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Chair: Charles Sousa





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• (1635)

[English]

**The Chair (Charles Sousa (Mississauga—Lakeshore, Lib.)):** I call this meeting to order.

Welcome to meeting number 39 of the House of Commons Standing Committee on National Defence. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, February 23, 2026, the committee is meeting to study the impact of the defence industrial strategy.

Today's meeting is taking place in a hybrid format. Before we begin, I ask participants to consult the guidelines on the table. These measures are there to help prevent audio feedback incidents and to protect the health and safety of our interpreters.

Witnesses and members, if you wish to speak, please raise your hand, and please wait until I recognize you by name before speaking.

I will also remind witnesses that the committee members may ask questions in either French or English. If you need interpretation, please take a moment now to prepare your earpiece and select the appropriate channel.

For the purposes of decorum and so forth, I ask that all comments be addressed through the chair.

Let's begin.

I would like to welcome the secretary of state and our witnesses. We have the Hon. Stephen Fuhr, secretary of state for defence procurement. From the Defence Investment Agency, we have Vincent Robitaille, assistant deputy minister of procurement, and Diogo Brandao, senior director of policy and engagement. We also have Paula Folkes, associate assistant deputy minister from the Department of Public Works and Government Services.

We'll proceed now with opening statements of up to five minutes.

Secretary of State, I'll turn the floor over to you, sir.

**Hon. Stephen Fuhr (Secretary of State (Defence Procurement)):** Thank you very much, Mr. Chair.

[Translation]

Good morning, everyone.

I am very pleased to be here today.

[English]

I would like to begin by acknowledging that we are gathered on the traditional and unceded territory of the Algonquin Anishinabe people.

The defence industrial strategy is built on a simple idea: Defence and economic security are mutually reinforcing.

The geopolitical assumptions that have shaped Canada's defence and industrial policies for decades no longer hold. By strengthening the operational readiness of the Canadian Armed Forces, we can also strengthen Canadian industry, support innovation, create good jobs and build greater resilience here at home.

To achieve these objectives, the defence industrial strategy introduced a new build-partner-buy framework. Through the Defence Investment Agency, we are applying this framework by building in Canada where practical, partnering with trusted allies where collaboration strengthens capability and industrial participation, and acquiring proven systems when speed and operational requirements demand it.

Let me begin with operational readiness, the first area examined by your committee. The Canadian Armed Forces requires modern equipment delivered at the speed of relevance. The capabilities identified in "Our North, Strong and Free" remain critical to Canada's security, but the pace of technological and geopolitical change has increased the importance of delivering them sooner.

Over the past year, we've accelerated the delivery of a number of key capabilities for the Canadian Armed Forces. For instance, we've accelerated the Canadian modular assault rifle program by approximately two years. We've accelerated Canada's submarine replacement program and, most recently, advanced Canada's airborne early warning and control capability, a key enabler for both NORAD and NATO operations. Together, these initiatives are helping ensure that the Canadian Armed Forces receive the capabilities they need faster while strengthening Canada's ability to sustain and evolve these capabilities over time.

Canada's defence industry is another key area examined by your committee. The strategy aims to increase the share of defence acquisitions awarded to Canadian firms to 70% over the next decade while increasing defence exports by 50%. This is already being reflected in the DIA procurements we've done. The Canadian modular assault rifle program is built here in Canada and supported by an approximately 80% Canadian supply chain, and Colt is already supporting allied demand, including exports to Denmark. Canadian-built Bombardier Global 6500 aircraft provide airlift capability here in Canada as well. This supports domestic aerospace manufacturing, engineering and sustainment. The Canadian patrol submarine project is placing significant emphasis on Canadian in-service support and supply chain participation.

Innovation is also central to the defence industrial strategy. The selection of Saab as a preferred supplier to provide airborne early warning and control is a strong example of this. It delivers significant Canadian industrial participation from the outset while allowing Canada to participate in spiral development of those systems over time. This also creates an opportunity for Canada to develop and export a finished AEWC capability to allied partner nations, a key defence industrial strategy objective of increasing Canadian defence exports. By bringing more of the missionization and systems integration work back to Canada, the project supports high-value jobs and sovereign expertise here at home. This approach helps ensure interoperability with allies while creating long-term opportunities for Canadian innovation, expertise and industrial participation.

The final area identified in this study is the creation of jobs here in Canada. The defence industrial strategy is expected to generate up to 125,000 new jobs across Canada, and we're already seeing evidence of that impact through the growing production capacity, investment and hiring across Canada's defence and aerospace sectors. As an example, I was told by Colt Canada that they were going to have to double their employee workforce to meet the demand of the Canadian order, plus the Denmark order, and I'm sure there are more coming for that great company in southern Ontario.

Mr. Chair, the defence industrial strategy is not simply about buying equipment. It's about providing capability for the Canadian Armed Forces while building out capacity for Canada. Through the build-partner-buy framework, we are strengthening readiness, supporting Canadian industry and encouraging innovation while creating jobs here at home in Canada.

[Translation]

Thank you.

I look forward to your questions.

[English]

Thank you.

**The Chair:** Thank you, Mr. Fuhr. I appreciate your opening remarks.

We're going to proceed with a six-minute round. Mr. Bezan, I go over to you.

**James Bezan (Selkirk—Interlake—Eastman, CPC):** Thank you, Mr. Chair.

I thank the secretary of state for joining us today, at least for the first hour.

You mentioned the Saab GlobalEye. Is this considered a sole-sourced contract? You called it a “preferred supplier”, but there are other options out there.

**Hon. Stephen Fuhr:** I will answer your question, but we're here to talk about the defence industrial strategy.

**James Bezan:** You brought it up.

**Hon. Stephen Fuhr:** I did bring it up.

Right now, the DIA is negotiating with Saab as a preferred supplier. We're in the pretty early stages of this procurement.

**James Bezan:** Is there no longer a competition?

**Hon. Stephen Fuhr:** We're negotiating with Saab as a preferred supplier.

**James Bezan:** When do you expect the contract to be signed?

**Hon. Stephen Fuhr:** We are in pretty early stages, Mr. Bezan.

We just announced it at CANSEC, as you know.

**James Bezan:** You said, though, that you're speeding up the timeline. Originally, in the defence capabilities blueprint, AWACS were supposed to start delivering around 2037. Are you ahead of that or on schedule?

● (1640)

**Hon. Stephen Fuhr:** We're ahead of it.

If you look at “Our North, Strong and Free”, there are timelines and capabilities in it. That's a couple of years old. A lot has changed in two years. The entire planet is different from how it was two years ago. That was a policy update to—

**James Bezan:** I'm sorry; are you saying that we need to update the defence policy again?

It should be an evergreen policy. Isn't that right?

**Hon. Stephen Fuhr:** We had a defence policy from 2017, and then we had an update. These things happen from time to time.

I'm saying that since the last update we had two years ago, “Our North, Strong and Free”, significant changes have occurred. We're pulling lots of capability forward. Subs are another good example of that.

**James Bezan:** Who's responsible, then, to talk about the interoperability of the Saab GlobalEye with our own F-35s that we're going to be receiving along with our NORAD partners?

**Hon. Jenna Sudds (Kanata, Lib.):** I have a point of order, Chair.

**James Bezan:** He brought up the GlobalEye. This is definitely in order.

**The Chair:** Can you wait for a point of order?

**Hon. Jenna Sudds:** Thank you, Chair.

Respectfully, I think we're getting into the weeds of procurement.

My understanding of the study that we have in front of us today is that it's in relation to the defence industrial strategy. I'd hate for us to steer from that topic, which I think is incredibly important.

**James Bezan:** Mr. Chair, may I respond to that point of order?

**The Chair:** Yes, you may, Mr. Bezan.

**James Bezan:** I hope you have paused the clock.

The witness, being the secretary of state, brought up procurement and particular platforms, including the modular new firearm, the subs and the AWACS planes. He brought up what they're doing. Part of the defence industrial strategy is also talking about getting stuff for Canadian Armed Forces. That's, first and foremost, our responsibility here at this committee.

I think that we are masters of our own domain and, since this has already been brought up by the witness, it's in line to ask the questions.

**The Chair:** That's noted.

We have a motion for us to discuss the DIS. That is the topic of discussion, so let's try to keep it on track.

Mr. Vice-Chair, let's proceed, please.

**James Bezan:** The secretary of state is a seasoned parliamentarian, especially at this committee. He doesn't need to be protected by his colleagues. I know that he's more than capable of answering the questions.

If we are talking about interoperability under NORAD, who's responsible for ensuring that things like having access to NORAD's link 16, NET-4 special access aerospace control and guidance unit is going to be available to the platforms you're going to be procuring?

**Hon. Stephen Fuhr:** I think this came up in committee the last time I was here.

It's no secret; the defence department writes the requirements for the things that they need. We have a build-partner-buy strategy that we're applying to that, so that's what's happening.

**James Bezan:** Part of the defence industrial strategy is setting up the DIA. There is division 16, in the budget implementation act that just passed second reading—on division, I might add. It provides some incredible powers to the minister, who is yet to be named, for the Defence Investment Agency.

When you start looking at the ability to exempt people or companies from competing in the procurement process.... Is that how the government plans on tilting the playing field in favour of their preferred suppliers?

**Hon. Stephen Fuhr:** I don't think so at all.

Sole source has always been a way any government—including yours, which tried to sole source the F-35, ironically.... It's always existed there.

**James Bezan:** At the same time, sole source, under the rules, still has to go—

**Hon. Stephen Fuhr:** If you look at the four ways you can sole source something under the existing rules—until this passes—there's some pretty broad subjectivity on the ways that you can do things. All this does is add clarity to that.

The Government of Canada, whether it be Conservative or Liberal, in the past and in the future, has always had the ability to sole source. There's some more clarity in the bill. That's my opinion. If they decide to do it for whatever reasons, they have to justify it.

**James Bezan:** Under Bill C-31, division 16, you are given all sorts of powers—or the minister is, or whoever is yet to be named or designated, because anybody within cabinet could be designated to take care of the DIA. You also have powers to take over corporations, buy shares and take over or replace boards, executive members and officers of a corporation. That sounds like nationalization to me.

• (1645)

**Hon. Stephen Fuhr:** Now it sounds like we want to have a committee meeting on Bill C-31, division 16, because we're really in the weeds here.

**James Bezan:** We're not going to get a chance to study this act. It's going to be done through the finance committee, unfortunately. It's not going to happen here. We have you here now, and we're talking about the defence industrial strategy, which the DIA is going to be a major part of. Whether it's you as secretary of state now or a minister in the future, someone is going to have the ability to...you know, up to a billion dollars without even having to go through cabinet to spend money that they want—

**Hon. Stephen Fuhr:** I think what you're drilling at here, Mr. Bezan, is accountability, and I agree with you. Let me say that, as for any other department that exists now, all the accountability still exists. There's Parliament. There is this committee. There's the Auditor General, and there's a PBO. None of that stuff goes away. All we've done is create an agency to manage one of the biggest complaints about military procurement—as your committee identified back in November 2024—which is that it's too slow. It cannot deliver on time.

**James Bezan:** I'll say this: The danger in what's laid out in this Defence Investment Agency act is that it gives the power to hide behind national security and not release that information to the public for why people are exempt. There is actually a clause in there that provides an out for the minister without explaining why somebody didn't receive an opportunity to compete under the competition clause. People are going to get disqualified.

