quebec and Canada.

**Gabriel Ste-Marie:** Thank you very much.

I'll continue with you, Ms. Proulx.

Ms. Lussier, please feel free to add your point of view, if necessary.

Ms. Proulx, Ms. Lussier noted that the defence procurement strategy needed to be revamped when she spoke about the coalition's recommendations.

You also spoke about the importance of clarifying requirements prior to issuing calls for tender.

Could you please explain this point in more detail?

**Véronique Proulx:** In other parts of the world, including the U.S. and France, industry and defence work together from the outset. Rather than starting with a specific product, they start with a need and look at how industry can meet it.

Since Canada does not have a "large" defence industry compared to the Americans and Europeans, the need corresponds to a product that is not necessarily manufactured or available locally.

If we want to develop our sovereign capabilities, it's important to start by looking at what the need is and work with industry from the outset. This will address many of the challenges we face in procurement. I am referring to the question that was asked earlier.

I'll invite Ms. Lussier to contribute her perspective.

**Mélanie Lussier:** We can draw inspiration from the U.K. In Quebec, we have quite a few people who have developed expertise, particularly at Bell Textron, and have moved to the U.K.

The U.K. reformed its procurement practices. In some cases, like us, they are forced to procure externally, primarily from the U.S. They compel the original equipment manufacturer, or the prime contractor, to include British content from the outset.

Take the example of certain Dash fighter aircraft platforms. When 16 or 26 units were acquired, they featured a certain amount of British components and they managed to sell them to other countries. They leveraged this process with the first 26 aircraft purchased by the U.K. and for other aircraft.

This must be done at the time of purchase. When we are forced to buy a specific product to meet our needs, we can push for Canadian content from the outset. It's about working proactively and defining skills.

We may not be able to manufacture the entire fighter jet, but we may be able to incorporate the artificial intelligence expertise that has been developed in Montreal and our aerospace expertise. Some of the systems or niches we have developed can be incorporated into a fighter jet.

**Gabriel Ste-Marie:** Thank you.

I have 20 seconds left so I'll give you time to wrap up on the importance of the Canadian content criteria in procurement.

● (1820)

**Mélanie Lussier:** Ms. Proulx, you have the floor.

**Véronique Proulx:** It's important to promote local content, local manufacturers and companies that employ local workers, as Americans and Europeans do.

We really need to rethink our approach and focus on local content and the development of our local subsidiaries.

Beyond materials, we need to look at manufacturing and service delivery in its entirety.

**Gabriel Ste-Marie:** Thank you very much.

**Véronique Proulx:** Thank you.

**The Chair:** Thank you, Mr. Ste-Marie.

[*English*]

Mr. Falk, the floor is yours for five minutes.

**Ted Falk:** Thank you, Mr. Chair.

Thank you to our witnesses for their testimony.

Ms. Lussier, I would like to begin with you.

In March, in the Montreal Gazette, you were quoted as saying that even before the tariffs, a "climate of uncertainty" was slowing investment in Canada.

How much responsibility does the government bear for creating this climate of uncertainty and lowering the investment in Canada, and how does the prolonged uncertainty affect Canada's defence industry and Aéro Montréal?

[*Translation*]

**Mélanie Lussier:** In my opinion, the current climate of uncertainty stems more from geopolitical factors than from actions by the government.

Even before the U.S. imposed tariffs, there were changes on the geopolitical front and some uncertainty. The government did not create this situation. Global factors are chiefly responsible. We were already sensing a slowdown, which did indeed accelerate rapidly due to tariffs.

That said, our business environment is still quite favourable. We have financing. As previous witnesses have said, we are fortunate in Quebec to have Investissement Québec and the Caisse de dépôt et placement du Québec, for example. Funds, capital and financiers are available.

It's true that the aerospace sector is often one of the first to be affected in times of uncertainty. People are obviously a little more cautious when there is uncertainty related to geopolitical factors.

