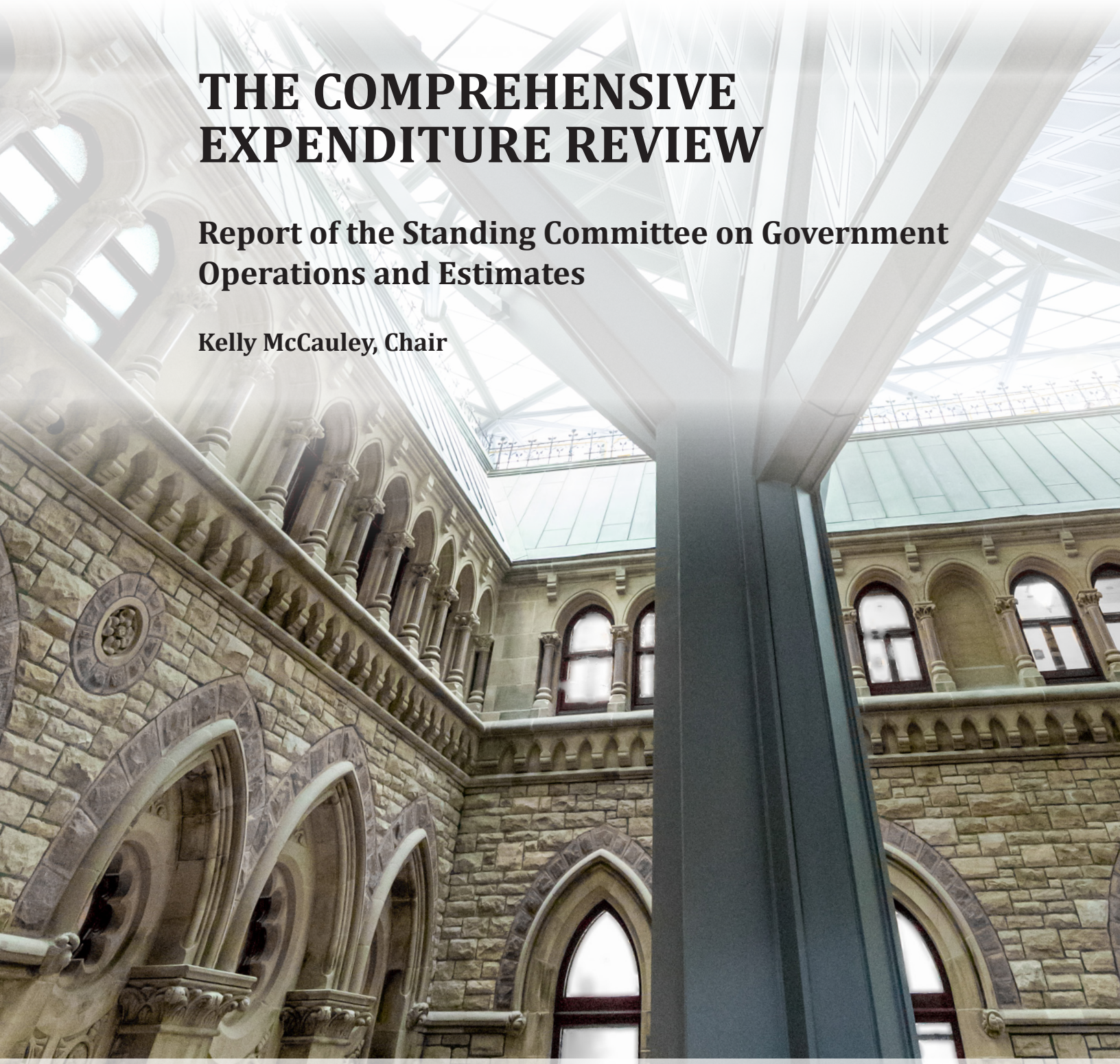
HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

THE COMPREHENSIVE EXPENDITURE REVIEW

Report of the Standing Committee on Government Operations and Estimates

Kelly McCauley, Chair



NOVEMBER 2026
45th PARLIAMENT, 1st SESSION

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NOTICE TO READER

Reports from committees presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON GOVERNMENT OPERATIONS AND ESTIMATES

has the honour to present its

SEVENTH REPORT

Pursuant to its mandate under Standing Order 108(3)(c), the committee has studied the comprehensive expenditure review and has agreed to report the following:

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SUMMARY

In July 2025, the Minister of Finance directed most federal organizations to identify savings worth 15% of their 2025–2026 budgets as part of the "Comprehensive Expenditure Review" (CER). As Budget 2025 explains, organizations were asked to identify activities that were underperforming, duplicative or that had strayed away from the core federal mandate." A 2% annual savings target has been applied to certain organizations to protect safety and security, as well as contributions to innovation, gender equality, and legally mandated Indigenous programs such as health care, child and family services, and essential community infrastructure. To achieve these savings, the government plans to reduce its workforce by roughly 16,000 full-time equivalent employees below March 2025 levels. This report outlines what the House of Commons Standing Committee on Government Operations and Estimates (the Committee) heard during its seven-meeting study of the CER.

The Committee heard about the government's rationale for the CER, including how central agencies guided federal organizations to find savings. It also heard about how the government implemented the CER, considering factors such as the scope of the reductions, consultations with stakeholders, the effect on internal capacity and outsourcing, the use of technology to find efficiencies, efforts to retain the diversity of the public service, the effects on different regions, information sharing and accountability practices, and the impact on some federal services. This report also outlines how specific federal organizations are carrying out these savings. Witnesses sometimes disagreed that the government's rationale and approach were in the best interests of Canadians and the government, expressing particular concern about the potential impact on services and government efficiency.

LIST OF RECOMMENDATIONS

As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

Recommendation 1

That the Committee recognize the Comprehensive Expenditure Review as a fundamental and necessary exercise — consistent with the approach taken by successive previous governments through periodic spending reviews — with the stated purpose of evaluating whether federal programs fall within core federal mandates; whether they duplicate or overlap with other federal programs or with provincial and territorial responsibilities; whether they remain aligned with current government priorities; and whether they are achieving their intended outcomes. Further, the Committee encourages the Government of Canada to pursue value for money in the expenditure of taxpayer dollars on behalf of Canadians. **31**

Recommendation 2

That the Government of Canada continue its efforts to return the federal public service to a fiscally sustainable size, while actively seeking to minimize involuntary departures and prioritizing voluntary departure mechanisms wherever operationally feasible. **31**

Recommendation 3

That the Government of Canada ensure that timely, accurate, and transparent information regarding workforce adjustments and the Comprehensive Expenditure Review process is communicated to affected employees, unions, and the public at the earliest appropriate opportunity. **31**

Recommendation 4

That the Government of Canada, through the Workforce Adjustment Process, ensure that the impact of workforce reductions does not fall disproportionately upon non-executive employees relative to those at the executive level. **32**

Recommendation 5

That the Government of Canada, through initiatives such as the Early Retirement Incentive, ensure that current and future operational requirements and the continuity of services to Canadians continue to be met. 32

Recommendation 6

That the Government of Canada ensure that the Comprehensive Expenditure Review process actively looks to preserve and strengthen institutional capacity, so that critical organizational knowledge and expertise are not lost. 32

Recommendation 7

That the Government of Canada, through the Comprehensive Expenditure Review, build and develop internal capacity within the public service, with a view to reducing reliance on external management consultants, and that external contracting be reserved for instances where specialized technical expertise is genuinely required and unavailable within the public service. 32

Recommendation 8

That the Government of Canada continue to pursue the modernization of the public service and progress toward a balanced operational budget while safeguarding the delivery of essential frontline services to Canadians. 32

Recommendation 9

That the Government of Canada identify and implement opportunities to leverage artificial intelligence and digital technologies in order to streamline operations and improve efficiencies across the public service while ensuring that robust governance frameworks and oversight mechanisms are in place to guarantee that such implementation is conducted in a responsible, ethical, and accountable manner. 32

Recommendation 10

That the Government of Canada continue to uphold its obligations under the *Employment Equity Act* and the *Public Service Employment Act*, ensuring that the principles and requirements set out in both acts are fully maintained throughout the Comprehensive Expenditure Review process. 33

Recommendation 11

That the Government of Canada, through the Comprehensive Expenditure Review, continue to identify and implement strategies to attract, retain, and invest in youth within the federal public service. 33

Recommendation 12

That the Government of Canada ensure that the Comprehensive Expenditure Review respects the unique service requirements in rural and remote communities. 33

Recommendation 13

That the Treasury Board of Canada Secretariat collect and report data that tracks where Comprehensive Expenditure Review reductions to the federal workforce are occurring, including a breakdown by department and position type (executive versus non-executive), and that this data be reported to the Committee on an annual basis. 33

Recommendation 14

That Library and Archives Canada ensure that any internal reorganization does not compromise its ability to fulfill its obligations under the *Access to Information Act* and *Privacy Act* and that proactive disclosure functions are not reduced as a result. Library and Archives Canada shall have 120 days to respond in writing to the Committee confirming its commitment to this effect. 33

Recommendation 15

That the Financial Transactions and Reports Analysis Centre of Canada ensure that any internal reorganization does not compromise its ability to maintain the production and dissemination of financial intelligence. The Financial Transactions and Reports Analysis Centre of Canada shall have 60 days to respond in writing to the Committee confirming its commitment to this effect, along with a clear plan outlining how it will ensure these functions are preserved. 33

Recommendation 16

That, given the Government of Canada's stated commitment to Canada's veterans, the government reexamine the potential impacts to veterans'

services of not renewing its funding for the Bureau of Pension Advocates to ensure against further delays in the delivery of the services to which veterans are entitled. **34**