**Hon. Stephen Fuhr:** Here's another revelation: The national security exemption has existed and exists now.

**Sherry Romanado (Longueuil—Charles-LeMoine, Lib.):** I have a point of order.

**James Bezan:** I'm out of time anyway.

**The Chair:** Yes, we are out of time.

Proceed, Ms. Romanado.

**Sherry Romanado:** For the sake of the interpreters, I would ask that we allow the witness to answer a question and not talk over the witness, so I can actually hear what the witness is saying.

Thank you.

**The Chair:** It's a point well taken.

Go ahead, Mr. Anderson.

**Scott Anderson (Vernon—Lake Country—Monashee, CPC):** I believe the witness is speaking over the question, not the other way around.

**The Chair:** I think we're speaking over each other, unfortunately.

Mr. Fuhr and Mr. Vice-Chair, thank you very much.

It's over to you, Ms. Sudds. You have six minutes. Welcome to the committee.

**Hon. Jenna Sudds:** Thanks for having me. It's wonderful to be with you today.

My question is for the minister.

Through your testimony, we heard about the need to build up our defence industrial base here within Canada. I'm wondering if you can speak to how the defence industrial strategy will strengthen our domestic defence industrial base while at the same time ensuring that the Canadian Armed Forces are receiving the capabilities they need.

**Hon. Stephen Fuhr:** If we look at what's going on in the world right now, we've seen a number of conflicts that we thought would end quickly but that just didn't. There are no signs of them ending quickly. Certainly one of them is for sure in that state. What I think we all could admit and agree to is that we need to persist. We have to be able to persist in conflicts, should we get ourselves into one. I hope that doesn't happen, but we have to be prepared to defend our sovereignty.

Supply chain resilience is a big part of that persistence. You can have integrated supply chain resilience with partners. You can have much better personal, sovereign supply chain resilience. Canada has amazing capacity and capability, probably much more than we've ever appreciated before. We want to engage in that supply chain resilience, not only to help us be more resilient and less reliant on others, but to create well-paying jobs and careers for Canadians. Whether it's shipbuilding or aerospace.... Those are big ones, but the small and medium-sized enterprises in this country are unbelievable. There is a ton that they have to offer. We need to ensure that we get them into our supply chains where we can. This document, the defence industrial strategy, really is a road map to do it.

Some of the initiatives are shared. For example, DISHs and BO-REALIS are defence department initiatives, but they're still helpful. Build-partner-buy, from the DIA perspective, is how we can help bring these other companies in as we move forward. This document, which is the first of its kind—I think we've talked about this before, maybe even in the House—is the road map to help.

There is absolutely no way we're going to meet the KPIs in this document without bringing SMEs into the conversation. It's more than the conversation; it's bringing them into the process. It has to happen. They represent 93% of our companies in this space and 40% of the workforce. They are critical to making sure that we do this big economic pivot and give our great defence and security companies a chance to participate.

• (1650)

**Hon. Jenna Sudds:** That's incredible. Thank you for that. I can attest, even in my own riding of Kanata, that it's been remarkable to see the small and medium-sized businesses that are raising their hands more on the dual-use technology side, but really leaning in and engaging on defence and the opportunities ahead of us. It's quite a moment, frankly, within that community.

I'll refer back to SMEs again—small and medium-sized businesses. One of the pieces I think about, and historically I think we've had some challenges around, is ensuring that they're building what the CAF needs. We need a communication line between industry, government and the CAF to ensure that there's ongoing dialogue and connection as to where we're headed.

Can you speak to how the DIS will help, I assume, or is helping to connect those dots?

**Hon. Stephen Fuhr:** Yes, I can. With the document specifically, there are, I believe, 10 sovereign capabilities listed. That's a pretty good indicator of where Canada plans to build capacity. I used to be a small business owner myself in this space, and I would be looking at where Canada plans to do more in the 10 areas that are identified in the DIS.

However, as I was saying just a few minutes ago to your colleague, the defence policy and the defence investment plan are also very important documents to signal to industry where we're going. If they want to [*Inaudible—Editor*] investing in themselves and/or get involved, the three documents—the defence policy, which in this case is an update, because that's what we're working with now; “Our North, Strong and Free”, the defence plan; and then the defence industrial strategy—are very good indicators.

Plus, I would say this: We have really done a lot of work with being available to industry. I take a ton of meetings, and it's not just me. All our colleagues take a ton of meetings with industry, to make sure they know what's going on. That will not stop. That will continue to make sure that small to medium-sized businesses know what's going on.

**Hon. Jenna Sudds:** Thank you for that.

I know I don't have much time left, but one of the pieces that the defence industrial strategy has put forward is creating that certainty for companies—as you've outlined, the sovereign capabilities that are listed. To me, those 10 capabilities are a blueprint for industry. That certainty is a game-changer.

I don't believe I have time left, but I appreciate your being here with us today.

**The Chair:** Thank you.

Monsieur Simard, welcome. You have up to six minutes.

[*Translation*]

**Mario Simard (Jonquière, BQ):** Thank you, Mr. Chair.

Secretary of State, I had a conversation recently with your colleague Carlos Leitão about the Defence Investment Agency. We are trying to see how people in the mining and aluminum sectors can seize opportunities. We have been told that this agency will be created to provide a framework for the supply chain and perhaps develop what goes along with it, a value chain.

You have to understand that there are complex realities right now. In your document, I saw the desire to shift on certain aluminum products that could be used for government contracts.

I am from Saguenay—Lac-Saint-Jean, the largest aluminum-producing region in Canada. It's important to understand the dynamics of aluminum. The government often doesn't make the distinction between raw aluminum production, the ingot that comes out of it, and processing, unfortunately. In other words, some processing is needed before a raw aluminum ingot can be used.

Currently, in Quebec, there is no support for aluminum processors. Given the tariffs that are in effect, they are disappearing. In order to use aluminum right now, it has to be shipped to the United States to be milled. Once that is done, the sheets that are needed for military applications can then be used and included in the value chain.

I think that is a challenge. You must be aware that, in Quebec and in the rest of Canada, we don't currently have the industrial capacity needed to meet the needs you seem to be suggesting.

So I'm confused about the role the agency will play, because when I look at it overall, it seems like wishful thinking.

How are we going to make those objectives a reality?

That's a heck of a challenge. You have targeted specific sectors of activity, but are you aware of the challenges related to those sectors?

• (1655)

[*English*]

**Hon. Stephen Fuhr:** Thank you very much.

We are all very aware. Steel, aluminum, auto and softwood are the ones we hear about over and over in the House because it's true that those sectoral tariffs are very damaging to our economy.

On defence procurement, where we can.... I'll use both steel and aluminum as examples. Steel is a good example. We're building ar-

moured vehicles here. We're building ships here. We need a very specific type of steel for that, and we're trying to get some of our big steel producers to pivot. It's the same with aircraft aluminum. We have De Havilland. We have Bombardier. We have some big aircraft manufacturers here. We're trying to see whether there's an opportunity for them to source some of their material from Canada. Again, the aluminum they need may not be exactly what's being produced.

The bigger opportunity is the buy Canada strategy, which is all the building that we're going to do across the country—and it's significant. The Government of Canada will be buying Canadian materials: steel, aluminum and lumber. That's probably the quickest relief you'll see for the aluminum sector. There may be others.

I know the government's also looking for other markets for our aluminum. I think the U.S. will come to terms with the fact that they need us for aluminum. I hope that happens sooner rather than later.

[*Translation*]

**Mario Simard:** I totally understand that, and I agree with you. As a sovereignist, I can say that we need to develop local consumption strategies. If there were a buy Canadian policy, even though I am a sovereignist, I would be strongly in favour of that kind of strategy.

That said, we have to be aware of the realities in various economic sectors. What I'm saying is that, when I read this document, I get the sense that you don't understand the dynamics of the aluminum sector. What's happening in that sector right now is that primary aluminum is being produced and but it is not being processed in Canada and Quebec. Most of the aluminum that Canada uses is exported to the United States. We don't even have a mill. You need a mill to produce sheets of aluminum.

Tomorrow morning, you want to use aluminum for defence initiatives, but you don't have the industrial structure to do that. That's my concern. There will be an agency that will be ready to coordinate relationships and contracts with small and medium-sized businesses, but it doesn't seem to be aware of the industrial infrastructure that currently exists in certain sectors of activity.

That's why I'm telling you that, before the agency is set up, we need to take stock of our strengths and weaknesses. It's the same thing in the mining sector. It takes years to get a lithium mine up and running.

So that industrial infrastructure is not going to be in place overnight. I don't know what form it will take, but it seems to me that the challenges will be spread over a number of years. You have a slightly idyllic view of things. I'm not saying this to annoy you, it's just the impression I get. You have a slightly idyllic view of the supply chain in Canada right now.

[English]

**Hon. Stephen Fuhr:** I understand what you're saying, but let me add a couple of things. This is like it is with our need for steel for armoured vehicles or icebreaking ships when we don't necessarily have that type of steel here. This is analogous to what you're describing. We have aluminum, but it's not the type we can use, so we send it someplace else.

In the second hour, there will be somebody here from ISED. The reason I bring that up is that there's something called the strategic investment fund. This fund of money is to help companies pivot. If what was working before these tariffs came in is not working now, and we need to change the way they do things so they can compete and get into procurement in Canada, this is not my department. However, this type of money does exist out there to help companies specifically do these types of things so that we can keep everybody working here in Canada.

• (1700)

[Translation]

**The Chair:** Thank you, Mr. Simard and Mr. Fuhr.

[English]

Mrs. Gallant, we are going to you for five minutes now.

**Cheryl Gallant (Algonquin—Renfrew—Pembroke, CPC):** Thank you, Mr. Chairman.

Through you to the secretary, you spoke of technological advancements at the “speed of relevance”. What steps has your agency taken to implement NATO's rapid adoption action plan? As you know, RAAP is the NATO collective strategy designed to close the gap between rapid commercial technology cycles and slow military procurement timelines. That aims to integrate the dual-use technology you spoke of into the allied armed forces within 24 months. What steps have you taken there?

**Hon. Stephen Fuhr:** We're picking up our pace here at home with regard to how we procure things in Canada. As you know, we've signed up to SAFE, which is another NATO initiative. The good news about SAFE is that not only is Canada the only non-EU country that's involved in this—other than the EU ones that are in it—but it gives us access of up to 80% of procurement.

**Cheryl Gallant:** Okay. I thank you, but that's not a part of RAAP, which is getting things going faster.

Could you provide one example of procurement that has adopted this strategy to close the gap between the rapid technology cycles and the slow procurement process of the military?

**Hon. Stephen Fuhr:** Right now, as you may know—I'm sure you've looked at the DIA's website—we have eight procurements. We will be getting all the procurements. We don't have them yet, so we're working with the procurements that we have. As you heard

from the people who were here—I watched a committee meeting on Monday—I would argue that we're moving quickly.

**Cheryl Gallant:** If you've held any prize-based competitions for the SMEs you spoke of, how has your agency optimized pathways for integrating new technological products into military settings for technology adoption?

**Hon. Stephen Fuhr:** In this document, you'll see BOREALIS and DISHs. Those are probably the pathways that you're talking about. Those are DND initiatives.

The other problem is that we're too slow. Before, slow meant “late and expensive”. Now it means “late, expensive and irrelevant”.

There are a host of things in this document. Not all of them are DIA initiatives. I would say DISHs and BOREALIS are very good examples of how we're going to bring technology.... We're going to have to do all sorts of things. We're going to have to make sure that we have an evolving supply chain, because technology is changing so quickly.