However, I'd like to reassure you that we are still very resilient. We demonstrated this after the COVID-19 crisis. Flights were suspended for a year, and we managed to turn the situation around.

[English]

**Ted Falk:** Okay, thank you.

I have a follow-up question.

As you know, we had L3Harris here at committee speaking to these same issues on procurement. They have a fighter aircraft depot in Mirabel, Quebec, where much of our RCAF fleet is currently being maintained, and they employ many high-skilled Quebecers.

L3Harris identified they are a strategic partner in the F-35 procurement. It looks as though, if everything comes through the way it was initially discussed, there will be a regional repair centre for the F-35, which means there will be a lot of F-35s coming into Mirabel—not just our own country's F-35s but also those coming from other countries.

What would be the impact on the Quebec aerospace industry if the Canadian government were to fail to follow through on the F-35 purchase commitments, and what are your members saying?

**Mélanie Lussier:** L3Harris was very clear on the impact that not doing the full procurement on the F-35 would have. They put numbers forward—for example, 1,400 employees. It's not layoffs they're talking about; it's maybe less growth in their company. I'm not going to comment on specific contracts.

The thing is, if they cannot repair and service the F-35, L3Harris also has the ability to provide service and overhauls for other aircraft. They're doing the F-18 right now in Mirabel. There's the potential for them to take on the F-35, which was guaranteed, but if there's another contender, they could also do it with other clients.

For sure, maintenance and overhaul are an important portion of the Quebec business. It's a strategic field we have here, not only with L3Harris but with other companies as well, such as Avianor. Maintenance on helicopters is done at Bell Textron Canada. It's a skill set we have in Mirabel for sure.

• (1825)

**The Chair:** Mr. Falk, there are about 15 seconds left if you want to fire one off real quick.

**Ted Falk:** Yes, I'll fire off a real quick one.

Are your other members concerned about the potential loss of the F-35 purchase?

**Mélanie Lussier:** I'll go back to my first intervention. At Aéro Montréal, we refrain from talking about specific contracts. That's the way we've always worked. Maybe some talk about it behind closed doors individually and have individual opinions, but not as a cluster. I don't represent the sum of opinions; I represent the consensus. We have always said we're not going to take a side in any procurement contracts.

**The Chair:** Thanks, Mr. Falk.

Mr. Bains, go ahead.

**Parm Bains:** Thank you, Mr. Chair.

Thank you to our witnesses for joining us today.

I'm going to direct my question to Mr. Vandenberg.

I represent Richmond, British Columbia, a coastal area where we have a strong marine sector. BC Coast Pilots has been serving there for over 50 years now.

Can you please inform this committee about the necessity of having a well-trained community of mariners? How can this impact, maintain and defend Canadian sovereignty, particularly in the Arctic?

**John Vandenberg:** I think we can say that a strong nation has a strong navy and a strong navy needs recruits.

We get out to small communities. You identified the west coast of Canada. I believe that about 50% of the mariners in Canada are working on the west coast right now. Many are working on the east coast—about 25% to 30%—and the rest are distributed on the lakes, with some in the Arctic.

In order to build a workforce for the future, we have to get into the schools early and we have to start planting the seed in young people's heads that this is an option for them. We run into a lot of people. We go to schools and out to the communities. They're actually looking at us and saying, "Isn't that interesting? Is this something I could do?" They aren't even aware of the possibilities and opportunities in an industry that's crying out for people.

I don't know if that partly answers your question.

By the way, we recently signed an agreement with the Coast Guard Academy to be a satellite campus for them in the western Arctic. We're looking forward to that relationship and to building on that relationship with DND, with the RCN, potentially with the Raven program, with the rangers and with others.

I spoke not long ago in Yellowknife at the Joint Task Force North's Arctic security working group conference. I explained our whole position on how this could support defence and recruitment in the north.

It's a long answer, but I got it in.