Recommendation 17

That Correctional Service Canada continue to strengthen its capacity to detect and prevent the introduction of contraband into federal correctional institutions by ensuring the effective deployment of drug detection teams and other security resources, based on institutional security needs, operational requirements, and risk assessments. **34**

Recommendation 18

That Government of Canada work with industry, provinces, and academia to better understand the scientific and economic impacts of the closure of research centres operated by Agriculture and Agri-Food Canada. **34**

Recommendation 19

That the government ensure that spending reductions do not have a significant impact on public safety and rehabilitation, including cuts affecting frontline Correctional Service Canada employees. **34**

Recommendation 20

That the government implement a digital strategy aimed at reducing Canada's dependence on large U.S. technology companies and American digital services, while fostering partnerships with Canadian firms. **34**

Recommendation 21

That the government develop a new procurement strategy for digital services that supports the growth of digital solutions developed in partnership with trusted providers from the European Union. **34**

Recommendation 22

That the government engage with public sector unions regarding the scope of proposed savings to the federal public service and the loss of expertise that may result from these reductions, while respecting collective bargaining agreements. **35**

COMPREHENSIVE EXPENDITURE REVIEW

INTRODUCTION

In July 2025, the Minister of Finance directed most federal ministers to identify savings worth 15% of their 2025–2026 Main Estimates review base as part of the "Comprehensive Expenditure Review" (CER).[1] As Budget 2025 explains, organizations were asked to identify activities that were "underperforming, duplicative or that had strayed away from the core federal mandate." It specifies:

> Savings will be achieved by restructuring operations and consolidating internal services and rightsizing programs to [realize] efficiencies. It will also involve workforce adjustment and attrition to return the size of the public service to a more sustainable level.

Certain expenses, such as statutory payments to other levels of government and individuals, were exempted from reductions. Central organizations also aimed to ensure proposals did not "create integrity pressures," compromise services to Canadians[2] or the government's legal obligations, or impact health, safety, national security, core science, research or Indigenous programming. Some organizations, such as agents of Parliament, independent organizations (e.g., the Supreme Court of Canada), and cost-recovered activities (e.g., the Financial Transactions and Reports Analysis Centre of Canada's supervisory activities), were exempted from the CER. Other organizations, such as the Department of National Defence (DND), the Canadian Border Services Agency, the Royal Canadian Mounted Police, the Communications Security Establishment, the Canadian Security Intelligence Service, the Department for Women and Gender Equality, the research councils, Crown–Indigenous Relations and Northern Affairs Canada, and Indigenous Services Canada, were asked to find savings of 2%.

As Bill Matthews, Secretary of the Treasury Board, Treasury Board of Canada Secretariat (TBS), explained, 106 federal organizations proposed savings to reach their targets. Their ministers signed the proposals, and the three central agencies (TBS, the Privy Council Office and the Department of Finance) examined whether the proposals met all

1 Every year, federal organizations request spending authority from Parliament through the main estimates. The amount listed in the main estimates corresponds to how much each organization plans to spend as of the beginning of the fiscal year.

2 Bill Matthews, Secretary of the Treasury Board, clarified that if a program was expiring or was no longer being offered as a result of the Comprehensive Expenditure Review, the guidance not to propose reductions impacting service levels did not apply.

necessary criteria. The Cabinet Committee on Government Transformation examined these proposals and made recommendations to the Prime Minister. The planned cuts for each organization were announced in Budget 2025.

The budget explains that the government intends to save "$13 billion annually by 2028–2029, for a total with other savings and revenues of $60 billion over five years." Annex 3 of Budget 2025 and the 2026–2027 departmental plans outline planned savings by organization. The budget shows that the planned $60 billion in total savings through the CER would amount to 4.9% of the government's projected direct program spending in 2028–2029.[3] The Spring Economic Update 2026 further stated that other direct program expenses "are forecasted to increase from $141.1 billion in 2025–2026 to $157.2 billion in 2030–2031, with growth muted by the phase-in of savings under the [CER] beginning in 2026–2027."[4]

Budget 2025 also specifies that the government is aiming to reduce the public service to 330,000 full-time equivalents (FTEs) by 2028–2029 to help achieve these savings. This would amount to 16,000 fewer FTEs than March 2025 levels, and 38,000 fewer than when the public service was at its height in March 2024. As explained on a TBS webpage, the government introduced a temporary, voluntary Early Retirement Incentive program open to federal public service pension plan members meeting eligibility criteria set by the Treasury Board. Members who joined the plan on or before 31 December 2012 must be at least 50 years old, while those who joined on or after 1 January 2013 must be at least 55; both groups require a minimum of two years of pensionable service and ten years of public service employment. Applications were subject to approval by each deputy head, who must confirm that the organization has a need to reduce its workforce, that services to Canadians will be maintained, and that both current and future operational and business requirements will continue to be met before an application can be accepted.

Pursuant to motions adopted 12 February 2026 and 24 March 2026, the House of Commons Standing Committee on Government Operations and Estimates (the Committee) undertook a study on the federal government's budget and staff reductions as part of the CER. It held seven meetings, during which it heard from 36 witnesses representing government departments, public-sector unions, stakeholders of the

3 "Direct program expenses" include "other expenses" and "other transfer payments." Other expenses include various day-to-day costs (e.g., salaries, maintenance, utilities, materials) and accounting costs (e.g., asset depreciation). Other transfer payments include various direct payments to individuals, organizations and other levels of government (e.g., housing supports), but exclude "major transfers" (e.g., Old Age Security).

4 Government of Canada, *Canada Strong for All: Spring Economic Update 2026*, 28 April 2026, p. 127.

agricultural sector and an academic. It also received five written briefs. This report outlines what the Committee heard in March and April 2026 and provides recommendations to the government.

COMPREHENSIVE EXPENDITURE REVIEW

Rationale for Spending Review

Opportunity to Reallocate Resources and Find Efficiencies

Nick Leswick, Deputy Minister, and Thomas Larouche, Director General, Budget and Government Operations, Department of Finance, explained that government policy should reflect and respond to economic conditions. They acknowledged that Canadians are feeling the effects of inflation and that public debt charges are trending higher. To ensure that finances are sustainable over the long term, they said, the government should avoid eroding the tax base, and expenses should be kept in check.

The Department of Finance explained that international organizations recommend continuous improvement in public finance management and that Budget 2025 commits to regular spending reviews. It also noted that there had been a 40% increase in the federal public service over the past decade compared to 16% growth in the Canadian population, so the CER intends to ensure that the public service is delivering on its mandate sustainably. The Department of Finance indicated that this was a substantive exercise compared to spending reviews by past governments.

The Department of Finance stated that the CER will not reduce the deficit, but that it offers an opportunity to reallocate from some programs and services to others. Mr. Matthews from TBS elaborated on this approach:

> The government is looking to spend less in some areas in order to invest more in others. We all know the government has announced very large investments in national defence, so government spending will go up. Part of that is being funded by reductions in other areas. It is really a reprioritization exercise to find programs that are not functioning properly or as desired—efficiencies that can be gained.

The Department of Finance told the Committee that between 55% and 58% of the proposed savings aim to modernize operations and find efficiencies using existing resources, while the remainder aim to reallocate spending from lower-performing to higher-performing programs. It added that these savings are being reinvested into government initiatives that generate economic or social returns.

The Department of Finance explained that departments know they can reallocate funds but feel constrained in doing so once governments announce allocations related to particular programs. It said that leadership from Cabinet through a government-wide exercise provides "cover" to propose reductions and that the CER shows governments are capable of reallocating resources. For his part, Michael Hammond, Chief Financial Officer, Public Services and Procurement Canada (PSPC), said that his department reallocates its budget annually. However, the CER provided an opportunity to prioritize certain activities and reduce or eliminate lower priority ones.

Risks to Service Provision and Capacity

Sharon DeSousa, National President, Public Service Alliance of Canada (PSAC), disagreed that the CER is a reallocation exercise, framing it as an arbitrary cutting exercise. PSAC stated that the government has not shown "clear evidence that services can be maintained with fewer resources," and it is either cutting those services or outsourcing the work. PSAC and Sean O'Reilly, President, Professional Institute of the Public Service of Canada (PIPSC), contended that cutting public services costs taxpayers more in the long term; they said this approach slows service delivery, reduces administrative capacity and expertise, stalls progress on departmental and legal obligations, and increases risk so that certain costs return later. PSAC argued that "[e]very dollar invested in federal public services generates a return of up to $1.28 for the Canadian economy and $1.22 to boost our GDP [gross domestic product]." Similarly, PIPSC characterized the growth in the public service over the past decade as an "investment," without which Canada is not well prepared to address crises such as pandemics.

Louis Côté, Professor, appearing as an individual, explained that many western governments, including Canada's federal government, have adopted "new public management" practices. This is a neoliberal approach to bureaucratic management based on private-sector practices. While recognizing there are benefits to new public management, Mr. Côté warned of its inherent dangers: disconnect between policy and practice, loss of public-sector expertise, dependence of the state on the market and rising costs. He highlighted that these practices have not permitted governments to reduce their debt; reforms require costs, and financial crises have forced governments to "make major investments in order to stabilize financial markets and support strategic sectors." Thus, he recommended that governments only undertake reductions that do not undermine their capacity to defend sovereignty, support socioeconomic development, or offer quality public services to both citizens and businesses.

Mr. Côté pointed to two sets of cuts to the public service in Quebec that had "reduced [the government's] ability to act and disrupted public services." Similarly, he said the

federal reductions of the 1990s offloaded responsibilities to provinces, leading to educational and social problems. Instead, he said, "[i]t is more demanding, but more judicious, to ensure ongoing review of programs, to continue to improve management methods and, if necessary, to increase government revenues." He specified that governments must make intelligent, budget-conscious investments that generate returns.