**Cheryl Gallant:** What has your agency been doing to de-risk new technological products to be battle-ready?

**Hon. Stephen Fuhr:** We buy things off the shelf, and we spiral develop them. We get them quickly—the ones that exist. We make sure that they have extra power, cooling and space so that we can spiral develop them moving forward.

As an alternative, we could do it the old way, which is to buy something, reiterate it a million times, “Canadianize” it and wait 10 years to get it. We're not doing that anymore.

**Cheryl Gallant:** Do you de-risk it by buying it off the shelf?

**Hon. Stephen Fuhr:** That's one way we can de-risk it.

**Cheryl Gallant:** Other than drones, what example would you give?

**Hon. Stephen Fuhr:** Do you want to jump in, Mr. Robitaille?

**Vincent Robitaille (Assistant Deputy Minister, Procurement, Defence Investment Agency):** Yes, we could speak about that.

**Cheryl Gallant:** No. We'll have answers from you in the second hour.

**Vincent Robitaille:** That's fair.

**Hon. Stephen Fuhr:** Strategic partnerships are a good example of that. We have a strategic partnership with CAE for future fighter lead-in training. We have a strategic partnership with MDA Telesat. The whole point of getting involved with companies early on is to let the experts of these companies help us figure out how to go quickly, not make mistakes and not waste money. Those are two good examples of that.

**Cheryl Gallant:** What steps has the DIA taken to build the capacity to have critical minerals extraction done in Canada?

**Hon. Stephen Fuhr:** Right now, that's with natural resources. Today, we're a special operating agency inside PSPC. We will be a stand-alone agency, as we all know, but critical minerals aren't on our plate yet. I suspect they will be, but they are not there now.

**Cheryl Gallant:** Has the DIA provided a timeline with budget allocation amounts on the procurements you're responsible for to show what the DIA is going to contribute toward what NATO is asking all members for—5% by 2035?

**Hon. Stephen Fuhr:** Our 2% was sanctioned by NATO—

**Cheryl Gallant:** We know about the 2%, but we have no plan before us for the—

**Hon. Stephen Fuhr:** I'm saying that because there were some people who said that we just self-declared at 2%. I've seen it, but that's not true. We met our 2% obligation. NATO agrees with our accounting and what we've done.

As for your question, going from 2% to 5%, I would have to turn to the official to find out exactly what's going on.

• (1705)

**Cheryl Gallant:** Okay. You don't have the timeline with you at the moment.

How is your agency addressing the urgent need for robotics in cyber-weaponry?

**Hon. Stephen Fuhr:** We're engaging with the industry to find out what capability exists in Canada, first and foremost, and there's a lot of it—AI, robotics and quantum. Canada's a leader in all of those spaces—

**Cheryl Gallant:** Okay, that's finding out about it, but how are you actually turning that into action so that our soldiers have what they need in theatre?

**Hon. Stephen Fuhr:** It's the Department of National Defence that writes the requirements—

**Cheryl Gallant:** You don't know the requirements yet.

**Hon. Stephen Fuhr:** We work with them. They identify what they need. We go through something called options analysis, which we'll be involved in to make sure that the build-partner-buy strategy is applied. At the end of the day, the requirements exist at the Department of National Defence, so what you're describing is exactly what they're up to.

**The Chair:** Thank you, Mr. Fuhr and Mrs. Gallant. I appreciate that.

Mr. Malette, we'll go over to you for five minutes.

**Chris Malette (Bay of Quinte, Lib.):** Thank you, Mr. Chair, and thank you for being here, Secretary Fuhr.

In my riding in the Bay of Quinte, we've been quite proud recently of examples of small SMEs that have been getting contracts that they thought they may have been unable to do. A small but innovative company by the name of Kool Koatings was able to secure business with General Dynamics, providing a niche application for its MIL-SPEC certified powder coating for one of General Dynamics product lines in a defence application. For a company of this size, it's quite inspirational to see. This company believes that this is an opportunity that could lead to additional contracts in the future with GD or others.

My questions are for you, Mr. Fuhr.

In your estimation, does this type of success story reflect the goals of the DIS? What steps is the government taking to ensure that more Canadian SMEs like Kool Koatings can connect with major defence contractors and participate in defence supply chains? I think it's a great example of how integrated we can be in providing our Canadian SMEs with a chance to access larger companies like General Dynamics.

**Hon. Stephen Fuhr:** Yes. Thank you for the question.

As I said earlier, it's critical for us to do this, not only for our economy but for our resilience. If we want supply chain resilience in Canada to support our Canadian Armed Forces, we need to make sure all these small companies, especially like the ones you described, are known about and can participate.

If I were to go through this document, I would point out a couple of things. It removes a lot of barriers, and I speak from experience, because I used to operate in this space. One of the barriers was communication with the government. These SMEs have no chance or the resources to figure out who to talk to. Big primes even struggle with this.

The communication with the government is at an all-time high. I know this because I deal with them all the time, and there was some pretty positive feedback from the group of folks you had here on Monday. I watched the committee meeting, and they were pretty happy with the way things were. Therefore, communication is key, and that happens right at the beginning.

Fiscal supports for SMEs in particular are challenging. You just couldn't get money from anywhere, unless you were going to a venture capital place and are prepared to pay 12%, 13% or 15%. They can't do that all the time. There are a whole bunch of initiatives in financing that have come about. They're identified in there. I think BDC got a total of about \$6 billion. The regional development agencies got about \$350 million. The NRC got some money. Financing for these small to medium-sized companies is a lot more prevalent than it was before.

Regarding security clearances, I'm not sure if powder coating would necessarily be in that space, but it is an issue. These small businesses that want to work in this space need to have security clearances, and then they need to have a place to work, because you can't have these conversations at the local Starbucks.

All of these things have been addressed. Moreover, another thing we've just taken on, or have done since we've been running, is introducing small companies to big primes. I took 25 companies with me to South Korea. I took 15 to Germany and Norway when I went—there were fewer on that trip because it was just before Christmas. These companies that are working on submarines, or even AEWC, will have billions of dollars in ITB obligations to Canada. They could buy 100 million dollars' worth of rubber boots, but we don't necessarily want that. We want to direct this fiscal resource to where Canada wants the money to go, and we can incentivize this through a points system to make sure that the money coming back is going to the places that actually matter to our supply chain—and we'll certainly do that.

One other thing, really quickly—because not a lot of people are talking about this, but it's going to happen—is that all the ISSED stuff, all the ITB policy, will be transferred to the DIA when this agency is stood up as a department.

Now, what does that do? You will truly have one-stop shopping for defence procurement. The DIA—Doug Guzman and his team—will do the negotiation and the total business case for the procurement. All the SMEs will have essentially one phone number to call, and we can do what we can to help. If we have the authority to help, great. If it's something we don't have the authority to do or we can't help them with, we can help find out what to do. I'll give you one quick example.

We will never have the authority or the ability to grant export permits. That's a Global Affairs function, but it's important and matters to us because I have a KPI to increase defence exports by 50%. Small businesses go through the process. They go to GAC, but guess what. We can also help advocate for them from inside to make sure nothing gets lost in the process—because there are tons of files and lots of things are happening—and we can get these companies export permits, as an example.

One-stop shopping is what everybody in this room who was on that committee in 2024 wanted. They also wanted a single point of accountability. That was a supplementary opinion or position of the Conservatives on top of the number of recommendations the committee had, which everybody agreed to, and this is exactly what we're building.

I'm quite excited about it. You've got great feedback from the companies that were here. That's not our talking about it or tapping our own backs. The companies are quite happy with this. Can we do more? Can we go faster? I think we can, and we'll be able to do more when we build ourselves up in our final form.

• (1710)

**The Chair:** Thank you Mr. Fuhr.

Monsieur Simard, we go back to you for two and a half minutes.

[*Translation*]

**Mario Simard:** Thank you very much, Mr. Chair.

I'll quickly come back to the aluminum example I was talking about earlier. Back home in Saguenay—Lac-Saint-Jean, we just finished refurbishing an aluminum smelter that cost \$2 billion to switch from one technology to another. Hydroelectricity provides a huge competitive advantage for aluminum smelters such as Rio Tinto.

So we wanted to make sure, collectively, that we would get the maximum benefit possible for our region. A maximization committee was set up so we could ask equipment manufacturers to prepare for what was going to happen in order to meet Rio Tinto's needs. We didn't want the company to use equipment manufacturers from outside the region. Similarly, the Bagotville base is located in our region. It will be receiving fighter jets, probably F-35s, and it will have to upgrade its facilities.

Within your agency, will you take the same approach of setting up a maximization committee so that people in the community, which is close to the Bagotville base, can benefit as much as possible from the investments that will be made?

If they are not able to provide the services, it should at least be people from Quebec or the rest of Canada who provide those services.

I would like to hear more about how your agency will operate. I hope you will have that sensitivity and that there will be better communication with people in the community to see what they can offer for equipment manufacturers, service providers and supply chains.

Will there be something like that?

[English]

**Hon. Stephen Fuhr:** To close the loop on your aluminum, I'm very sensitive to that. I totally understand what you're saying, and I'll be pleased when we have the official from ISED here to see if there is some path that helping rejig the aluminum situation so that it's more viable, given our current situation with the tariffs.

With regard to the broader picture, there is literally billions of dollars going into bases, and Bagotville is one of those bases. A lot of new infrastructure is being built and provided for new aircraft. There's new housing, and there's water and sewer. There's billions of dollars' worth of construction. My assumption—I don't know this right now—is that much of the labour will come from that region, which is going to be very helpful to the people who live there.

[Translation]

**Mario Simard:** What I would like to know—I would like to have a guarantee and assurances—is whether the agency will have that sensitivity to give preference to local service providers, or, at the very least, service providers in Quebec or the rest of Canada.

Will there be that kind of mechanism or will it be according to the lowest bidder?

• (1715)

[English]

**The Chair:** Thank you.

Go ahead, very quickly.

**Hon. Stephen Fuhr:** Very quickly, the answer is yes. It's called the buy Canadian policy, and it's going to be enforced. It's already being enforced, and this is for the exact reason we just talked about. We will be looking for materials and labour, and it's going to be enforced for the reasons you cited.

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

Mr. Anderson, it's over to you for five minutes.

**Scott Anderson:** Thank you very much. All the questions will be through you, Mr. Chair.

Mr. Fuhr, you have mentioned several times, and I've heard this repeatedly, that the DIA is going to be a one-stop shop. I wonder if you can supply us with a phone number for that.

**Hon. Stephen Fuhr:** I think I gave you my phone number the other day.

**Scott Anderson:** No, it's not your phone number, but the phone number for the DIA.

**Hon. Stephen Fuhr:** I'm sure we can provide you a phone number that you can call.

**Scott Anderson:** Okay, that's good.

How many contracts have been signed with Canadian companies so far?

**Hon. Stephen Fuhr:** We have one with Telesat and MDA.

**Scott Anderson:** Give me a number.

**Hon. Stephen Fuhr:** I have to list them. There's Telesat and MDA, Colt Canada, Bombardier—

**Scott Anderson:** I don't want to waste five minutes listing off these companies. Just give me a number. Is there no number?

**Hon. Stephen Fuhr:** There are about half a dozen.

**Scott Anderson:** Okay.

How many foreign contracts have been signed?

**Hon. Stephen Fuhr:** I don't know.

**A voice:** It's about the same number.

**Scott Anderson:** It's about the same for Canadian and foreign companies. Okay.

Under division 16, the minister can access up to \$1 billion dollars and, with that money, purchase equity in private companies and hire and fire boards of companies. Essentially, if you wanted to, or if the minister wanted to, they could simply buy a bunch of companies and call it procurement and Canadian-source it.