**Parm Bains:** It's a good one.

You've talked about collaboration and looking at search and rescue and all of the other service providers that are so important to our coastal regions.

Can you talk a bit about how private capital can be utilized in this sector better? You've talked a lot about the Coast Guard and the RCMP. A lot of these are federal institutions.

With the largest buyer for the defence industry being the public sector, how can private sector funding or investments be made to strengthen the industry?

**John Vandenberg:** With respect to our industry, I won't speak of what I don't know; I'll speak about the marine education industry.

Certainly, the industry is willing to step up. We need the industry to invest in education to share the cost of education in order to find personnel for their fleets for the future.

Right now, our small institution is primarily publicly funded, but there is a revenue model going forward. Having been in business for only two years, we need to monetize this. We need to establish a P and L stream just as any privately funded institution would.

There is a place for private industry to step up. I've noticed that private industry has stepped up for other institutions. They recognize the need. I think there's an opportunity and obligation for them to invest here.

**Parm Bains:** If I have time, I'll sneak in a little question for Madame Lussier.

Can you inform the committee of what ways the U.S. tariffs are affecting the aerospace sector? Much like the marine sector, my hometown of Richmond, British Columbia, has a very strong aerospace sector also. I'm curious about your thoughts on this.

• (1830)

[Translation]

**Mélanie Lussier:** Customs duties really affected us at first, creating uncertainty. It's important to note that the aerospace sector is currently covered by the rules of origin of the Canada-United States-Mexico Agreement, or CUSMA.

Companies have to demonstrate that aerospace parts crossing the border comply with the rules—I must reiterate this several times—before the parts can be installed on a finished aeroplane or helicopter. If they comply with the CUSMA rules of origin, they are not subject to duties.

However, this entails a lot of administrative work, especially for SMEs, who have said that these tasks account for up to 10% of productivity losses related to customs duties. As a result, customs duties are not the primary challenge as they are generally avoidable in most cases. The real obstacle is the administrative burden tied to re-fund claims and related tasks.

[English]

**The Chair:** Thank you, Mr. Bains.

[Translation]

Mr. Ste-Marie, did you hear what I said at the beginning of the hour?

**Gabriel Ste-Marie:** Yes.

**The Chair:** You have the floor for about a minute.

**Gabriel Ste-Marie:** Thank you.

In one minute, Ms. Proulx, can you tell us why the industrial and technological benefits policy needs to be modernized?

**Véronique Proulx:** First, we need to ensure that we are getting more bang for our buck. When we award a contract to a foreign company, we want to make sure there will be greater benefits for Quebec and Canada.

Second, it must be well-intentioned. We must ensure that the money that comes back here is redistributed to funds and companies that will continue to develop their expertise and new defence-related products and services.

These companies will, of course, be able to meet the needs of the Canadian market. They will then be able to develop their exports. That is how we will succeed in creating wealth in this country. Currently, the industrial benefits program is not being used to its full potential in the aerospace, transportation and naval sectors. This program really needs to be reviewed.

Our coalition is proposing that the government bring together experts it can work with to determine the criteria and parameters that need change so that this program serves Quebecers and Canadians first.

**Gabriel Ste-Marie:** Thank you very much.

**The Chair:** Thank you very much, Mr. Ste-Marie.

[English]

Witnesses, thank you very much for being here today.

[Translation]

We are grateful for your testimonies.

[English]

Colleagues, that marks the end of the defence industrial strategy study we're undertaking. We extended the meeting, but I'm going to suspend for just one minute just to make sure we can get everything in order, and then we'll go on.

Witnesses, you are dismissed, and I hope you have a wonderful evening.

Colleagues, I'm suspending just briefly, and then we'll get into our affairs.

• (1830)

(Pause)

• (1830)

**The Chair:** Colleagues, we created a bit of space at the end of the meeting, and I appreciate the collaboration, because it meant we could effectively and efficiently undertake our study without dipping into time for witnesses. We're doing all of this in good faith.