Approach To Reductions

Overview

TBS explained that federal organizations were asked to "start off more slowly in 2026–2027 [by proposing reductions of] 7.5% of their [base funding], and then 10% the next year and 15% in year three." The Department of Finance explained that the CER was not an "across-the-board" exercise because the savings targets varied by organization. It also said that departments were expected to account for return on investment when considering what to cut; the CER's focus on retaining higher-efficiency and higher-performing programs would help protect programs generating social or economic returns.

Regarding workforce reductions, the targeted reduction rate for the executive workforce is 12%, which is higher than the rate for non-executive employees. Francis Trudel, Associate Chief Human Resources Officer, TBS, explained that there is

> little room for improvisation. The employer and unions have already negotiated the process through collective agreements. It's known as workforce adjustment.
>
> Employees who wish to can explore opportunities to continue working in the public service in other positions, ones that are not being eliminated. Employees can choose this option. They may also choose to leave their employment, and in that case, there are transition measures for that.

As part of this process, the government must send out letters notifying personnel that they might be affected by workforce adjustments. It must also offer various programs to those affected who opt for voluntary departure. PSAC noted that these options were negotiated with unions following workforce reductions in the 1990s. TBS added that employees have access to departmental ombuds and the Employee Assistance Program to help them navigate the workforce adjustment process. However, PIPSC said that funding the early retirement incentive through pension surpluses is akin to asking workers to "finance their own layoff."

Other witnesses suggested that a more targeted approach should have been undertaken and that federal organizations should have prioritized other areas for cuts. PIPSC argued

that the reductions "mark a clear break from past workforce adjustments" because they "risk removing critical expertise at scale and reshaping the capacity of the public service for years to come." PIPSC and PSAC argued the government could have reduced spending on outsourced personnel or on office space by reversing its four-day return-to-office policy.

Mr. Matthews from TBS explained:

> Information management is key … in terms of making sure that any time you're changing jobs, you're onboarding your replacements and bringing them up to date on the files. There are a lot of tools that we have in terms of preserving records, etc. Any manager who's looking to reduce the workforce has to strike that balance between the ability to deliver the program, which you need institutional knowledge for, and [keeping young workers in the public service]. It's up to the manager, really, to achieve that balance through that program.

Toufic El-Daher, National President, Union of Veterans' Affairs Employees, and Gregory Harlow, President, Association of Justice Counsel, stated that with planned increases to defence spending, demand for veterans' services should be expected to rise. They said cuts to veterans' services could be counterproductive.

Daryl Fransoo, Board Chair, Western Canadian Wheat Growers Association, said it was "unfortunate" that Agriculture and Agri-Food Canada (AAFC) was asked to identify the same reductions as other departments because it is bearing more increased costs than other departments and because agriculture is "one of the backbones of the Canadian economy." Darcy Pawlik, Executive Director, Western Canadian Wheat Growers Association, agreed with a member that AAFC's spending on management consulting, aid to low-income countries and infrastructure conversion in the last five years would have been better spent on research infrastructure. While acknowledging he is not privy to AAFC's files, Darren Steinley, Vice-President, Saskatchewan Association of Rural Municipalities, said he would have preferred to see cuts to the managerial class than to frontline workers.

The Saskatchewan Association of Rural Municipalities and Jocelyn Velestuk, Board Chair, Saskatchewan Wheat Development Commission, argued that AAFC research stations make producers and Canadians money. The Saskatchewan Association of Rural Municipalities cited a study that found that "for every dollar that producers' commissions and the Western Grains Research Foundation invested in wheat breeding, they received over $30 back in benefits." Similarly, PSAC indicated that reductions to the Canada Revenue Agency (CRA) workforce are counterintuitive, because those employees bring revenue to the government. However, based on the CRA's Departmental Plan, the reductions in workforce are tied to programs that are no longer active, such as the

Canada Carbon Rebate. The 2026–2027 Main Estimates show that, despite the CER, the CRA's operational spending will actually see a slight increase in the coming year.

Consultations

Several witnesses told the Committee about the government's approach to CER consultations. TBS stated:

> The unions were informed at the beginning. The unions were not consulted on the development of proposals. Those proposals that are signed off on by the minister and come in are obviously cabinet confidence. [Unions] got details on which groups [would be affected], how many people and the timing, allowing them to do their jobs to support employees as well. They… are being informed, on an ongoing basis on the reductions and the impact on their membership.

Mr. Trudel from TBS further explained:

> [A]s we have done in other periods of time when we have gone through reductions of the workforce, [we have] put in place a governance structure that includes the unions. I will present this in two tiers.
>
> There are the union presidents … who are at the national level and are planning with us and making sure we're respecting everything enshrined in the collective agreements. We're sharing as much information as we can with them.
>
> There is also a second layer to that, which is the local unions that are present in every single department. We're encouraging deputy ministers to engage with their local unions to talk about issues of workforce reduction.

Several witnesses nevertheless stated that unions had not been meaningfully consulted or told about certain reductions before they happened. Mr. Côté wrote that good governance requires governments "to engage civil society in dialogues likely to identify targets capable of creating maximum public value." Similarly, PSAC contended that strategic planning exercises benefit from close collaboration with workers and unions to develop a staffing strategy. It stated that organizations subject to the CER "had only about 35 business days to submit their proposals, leaving no time for proper research, consultations or assessments." PIPSC said that it reached out to Treasury Board and the departments to discuss how to find savings, but that those discussions never happened. Frederic Lebeau, National President, Union of Canadian Correctional Officers (UCCO), explained that Correctional Service Canada (CSC) only informed the union in January 2026 how it intended to carry out its budget cuts.

Various agricultural stakeholders told the Committee that there was inadequate consultation with public servants, farmers and agricultural organizations. Lori Oatway, Research Scientist, Western Crop Innovations, argued that the rapid closures and minimal advance notice provided little time to make alternative arrangements in the agricultural sector. The Saskatchewan Wheat Development Commission stated that since producer money is put into public programs, farmers should be at the table when these decisions are made.

Internal Capacity and Outsourcing

Various witnesses told the Committee about organizations' strategies for retaining internal capacity and expertise and about their reliance on outsourced personnel. TBS stated that there are several information management tools in use that help preserve institutional knowledge during workforce reductions, such as those that preserve records. The department also said spending on consultants was down from previous years, and that the concurrent Budget 2025 commitment to reduce consulting provides more oversight on this issue.

TBS explained that many departments identified cuts to consulting spending as part of the CER. For his part, Cliff Groen, Associate Deputy Minister and Chief Operating Officer for Service Canada, explained that Employment and Social Development Canada (ESDC) outsources work when certain expertise is required. In such cases, ESDC said, the contract requires "a transfer of skills and knowledge to the public service." The department also explained that as part of the CER, it is reducing its reliance on outsourcing. Mr. Côté suggested that consultants are sometimes necessary, but that it is important to find a balance.

By contrast, PSAC and PIPSC warned that CER cuts would reduce internal capacity and expertise, putting at risk Canadians' health and safety and the government's ability to operate its programs. Mr. Côté warned that governments should apply voluntary departures such that they do not rid themselves of public service expertise. In a brief, PIPSC argued that cuts delay the ability to detect problems, defer maintenance and result in work contracted out to personnel with less incentive to perform work well, which all lead to inefficiencies. PIPSC, the Saskatchewan Association of Rural Municipalities and Western Crop Innovations explained that once expertise is gone, it is difficult to get back. This is because it takes time and support to develop knowledge, skills, relationships and trust, and – in research – to re-establish long-term projects and datasets.

PIPSC welcomed the news shared by Annie Boudreau, Comptroller General of Canada, TBS, that the government had reduced spending on management and information technology consultants. However, PIPSC indicated that its members were willing to do work currently performed by other contract personnel and that the government was unwilling to build the internal expertise. It contended further that "private firms … charge up to 26% more than equivalent public service staff," which is inefficient in the long term. PSAC argued that the CER was an opportunity to cut spending on outsourced personnel, on which the government plans to spend $26 billion in 2025–2026. Mr. Matthews of TBS explained:

> Consulting costs are coming down—the difference being consulting versus contractors. They're all lumped together in the public accounts…
>
> The bulk of contracting costs are around engineering and architecture. I would differentiate those things—for example, nurses for First Nations versus management consulting. The pure management consulting is a very small portion of the [$26 billion on contractor spending].
>
> …
>
> Regarding any departments using consultants to help them with their CER, I know it has happened on occasion in previous exercises, but I'm unaware of any this time around.

Ms. Boudreau added: "If you add up management consulting as well as IT services, it represents roughly 14% of professional services [spending]. That is a decrease of about 10% if you compare it with last year's public accounts."

Leveraging Technology

Many witnesses commented on the government's strategy of using technology to improve efficiency and, in some cases, reduce reliance on personnel. As PSPC explained, the CER happening concurrently with the development of various new technologies helps explain why departments have found savings that were not identified in previous spending reviews. PSPC, ESDC and Scott Davis, Assistant Deputy Minister, Chief Financial Officer, Shared Services Canada (SSC), described several artificial intelligence (AI) tools deployed government-wide or in specific departments that they argued would improve efficiency and service delivery. These include custom tools built in-house, such as SSC's CANChat chatbot, as well as commercial tools, such as Microsoft Copilot. In a written response to a member's question, SSC said it awarded $3.2 billion in contract value in 2024–2025, of which "just over one quarter" was to U.S.-owned entities.

PIPSC expressed concern that replacing humans with AI chatbots for frontline services could diminish service standards, including by providing bad advice and frustrating users with less technological skill. The union also suggested that the time savings from AI are exaggerated because verifying its accuracy also takes time. PSAC pointed to the Phoenix pay system and the Cúram benefits delivery software – both outsourced solutions introduced following cuts to the public service – that caused harm and cost money to fix when they failed.