You mentioned that this is standard procedure and it will be reported back to Parliament and everything. In fact, it doesn't have to be reported back.

Can you name a single comparable federal procurement authority that allows that sort of expenditure without any accountability whatsoever and without the duty to report back to Parliament?

**Hon. Stephen Fuhr:** You've put some things together that make no sense.

**Scott Anderson:** I agree.

**Hon. Stephen Fuhr:** We are completely accountable. I listed a whole bunch: Parliament, committees, the PBO, the House of Commons, the Auditor General. We are accountable to all those things. You can haul us in here any time you want. Nothing's changed there.

To your other question—

**Scott Anderson:** Actually, it was very hard to get you here, sir.

**Hon. Stephen Fuhr:** Actually, it wasn't. You asked me, and I came.

**Scott Anderson:** We asked several times.

**Hon. Stephen Fuhr:** No, you asked me, and I came. That's what happened.

**Scott Anderson:** Clause 32 allows the minister to exclude a company from the procurement on national security grounds without providing....

Can you name another body in the Canadian government that allows simply excluding companies?

**Hon. Stephen Fuhr:** You're fabricating a bunch of things that you pulled out of the document.

**Scott Anderson:** No, sir. I'm asking you a question, and you're not answering.

**Hon. Stephen Fuhr:** I don't have an answer for you, but I will say that there are new financial tools in division 16—

**Scott Anderson:** What are they?

**Hon. Stephen Fuhr:** There are equity positions. There are loans. There are loan guarantees—

**Scott Anderson:** Exactly. That goes to the first question.

**Hon. Stephen Fuhr:** If you give me a second, I'll answer.

**Scott Anderson:** Go ahead.

**Hon. Stephen Fuhr:** There are a number of countries that have similar things. I believe the Brits and the U.S. do, and the NATO DIANA has a couple of things that are set up this way.

I know what you're driving at. You're trying to drive at that we're going to have this unlimited amount of money that we run around doing whatever we want with.

**Scott Anderson:** That's exactly what's going on.

**Hon. Stephen Fuhr:** That's the way you're interpreting it, but that's not necessarily what's happening, Scott.

**Scott Anderson:** I'm going to move on to the next question.

The government frequently speaks about leveraging pension funds and private capital to support defence, and you mentioned integrating industry a few minutes ago.

What roles do organizations like Brookfield and other institutional investors anticipate having in projects that are administered through the DIA?

**Hon. Stephen Fuhr:** I think you'd have to talk to them. How would I even know that?

**Scott Anderson:** You're the one who's allowing it to happen, sir.

• (1720)

**Hon. Stephen Fuhr:** It hasn't happened, Scott.

**Scott Anderson:** No, it hasn't happened. I'm asking you what safeguards are there. What sort of involvement.... Do you have a plan to go forward?

**Hon. Stephen Fuhr:** We're going to look at, on a case-by-case basis, the opportunities that lie in front of the government.

**Scott Anderson:** There's no metric to govern this.

**Hon. Stephen Fuhr:** First of all, it's the public service that does this. It's not me personally. The public service will look at the—

**Scott Anderson:** It's not your file.

**Hon. Stephen Fuhr:** It's my file, Scott.

**Scott Anderson:** The bill creates 13 separate exceptions to competitive procurement. Can you identify a single major defence procurement failure in Canada that occurred because they didn't have access to enough sole-source exemptions?

**Hon. Stephen Fuhr:** What I said to Mr. Bezan before was that the Government of Canada has always had the ability to sole source. It has always had the ability to—

**Scott Anderson:** That's not their mission, though.

**Hon. Stephen Fuhr:** —use a national security exemption. Probably the biggest example of a mess-up on a sole source was the F-35 that the previous Harper government tried to do. In fact, they were held in contempt of Parliament for trying to do it.

**Scott Anderson:** Okay. I don't think that's how it went.

The bill gives the minister authority to acquire shares in corporations and influence corporate government. Under what circumstances does the government believe it should become an owner of private defence companies?

**Hon. Stephen Fuhr:** I think that you would have to ask the CEO of the investment agency when that becomes an issue. I can't speculate on what may or may not happen in the future.

**The Chair:** I appreciate that.

Mr. Earle, it's over to you now for five minutes, sir.

**Philip Earle (Labrador, Lib.):** Thank you, Chair.

Through you, I want to say that, at this committee, we often hear primarily from industry witnesses who talk about the importance of the build-partner-buy pillars within the defence industrial strategy, as well as the need for close co-operation among government, industry and the Canadian Armed Forces.

The secretary has great former experience from an SME. I think we did business together in the past. More importantly, the secretary has great knowledge of what the strategy means.

How do the strategy and how it's put together strengthen the relationship between those pillars, contribute to a more effective procurement process and make it more efficient?

**Hon. Stephen Fuhr:** Communication is a big one. I've talked to many companies that didn't know where to go, didn't know who to talk to and were burned out with trying to deal with the machine, as they referred to it, so they missed out on opportunities. If someone is interested in defence procurement and they put any kind of effort into it, they're going to get someone in our department who will help them.

**Philip Earle:** Thank you.

Looking at SMEs, how will the DIS help create long-term certainty for Canadian defence companies that are seeking to invest in facilities, technology and, most importantly—as you alluded to earlier—our skilled workers?

**Hon. Stephen Fuhr:** There are a number of programs out there to help workers that are unrelated to this that the Government of Canada is doing and that we've been talking about.

Companies basically will invest in themselves and get out over their skis if they know what's coming. You skate to where the puck's going. If you don't do that, you're going to be playing catch-up all the time.

As I mentioned before, sovereign capability is in this document, specifically the defence investment plan and the defence policy. Those documents exist and are out there, and they give companies some certainty, an idea about where the Government of Canada will be investing. Certainty is what's helpful for business; uncertainty is not. We're saying that we're going to be serious about build-partner-buy. That's us, the DIA.

Then there's the buy Canada policy, which is a PSPC policy. Between those two things, there's certainty built in.

To go back to where the puck's going, with those three documents I just talked about, industry can start to see where we're headed.

**Philip Earle:** I have about two minutes left.

I know you know the aerospace and defence sector very well, and you know the significant importance of teaming. At Monday's committee, we talked about how important that is. Are there provisions in this, either intentionally or otherwise, that will aid Canadian companies in such arrangements?

**Hon. Stephen Fuhr:** I think a good example of that would be the strategic partnership. It's having companies come in early and manage more of the process. Let them figure out who would be best.

Typically primes would do this anyway, but it would be bringing in companies early in the process. It might be MDA or Telesat, or in the case of fighter lead-in training, it would be CAE. They can figure out the most effective way for teaming. They actually manage much more of the process, because they're closer to the issue than the government is.

**Philip Earle:** Thank you.

Chair, I'll cede my time.

**The Chair:** You have two minutes. Are you good?

**Philip Earle:** I'm good.

**The Chair:** All right. With that, Mr. Bezan, you have five minutes.

**James Bezan:** Secretary, when we were talking about SMEs earlier, you said that there's a one-stop shop phone number. What is that number?

I know from my conversations with SMEs that they'd love to know how to get hold of DIA.

• (1725)

**Hon. Stephen Fuhr:** I'll check to see if there is a phone number. There certainly is an email address, and if there's a phone number, I will pass it on to the committee.

**James Bezan:** I think it's something that...

**Hon. Stephen Fuhr:** I'm not too hard to get hold of.

**James Bezan:** I won't be passing out your number. I can tell you that.

Anyway, with the Defence Investment Agency as it relates to the defence industrial strategy, what's the priority? Is it to meet the statement of requirements for each piece of kit that you're buying for the Canadian Armed Forces, or is it for the ITBs that you're courting out of industry?

**Hon. Stephen Fuhr:** They're mutually reinforcing. We can do both.

Here's a great example. We just bought HIMARS from the U.S. In this particular case, for that procurement, that was the quickest way to get the kit the military needed. We just went and did it.

It's tough to answer that question, because every single circumstance is different.

**James Bezan:** The HIMARS is a Lockheed Martin product. Have you talked to them about building some of the renewables for that, such as the rockets themselves, using Canadian companies?

**Hon. Stephen Fuhr:** That's certainly something we could talk about.

HIMARS is pretty mature. This is going back to another committee appearance that I had. Many—

**James Bezan:** It's also about surge capacity, is it not? Everybody is using HIMARS. It's not just the States and not just us. Most of the NATO allies are using them. Ukraine's using them.

**Hon. Stephen Fuhr:** Ammo in general is an issue. Whether it's for HIMARS, 155 millimetre, small arms or 120 millimetre, all of that's an issue. That's something Canada is very serious about getting into, not only for our own war stocks but to help out our neighbours—

**James Bezan:** I know that the government was slow in signing the contracts for the 155-millimetre artillery shells. We got that done only in the last few months, even though we knew for the last four years that we were undersupplied and underproducing. The increase that happened in the Canadian industry in 155 millimetre all happened through contracts signed with the United States. We did it in February.

What about on the rocket side? We have rocket companies like Magellan—

**Hon. Stephen Fuhr:** I think you hit the nail on the head. With rockets now, it seemed like that was old technology as we went to different higher-end systems, but we can't throw million-dollar missiles at \$20,000 drones. That is not a sustainable position to be in. I think the Brits have a laser-guided rocket. It's a fairly effective way to do it.

I tend to agree with you, in that Magellan used to build a CRV7 for Canada. They still have that capability in cold storage. I'm going to be raising that with my colleagues to see if there's a need for us to get back into that business.

**James Bezan:** Well, there were 80,000-some CRV7s that were donated to Ukraine.

**Hon. Stephen Fuhr:** Yes. Those are Canadian ones that we wrote off—

**James Bezan:** Yes. They were all made in Manitoba, by the way.

**Hon. Stephen Fuhr:** Yes, they were, 100%.

**James Bezan:** Going through division 16 of the BIA, subdivision B, when you look at the changes that would be made to the Defence Production Act, you see there are changes in the definitions in clause 307—

**Hon. Stephen Fuhr:** I used to chair this committee as well. I think everyone's been generous, but if you want me to come back on this—

**James Bezan:** You don't want to answer questions about the agency that you're currently—

**Hon. Stephen Fuhr:** I want to answer questions on the subject for which I was called to the committee, which is the DIS. If you want to have me back, I'm happy to come back.

**James Bezan:** We aren't going to get a chance to do this, because this is being done through the finance committee.

It's just explanations as to why the definitions now go beyond. "Residential communities" means more than military communities. Why do defence services and defence procurement go to just anything and don't necessarily refer to defence at all?

Then you tie that in with financial assistance. The minister will have the power to give up to \$1 billion to make "loans to any person", to "make advance payments to any persons", to "guarantee the repayment", to "provide loan insurance or credit insurance" and to "make grants and contributions to any person", which also means corporations.

Is this just another scandal in the making, where there won't be—

**Hon. Stephen Fuhr:** No—

**James Bezan:** —any accountability and we're again talking about a green slush fund, ad scam or arrive scam?

**The Chair:** Mr. Watchorn has the floor.

Go ahead, Mr. Watchorn.

**Tim Watchorn (Les Pays-d'en-Haut, Lib.):** On a point of order, I don't see how this has anything to do with the defence industrial strategy that we're supposed to be talking about today.

**James Bezan:** Let me rephrase it, then. When you are making these "payments to any persons" and loan guarantees, how does

that support the defence industrial strategy, or is it turning into another scam?