Madam Dancho, I will recognize you. The floor is yours, as I believe you have a motion or more to present to us.

• (1835)

**Raquel Dancho:** Thank you, Mr. Chair.

I have a very important motion to move and discuss today. The motion is as follows:

That the committee report to the House that it condemns the unjustified American tariffs on the Canadian auto sector, and that it calls upon the government to live up to its promise made during the election to negotiate a win for the workers whose livelihoods depend on a good deal for Canada.

Just to be clear, the objectives of this motion are threefold.

The first is that the Standing Committee on Industry and Technology send a formally reported notice to the House that we condemn the American auto tariffs. I think that would send a very strong signal coming from this powerful standing committee.

Second, we call on the Liberal government to fulfill its promise and deliver a good deal for auto workers. I think that's perfectly reasonable.

Third and very critically, if this motion passes today, it will allow an opportunity for the House of Commons to formally debate what's happening to the Canadian auto sector. That is a very critical piece of this motion.

Just for the committee's awareness, I want to outline the magnitude of what we're facing in this country, given the U.S. tariffs on the Canadian auto sector.

The auto sector contributes about \$14 billion to the Canadian GDP. Every job in automotive assembly supports about nine additional jobs, the highest external benefit multiplier of any sector in Canada. That's coming right from the Centre for Automotive Research and Education. About 92% of motor vehicle exports go to the U.S., and that access is critical to the success of the Canadian auto market. Motor vehicles are Canada's second-largest export.

The Canadian Vehicle Manufacturers' Association has said that auto manufacturing accounts for well over 105,600 direct jobs, so well over 100,000 jobs are in the firing line, so to speak, of these auto tariffs. The majority of these jobs are located in Ontario, as we know. The auto industry is responsible for well over 603,500 direct and indirect jobs across Canada. Well over 600,000 jobs are being directly hit by these tariffs, being impacted. Of course, we have seen significant losses starting to happen.

This is just a few months in. Conservatives are deeply concerned by what we'll be talking about a month from now, six months from now, a year from now.

Just to remind the committee, GM's CAMI plant in Ingersoll has lost about 500 jobs. At GM's plant in Oshawa, Unifor has said that over 750 workers will be laid off, in addition to about 1,500 jobs along the supply chain. One direct auto job loss means more indirect jobs lost as well.

We've talked about Stellantis and what's happening in Brampton at length at this committee. That's 3,000 people who have been laid off, with no promise of them returning without a good deal in the auto industry from the Liberal government. Also, at Paccar Inc., in Sainte-Thérèse, Quebec, a further 725 jobs were lost. Again, every auto sector job directly lost means more indirect jobs are in the firing line.

We believe as Conservatives that this is a critical motion to put forward to send a clear signal not only to the House of Commons but across the country that this is where we stand. Further to that, as I said, it will provide an opportunity for the House of Commons to

debate and further discuss this issue. I find it very surprising that, given the job losses and damage it is doing to the Canadian economy, it hasn't been debated on the floor of the House of Commons.

Our goal is to send a clear message that we support the auto sector. We're calling on the Liberal government to deliver on its promises, but we also feel that this issue is so critical that it must be debated on the floor of the House of Commons. Passing this motion today will provide us the opportunity to have it on the floor.

Thank you, Mr. Chair.

**The Chair:** Thank you, Madam Dancho.

Colleagues, I will go over the order I'm keeping so that everybody knows it.

[*Translation*]

We will start with Mr. Ste-Marie, followed by Ms. Borrelli, Mr. Guglielmin, Ms. Kirkland, Mr. Noormohamed, Mr. Danko and, finally, Mr. Bardeesy.

Mr. Ste-Marie, you have the floor.