Mr. Lebeau and Daniel MacKinnon, Second National Vice-President, UCCO, argued that CSC is relying on technology to control the flow of drugs, weapons and other contraband into prisons, leaving correctional officers ill equipped to combat organized crime. They said that several of CSC's planned changes involve staff reductions in favour of technologies, such as drones. However, they also indicated that CSC's technology becomes obsolete quickly because it cannot keep pace with methods used for criminal activities.

Workforce Composition and Diversity

The Department of Finance stated that organizations were instructed to apply a gender-based analysis plus (GBA+) lens to the CER. TBS explained that the *Employment Equity Act* and the *Public Service Employment Act* protect four "designated groups" in the public service – women, Indigenous people, racialized people and people with disabilities – during workforce reductions.[5] These acts require federal organizations to report on public service diversity and allow them to build diversity criteria into the staffing retention processes resulting from the CER.

TBS stated that past spending reviews had highlighted the importance of preserving the youth of the public service. It pointed to several factors that could help shield youth from workforce reductions: the early retirement incentive, the proportionally higher reductions of executive positions than employee positions, and the greater attractiveness of voluntary departure options to more seasoned workers seeking "something different."

Regional Effects

TBS and the Department of Finance indicated that there was no regional lens applied to the cuts. However, TBS stated that departments were asked not to propose reductions with an impact on services and that any impact on rural services would have been captured under this criterion. The Department of Finance stated that rural considerations

5 The *Employment Equity Act* designates "Aboriginal peoples" and "members of visible minorities," but these terms have been widely criticized.

may have been captured as part of a GBA+ analysis. However, the Saskatchewan Association of Rural Municipalities and the Western Canadian Wheat Growers Association suggested that reductions in the agricultural sector disproportionately affect the rural economy.

TBS explained that many organizations identified savings related to areas such as corporate services, which are generally overrepresented in the National Capital Region compared to elsewhere. Kiran Hanspal, Assistant Deputy Minister, Human Resources Branch, PSPC, indicated that her department's workforce is split 60/40 between the National Capital Region and other regions. However, 86% of PSPSC's workforce reductions were in the National Capital Region, with fewer than 10 FTE reductions on average in all other regions. The Saskatchewan Association of Rural Municipalities told the Committee that following previous rounds of cuts at AAFC, more employees were rehired in Eastern Canada but not Western Canada, leaving the West more poorly staffed even if this round of cuts is spread evenly across regions.

Information Sharing and Accountability

TBS said that existing policies support accountability for decisions undertaken as part of the CER: the TBS *Policy on Service and Digital* requires reporting on service levels, departmental results reports include organizations' progress toward their objectives, and TBS' Risk and Compliance Process monitors organizations against key outcomes. Parliamentary committees may also provide an oversight function in this regard, including by monitoring service levels.

Several witnesses suggested that there was not enough information to develop informed recommendations about the cuts. PSAC argued that if the "government isn't prepared to honestly lay out what programs and services will be impacted by these cuts, we shouldn't consider this an expenditure review. It's a reckless hacking exercise." For his part, Mr. Matthews from TBS stated:

> The criteria we asked departments to apply were as follows: Is it core federal mandate? Does it duplicate or overlap with other programs or responsibilities of provinces? Is it misaligned with government priorities? Are the programs achieving their outcomes?
>
> We also asked them to ensure there was no impact on service delivery, health, safety or legal obligations.

TBS added that "Budget 2025 contain[s] a 40-page annex on planned savings, and additional details [are] provided in the organizations' departmental plans."

PSAC said that it was not clear why workforce reductions were being undertaken at the CBSA at the same time as a commitment to hire up to 1,000 border services officers. TBS stated that the CBSA was among the organizations with lower savings targets of 2%, explaining:

> The government is increasing the number of border services agents as well as the number of [Royal Canadian Mounted Police] officers, so those numbers are growing. The reductions those two departments have been asked to achieve are… not on the front line but more in the back office.

The Western Canadian Wheat Growers Association stated that there was not enough federal transparency to determine what AAFC's spending priorities are, making it difficult to make recommendations to improve efficiency. UCCO noted that it was difficult to work with CSC to find the right balance for CER reductions because the unions did not yet "know how CSC [would] land on certain files."

PIPSC argued that TBS guidance on reductions is insufficient and that "inconsistent treatment risks violating collective agreements and human rights protections." TBS described some of the measures the government is taking to help public servants navigate the CER:

> The collective agreements have agreed-upon processes in terms of informing and dealing with unionized employees through the whole process, including their entitlements from a financial perspective. Obviously, this is a very difficult time for some public servants and supporting them as they go through it, in terms of understanding their rights and their possible compensation options, is a function of [human resources]. As far as I know, almost every department has an ombudsperson whom they can reach out to for conversations. Then there's the [E]mployee [A]ssistance [P]rogram that is there for employees who need access to that as well, and that's throughout the organization.
>
> The biggest thing departments can do through this is communicate with their staff as much as possible. Most departments have had town halls, both with the executives and with all staff, to make sure people are as informed as they can be about what the department is facing.

PIPSC also argued that the PSPC Pay Centre's interpretations of CER provisions risk violating collective agreements, cause burdensome information practices and are remedied too late. It adds that there is little information to employees about the early retirement incentive and confusion with how it appears to bypass voluntary departure provisions in collective agreements.

Service Impact

Several witnesses argued that despite efforts to mitigate cuts to services, some – including those they characterized as core services – were being reduced. PSAC and PIPSC argued that the CER resulted in cuts to service levels. PSAC argued that the services cut support the most vulnerable. The Department of Finance acknowledged that no such reallocation exercise is "without consequence: programs are eliminated and stakeholders and employees associated with those programs are affected."

TBS explained how it guided departments to minimize impact on services:

> [I]n terms of the criteria departments were asked to use in developing their proposals, as well as the criteria we used to challenge the proposals, one of them was around impacts on services. There were instructions to departments and also to central agencies to be on the lookout for any proposal that would reduce levels of service to Canadians, including in rural areas. That was one of the criteria used to, I would say, scrub out proposals that didn't meet the spirit….
>
> Obviously, if there's a program that is expiring or is no longer being offered, that will disappear. However, on levels of service, we're very clear with departments that we did not want to see reductions there.

Service impacts to specific federal organizations are discussed in the following section.

Reductions by Organization

Veterans Affairs Canada

Veterans Affairs Canada (VAC) identified savings of $110.0 million by 2028–2029 on a cash accounting basis, which it is achieving by lowering reimbursement for medical cannabis for veterans.[6] Budget 2025 explains that these savings "will be gradual, being realized over time as benefit payments are issued at a lower rate compared to the current status quo." The Union of Veterans Affairs Employees (UVAE) acknowledged that the only CER budget reductions affecting VAC's programming are related to the reimbursement rate for cannabis. The union said that by cutting that program's budget, VAC avoided workforce reductions for 2026–2027.

6 Cash accounting records expenses when the money is paid out, while accrual accounting records expenses when goods and services are received, regardless when payment is made. The Union of Veterans Affairs Employees clarified that, based on an actuarial accounting adjustment of the reduced medical cannabis benefits rate over 30 years, Veterans Affairs Canada identified savings on accrual basis of $1.0 billion by 2028–2029.

Nevertheless, the Committee also heard that VAC did not renew temporary funding for the Bureau of Pension Advocates, a free, impartial legal support service within VAC to help veterans challenge benefits decisions. The decision not to extend funding was not undertaken as part of the CER; three-year temporary funding was already planned to sunset in March 2026. However, the Association of Justice Counsel (AJC) emphasized that "this fiscal decision was made within the context of the expenditure review." The UVAE said that the decision not to extend this funding resulted in the Bureau of Pension Advocates terminating 96 employees, including 24 lawyers – or 44% of its workforce. The union argued that the decision not to extend funding constitutes a service cut, despite VAC stating in January 2026 that the CER workforce reductions would not affect services.

The UVAE explained that VAC did not request the $9.5 million needed to extend these contracts because the then-deputy minister did not see "a solid rationale" for requesting the extension. The UVAE and the AJC explained that the program supported an 89% success rate among veterans who appealed an initial decision denying them benefits. The UVAE estimated that the Bureau of Pension Advocates' current backlog of 27,000 cases and two- to three-year wait times would increase, by the end of 2026–2027, to 52,000 cases and a wait time of three to five years. These unions explained that increased wait times can intensify veterans' physical and mental health challenges, limit the retroactivity period of disability benefits, and leave veterans and their families financially vulnerable. The AJC also warned that veterans in some regions could lose in-person access to lawyers. The UVAE stated that the 96 temporary employees had increased the Bureau of Pension Advocates' productivity by 65%, positing that their absence would lead to burnout among remaining staff.

The UVAE acknowledged that Budget 2025 proposes $184.9 million over four years for service delivery stabilization and modernization. It was told by the VAC acting deputy minister that the $184.9 million was earmarked for disability benefits but could not be used for the Bureau of Pension Advocates. The AJC said that his union had not been consulted prior to the decision not to renew funding for the Bureau; the union only found out about this issue from a union member whose term was not being renewed.

The UVAE reminded the Committee that VAC's mandate is directly connected to the government's fifth mandate letter priority to "[keep] Canadians safe by strengthening the Canadian Armed Forces, securing our borders, and reinforcing law enforcement." As such, it argued, VAC should have been exempted from the CER as DND and the Royal Canadian Mounted Police were.

Employment and Social Development Canada

ESDC said that it is reducing its budget by $780.5 million. It is finding administrative savings by "consolidating management and administrative support functions, reducing [its] reliance on external consultants, and limiting travel and conference attendance." It is also "streamlin[ing]" program delivery, including by combining the Canada Service Corps with the Supports for Student Learning Program.