**Hon. Stephen Fuhr:** I'll say this more broadly. I've said it before, and I'll say it again: The department now and the department in the future will always be held to account by the same net mechanisms that exist now for any other department. If Parliament, committees, the Auditor General or the PBO has an issue or if they are worried about something, they can haul in whoever it is in the future—me, or whoever that might be—to talk about what they think has gone sideways.

• (1730)

**James Bezan:** That's actually contrary to clause 29, which says, "The Minister is not required to provide a person who has been excluded"—

**The Chair:** Mr. Bezan, your time is up. Your time is long gone.

It's over to you, Mr. Watchorn.

**Tim Watchorn:** Thank you, Mr. Chair.

Thank you to the minister for being here, and thank you to the officials for being here.

I would like to get back to more serious conversations about the defence industrial strategy, which we're here today to talk about.

I had the opportunity to see the defence industrial strategy in action. We had a wonderful announcement at L3Harris about the maintenance of the CC-330 Huskys and we have the procurement of the Global 6500s, and there's something I'd like to know.

Minister, you must be talking to companies all over the country. You've been to CANSEC and you've been to all sorts of different countries since you started your mandate. What are companies telling you about the DIS? How is it working for them?

All the witnesses we've heard today and over the last few weeks have been saying it's great. I'd like to hear your perspective.

**Hon. Stephen Fuhr:** I did review the committees before I showed up for the study, and I wasn't surprised. What I heard on Monday was very much what I'm hearing across.... Those are very much Quebec or eastern companies, but I've heard it all over the country. I've heard it in Atlantic Canada. I've heard it in the Prairies. I've heard it in the north. I've heard it out in British Columbia.

What we've done so far is remarkably better than what we had. There's no question about it. You could measure it in any way you want, and you would hear the same thing. It is much better, and it will continue to get better.

There's one thing I want to mention. You mentioned the L3. When we talked about supporting Canadian companies, we ran around and said "Canadian companies", and that's true, but what we mean is economic benefit to Canada.

Foreign direct investment in Canada is probably at a 22- to 23-year high, which is great, and this is what we want, but we talk about economic benefit to Canada. L3, Lockheed Martin, Boeing—those are examples of companies that have thousands of workers here in Canada. As long as they continue to invest in Canada, that's what we want. Whether it's a born and bred Canadian company or it's a foreign company that is driving economic growth in Canada, we're open to all of it.

To circle back to your question, everybody that I'm hearing from is quite happy with the direction we're headed.

**Tim Watchorn:** That's great.

To get back to my Bloc colleague's point, I was at another announcement recently at Nouveau Monde Graphite, which has a mine in Saint-Michel-des-Saints. It is opening now, and they are going to be setting up a plant in Bécancour to do the primary transformation that we need to make sure we have the graphite we need as a critical mineral for our defence industrial strategy. It is one of the 10 minerals identified in the strategy.

I would just like to know, going forward, what metrics we're going to use to determine whether the DIS is successful. How are we going to figure that out?

**Hon. Stephen Fuhr:** There are a couple of KPIs in the document. We're moving towards 70% acquisitions in Canada and 50% exports. I think there's a 240% increase in revenue for small to medium-sized businesses. There's a bunch of them in there.

There's a 10-year window to get there. At the rate we're moving, I'm confident that we're going to get there. That's the important part.

I was really glad to see that you got such positive feedback. We're working super hard to make sure this works, because it really matters right now. We need to find other things for Canadians to do—careers. Our auto industry is getting hammered. Softwood is getting hammered. Steel and aluminum have massive pressure.

Whatever we can do to help...it's not just defence but the Major Projects Office, buy Canadian and Build Canada Homes. These are all pillars of how we're going to keep this economy running, and defence is going to do its fair share.

**The Chair:** Mr. Fuhr and Mr. Watchorn, thank you for appearing before us today.

Mr. Bezan, go ahead, very quickly.

**James Bezan:** The secretary of state mentioned a couple of times the one-stop-shop phone number for SMEs. I ask that the email and/or phone number—1-800-Buy-Canada or whatever it is—be sent to the committee so that we can share it with SMEs that are asking us about this.

As well, for the record, the Defence Investment Agency is mentioned 20 times in the defence industrial strategy, and that's why we

have them here today as witnesses to talk about the Defence Investment Agency.

**The Chair:** Mr. Fuhr, thank you for being here today.

If you could provide additional information, that would be helpful.

In the meantime, we're going to suspend for a moment as we allow you an opportunity to leave. We'll resume in just a second.

● (1735)

(Pause)

● (1740)

**The Chair:** We're resuming our meeting.

Before we turn to our new witnesses, we have to choose a vice-chair to replace Mr. Savard-Tremblay, who is no longer a member of this committee.

I'm going to turn it over to the clerk to take us through the election of a new vice-chair.

**The Clerk of the Committee (Jean-Denis Kusion):** Thank you, Mr. Chair.

[*Translation*]

Pursuant to Standing Order 106(2), the second vice-chair must be a member of an opposition party other than the official opposition.

I am now prepared to receive motions for the second vice-chair of the committee.

Mrs. Romanado, you have the floor.

**Sherry Romanado:** I move that Ms. Normandin be elected vice-chair.

**The Clerk:** It has been moved by Mrs. Romanado that Christine Normandin be elected second vice-chair of the committee.

Is it the pleasure of the committee to adopt the motion?

(Motion agreed to)

● (1745)

**The Clerk:** I declare Ms. Normandin duly elected second vice-chair of the committee.

[*English*]

Thank you, Mr. Chair.

[*Translation*]

**The Chair:** Mr. Simard, you have the floor.

**Mario Simard:** I decided to withdraw. I was in a conflict of interest.

**Some hon. members:** Oh, oh!

[*English*]

**The Chair:** We welcome our new vice-chair to the committee. She's been on this committee in prior years. She was a very good member in those years, and we look forward to working with her as we go forward.

Now we're going to proceed in our next round and return to the defence industrial strategy.

We welcome the following witnesses: From the Department of Industry, we have Kendal Hembroff, associate assistant deputy minister of the industry sector. From the Department of National Defence, we have Dr. Kate Kaminska, the director general, BOREALIS joint program office, Defence Research and Development Canada, and Wendy Hadwen, assistant deputy minister for policy and industry.

As for those remaining from the first hour, we have already spoken with regard to them.

We will proceed with the opening statements of up to five minutes, please.

**Wendy Hadwen (Assistant Deputy Minister, Policy-Industry, Department of National Defence):** Thank you, Mr. Chair.

If it's all right with you, Kate and I are sharing the National Defence remarks, and then I'm passing it to Kendal. It will be five minutes each.

**The Chair:** That's perfect. Please proceed.

**Wendy Hadwen:** Thank you so much for welcoming me back to this committee as part of your ongoing study into the defence industrial strategy. I'm pleased to share my opening remarks with my colleague, Dr. Kate Kaminska.

[*Translation*]

Last year, Canada invested \$65 million in defence and security, as you know. In March of this year, we met NATO's defence spending target of 2% of GDP, and we are well on our way to meeting NATO's new target of 3.5% of GDP.

[*English*]

To reach this ambitious target, the mobilization and engagement of Canada's defence industrial base is needed, and the defence industrial strategy sets out our path. As we turn to implementation, we are focused on the sovereign capabilities that represent areas in which we have industrial capacity, operational requirements and export potential.

As the Minister of National Defence said last month, the defence industrial strategy is a unifying, unified national effort. At its core, it's about strengthening our sovereignty and building a more resilient, innovative and secure economy for Canadians. Above all, it's about delivering for the members of the CAF and the Coast Guard, who serve our country every day.

This work will help Canada gain greater strategic autonomy and reduce our vulnerabilities to international pressures and threats.

As we proceed with implementation, we are starting to see some positive impacts and early results. For example, last week, the Department of National Defence and the Ministry of Defence of Ukraine signed an arrangement to support the production of Ukrainian uncrewed aerial systems in Canada. The arrangement establishes a new partnership, Airlogix-Sentinel, between a Ukrainian defence technology company and a Canadian manufacturer of uncrewed aerial systems. We hope that with the support of our two governments, the partnership will combine the companies' expertise

to manufacture Ukrainian drone systems in Canada for the armed forces of Ukraine and for Canada's armed forces.

I would also note that on April 30, the Minister of Natural Resources, Minister Hodgson,

[*Translation*]

on behalf of the Minister of National Defence, announced that the Government of Canada is making an initial investment of \$40 million to assess the potential of a Canadian-controlled microreactor that could provide heat and electricity to remote and northern facilities and operations of the Canadian Armed Forces.

[*English*]

Thank you so much.

I'm pleased to turn to Dr. Kate Kaminska to finish our remarks on the part of National Defence.

**Kate Kaminska (Director General, BOREALIS Joint Program Office, Defence Research and Development Canada, Department of National Defence):** Mr. Chair, thank you for the opportunity to appear before you today.

I am pleased to be here to discuss the bureau of research, engineering and advanced leadership in innovation and science—better known as BOREALIS—and its role in strengthening Canada's defence innovation ecosystem.

As the committee has heard from previous witnesses, Canada has world-class talent, cutting-edge research and globally competitive firms. The challenge is to ensure that sovereign Canadian technologies can move more quickly from research and development to operational use in support of Canada's defence and security.

BOREALIS was created as part of Canada's defence industrial strategy to help accelerate that transition. Its focus is on strengthening the pathways among research, development, testing and operational adoption by better connecting government, industry, academia and military end-users around shared mission priorities.

A key component of this effort is the development of the Defence Innovation Secure Hubs, or DISHs. These hubs provide secure environments in which Canadian companies, researchers and government can work together to design, prototype, test and refine their technologies.

In November 2025, a pilot maritime DISH was established in Halifax, focused on the undersea domain. It includes technology such as autonomous systems, advanced sensing and AI-enabled analytics. The pilot has already supported collaborative testing and experimentation activities, which are helping Canadian companies evaluate and refine their technologies for defence purposes.

BOREALIS is working closely with the IDEaS program to help accelerate the transition of promising Canadian technologies into operational use in support of the Canadian Army's Minerva initiative. The project is advancing practical, cost-effective, drone-based targeting and range-finding capabilities that have the potential to enhance battlefield awareness.

In closing, BOREALIS represents an effort to strengthen Canada's ability to translate research excellence into operational capability.

Thank you. I look forward to your questions.

• (1750)

**The Chair:** Thank you.

We'll start the next five minutes, please.

**Kendal Hembroff (Associate Assistant Deputy Minister, Industry Sector, Department of Industry):** Thank you, Mr. Chair.

As you know, Canada published its first defence industrial strategy in February. The release of the strategy serves as a historic first step, setting out a whole-of-government framework that will guide Canada's defence investments. Our focus is now on execution and delivering results for the Canadian Armed Forces and our allies while ensuring that every dollar maximizes jobs, industries and economic benefits for Canadians.

ISED's role in the development of the strategy is to ensure that we are leveraging the full breadth of Canada's economy through a comprehensive package of industrial policy measures anchored within Canada's broader industrial strategy. As the federal government's home for industrial policy and one of the strategy's co-leading departments, ISED is playing a key role in implementing the DIS.

Committee members will have seen that the strategy includes commitments to invest in Canadian research and innovation, with a focus on the 10 sovereign capabilities, through a variety of different federal programs. This includes investments to accelerate cutting-edge defence and dual-use research and development, to anchor top Canadian quantum companies and talent, to bolster access to capital to support commercialization and scale-up, and to help integrate Canadian small and medium-sized businesses into defence supply chains, among other things.