**Gabriel Ste-Marie:** Thank you, Mr. Chair.

I support the motion for the reasons mentioned earlier regarding the seriousness of the issue. Since I would like to include what is happening at the PACCAR plant, as Ms. Dancho mentioned in her explanation, I would like to propose an amendment that I hope will be a favourable amendment that can be supported by all colleagues, whether we are in favour of the motion or not.

I will state my amendment in French and English, and I will send the written version by email, if necessary.

I propose that, after “That the committee report to the House that it condemns the unjustified American tariffs on the Canadian auto sector”, we add “and that of heavy vehicles”. This would allow us to include what is happening at PACCAR.

In English, the addition would be after “the Canadian auto sector”.

• (1840)

We will add that.

[*English*]

“and that of heavy vehicles”.

[Translation]

I hope it will be a favourable amendment and that everyone will support it.

**The Chair:** Mr. Ste-Marie, did you send a copy of this amendment to the members of the committee or the Clerk?

**Gabriel Ste-Marie:** No, I haven't done that yet. I'll do it right now. I'll send it to the clerk.

**The Chair:** We will not be taking a break for that.

[English]

Mr. Ste-Marie, I have a copy that was handed to me. Correct me if I'm wrong, but essentially the motion would now begin as follows: "That the committee report to the House that it condemns the unjustified American tariffs on the Canadian auto sector and that of heavy vehicles". The rest would remain the same.

[Translation]

You have only added "and that of heavy vehicles".

[English]

Colleagues, I don't think we have to pause on this particular note. Please note that an amendment has been proposed. That means we are speaking to the amendment or we are—

[Translation]

**Gabriel Ste-Marie:** I have a point of order, Mr. Chair.

I have requested that this be a favourable amendment. If we obtain the approval of all colleagues, it could be incorporated immediately.

**The Chair:** If that's the case, yes, but if it's not, there will be a debate and a vote.

[English]

Colleagues, I'm just looking around the table. Are we okay to accept the language in the amendment?

**An hon. member:** We are.

**The Chair:** Ms. Borrelli, if you're wishing to speak to the amendment, I'll give you the floor. If you're just reminding me that you're next in the speaking order, I'll get to you when we get to that. Is this on the amendment?

**Kathy Borrelli (Windsor—Tecumseh—Lakeshore, CPC):** No. Thank you.

**The Chair:** Don't worry. I have you next.

Colleagues, does anyone wish to speak to the amendment? Is anyone opposed?

Do we need to call a vote, or are we agreeing to accept the amendment?

It looks like we have agreement.

(Amendment agreed to)

**The Chair:** We will resume debate on the motion presented by Madam Dancho and amended by Monsieur Ste-Marie, having added the words I read into the record a moment ago.

[Translation]

Mr. Ste-Marie, have you finished?

Would you like to continue?

**Gabriel Ste-Marie:** I'm done, thank you.

**The Chair:** All right, thank you.

[English]

Ms. Borrelli, the floor is yours.

**Kathy Borrelli:** Thank you, Chair.

I support this motion. This motion is vital to our economy, our communities and the hard-working individuals who dedicate their lives to the auto industry. It's crucial that we engage in serious tariff negotiations to secure the future of Canadian auto jobs.

The Prime Minister made a promise, a commitment, to support those whose livelihoods depend on our automotive sector. It's time to hold him accountable. He hasn't done that yet. Auto workers are the backbone of the industry. Their skills, dedication and resilience are what drive it forward. We are risking not only their jobs but also the very fabric of our economic stability.

We demand that the Prime Minister prioritize these negotiations. It is not just an obligation but a necessity to ensure that workers in the auto sector can thrive, provide for their families and contribute to their communities. No more empty promises. We need to stand united in this call to action. The time to act is now. We need to win for workers. We need our Prime Minister to honour his promises to them. Who cares? I care. We should all care.

Thank you.

**The Chair:** Thank you, Ms. Borrelli.

Mr. Guglielmin, the floor is yours.

**Michael Guglielmin:** Thank you, Chair.

I'll speak in support of this motion. We're at a critical juncture with respect to our auto industry and so many other industries in this country.