Furthermore, ESDC is planning total workforce reductions of 5,313 employees and 98 executives by 2028–2029. However, the department noted that these figures include the reduction of 3,391 positions undertaken in 2025–2026 as part of previously planned reductions. It expected to eliminate 931 employee positions and 39 executive positions, with the remainder of the reductions achieved through attrition and early retirements. ESDC explained that, to reduce the impact on services, the department's workforce is being reduced by 4.9% at the national headquarters and only by 0.7% in the regions of delivery.

ESDC stated that these executive reductions represent 12% of the executive workforce, which is a higher proportion than the employee level. Low-level executives in the public service have a salary range of roughly $150,000, and they are eligible for roughly $18,000 of at-risk pay (calculated as a percentage of base salary).[7] At-risk pay is part of executives' total compensation package, but the department explained that that portion is "based on performance and being able to meet performance objectives." In addition, ESDC explained, executives are eligible for bonuses if they achieve the highest level of performance review. In a written response to the committee, ESDC said it paid roughly $554,000 in bonuses and $14.8 million in at-risk pay to executives in 2024–2025.

PSAC argued that the CER would slow benefits delivery due to ESDC's workforce reductions and potential obstacles posed by new benefits delivery technology. ESDC said it communicates with about 250,000 Canadians a week about federal products and services. It admitted that there are service delivery challenges, especially delays, but said that the department achieves "the vast majority" of its service standards. ESDC also said it has "very dedicated change management strategies" to help staff and clients adapt to the transition to digital and that it adheres to federal standards for privacy and security. Recognizing that digital tools are not accessible or preferable to all Canadians, ESDC explained that it is ensuring that 96% of the population remains within 50 kilometres of a Service Canada office.

7 The Treasury Board Secretariat states that percentage of base salary varies based on executive level, from 12% of base salary to 20%.

Department of National Defence

Jonathan Moor, Chief Financial Officer, DND, said that the department was asked to save $460 million, which is 2% of its 2025–2026 main estimates operating and grants and contributions authorities. Savings include

> retiring selected fleets that are nearing the end of their service lives; streamlining the real property portfolio through the divestment of underutilized and surplus properties; expanding the use of energy performance contracts across our infrastructure, both increasing efficiency and reducing greenhouse gases; and finally, modernizing… internal business process and… governance to reduce the administrative burdens and address any efficiencies identified.

Nevertheless, DND's budget is increasing to meet the NATO target of spending 2% of GDP on defence; it specified that it has a year-over-year spending authority increase of $12.3 billion, or 35%. Thus, the CER is not resulting in workforce reductions; any personnel affected by the above measures are being reallocated to higher priority work. DND provided the example of digital service modernization, which is saving $65 million and reallocating 650 staff to other work.

DND added that as the Canadian Coast Guard (CCG) transitions from the Department of Fisheries and Oceans to DND, it is being asked to identify savings, but its proposals are not yet finalized. DND is working with the CCG to explore savings through "greater alignment of project delivery and acquisitions[,] use of shared infrastructure, logistics, warehousing and specialized technical services." DND specified that eight Kingston-class maritime coastal defence vessels are being retired as a direct result of the CER, which came at the same time as increased funding for new capabilities such as the River-class destroyers. It explained that a fleet's age increases its maintenance and sustainment costs, suggesting that the new acquisitions allowed for an accelerated retirement timeline.

Shared Services Canada

SSC told the Committee that it had identified savings of $318.5 million. It summarized the approach as follows:

> SSC is standardizing platforms and realigning enterprise software offerings to reflect current needs, eliminating nonessential fixed-line telephones in government buildings and deploying cost-effective softphones to all workers.
>
> The department continues to review and consolidate contracts to reduce duplication, improve pricing and better align spending with enterprise needs while strengthening in-house capacity to reduce reliance on external consultants and contractors for ongoing operations. Efforts to simplify the government's cloud footprint by consolidating over

> 287 cloud environments into SSC's enterprise cloud are ongoing, and we continue to consolidate by reducing the remaining 190 legacy data centres.

SSC explained that its funding has been relatively flat since 2016–2017 and that the organization has continuously found efficiencies to absorb inflationary pressures. It also suggested that it is relying on external contracts to transition more quickly off its aging systems.

Public Services and Procurement Canada

PSPC told the Committee that it had identified $190.8 million in annual savings by 2028–2029. It summarized its approach as follows:

> The department is assessing programs and services it provides across government with the aim of reducing ongoing operational costs and improving delivery efficiency. The department is also working to increase the efficiency of its real property revolving fund, focusing on core mandates, modernizing operations and eliminating duplicative functions.
>
> As of March 31, 2026, the Canadian General Standards Board has wound down its standards development operational activities, as this optional service will now be served via other accredited standards development organizations operating in Canada.
>
> There will be a reduction in funding to pilot and innovation projects for Laboratories Canada.
>
> PSPC is also reviewing its internal processes in order to reduce administrative requirements, streamline its management structure and improve efficiencies.
>
> PSPC is also reducing spending on professional services and travel, as well as implementing the use of AI chatbots and self-service tools to improve service delivery.

PSPC stated that it was reducing its FTEs by 1,793 by 2028–2029. These reductions are less focused in the department's priority areas, such as pay and pay processing. The department also said these reductions were more focused on the executive levels than staff. In a written communication, PSPC said that its workforce reductions could cost as much as $139.1 million over three years, but that this was the "highest cost scenario" (i.e., if all reductions were done through workforce adjustment rather than voluntary departures).

PSPC assured members that it is "taking a very cautious and methodical approach as we implement these to ensure there is a continuance of services and not a deterioration in [service provision]." Concerning the wind-down of the Canada General Standards Board, PSPC explained that that organization was responsible for roughly 70 standards. It is

working with the specific owners of those standards and determining which of the various other standards organizations would be tabled to take over responsibility for them.

PIPSC argued that PSPC's Pay Centre does not have the capacity to handle the surge in complex pay cases caused by the CER and that the Phoenix Pay System handles these types of complex pay transactions poorly. PSPC acknowledged the new pay processing burden but noted that it had received additional funding and reallocated other funds there to ensure that those operations can be supported.

Agriculture and Agri-Food Canada

Budget 2025 shows that AAFC has identified savings of $154.7 million, which it is achieving by

> reorient[ing] its programming, scientific research, and operational expenditures to better align with the government's priorities… AAFC will wind down some programs outside its core mandate, such as the Agricultural Climate Solution Living Labs…
>
> AAFC will also reduce certain science activities where a more streamlined approach can be taken, or where capacity exists elsewhere…
>
> AAFC will also improve operational efficiency by optimising internal services to align resources with departmental priorities, rationalising administrative support and reducing management layers, advancing technology and automation to cut down on time-consuming manual work, and reducing reliance on external contractors.

The Committee heard about AAFC's closure of eight research sites and elimination of 665 positions. Several witnesses and briefs described how agriculture research facilities support the development of world-renowned crops and help producers manage risk and maintain viable operations.[8] This research, they said, also supports efficient, productive, sustainable, resilient and regionally adapted products and practices, including through knowledge transfer to producers. The Western Canadian Wheat Growers Association argued that these reductions showed "no evidence of a clear strategy without meaningful consultation and without a clear plan for what comes next."

The Saskatchewan Wheat Development Commission described the impact of the CER on core breeding research:

8 See the Saskatchewan Association of Rural Municipalities, the Saskatchewan Wheat Development Commission, the Western Canadian Wheat Growers Association, Western Crop Innovations and the Western Applied Research Corporation.

> While the [Minister of Agriculture and Agri-food] and other officials have noted that there has been no reduction in breeding capacity as no breeding scientist positions have been cut, this ignores the fact that the cuts will impact the integrated suite of agronomists, pathologists and support staff who enable breeding programs to function. While individual breeders may be retained or relocated, the enabling capacity that makes breeding programs work effectively is being dismantled… The closing of Lacombe, Indian Head, Scott, and Portage la Prairie severely reduces the environmental diversity and testing capacity that validates whether genetic improvements actually deliver value to farmers.

The Saskatchewan Association of Rural Municipalities explained that research centres work together to validate research and that producer-driven research groups cohabit with federal stations to maximize efficiencies. Western Crop Innovations also explained that private industry and universities cannot fill the gap because they do not focus on long-term, precompetitive work without immediate commercial returns.

Western Crop Innovations predicted that the effects of the closures will not be immediately obvious, but competitors will develop superior varieties, and "[b]y the time these impacts become undeniable, the capacity needed to address them will have been dismantled." It emphasized that the closed locations are "extremely difficult, if not impossible," to replace, and that alternative options are both more expensive and require overhead funding. The Saskatchewan Association of Rural Municipalities agreed with a member that these cuts have a service impact for farmers.

The Western Canadian Wheat Growers Association indicated that if federal policies do not support agriculture, that sector may no longer appear profitable enough to attract the next generation of farmers. It added that cuts in the sector have been occurring for over a decade, diminishing the ability to produce new crop varieties. It said that these reductions are taking place in a context of labour issues, infrastructure bottlenecks, tariffs, slow and unpredictable regulatory and application timelines, and slow and ineffective modernization efforts in the agricultural sector. The Saskatchewan Association of Rural Municipalities, the Saskatchewan Wheat Development Commission and the Western Canadian Wheat Growers Association added that the availability and prices of fertilizer – which producers cannot go without if they are to profit– are worsening due to geopolitical events.