[Translation]

For example, that includes the Business Development Bank of Canada's defence platform, which provides up to \$6 billion in financing, venture capital and advisory services to help SMEs innovate and grow.

As announced by the Business Development Bank of Canada earlier this year, the platform has already provided more than \$91 million in financing, and it recently made its first investment through its NordFort venture capital fund to support the development of stratospheric drone technologies.

Programs such as Innovative Solutions Canada and the strategic response fund also play an important role in furthering Canada's defence and dual-use technology objectives. Since May 2025, for instance, Innovative Solutions Canada has worked with national de-

fence to provide over \$128 million to Canadian companies to further the development, testing and adoption of made-in-Canada defence, dual-use and quantum solutions.

[English]

In recognition of the challenges that many companies face in navigating federal programming, the defence industrial strategy also committed to establishing the launch of a new concierge service, which was officially launched at CANSEC last week. This service will build on ISED's existing expertise to support those Canadian companies working on defence technologies that are linked to the sovereign capabilities by serving as a coordinated, single-window approach to navigating government programs, provincial partners, services and export opportunities.

The strategy also included a commitment to modernize Canada's industrial and technological benefits policy, or ITB policy. Updates to this policy were announced last week by the Prime Minister. In alignment with the defence industrial strategy, these updates will maximize the economic and industrial benefits that we derive from procurement. Key changes to the ITB policy are designed to direct investments by contractors to areas that will have the greatest impact on creating a more dynamic, competitive and resilient Canadian defence industrial base.

This includes, among other things, enhanced incentives for working with and investing in small and scaling firms, as well as leveraging Canadian supply chains. It also includes credits for strategic investments that will grow domestic production and IP transfer, as well as new multipliers for workforce development, including indigenous training and development.

This is the current ISED function that Secretary of State Fuhr mentioned will be transferring to the Defence Investment Agency later this summer.

• (1755)

[Translation]

The strategy also sets out a vision to work differently with Canadian industry, and we have achieved some early results on this front.

As announced by the Prime Minister at CANSEC, the government has published a new strategic partnership framework. This framework sets out how the government will work more closely with industry to advance key sovereign capabilities, through more structured and sustained engagement, aligned with our defence and security priorities.

The defence investment agency will lead the identification of new strategic partners in collaboration with ISED and national defence, as opportunities arise.

[English]

The strategy recognizes that strong returns on our investments will be critical. To this end, the strategy sets clear and ambitious targets to measure success.

Do you want me to stop here? I can.

I'm happy to answer any questions about the economic targets.

**The Chair:** Thank you so much. I'm sorry to cut you off.

We're now going to start with our first round. We're going to have five minutes each, folks.

I'm going to start with Mr. Kibble.

It's over to you, sir.

**Jeff Kibble (Cowichan—Malahat—Langford, CPC):** Thank you, Mr. Chair.

Thank you to our panel for their interesting information.

Ms. Hadwen, you mentioned the 3.5% NATO GDP goal of spending.

What year was that for, if you could refresh my memory?

**Wendy Hadwen:** It was 2030.

**Jeff Kibble:** In 2030.... Thank you.

Right now, the government has self-reported 2% spending to NATO.

Are you aware that this is not verified by NATO, but that it's just self-reporting, and NATO accepts that?

**Wendy Hadwen:** I'm sorry. Could you repeat the...?

**Jeff Kibble:** It's the 2% that's self-reported to NATO. They just say, "Okay. Yes, we accept that."

**Wendy Hadwen:** The reporting to NATO is consistent with the NATO standards and is verified by NATO.

**Jeff Kibble:** It meets all NATO standards. In the NATO standard, it says that coast guards would be required to deploy to an operational theatre. They need to have that capability to be counted under that 2% spending, whereas our Coast Guard, as we've heard under testimony, is definitely not capable.

I'm giving that as one example of not meeting the proper spending in it's self-reporting to NATO. In fact, I would refer to the Stockholm International Peace Research Institute, which is the global standard on determining government spending. They've singled out Canada, saying that we've only actually spent 1.5% that has met the NATO spending requirement. We have not met it, according to the Stockholm International Peace Research Institute's study, and we have been singled out by them.

What makes up that other...? That's a lot of money—another 0.5% of our GDP—that doesn't qualify as NATO spending, according to them.

**Wendy Hadwen:** Thank you for the question.

I know you will have the chief financial officer for National Defence here, likely for estimates or some other appearance. I might

recommend that they would be the person who is able to speak to this—

**Jeff Kibble:** Okay, that's fair.

Is there anyone else on the panel who could explain how that half a per cent of Canada's GDP simply does not meet the requirements of NATO? Is there no one?

Okay. I'd like to move on to a different topic.

We talked about maximizing spending and the efficient spending of dollars for the defence investment strategy, and I think that's commendable. We also want to get the right things that we need.

However, testimony from industry leaders we had here earlier at the committee was that there was no national security plan. They agreed with me that with no national security plan and no national capability inventory, it makes it very difficult for them to work together and to determine what we need to purchase for Canada.

Would you agree, then, that we are missing a national security plan as the underpinning to determine what we need in terms of the proper equipment and the capabilities that we wish to bring forward?

Perhaps Ms. Folkes can start.

• (1800)

**Paula Folkes (Associate Assistant Deputy Minister, Department of Public Works and Government Services):** Thank you for the question.

As you know, establishing a national security plan would be under the purview of departments such as the Department of National Defence and, obviously, with international ramifications, Global Affairs Canada would likely play into such a strategy.

I understand that we're here today to talk about the defence industrial strategy, and all I can say is that build-partner-buy involves not only a domestic focus, but also a broadening of our trade relationships and, when we must, buying from trusted partners—

**Jeff Kibble:** Thank you.

Very quickly, then, a national security plan would look at things like cognitive warfare, prekinetic threats, coercive trade, election interference and organized crime. These are things that would determine the threats Canada is facing. I see none of that in the defence investment strategy. Industry has pointed out that we need this national security plan to efficiently guide us. We can buy these tanks, these ships or those rifles, but if we don't know what it is that we need, it does not seem to meet....

I don't know if anyone would agree, but as Ms. Hembroff said, we want to maximize the efficient spending of our money. Without that underpinning, without assessing all these multiple threats that we face, it seems to be willy-nilly. Would anyone agree or disagree with that? If you disagree, why?

**Wendy Hadwen:** Mr. Chair, if I may, I'll start, and my colleague Kendal will likely add something.

We are currently operating with the defence policy, “Our North, Strong and Free”, from 2024, which is pretty clear in its articulations of the threats Canada faces.

**Jeff Kibble:** Does it include some of those threats? Are they even addressed?

**The Chair:** Thank you. You are out of time. I apologize.

I will now move over to Ms. Lori Idlout for five minutes.

**Lori Idlout (Nunavut, Lib.):** *Qujannamiik*, Chair.

*Qujannamiik* to the witnesses for appearing.

It's June and it's National Indigenous History Month. Naturally I'll be asking about indigenous peoples. I wonder if each of the witnesses can share with us what government and industry can do to make sure there are increased indigenous opportunities.

How can they take more opportunities to make sure they are more engaged? I think we all know that there are challenges when it comes to increasing the engagement of indigenous peoples: first nations, Métis and Inuit. I would love to hear from each of you about how we can make sure there is an increased engagement from first nations, Métis and Inuit.

**Kendal Hembroff:** I suspect that probably we will all have things to add, but I'll start, and I'll try to be brief.

The concierge service I mentioned, which was recently launched, will be especially beneficial to SMEs, and I would certainly encourage indigenous businesses to reach out. It is intended to help those companies pathfind through the federal system.

The second thing I'll mention is that I talked about changes to the industrial and technological benefits policy. We introduced a brand new multiplier for workforce development, which is a five-times multiplier. We also increased the current multiplier that we have for indigenous skills and training to 10 times, and that is the largest multiplier we have under the ITB policy, in recognition of its importance.

**Wendy Hadwen:** The success of the defence industrial strategy will definitely require working more closely and differently with indigenous partners, particularly because indigenous partnership in the defence industrial base will position us well for the activities we have planned for the north.

I can speak about the northern operational support hubs, which will establish a dispersed network of principal hubs and secondary nodes to provide critical infrastructure and logistical support for military operations in the north. Colleagues are regularly doing consultations in all communities and with rights holders, organizations and delivery partners to make sure that everything we do is something we are doing in collaboration with communities.

The northern operational support hubs emphasize collaboration with indigenous partners, communities and regional governments to align the military operational requirements with shared regional priorities. Specifically, these concern dual-use infrastructure: airports, seaports, medical capacity and alternative power generation. The northern operational support hubs will not only strengthen Canada's defence posture but also enhance community well-being, resilience and economic opportunity.

• (1805)

**Kate Kaminska:** To add to what my colleague was saying, Mr. Chair, certainly from the perspective of BOREALIS, we are very interested in ensuring that we leverage indigenous knowledge. Increasingly, as we move towards working in the Arctic and the north as a strategic area of interest for national defence, we're making sure that when we do consult and do source the best and brightest innovators from across the country, we include, of course, the indigenous communities in that.

We've been very intentional with our outreach activities. For example, we held an industry day for BOREALIS earlier this year. We made sure to reach out to indigenous organizations and participants to ensure that they also had the opportunity to participate, hear what we had to offer and, it is hoped, see themselves in the types of research priorities we see for BOREALIS going forward.

**Lori Idlout:** Do I have enough time...?

**The Chair:** You do have some time left.

**Lori Idlout:** That's excellent.

Wendy, maybe you could remind us of something. In Nunavut, I know there was huge excitement about the announcements of which communities were selected for NOSHs and nodes. Can you list them off for us, please?

**Wendy Hadwen:** Can I take this question on notice and answer in writing?

**Lori Idlout:** Sure. Thank you.

**The Chair:** Yes, absolutely.

With that, we will proceed to our next questioner.

Mr. Simard, you have five minutes.

[*Translation*]

**Mario Simard:** Thank you very much.

This is very interesting. I'm always surprised to hear you talk about BOREALIS. I don't know if you have the rights to that. BOREALIS is a nursery that has existed in Saguenay—Lac-Saint-Jean for many years. So we'll see whether they take issue with you on that.

I would like to come back to a subject that I think is very important, namely the links between the various strategies. Over the past seven or eight months, the federal government has announced an electrification strategy. It has also announced a critical minerals strategy. Today, we saw the report of the task force on the forestry industry. All of these strategies exist to create industrial clusters. In these various strategies that are expected to create industrial clusters, there is the possibility of contracts with the military sector, because substantial military spending will be forthcoming.

To my mind, however, the devil is in the details. I wonder how those clusters will be created. There are people in my riding who have very interesting solutions and whom I am trying to put in touch with ministers' parliamentary secretaries. To get concrete results, however, I sense that we have a long way to go.

I would like to know if you have a strategy for successfully creating those clusters. It's not a trick question, and I'm not trying to make anyone look bad. I'm asking you this because, for each element I mentioned, there could be some interesting solutions to develop industrial clusters that will be part of the military strategy.

What are your thoughts on that?

**Vincent Robitaille:** Thank you for the question.

The defence industrial strategy represents a very important paradigm shift. In the past, decisions were made based on best value. Now, the Defence Investment Agency is responsible for giving significant weight to the economic benefits of projects. Two things are needed to do that properly. First, we need to structure our procurements and contracts to promote those benefits by using evaluation criteria that take them into account. Second, we need to know the industry and what it has to offer in order to create those links. So there's work to be done with our colleagues. Many of them are at the table today.