As we know, Americans have launched unjustified tariffs on a variety of our sectors. I've heard from people in my riding about everything from the aluminum sector to the furniture manufacturing sector to the steel supply chain. One by one, these companies are suffering at an alarming rate. Some companies have even told me that for the products they export to the U.S., they're now at the point where they need to consider opening up facilities inside the United States.

We heard the consequences very sharply here at the industry committee and when we had our emergency debate on the auto sector. To remind people at this committee and those watching at home, \$14 billion is what the auto industry contributes to our GDP, as well as 125,000 direct jobs, and 8% of manufacturing jobs in Canada are in the auto sector. Every job at an automotive assembly plant supports nine additional jobs, the highest external benefit multiplier of any sector in Canada. That is the severity of what we're facing here.

We've seen GM, for instance, threaten 1,200 workers from their Ingersoll plant. We've seen GM invest \$4 billion in the U.S., being forced to drive money there because of these unjustified tariffs. The fact remains that we were supposed to get a deal by July 21 of this year, yet that hasn't happened.

We've also heard at this committee about some other measures we could have taken to support the auto sector. In fact, some auto executives have said there's one thing the government could do right now to support the auto sector, and that is to remove the EV mandate.

I asked some of the members of the auto team—Huw Williams, for instance—directly about the EV mandate and about how it impacts our competitiveness. His response to my question was, “I would absolutely say the EV mandate makes us less competitive and not just domestically. It makes us a less attractive market for investment.”

How about Brian Kingston from the Canadian Vehicle Manufacturers' Association? I asked him what he thought about the pause and if it gave the industry the certainty that it requires. He said, “a one-year pause doesn't change the fact that companies have to contract for credits out to 2035. They have to make sure they have the certainty that they can still operate in this market. The pause hasn't provided any additional certainty.”

What about Flavio Volpe from the Automotive Parts Manufacturers' Association? He said, “You may have heard me say from the beginning that the EV mandate was unachievable, unworkable and not based in reality”.

We tried to put a motion forward to the House to get the Liberals to repeal the EV mandate immediately to support the sector. Since we weren't able to get consensus on this committee for that, at the very least I'm hoping that this committee will agree unanimously that it's time to move this motion to the House so we can have this serious debate on the floor of the House of Commons to give Canadian workers in the auto sector and all sectors in this country the debate they deserve, the transparency and accountability they deserve and the results they deserve.

Thank you, Mr. Chair.

● (1845)

**The Chair:** Thank you, Mr. Guglielmin.

Go ahead, Ms. Kirkland.

**Rhonda Kirkland (Oshawa, CPC):** Thank you, Mr. Chair.

Thank you to committee members.

I don't think it comes as a surprise that I support this motion. As I speak to auto industry advocates and folks who work in the auto industry on a regular basis as the co-chair of the Conservative auto caucus, I can tell you that the word used most often is “uncertainty”. As these auto workers wonder if their government is going to stand up for them or not, they are feeling uncertain, and they're feeling scared about what the future holds. They need to see some action, and they need to see clear action.

This motion would allow for that and allow for potential debate in the House—a critical debate, really, that needs to happen on the floor of the House of Commons. My riding is Oshawa, which I've mentioned before in this committee. Oshawa, Ingersoll, Brampton, Windsor.... I could keep going. In Quebec, we have the Paccar truck manufacturing plant. All of these folks are feeling the hurt, and they're worried not just about the jobs that have already been lost but also about what could potentially be coming. Oshawa's economy relies on the auto sector, and the GM Oshawa assembly plant supports thousands of families indirectly and directly in the Durham Region.

The unjustified American tariffs on Canadian autos have put Oshawa jobs and paycheques at immediate risk. Of course, other communities in Ontario and across the country are also at risk. In Oshawa, though, 750 workers will be losing their jobs in just a little over a month. That translates to more like 1,500 to 2,000, and possibly up to 5,000, in the Durham Region in the auto supply chain.