The Saskatchewan Association of Rural Municipalities, the Western Canadian Wheat Growers Association and Western Crop Innovations recommended a pause or reversal to the cuts to agriculture research centres. Similarly, the Western Applied Research Corporation recommended the continued use and protection of the Scott Research Farm as dedicated agricultural research land. The Western Canadian Wheat Growers Association also recommended that the government provide better information on its

activities and priorities to stakeholders, define a "national strategy for agricultural innovation focused on productivity, competitiveness and value creation" and "improve execution across key institutions by embedding accountability for timelines, outcomes and competitiveness into their mandates."

The Saskatchewan Wheat Development Commission recommended that the government "work with funding agency partners to address these capacity shortfalls and limit the potential significant negative impact on producers and the agriculture sector." It further recommended that AAFC work with funders and stakeholders to develop a long-term strategy for public research and breeding programs outside of its Next Policy Framework consultations, and that it consult with partners before disposing of any assets.

Western Crop Innovations further recommended

> using different assessment criteria, timelines, and transition requirements for programs with long development cycles - particularly in research and capacity-building domains; requiring comprehensive assessment accounting for replacement costs, opportunity costs, and long-term economic impacts—not solely direct operating savings; establishing formal safeguards requiring identification and mandatory preservation of irreplaceable research resources; and mandating collaborative transition planning involving affected stakeholder communities; with transparent processes, defined milestones, independent oversight, and accountability for commitments.[9]

Correctional Service Canada

UCCO said CSC is cutting $132.2 million and roughly 400 of the union's members, including over 100 correctional officer FTEs. The union characterized CSC's planned reductions as not simply workforce reductions, but as reductions to front-line security capacity. UCCO described how CSC is converting the Grierson Institution for men to a women's prison and amalgamating the workforce of various sites in the area, although it expressed doubt at the effectiveness of these plans. CSC is also reducing the day mobile patrol, which responds to incidents such as escape attempts and contraband, and abolishing all posts linked to the integrity program, which addresses illicit deliveries via "throwovers" and drones. Staff are also being reduced in institutions' towers, yards and other activities. In addition, CSC is moving its drug detector dogs from operating in a specific institution to operating across a region, which UCCO said may reduce these dogs' performance and operations.

9 Due to technical difficulties, this recommendation is taken from Ms. Oatway's speaking notes and may not reflect delivery.

UCCO further explained that several positions in Structured Intervention Units – an alternative to administrative segregation or solitary confinement – are being eliminated, leading to workforce reductions across all institutions. CSC is also cutting training for new recruits and ongoing training for correctional officers, despite the union characterizing training before these cuts as already inadequate in quality and quantity.

UCCO described how these changes are increasing the risk to correctional officers, people who are incarcerated and communities. It also framed them as detrimental to CSC's mandate and obligations. UCCO explained how morale is low among correctional officers because their work environment is very challenging, they do not feel safe at work, and they do not feel well supported by the administration. In addition, it said that employees affected by reductions had one month to determine their next employment steps with minimal support from management and the Employee Assistance Program. It further stated that workforce adjustments would terminate agreements negotiated between CSC and the union to regulate the movement of staff between institutions of different security classifications, which is expected to lead to absenteeism, psychological stress injuries and requests for accommodation.

UCCO emphasized that existing CSC infrastructure is aging, dangerous and has needed "massive" investments for decades. It indicated that housing two people in one cell already complicates correctional officers' work. UCCO and PSAC added that the failure to rehabilitate people can lead to an increase in crime and recidivism, putting communities at risk and straining public resources further. In response to a member's questions, UCCO agreed that the lack of security at institutions poses risks for correctional officers and the general public alike. It suggested that the CER represented a trade-off between saving money and the safety of correctional officers and communities. It also agreed with the member that some existing policies and practices, such as the transfer of incarcerated people to a Structured Intervention Unit in another institution by plane, appeared to be inefficient.

Canada Border Services Agency

Budget 2025 states that the CBSA has identified $52.0 million in savings – which is 2% of its review base – by finding efficiencies related to its legacy software, its vehicle fleet, the organizational structure of its headquarters, and its spending on travel, training and overtime. PSAC explained that both administrative workers and border services officers at the CBSA had received letters indicating they would be affected by the CER, leaving it

with "the most minimum amount of oversight and structure."[10] It said that it "doesn't make sense" to undertake workforce reductions of staff who have already passed rigorous training while committing to hire up to 1,000 border services officers. AI and minimally trained students, PSAC argued, cannot detect what highly trained officers can, which impacts safety and security.

PSAC underlined that the CBSA already has staff shortages that cannot be remedied by technological solutions or by changes to practices. It expressed confusion about reducing the hours of operation at border crossings, noting that threats do not operate on a timeline. It also expressed concern for the small, rural communities that depend on those ports to move across the U.S. border but who were not consulted about the cuts.

Library and Archives Canada

Leslie Weir, Librarian and Archivist of Canada, said that Library and Archives Canada (LAC) is:

- reducing its Access to Information and Privacy (ATIP) activities by $13.6 million;
- reducing and reallocating resources internally to save $6.9 million; and
- discontinuing its Documentary Heritage Community Program – which supports the accessible documentation and preservation of community heritage organizations' holdings – to save $1.6 million.

To this end, LAC is reducing its workforce by 161 positions by 2028–2029, including 56 staff and executives who will be subject to workforce adjustment or career transition measures. LAC said these decisions were "very difficult" because previous reductions "had impacted all program[s]" and reduced all LAC operations "to an absolute minimum." However, it said that LAC had been anticipating a spending review prior to the CER because it was supposed to be subject to "Refocusing Government Spending Two, which [did not] come to fruition."[11]

10 This appears to contradict testimony from the Treasury Board of Canada Secretariat. The committee is not in a position to independently verify which statement is accurate.

11 Refocusing Government Spending was a Budget 2023 initiative to identify and reallocate certain organizations' spending. It is not clear to what extent other organizations may have already prepared savings proposals in anticipation of a spending review.

Jennifer Schofield, Assistant Deputy Minister, Collections Sector, LAC, told the Committee that LAC had a backlog of 6,300 ATIP requests as of 31 December 2025, down from 14,000 in 2022–2023, as the pandemic contributed to the backlog's "radical" growth. LAC explained that it receives among the highest volume of requests because it holds the records of over 300 government entities, including many records no longer in active use. LAC's ATIPs are also complex because it deals with large volumes of restricted records that require consultation with the organization from which they originated, and because it has "more than 200 linear kilometres of print federal government records that are all in boxes" across the country. LAC explained that it was allocated

> funding for its ATIP function in the amount of $81.9 million over four years beginning in 2027–28 and $22.4 million on an ongoing basis from 2031. The temporary funding for ATIP and proactive access will still need to be reduced by $13.6 million over three years, as outlined in LAC's CER proposal.
>
> This ongoing funding will ensure that LAC can maintain improvements to its ATIP services, including sustained efforts to reduce the backlog, increase on-time compliance and advance innovative initiatives that enhance access to its collections.

LAC stated that the CER reductions would affect its ability to respond to ATIP requests. While it predicts it will be able to continue to improve its compliance with its ATIP obligations, LAC said that particularly large requests could still present a risk in this regard and be costly to undertake. When pressed on its ability to comply with statutory ATIP obligations, LAC suggested that the CER forced it to make decisions about which of its legally mandated responsibilities and obligations it would uphold. However, LAC said that its backlog is no longer growing, making it easier to manage its inventory. Because the CER reductions are phased in over three years, LAC said it still has several years in which staff can continue addressing the backlog. It added that it consults regularly with the Information Commissioner, who is aware of LAC's budgetary constraints.

LAC explained that 95% of its digitization efforts are dedicated to ATIP support, and that it aims to prioritize and proactively disclose high-use records so users do not have to submit ATIP records for those. It also stated that other countries have policies for proactive declassification, and she hoped Canada would adopt such a process. LAC said that in order to respond to 80% of ATIP requests within legislated deadlines, and as part of a concurrent ATIP action plan, LAC triages and negotiates requests, created a dedicated archival research team, and invested in its ATIP database. It told the Committee that LAC has not hired contractors to help reduce the ATIP backlog and that it takes over a year to hire for that type of work.

Regarding the Documentary Heritage Communities Program, LAC specified that it would continue to support such organizations through non-financial means, including by

referring people to programs that may be able to support them. It added that it is also working with minority language groups, Indigenous communities, and those in remote and rural areas "to try to ensure they actually do have the capability, the expertise, to be able to preserve and make accessible their records." Nevertheless, it said that these communities have expressed their concern about the elimination of the program.

Financial Transactions and Reports Analysis Centre of Canada

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) identified roughly $6 million in annual savings by 2028–2029 as part of the CER. Philippe Blanchette, Acting Deputy Director, Corporate Services, described FINTRAC's approach as follows:

> [O]ur focus was on maximizing the value of the centre's corporate expenditures, including travel and administrative expenses, and enabling functions to ensure that they are efficiently and effectively supporting our core programs.
>
> The centre's savings measures are also critical in supporting FINTRAC's broader modernization initiative, providing the centre with the flexibility to redirect resources towards the tools, technologies and capabilities needed to remain at the forefront of combatting crime. During our implementation of the [CER], we were deliberate in ensuring that savings measures do not affect operational programs and responsibilities, and we were also able to effectively carry out our core mandate.

FINTRAC also specified that the CER did not extend to its cost-recovered supervisory activities, which comprise 60% of its total budget; the organization is planning to strengthen its supervisory program in the next two years. In terms of its program activities, it said no personnel are affected by workforce reductions and there is no reduction to operating expenditures, including no funding reduction for FINTRAC's financial intelligence unit. Information that FINTRAC provided to the Parliamentary Budget Officer suggests that FINTRAC is cutting $300,000 to its financial intelligence unit and $6.3 million to its internal services. This information also states that these cuts would not affect service levels.