We have already started increasing our knowledge of the industry, and we will continue to do so quickly in order to create those links. When we establish partnerships and meet with various suppliers, we need to provide direction. That's certainly true for Canadian suppliers, but it's especially true for foreign suppliers. The secretary of state mentioned Saab, for example. In some cases, they don't know everyone. So we have to direct them. For example, for such and such an artificial intelligence capacity, we tell them they can go to such and such a place. So it's partly a question of helping major suppliers really understand what Canada can offer, by paying particular attention to the foreign companies we do business with.

• (1810)

**Mario Simard:** Thank you, Mr. Robitaille.

You're putting your finger on something that I think is very important. I don't know if that's going to show up in the report.

Let me give you a very concrete example. There is a company called IDEA Contrôle that we are in discussions with at the Standing Committee on Natural Resources. That company stores energy. It will be able to reduce diesel consumption in the north by 25% to 30% using storage strategies. The people who know about this—I'm not an engineer—say this is a turning point for the industry.

So we start with those people and ponder how to connect with someone from the soon-to-be-established defence agency. That's where it becomes difficult for a politician. How do we take the next step?

This is not a criticism, but I get the sense that, right now, for politicians or entrepreneurs in that situation, the system is not user-friendly, in the sense that it is difficult to make those initiatives known. I understand that there is a whole validation process at your end, but it seems to me that that is missing right now.

[English]

**Kendal Hembroff:** Maybe I can just briefly mention that, given the mandate of my department, we regularly meet with companies in a number of different sectors that we would consider to be dual-use, so they're not sectors that have been traditionally associated with defence. That includes, as you mentioned, companies in areas like energy storage, other clean technologies, critical minerals, steel and aluminum—I know there was a question earlier on aluminum—and medical countermeasures. These are all areas that we are trying to leverage as part of our building up of a defence industrial base.

We are more than happy to meet with companies in those areas. We work very closely with the Defence Investment Agency, as well as with the Department of National Defence, in order to try to help companies navigate this, and the concierge service will be an important tool to do that on a go-forward basis.

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

Go ahead, Mr. Anderson.

**Scott Anderson:** Thank you.

Can anybody tell me how many scientists work at BOREALIS full-time?

**Kate Kaminska:** We currently have 25 people working at BOREALIS. We started with two, so we've been growing very quickly.

**Scott Anderson:** Thank you very much.

Can you answer the same question for DRDC?

**Kate Kaminska:** There are 1,600 people at DRDC.

**Scott Anderson:** Is that 1,600 scientists?

**Kate Kaminska:** They're not all scientists. There are about 900 or so technical and scientific staff.

**Scott Anderson:** Okay.

Can you tell me how many bureaucrats work at BOREALIS—non-scientists?

**Kate Kaminska:** Actually, our workforce is primarily scientists. I am a scientist myself. I'm a physicist, and I lead the team. We are primarily a scientific workforce. We also employ engineers and a few policy analysts, but they also normally have a technical background.

**Scott Anderson:** Okay.

Is it the same for DRDC?

**Kate Kaminska:** As mentioned, we have 900 research and technical staff. We have support staff who, for example, support the laboratories and the maintenance of infrastructure, which I would also consider technical. There are, of course, some corporate functions as well.

• (1815)

**Scott Anderson:** Thank you very much.

When evaluating major procurements—this question would be for Mr. Robitaille—what weighting is assigned to military capability, cost, delivery schedule, industrial benefits, Canadian content and so on?

**Vincent Robitaille:** Those are considerations that are part of every procurement. The exact weighting depends on our specific requirements.

**Scott Anderson:** In this case, would it reside with the minister or the CEO?

**Vincent Robitaille:** It's typically done collaboratively with our partners at National Defence and CAF.

**Scott Anderson:** Who makes the decision? Who establishes the metric you're going to use on each procurement problem?

**Vincent Robitaille:** Ultimately, the Defence Investment Agency, as the procurement authority, has the final say. This is done very collaboratively with our colleagues at National Defence and Canadian Armed Forces, as well as with our friends at ISED.

**Scott Anderson:** I want to clear up something here. The minister, the CEO or somebody in that department has the ability to use \$1 billion dollars without reporting to Parliament before it's spent. Is that correct?

Is there any mechanism in the DIS that forces the minister to report prior to spending money?

**Vincent Robitaille:** I think you're referring to the legislation that's currently at second reading.

In due course, I'll let the experts speak to this when it's done. However, at an eye level, there are many Crown corporations and agencies that have the ability to—

**Scott Anderson:** No, sir, I'm talking about this one here. I'm asking, is there a mechanism in the DIS and in the legislation that forces the minister to report prior to spending money?

**Vincent Robitaille:** Those important transactions would be part of any departmental reporting.

**Scott Anderson:** Is that a yes or a no?

**Vincent Robitaille:** I think I answered the question.

**Scott Anderson:** All right, but I don't actually have an answer. I still don't know if the minister has to report that before spending money.

**Vincent Robitaille:** We're talking about legislation currently under study. However, as the minister said, it's going to be subject to all departmental planning and reporting. That would include any investment activities.

**Scott Anderson:** In that case, there is no metric set up for these things. There's no metric that can be slid around it. There's just a lot of collaboration.

**Vincent Robitaille:** We're talking about things that are under consideration at this point. In due course, if the legislation is adopted, departmental plans will describe those activities and how they're going to be managed.

**Scott Anderson:** I'm going to turn the rest of my time over to my colleague.

**Jeff Kibble:** Thank you.

How much time do I have, Mr. Chair?

**The Chair:** You have one minute.

**Jeff Kibble:** Perfect.

Mr. Brandao, you called the defence industrial strategy the North Star. The North Star tells you which way to steer.

Could you tell the committee to which current published threat assessment the strategy is anchored?

**Diogo Brandao (Senior Director, Policy and Engagement, Defence Investment Agency):** Yes, I did make that statement. I believe I made that statement at the DEFSEC West conference as part of a panel and, actually, with some of my colleagues who are here today.

I made the statement in the context that it will drive how we implement, build, partner and buy as a framework. That framework will drive the procurement strategy considerations that ADM Robitaille and his team will —

**Jeff Kibble:** Was there any threat assessment? I listed a whole bunch of them: cognitive warfare, prekinetic threats, coercive trade, etc. We're steering towards the North Star without any guidance on these threats. Was it purely figurative? I'm still at a loss.

**The Chair:** Mr. Kibble, we're at a loss for time. I'm so sorry.

We're now over to Ms. Lapointe.

**Viviane Lapointe (Sudbury, Lib.):** Thank you, Chair.

Madame Hadwen, Sudbury has a strong cluster of companies involved in mining technology, automation, advanced manufacturing, engineering and critical minerals. Many of those capabilities have potential defence applications, so they are dual-use technology.

As the defence industrial strategy is implemented, where do you see opportunities for regions like northern Ontario to contribute to Canada's defence industrial base?

**Wendy Hadwen:** Thank you for the question.

There is a chapter in the defence industrial strategy on supply chains, which in some measure also answers Mr. Simard's question. I expect Kendal will want to add to this.

As we begin to unpack the sovereign capabilities and look at what it means to build-partner-buy in order to deliver an advantage for the Canadian Armed Forces, or an industrial advantage, we notice that a lot of materials science is coming to bear to give us the chance to do experimental things, for example, or to try to marry up the needs of the armed forces with the production capabilities of industry.

I will take the opportunity to highlight that we have already announced and stockpiled scandium and graphite. Those were the first two examples of some work we did together with NRCan on the critical minerals strategy implementation that lined up very much with the defence industrial strategy. As you know, in NATO, we are mapping the supply chain. We agreed on a project at NATO last year at the summit. I would expect more work to come out this year at the NATO summit.

Altogether, this amounts to reducing our dependence on foreign suppliers and doing more to increase our resilience with respect to our own supply chain. This work is just starting, and I can see it going in big directions.

I'll turn to Kendal.

• (1820)

**Kendal Hembroff:** Maybe I'll give one quick comment.

Defence is a somewhat unique sector, in that there are opportunities and capabilities across the entire country. Certainly, our objective is to make sure that when we grow the defence industrial base, we're doing it in a way that includes regional considerations.

I will say that in the three short months since the strategy has come out, the government, through a range of different programs, has invested directly in a number of companies across the country—over 500 to date. Unfortunately, I don't have a full breakdown regionally, but if there's interest, we could provide that at a later date.

**Viviane Lapointe:** Thank you.

Madame Folkes, small and medium-sized businesses often tell us that federal procurement can seem complex and difficult to navigate, particularly if they have never worked with government or the defence sector before.

As the defence industrial strategy is implemented, what changes should companies expect to see that will make participation in defence procurement easier?

**Paula Folkes:** Thank you for the question.

As my colleague from Innovation, Science and Economic Development mentioned, it's very important to have this concierge service. It's going to provide the support that small and medium-sized enterprises—and I would even say micro-businesses—need in those innovative sectors, whether it's defence, security or dual use, to understand how to navigate the federal procurement system—where to go first.

The other thing is that within our strategic partnerships, when we identify a strategic partner, we expect them to work collaboratively with the Government of Canada to help small and medium-sized enterprises and micro-businesses in Canada get into the supply chain. Within PSPC, as you know, we've implemented the buy Canadian policy, which prioritizes Canadian companies and federal procurement. Beyond that, we also have indigenous participation plans, which is another avenue to get small and medium-sized enterprises that are also indigenous into the supply chains.

We expect our strategic partners to integrate as many Canadian enterprises into their supply chains as is practical to deliver the capability to the CAF on time and on budget.

Thanks.

**Viviane Lapointe:** Madame Folkes, businesses are also interested in predictability. Looking ahead, what improvements are being made to procurement processes to reduce the delays? What should companies realistically expect in terms of timelines from identifying an opportunity to participating in a project?

**Paula Folkes:** I think that both ADM Robitaille and I are excited to answer this question.

One thing, to be very frank with the committee, is that moving towards 2% and then 3.5% of GDP for defence spending, and then to 5% of GDP for defence spending, will really help with sending long-term demand signals to Canadian industry.

It will also help accelerate procurement. We've seen some procurements that have not had funding allocated in the early days of those procurements, whether it's in the identification phase within the Department of National Defence or options analysis, and we haven't been able to advance the projects or move to a contract award. Now, with sufficient funding, particularly when expenditure authority and contracting authority are granted quickly, we'll be able to move quickly to the procurement phase. The new authorities that the Defence Investment Agency will have will also help accelerate that.

I'll turn it over to ADM Robitaille to provide a further response to this question.

Thank you, Mr. Chair.

• (1825)

**The Chair:** I have to turn the floor over to Mr. Simard.

[*Translation*]

**Mario Simard:** Thank you very much.

Since we have people from the Department of Industry with us, I'd like to go back to what I asked the minister earlier.

In this desire to reorient aluminum production, I sometimes get the impression that there is a misunderstanding at the Department of Industry. The aluminum sector is part of a very specific industrial dynamic. There's primary production, which provides ingots, billets and sometimes spools. There's secondary processing, which is done by extrusion. Billets are pushed into a matrix to form various pieces. We cast aluminum. You need a mill to make aluminum foil.

Unfortunately, the aluminum processing sector is very weak in Canada right now. There's no mill in Canada. So wanting to use even more aluminum in applications, without a mill, is kind of wishful thinking. A mill costs about \$2 billion.

So I understand your strategy. It's all well and good to want to redirect aluminum production to Canadian uses, but we have to be aware of the existing ecosystem. I don't mean to criticize, but I sometimes get the feeling that we're not aware of our aluminum ecosystem. We are major aluminum producers, but we mostly export it. The added value is created in the United States. It's unfortunate, but that's a fact.