The Prime Minister promised during the election that he could negotiate a win, that he was a master negotiator and that we were going to see things done at unimaginable speeds, but July 21 came and went. The auto sector looked at that promise, and they were hoping that this was going to be it, that he was going to negotiate a deal and they'd be good to go. However, that promise has not been kept. The government has not yet lived up to its promise, and workers are now caught in the trade fight.

The United States is aggressively defending its workers, and we would like to see the Canadian government do the same here. Canada must stand up for its auto workers and deliver the fair and stable trade environment that they were promised. I believe this committee should stand united in supporting this motion.

Thank you.

● (1850)

**The Chair:** Thank you very much, Ms. Kirkland.

Mr. Noormohamed, the floor is yours.

**Taleb Noormohamed:** Thank you, Mr. Chair.

I think there's a lot of good in this motion. I think it's important for us to all come together and condemn these unjustified American tariffs on the auto sector and on heavy vehicles.

As a British Columbian, I am disappointed to see that the softwood lumber industry isn't in this motion, and I wonder if we might consider amending it to include softwood lumber, steel and aluminum, which affect all of us. I think it would send a very strong message that we have to work together, as the member on the screen said earlier.

If there's an opportunity for us to work together on amendments, I'm happy to.... In fact, what I will do now is suggest an amendment. As for how we do this, I don't know if it will be considered friendly, but if not, we can find other ways forward.

I propose including this after "sector": "steel and aluminum industries, and softwood lumber industries". Then it would be "that it calls upon the government to live up to its promise made during the election to negotiate a win". Then it would include "and that His Majesty's loyal opposition live up to its commitment that 'We need to work together' in order for the government to get a deal in the spirit of taking a Team Canada approach". Then we'd go to "for the workers whose livelihoods depend on a good deal for Canada".

If we're going to send a strong signal as a committee, I think it's important for us to take the steps required to show all Canadians from coast to coast to coast whose industries are affected by these unjustified tariffs that we're prepared to do the necessary work, to put aside partisanship and to send a very clear and unequivocal message that we are serious in this committee, that we are serious as Canadians.

I would seek to see if my fellow members would be willing to take on these amendments. I'm happy to circulate them in whatever form the clerk would like, if necessary, but I imagine there won't be any opposition to including those elements. There's a reason I think we should. We saw supports from our government today on steel and softwood, but make no mistake that the impact of these tariffs in British Columbia on softwood, which I really think we should include in this motion, are substantial. The softwood lumber industry in British Columbia represents 49,000 jobs. There are tariff rates of over 50% in some cases. There is almost \$10 billion sitting in hold accounts for tariffs, for duties.

The negotiations are not just complicated. They involve a reality that with these tariffs being extended, we're going to see mills close and communities die, communities represented not just by Liberals, but by Conservatives and by New Democrats. In Quebec, they're also going to have an impact.

These tariffs affect all of our constituents. Twenty-five per cent of the jobs in softwood in British Columbia are in the Lower Mainland, in the ridings that are represented by me and my colleague from Richmond East—Steveston.

If we're serious about this and it isn't about politics, I would invite my friends opposite to take on these amendments so we can get down to the business of negotiations, as we have been doing and as the Prime Minister has been doing.

If I may be so bold, as the member from Bowmanville—Oshawa North has a very good friend in J.D. Vance, perhaps he might be able to put some pressure on his friend to hear the message that members opposite are sharing and talking about in this room. With the passion and force required of all of us as Canadians, we must tell our American friends that enough is enough and that this isn't about picking wedges among Canadians, nor about, when it's convenient, wanting to be friends with those who seek to damage our economy, take away our jobs and take away the jobs of our friends, of our families and of our constituents. We will take the steps required to push back on some of these things.