Other Organizations

Several union witnesses told the Committee how the CER may affect other federal organizations:

- Reductions of $613.5 million to Immigration, Refugees and Citizenship Canada increase wait times and reduce internal expertise;

- Reductions of $80.5 million to the Canadian Food Inspection Agency put Canada's food safety and food security at risk, and the agency was already under-resourced. However, based on publicly available information, the CFIA has announced plans to reinvest $30 million toward strengthening food safety inspections and frontline services — an effort aimed at maintaining inspection standards and ensuring the agency's core food safety mandate is not compromised by the broader budget reductions.

- Reductions of $43.5 million to the Department of Justice and $0.9 million to the Public Prosecution Service hollow out Canada's legal capacity.

Similarly, PIPSC outlined the risk of cuts to various "critical systems and services," including food safety, emergency preparedness, transportation safety, agriculture and forest resource protection, waterway protection, human health and data systems. It recommends reversing the cuts to critical systems; reducing reliance on external contractors to achieve savings; consulting public servants to identify efficiencies; developing and publishing a Public Service Pay Centre stabilization plan for CER pay actions; applying Treasury Board policies consistently; and using the Voluntary Departure Program to fund layoffs.

RECOMMENDATIONS

Based on the testimony above, the Committee recommends:

Recommendation 1

That the Committee recognize the Comprehensive Expenditure Review as a fundamental and necessary exercise — consistent with the approach taken by successive previous governments through periodic spending reviews — with the stated purpose of evaluating whether federal programs fall within core federal mandates; whether they duplicate or overlap with other federal programs or with provincial and territorial responsibilities; whether they remain aligned with current government priorities; and whether they are achieving their intended outcomes. Further, the Committee encourages the Government of Canada to pursue value for money in the expenditure of taxpayer dollars on behalf of Canadians.

Recommendation 2

That the Government of Canada continue its efforts to return the federal public service to a fiscally sustainable size, while actively seeking to minimize involuntary departures and prioritizing voluntary departure mechanisms wherever operationally feasible.

Recommendation 3

That the Government of Canada ensure that timely, accurate, and transparent information regarding workforce adjustments and the Comprehensive Expenditure Review process is communicated to affected employees, unions, and the public at the earliest appropriate opportunity.

Recommendation 4

That the Government of Canada, through the workforce adjustment process, ensure that the impact of workforce reductions does not fall disproportionately upon non-executive employees relative to those at the executive level.

Recommendation 5

That the Government of Canada, through initiatives such as the Early Retirement Incentive, ensure that current and future operational requirements and the continuity of services to Canadians continue to be met.

Recommendation 6

That the Government of Canada ensure that the Comprehensive Expenditure Review process actively looks to preserve and strengthen institutional capacity, so that critical organizational knowledge and expertise are not lost.

Recommendation 7

That the Government of Canada, through the Comprehensive Expenditure Review, build and develop internal capacity within the public service, with a view to reducing reliance on external management consultants, and that external contracting be reserved for instances where specialized technical expertise is genuinely required and unavailable within the public service.

Recommendation 8

That the Government of Canada continue to pursue the modernization of the public service and progress toward a balanced operational budget while safeguarding the delivery of essential frontline services to Canadians.

Recommendation 9

That the Government of Canada identify and implement opportunities to leverage artificial intelligence and digital technologies in order to streamline operations and improve efficiencies across the public service while ensuring that robust governance frameworks and oversight mechanisms are in place to guarantee that such implementation is conducted in a responsible, ethical, and accountable manner.

Recommendation 10

That the Government of Canada continue to uphold its obligations under the *Employment Equity Act* and the *Public Service Employment Act*, ensuring that the principles and requirements set out in both acts are fully maintained throughout the Comprehensive Expenditure Review process.

Recommendation 11

That the Government of Canada, through the Comprehensive Expenditure Review, continue to identify and implement strategies to attract, retain, and invest in youth within the federal public service.

Recommendation 12

That the Government of Canada ensure that the Comprehensive Expenditure Review respects the unique service requirements in rural and remote communities.

Recommendation 13

That the Treasury Board of Canada Secretariat collect and report data that tracks where Comprehensive Expenditure Review reductions to the federal workforce are occurring, including a breakdown by department and position type (executive versus non-executive), and that this data be reported to the Committee on an annual basis.

Recommendation 14

That Library and Archives Canada ensure that any internal reorganization does not compromise its ability to fulfill its obligations under the *Access to Information Act* and *Privacy Act* and that proactive disclosure functions are not reduced as a result. Library and Archives Canada shall have 120 days to respond in writing to the Committee confirming its commitment to this effect.

Recommendation 15

That the Financial Transactions and Reports Analysis Centre of Canada ensure that any internal reorganization does not compromise its ability to maintain the production and dissemination of financial intelligence. The Financial Transactions and Reports Analysis Centre of Canada shall have 60 days to respond in writing to the Committee confirming its commitment to this effect, along with a clear plan outlining how it will ensure these functions are preserved.

Recommendation 16

That, given the Government of Canada's stated commitment to Canada's veterans, the government reexamine the potential impacts to veterans' services of not renewing its funding for the Bureau of Pension Advocates to ensure against further delays in the delivery of the services to which veterans are entitled.

Recommendation 17

That Correctional Service Canada continue to strengthen its capacity to detect and prevent the introduction of contraband into federal correctional institutions by ensuring the effective deployment of drug detection teams and other security resources, based on institutional security needs, operational requirements, and risk assessments.

Recommendation 18

That Government of Canada work with industry, provinces, and academia to better understand the scientific and economic impacts of the closure of research centres operated by Agriculture and Agri-Food Canada.

Recommendation 19

That the government ensure that spending reductions do not have a significant impact on public safety and rehabilitation, including cuts affecting frontline Correctional Service Canada employees.

Recommendation 20

That the government implement a digital strategy aimed at reducing Canada's dependence on large U.S. technology companies and American digital services, while fostering partnerships with Canadian firms.

Recommendation 21

That the government develop a new procurement strategy for digital services that supports the growth of digital solutions developed in partnership with trusted providers from the European Union.

Recommendation 22

That the government engage with public sector unions regarding the scope of proposed savings to the federal public service and the loss of expertise that may result from these reductions, while respecting collective bargaining agreements.

APPENDIX A:
LIST OF WITNESSES

The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee's webpage for this study.

Organizations and Individuals	Date	Meeting
Treasury Board Secretariat	2026/03/10	30
Annie Boudreau, Comptroller General of Canada		
Bill Matthews, Secretary of the Treasury Board of Canada		
Francis Trudel, Associate Chief Human Resources Officer		
Union of Veterans' Affairs Employees	2026/03/10	30
Toufic El-Daher, National President		
Association of Justice Counsel	2026/03/12	31
Gregory Harlow, President		
Sayward Montague, Director, Advocacy and Bargaining		
Public Service Alliance of Canada	2026/03/12	31
Sharon DeSousa, National President		
Liam McCarthy, Director, Negotiations and Research Branch		
The Professional Institute of the Public Service of Canada	2026/03/12	31
Sean O'Reilly, President		
Christine Poirier, Manager, National Policy Office		
Saskatchewan Association of Rural Municipalities	2026/03/24	32
Darren Steinley, Vice President		
Saskatchewan Wheat Development Commission	2026/03/24	32
Jocelyn Velestuk, Board Chair		
Western Canadian Wheat Growers Association	2026/03/24	32
Daryl Fransoo, Board Chair		
Darcy Pawlik, Executive Director		

Organizations and Individuals	Date	Meeting
Western Crop Innovations	2026/03/24	32
Lori Oatway, Research Scientist		
Department of Finance	2026/04/14	34
Thomas Larouche, Director General, Budget and Government Operations		
Nick Leswick, Deputy Minister		
Janelle Wright, Assistant Deputy Minister, Corporate Services Branch		
Public Service Alliance of Canada	2026/04/14	34
Sharon DeSousa, National President		
Liam McCarthy, Director, Negotiations and Research Branch		
Union of Canadian Correctional Officers	2026/04/14	34
Frédérick Lebeau, National President		
Daniel MacKinnon, Second National Vice President		
Department of Employment and Social Development	2026/04/21	36
Cliff Groen, Associate Deputy Minister and Chief Operating Officer for Service Canada		
Danielle Lawlor, Director General, Financial Management and Advisory Services		
Library and Archives of Canada	2026/04/21	36
Jean Deschamps, Acting Assistant Deputy Minister, Corporate Services Sector and Chief Financial Officer		
Jennifer Schofield, Assistant Deputy Minister, Collections Sector		
Leslie Weir, Librarian and Archivist of Canada		
Department of Finance	2026/04/23	37
William Kendall, Senior Advisor, Financial Crimes and Security Division		
Greg Reade, Associate Assistant Deputy Minister, Financial Sector Policy Branch		

Organizations and Individuals	Date	Meeting
Department of National Defence	2026/04/23	37
Renée De Bellefeuille, Assistant Deputy Minister, Human Resources - Civilian		
Jonathan Moor, Chief Financial Officer		
Department of Public Works and Government Services	2026/04/23	37
Michael Hammond, Chief Financial Officer		
Kiran Hanspal, Assistant Deputy Minister, Human Resources Branch		
Financial Transactions and Reports Analysis Centre of Canada	2026/04/23	37
Philippe Blanchette, Acting Deputy Director, Corporate Services		
Shared Services Canada	2026/04/23	37
Scott Davis, Assistant Deputy Minister, Chief Financial Officer		
As an individual	2026/04/30	38
Louis Côté, Professor		

APPENDIX B:
LIST OF BRIEFS

The following is an alphabetical list of organizations and individuals who submitted briefs to the committee related to this report. For more information, please consult the committee's webpage for this study.