I've witnessed that for 30 years, in Saguenay—Lac-Saint-Jean. My father, a former Alcan worker, keeps saying that everyone in aluminum processing has fallen flat. I don't see how we're going to get there in the short term.

Are you aware of that?

Do you have a strategy for that?

[English]

**Kendal Hembroff:** Yes, I can confirm that my department is working very closely with aluminum producers in the country, both primary and secondary. I would say that we are aware that tariffs have had different impacts on those two segments, in part because of a traditional U.S. reliance on Canadian aluminum. However, the impact of tariffs over time is also having a fairly significant impact.

The secretary of state talked about buy Canada as an important policy measure designed to support aluminum producers in addition to other sectors. I can also mention the strategic response fund, which was announced by the government with a very clear focus on helping those companies and sectors that are most exposed to tariffs, and that does include the Canadian aluminum sector.

We engage very regularly with aluminum producers. We already announced one project under that program, the Elysis project involving Rio Tinto, just last month. We have more that we are actively evaluating right now, but we're very much seized by the challenges facing that sector.

[Translation]

**Mario Simard:** In my riding, you announced an investment of \$100 million for the production of carbon-neutral aluminum with the company ELYSIS. As you know, the people who are struggling right now are not the producers of raw aluminum, because they can pass the premium on to the next guy. Consumers are paying the price in the United States. They have no choice.

Prices are skyrocketing. A tonne of aluminum costs \$6,000 in the United States. We've never seen that here. The people who are struggling are aluminum processors. Unfortunately, we will remain captive to the American market until we are able to do more processing here at home.

So I don't think investing is going to improve the cluster. I'm nonetheless very happy that you're investing that \$100 million in the production of raw aluminum, but that's another matter. I won't say too much about that so they don't hate me when I go back home. I'll leave it at that.

[English]

**The Chair:** Ms. Gallant, I'll turn the floor over to you for five minutes.

**Cheryl Gallant:** Why does the DIA want the ability to invest in non-military housing communities, as per Bill C-31?

• (1830)

**Vincent Robitaille:** This again refers to the legislation that's currently under consideration.

As I mentioned—and maybe I can clarify the answer I provided—the DIA will be subject to the same reporting and planning requirement that any department would be, so the use of those authorities would be part of its planning.

**Cheryl Gallant:** I want to know what it's using them for. Why would the DIA have to invest in that? I don't understand what the rationale would be.

**Vincent Robitaille:** When you look at it, depending on the project, you can see that it goes case by case. You don't want to wait until there is an emergency requirement to ask for—

**Cheryl Gallant:** Well, there's already an emergency requirement for housing. Why does the DIA want the ability to purchase shares in public or private corporations?

**Vincent Robitaille:** I will give an example that our CEO has been using. Sometimes Canada needs to make a significant investment in a technology or a company to serve the needs of the Canadian Forces. It may be taking a lot of risk in developing the said technology. Having the ability to invest in equity, for example, allows Canada to also share the upside, or the return on that investment. That would be a more sophisticated way of supporting the industry, providing capital to make those investments but in a way in which taxpayers can reap the rewards of these investments.

**Cheryl Gallant:** It's de-risking it. Okay.

Currently, other than scrambling fighter jets when incursions into our airspace are detected, Canada has no air defence. Could you please list the air defence procurements for which contracts have been signed, the price of each contract and the corresponding delivery dates? That's for use in Canada, not Latvia.

**Vincent Robitaille:** At this moment, the Defence Investment Agency has a small portfolio of contracts. It includes projects like the ground-based air defence that is currently under procurement. We have not, as of yet, awarded a specific contract for—

**Cheryl Gallant:** Is the ground-based air defence not for use in Canada?

**Vincent Robitaille:** The first phase is for the use of protecting our presence in Latvia.

**Cheryl Gallant:** There is a NATO recommendation for all allies to reduce the size of SORs. What has your department done to shrink the SORs to speed up the procurement time?

**Vincent Robitaille:** This is an important priority. This is what we've done for the submarine procurement. We're also doing this by selecting strategic partners. The main approach we're using is what I would call "selective tendering", or identifying companies or organizations that we know are able to deliver what we need, either through a pre-qualification process or through an understanding of the market—for example, Canadian companies that can do it.

When you know that the companies can deliver, when they have a proven product or they are on the way, then you do not need to have the same complexity of statement of requirement. It's still important to do this work well, because it's a contractual relationship and we need to confirm that we'll get the value for Canadians, but by starting from a trusted source on a list of suppliers, we simplify this significantly.

**Cheryl Gallant:** The situation is that we're trying to allow more SMEs to compete, get the new businesses and then get them off into upscale and hyper-scale. Would you please provide us with the value of each contract that is currently in place—you said about a dozen—and the expected dates of delivery?

**Vincent Robitaille:** With regard to the contracts already in place, I would defer on that. If there is a question from the committee, we'd be pleased to provide this. I don't have them in front of me to provide you with the answer right now.

**Cheryl Gallant:** Would you please provide those to the committee at a future date, as soon as you have them, so that we can develop the timeline for when things are coming in and how they're going to fit into the actual keeping of our promise of 5% by 2035 for NATO?

Okay. What is being done specifically to promote robotization, or robotics, in Canada and to speed up the cyber-products we have for weaponization?

• (1835)

**Vincent Robitaille:** In terms of robotics, at this point, we have legislation in front of the House to make the agency a department. Right now, we have a small portfolio of projects that do not include specific robotization at this point.

**The Chair:** Thank you, Mrs. Gallant.

Ms. Romanado, it's over to you for the last five minutes.

**Sherry Romanado:** Thank you very much, Mr. Chair.

I'd like to thank the witnesses for being here and for their patience today.

Before I start asking questions of the witnesses, I wanted to make an offer to my colleagues across the way. My Conservative friends were looking for the coordinates of the DIA. If they Google it, they can find the email. With respect to the NATO expenditures, page 4 of the NATO press release issued in April identifies all the countries that have met the 2% target. It's out there. NATO provided that press release back in April, identifying Canada as having met that 2% target.

[Translation]

I'll now turn to my Bloc Québécois colleague. You asked some questions about how we can work together. Luckily for you, I am

the parliamentary secretary to the Minister of National Defence. I am a Quebecker. It's a pleasure to be with you to discuss how we can work together for this sector in your riding.

[English]

I think there's some confusion in terms of how we came to where we are with the defence industrial strategy, so I want to map it out.

In 2017, we brought forward—I believe it was after 20 years—the first defence strategy, "Strong, Secure, Engaged". We provided an update in 2024 with ONSAF—"Our North, Strong and Free"—which fed into a defence industrial strategy.

Of course, we all know how this works: The Canadian Armed Forces identifies the needs that they have based on threat assessments. They don't just come out and say, "I need widgets." They have a need for something based on threat assessments that are constantly being undertaken. At that point, they provide the statement of requirements to National Defence, which now works with the Defence Investment Agency to get those widgets or whatever it is that they need.

My question, I believe, is for the ADM and about how we work. Again, while we're talking a lot about the defence industrial strategy and how that is going to help revolutionize our industrial base in terms of defence, my focus is always on making sure that the brave men and women in uniform have what they need. I know that historically we haven't been able to get them what they need in a timely fashion. I wonder if the ADM can walk us through how we're working with ISED and the DIA to make sure that we get the brave men and women in uniform what they need when they need it, and how we are going to engage with industry to make sure that we're buying from Canada. If we're going to buy, let's eat our own cookies.

**Wendy Hadwen:** Thank you so much for the question.

As you describe, when we began looking at the ingredients of a defence industrial strategy for Canada, we listened to as many industries as were willing to talk to us. That surfaced many challenges. One of them is that we do not communicate our demand signal very clearly as a Department of National Defence. There are outlooks and there are blueprints, but most industries struggle to understand exactly what they have that we might need. This led us to focus on the articulation of sovereign capabilities in the document. There are 10. They unpack into 31 specific things—capabilities that get to the heart of electronic warfare and the heart of the challenges that confront the Canadian Armed Forces and the Coast Guard today.

We did not develop those things in isolation. We worked very closely with everybody who is at the witness table today and others from Global Affairs Canada with respect to export controls and export opportunities, as well as with Natural Resources Canada, because of the importance of supply chains—not just critical minerals but also energy and forestry.

Ultimately, all the tools of government are now orienting towards helping us deliver on a defence demand signal. We know that there is an opportunity to provide more detail where it says “digital systems” and even when they unpack into quantum computing. There is room for us to be clearer about what exactly we need and how we intend to inject Canadian raw materials and Canadian small and medium-sized businesses into the supply chain for what we might develop.

If we get this right, we have the opportunity to build on a whole lot of leading-edge capability in Canada. This will provide the Canadian Armed Forces an operational gift, something that will be an advantage for them in a military context but that will also give us an industrial advantage that allows us to compete on the global scale as many countries are busy investing in rearmament and in their armed forces.

There is one area in particular that stands out, although all 10 sovereign capabilities will seek to have this connection. I want to pass it to Kendal, who can speak about how her programs are oriented to support. One area I might highlight is medical countermeasures. The surgeon general of the Canadian Armed Forces....

I will not say more.

• (1840)

**The Chair:** I'm sorry, but the time has passed.

I want to thank the witnesses for being here. We have some housekeeping to do, so you're free to leave.

I'm going to proceed with three items that I want to get through really quickly.

In regard to the study of the contaminated sites for DND and the CAF, is it agreed to provide the recommendations for a report before Friday, June 12, at 4 p.m.?

**Some hon. members:** No.

**The Chair:** Do you want more time? Is the 19th okay?

**Some hon. members:** Agreed.

**The Chair:** Is it agreed that the evidence and documentation received by the committee during the first session of the 44th Parliament on the subject be taken into consideration by the committee in the current session?

**An hon. member:** Do you mean the contaminated sites?

**The Chair:** No, we've already closed the study on contaminated sites. There will be no more submissions.

**The Clerk:** There will be no more submissions, but the study was started in the 44th Parliament.

**The Chair:** Okay. Is it agreed?

**Some hon. members:** Agreed.

**The Chair:** For the study of the francophone and indigenous CAF members, is it agreed to provide the recommendations for a report before Friday, June 12, or do you prefer June 19?

Okay, it's June 19.

**Some hon. members:** Agreed.

**The Chair:** A number of people want to go to the Governor General's installation on Monday. I'm looking for a consensus. Who from the opposition is going to the GG's event?

**Cheryl Gallant:** Is that instead of attending committee?

**The Chair:** I'm just putting it out there because people are asking. I am just looking for consensus.

**Sherry Romanado:** Mr. Chair, may I ask that the members please put their microphones on? I can't hear them otherwise.

I would like to be there, but I can't.

**The Chair:** I don't see a consensus on that issue. Is that what you're telling me?

**James Bezan:** Mr. Chair, if you wish to give up a meeting at which we're supposed to start looking at the draft report and push that back until Wednesday, if we don't get through it and get it done before we rise in the House, that's on us. If everybody feels it's more important to go see the GG get sworn in, fine, but I don't think any of us on our side were invited.

**The Chair:** If there's nothing more....

Yes, Mr. Simard.

[*Translation*]

**Mario Simard:** I might be rather partisan, but I wouldn't give the Governor General priority; I would hold a meeting. I'm not sure it's appropriate to cancel a committee meeting to go and see the Governor General. That's my opinion.

[*English*]

**The Chair:** Are there any further comments?

The meeting is adjourned.





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