On that basis, Mr. Chair, I'd like to move the amendment I just spoke to, and I look forward to a positive reception from my colleagues opposite.

• (1855)

**The Chair:** Colleagues, here's the situation we find ourselves in. An amendment has been moved. Because of the substance of the amendment, which I don't think—Mr. Noormohamed, you'll correct me if I'm wrong—has been provided to the clerk in both languages.... It's going to take us a bit of time to process that, unless we have unanimous consent that we don't need to do it.

I see Monsieur Ste-Marie saying no, meaning that we need time for the translation of those documents. We're a few minutes away from the time we have allocated, so there isn't really a place for us to go.

Madam Dancho, I know your hand is up so you can be added to the speaking list. Unless you have a point of order, I'm not going to give anybody else the floor until we've established this...because the floor rests with Mr. Noormohamed at this point.

I just want to be clear: You're moving this amendment.

**Taleeb Noormohamed:** I am.

**The Chair:** Okay.

Colleagues, we have a few things to do, then. I can establish who speaks next, but again, we're about a minute away from our end time.

If it's not on a point of order, Madam Dancho, I'm not in a position to recognize you.

**Raquel Dancho:** If he's moving it, I want to speak to the amendment.

**The Chair:** Your name is down, but we can't enter debate on the amendment until the amendment has been translated and provided to members. We're not at that point yet. The next step is for us to begin the process of translation and correspondence.

Mr. Noormohamed, could you or your staff kindly provide the amendment to the clerk?

Go ahead, Madam Dancho.

**Raquel Dancho:** Perhaps he could clearly read out the amendment. It's not a requirement that we get it translated and in our inbox, if the Bloc is okay with that. I'll leave that to Mr. Ste-Marie's discretion. There have been tons of amendments moved on the fly at all kinds of committees, and we have immediately started debating them.

He wasn't clear on the exact language he used. I'm not clear on whether he was saying in general these things should be added or he was moving specific verbiage that we can review. Perhaps he can clarify that.

**The Chair:** Mr. Noormohamed, the floor is still yours. I temporarily shifted to Madam Dancho to allow for the point of clarification. If you'd like to read the amendment back into the record for our purposes, you're certainly welcome to do that, but we'll be adjourning the meeting momentarily.

**Taleeb Noormohamed:** If I can do it in under a minute, I will.

The final amended version would read as follows:

That the committee condemns the unjustified American tariffs on the Canadian auto sector, heavy vehicles, steel and aluminum industries, and softwood lumber industries, that it calls upon the government to live up to its promise made during the election to negotiate a win, and that His Majesty's loyal opposition live up to its commitment that "We need to work together" in order for the government to get a deal in the spirit of taking a Team Canada approach for the workers whose livelihoods depend on a good deal for Canada.

**Raquel Dancho:** That obligation doesn't exist. Our obligation is to hold you accountable.

**Taleeb Noormohamed:** That's debate.

**The Chair:** Colleagues, we're not going to enter into a cross-table debate.

An amendment has been presented to us, but at this time, we're at the time that's been allocated to us.

• (1900)

**Raquel Dancho:** On a point of order, Mr. Chair, you're saying we have no more resources.

**The Chair:** I can check with the clerk, but with the time we set aside for this meeting, it was to go until seven o'clock.

**Raquel Dancho:** Well, I would like to check. If the committee agrees, I think we should ask.

**The Chair:** Okay.

**Raquel Dancho:** Mr. Chair, I take issue with this. To the committee and the Liberals, in good faith we provided this motion over a week ago.

**The Chair:** Madam Dancho, wait just one moment.

**Raquel Dancho:** It was over a week ago. He had every opportunity to do this in advance.

**The Chair:** Ms. Dancho, your question was about checking on resources, not entering into debate, so provide me with a moment to do that.

• (1900)

(Pause)

• (1905)

**The Chair:** Okay, colleagues, I'm going to move to adjourn the meeting. We don't have additional resources at the moment.





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