Côté, Louis

Dzyuban, Danilo

Saskatchewan Wheat Development Commission

The Professional Institute of the Public Service of Canada

Western Applied Research Corporation

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this report.

A copy of the relevant *Minutes of Proceedings* (Meetings Nos. 30 to 32, 34, 36 to 38, 42, 43 and 55) is tabled.

Respectfully submitted,

Kelly McCauley
Chair

Conservative Dissenting Report: COMPREHENSIVE EXPENDITURE REVIEW

Introduction

The Liberal government announced its Comprehensive Expenditure Review (CER) with great fanfare, promising Canadians $60 billion in savings over five years. The Standing Committee on Government Operations and Estimates studied that promise. What the Committee found is a review that will not reduce spending, is cutting the wrong services, and has been carried out with no transparency about how decisions were made.

The Committee heard from witnesses in the National Capital Region and across the country who are now paying the price for the government's reductions to the public service workforce.

The government's own officials dismantled their central claim of reductions.

Testimony from the Treasury Board Secretariat confirmed that, despite the Comprehensive Expenditure Review announced in Budget 2025, government spending will continue to go up. Treasury Board went further, downplaying both previous expenditure reviews and the current one as "reallocation exercises." This is an astonishing admission.

The Liberal government's flagship savings exercise is not a savings exercise at all. It is a reshuffling of tax dollars from one Liberal priority to another, packaged and sold to Canadians as fiscal discipline. The $60 billion figure is a cynical talking point, not a plan.

What We Heard During the Study

Correctional officers told the Committee that the Liberal government is cutting programs that help them detect and deter drug trafficking in federal institutions and warned directly of the harm that will follow from targeting these programs while others are left untouched. Witness Frédérick Lebeau (National President, Union of Canadian Correctional Officers) stated: "Reducing the dog handler portion and reducing the mobile patrols will put the institution more at risk. When you have an institution surrounded by a community, it creates a huge challenge for correctional officers. You're creating more criminality around them." The government could not explain how these programs were chosen. No criteria were presented to the Committee, and no analysis was offered. Decisions with direct consequences for the safety of correctional officers, inmates, and the communities they serve appear to have been made behind closed doors, with no accountability to Parliament or to the people affected. Cutting the tools that keep drugs out of federal prisons is not efficiency.

The Committee also heard from witnesses directly harmed by the Liberal government's decision to close vital agricultural research centres. Producers were not consulted. They learned of these closures after the decision was made, and they will now absorb the cost of a decision made in Ottawa by a government with little regard for Western Canadian agriculture. The government's own website credits Primary agriculture on its own accounts for $37.8 billion (or about 1.6%) of

Canada's total Gross Domestic Product. It's nonsensical to put this at risk for the 'ticking the box' exercise of cutting these small but vital research centres.

Library and Archives Canada (LAC) told the Committee it remains committed to fulfilling Access to Information requests, as is its legislated duty – however, their words do not match their actions. Non-confidential CER data released by the Parliamentary Budget Officer shows that LAC's Access to Information and Privacy (ATIP) and proactive access functions will be gradually reduced over three years. The same data openly acknowledges these reductions may compromise the institution's ability to fully comply with its legislated requirements under the *Access to Information Act* and the *Privacy Act*.

The assurances given to the Committee cannot be reconciled with this evidence. The Liberal government is knowingly cutting the very functions that allow Canadians to see what their government is doing, while acknowledging in its own documents that the law may not be fully complied with as a result. A government that cuts transparency first is a government with something to hide.

The same data from the PBO shows that the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) will cut funding for the production and dissemination of financial intelligence. FINTRAC claims service levels will not be affected yet provides no detail on what specific activities will be cut or how its intelligence work will be maintained with less money. Fewer resources for intelligence mean less intelligence. Members asked how FINTRAC will ensure these reductions will not weaken its ability to combat extortion, organized crime, and money laundering. No satisfactory answer was given. This year the Minister of Finance and National Revenue has been touring the country promoting the Liberal government's new "follow-the-money" strategy to combat extortion and organized crime, while his own government quietly cuts funding to the very agency responsible for following the money. Communities across Canada are facing a wave of extortion, and they expect Canada's intelligence and law enforcement apparatus to be properly equipped. Recently, the Auditor General of Canada released an audit which found FINTRAC fell short in its responsibility to monitor compliance with Canada's anti-money laundering laws and generate financial intelligence, citing a lack of adequate tools and delays that hindered its oversight.

We also heard testimony that the Bureau of Pension Advocates, which provides veterans with free legal advice and representation when they seek review or appeal of their disability benefit decisions, will lose 44 per cent of its workforce due to expiring funding. That means the loss of 96 employees, including 24 lawyers. These are not back-office positions. The Bureau achieves a 89% per cent success rate before the Veterans Review and Appeal Board, meaning that when veterans are wrongly denied, its advocates overwhelmingly win them the benefits they are owed. Members asked what losing nearly half of this workforce will mean in practical terms for a veteran whose claim has been denied. The answer is obvious: longer waits, fewer advocates, and more veterans left to fight the system alone. The Association of Justice Counsel said on March 12, 2026: "A criminal in this country has the right to a trial in 18 months, but the people who defend us can wait for years to get their appropriate benefits." Witness Toufic El-Daher

stated on March 10, 2026: “we expect the cuts to push wait times to between three and five years, at a minimum”.

The Liberals would prefer to eliminate all these vital services while choosing to spend on:

- $22 million on “Beans for Women for Empowerment” in the Democratic Republic of Congo.
- $20 million on “Building Equitable Climate-Resilient African Bean and Insect Sectors” in Sub-Saharan Africa.
- $16.3 million on “Leveraging Equality for Gender-just” poultry in Kenya.
- $10 million on “Gender-responsive and climate-smart products” for the cocoa industry in Ghana.
- $8.2 million on “Gender-just, low-carbon rice” in Vietnam.

Conservatives were also concerned about the Parliamentary Budget Officer's inability to obtain documents related to CER from government departments in a timely fashion. Former Parliamentary Budget Officer Jason Jacques submitted information requests to departments while costing the CER, departments were answered on their behalf by the Comptroller General of Canada, effectively refusing the PBO access. The Treasury Board Secretariat argued that the budget first had to pass and affected employees had to be notified before the information could be shared, claiming that earlier disclosure could compromise the management-union relationship and generate anxiety among employees. In other words, the government told an Officer of Parliament that Parliament would be allowed to see the details of the cuts only after Parliament had voted on them. The PBO wrote to the Speakers of both Chambers of Parliament to warn that these reasons are not valid grounds for refusal under section 79.4 of the *Parliament of Canada Act*, which entitles the PBO to free and timely access to departmental information. Ultimately, it took a motion from the committee to ensure departments were providing the PBO with full and necessary data. The Liberal governments initial stonewalling of Parliament's independent budget watchdog set the tone for an expenditure review defined by secrecy rather than accountability.

Conclusion

As clearly explained in the body of this report, the Liberal government's Comprehensive Expenditure Review has failed on its own terms. Its own officials confirmed that spending will continue to rise. Conservatives therefore reject the Government of Canada's assertion that the Comprehensive Expenditure Review will result in savings.

What the Committee heard instead was a consistent pattern: cuts falling on farmers, frontline correctional officers, Canadians' right to access information, the fight against organized crime, and cuts to services our veterans rely on. This is all occurring while questionable spending abroad continues untouched.

Without a full public accounting that separates genuine savings from reallocated spending, the Liberal government's $60 billion claim cannot be trusted. Canadians deserve real savings, not another reallocation exercise.

Conservatives recommend the following:

Recommendation 1

That the Government of Canada make changes to its communications on the Comprehensive Expenditure Review to better reflect the testimony from the Secretary of the Treasury Board insofar as government spending is still increasing but is taking part in a reprioritization exercise.

Recommendation 2

That the Treasury Board Secretariat collect and report data that tracks Comprehensive Expenditure Review reductions to the federal workforce are occurring, including a breakdown by department, position type, region, and urban versus rural location as well as the service-level impacts for all reductions and that this data be reported to the government operations committee on a quarterly basis.

Recommendation 3

That Library and Archives Canada ensure that any internal reorganization does not compromise its ability to fulfill its obligations under the Access to Information and Privacy Acts, and that proactive disclosure functions are not reduced as a result. Library and Archives Canada shall have 60 days to respond in writing to the Committee confirming its commitment to this effect, along with a clear plan outlining how it will ensure continued compliance with both

Recommendation 4

That the Financial Transactions and Reports Analysis Centre of Canada ensure

that any internal reorganization does not compromise its ability to maintain the production and dissemination of financial intelligence. The Financial Transactions and Reports Analysis Centre of Canada shall have 60 days to respond in writing to the Committee confirming its commitment to this effect, along with a clear plan outlining how it will ensure these functions are preserved.

Recommendation 5

That, the government reexamine the negative impacts to Veterans' services of not renewing its funding to the Bureau of Pension Advocates, to ensure against further delays in the delivery of the services to veterans that they are entitled to.

Recommendation 6

That Correctional Service Canada restore all affected day mobile patrols, reinstate all posts linked to the integrity program, which addresses illicit deliveries via "throwovers" and drones, ensure there are no staff reductions in institutions' towers, yards, and Structured Intervention Units, and ensure there is no cutting of training for new recruits or ongoing training for correctional officers.

Recommendation 7

That Correctional Service Canada restore their drug detector dogs to operating in a specific institution, rather operating across a region.

Recommendation 8

That the Government of Canada reverse the decision to close agricultural research centres and experimental farm sites and begin immediate consultations with the Office of the Chief Science Advisor, public sector unions,

impacted stakeholders, employees, research partners, local, regional and provincial representatives to better understand the scientific and economic impact of the proposed closures.