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# Standing Committee on Government Operations and Estimates

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Chair: Kelly McCauley





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• (1530)

[English]

**The Chair (Kelly McCauley (Edmonton West, CPC)):** Good afternoon.

Welcome to meeting number 26 of the House of Commons Standing Committee on Government Operations and Estimates, widely known, of course, as the mighty OGGO.

We welcome back Minister Lightbound and our regular officials from PSPC. That's for the first hour. Then we'll take a quick break and welcome Mr. Fuhr and Mr. Guzman.

Minister Lightbound, I assume you have an opening statement.

[Translation]

**Hon. Joël Lightbound (Minister of Government Transformation, Public Works and Procurement and Quebec Lieutenant):** Yes, Mr. Chair. I'll make an opening statement.

[English]

**The Chair:** You have five minutes, please.

[Translation]

**Hon. Joël Lightbound:** First, thank you for the invitation to appear before the Standing Committee on Government Operations and Estimates. It's a pleasure to be back, this time to speak to Bill C-15, Budget 2025 Implementation Act, No. 1.

Budget 2025 comes at a time when the world is undergoing a series of significant changes, and a new global paradigm is emerging. Countries are reassessing their trade relationships and rethinking their supply chains. Investment priorities are changing fast in response to emerging economic and national security concerns.

Under pressure from a more unstable and more dangerous world, Canada must not stand on the sidelines. This is a time to build a stronger, more resilient and more self-sufficient economy for the benefit of all Canadians.

[English]

Budget 2025 is a dynamic budget modernizing government, supporting Canadian workers and businesses and making strategic investments that will shape our future prosperity, building a strong, sovereign Canada by spending less to invest more in the people who are building this great country.

Public Services and Procurement Canada plays a central role in this effort. As the government's common service provider, we touch nearly every aspect of federal operations, from the buildings Cana-

dians rely on, to the technology systems that deliver services, to using the powerful lever of public procurement, leveraging billions in public dollars to scale up our strategic economic industries through our new buy Canadian policy. Budget 2025 is going to enable PSPC to drive this transformation.

Most importantly, we are making ourselves our own best customer through our buy Canadian policy. Canadians expect this of us: to prioritize spending to build our domestic manufacturing and innovative businesses, strengthen our supply chains and create good, well-paid jobs for Canadians. This scales up our strategic industries, builds capacity at home and makes us more competitive internationally. This will in turn open new trade opportunities and diversify our trade relationships.

[Translation]

In defence-related procurement, the creation of the Defence Investment Agency is already contributing to moving projects forward more efficiently so that the Canadian Armed Forces receive the equipment they need more quickly while strengthening industrial capacity in the country.

At the same time, we are modernizing decades-old information technology systems across the government and broadening the use of artificial intelligence responsibly to better deliver services while reducing cost and cutting red tape.

Bill C-15 also proposes significant amendments to the Canada Post Corporation Act that reflects the broader modernization plan.

It's no secret that Canada Post is facing severe financial problems and is going through an essential transformation period. For that, it's essential to ensure that the corporation has the revenue it needs to continue operating and to make the investments needed to continue serving Canadians across the country.

A major obstacle to this is the long and rigid process for modifying postage rates, or in other words, the price of stamps, which cannot be done without Governor in Council approval. This outdated system slows down decisions, creates layers of unnecessary red tape and curtails Canada Post's capacity to respond to financial pressure and economic changes.

[English]

The proposed amendments would streamline this process, allowing Canada Post to set postage rates while maintaining appropriate oversight and accountability. These changes follow the recommendations of the industrial inquiry commission, led by Commissioner William Kaplan. They are aimed at supporting the long-term financial sustainability of Canada Post.

I want, however, to be absolutely clear that these administrative changes do not alter long-standing public service commitments. Free postage for materials used by people who are blind will continue, as it has for more than a century, and reduced postal rates for libraries will remain in place. These important services are not being affected in any way, shape or form by Bill C-15.

In closing, budget 2025 reflects a government that understands the need to adapt and lead in a changing world. By modernizing government operations, reducing red tape and making smart generational investments, we're strengthening Canada's economy and ensuring that public institutions remain strong, efficient and responsive to Canadians.

[Translation]

Bill C-15 is essential to implement our ambitious and necessary plan, and it's a pleasure for me to discuss it with my colleagues here today.

[English]

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

We'll start with Mrs. Block for six minutes.

**Kelly Block (Carlton Trail—Eagle Creek, CPC):** Thank you, Chair.

Thank you, Minister Lightbound, Ms. Reza and Mr. Ieraci, for joining us today to talk about the amendments to the Canada Post Corporation Act—among other things, because we have some other questions for you today.

I know you were here in November, at which time Canada Post, PSPC and you were in conversation about another loan for Canada Post. At the time, you couldn't tell us very much because you were still in conversation. We understood this was not in the supplementary estimates (B), which we were looking at, because the conversations were ongoing.

Earlier—I think it was late last week—it was announced that a decision has been made to approve another loan to Canada Post. How will this funding be authorized?

• (1535)

[Translation]

**Hon. Joël Lightbound:** I'll start with that, and then turn it over to Mr. Ieraci, who may wish to add to my response.

The funding of slightly over \$1 billion allocated to Canada Post is a repayable loan to allow it to continue to provide the essential services that Canadians need.

Now, it's important to note that when we made the announcement about modernizing and transforming Canada Post in September, it

was in recognition of the fact that although we had to support the Canada Post Corporation because it was experiencing significant financial challenges, the corporation needs to transform. The fact that the federal government has supported the corporation in such a significant way is not a long-term solution.

Mr. Ieraci, would you like to add more details about this process?

**Lorenzo Ieraci (Assistant Deputy Minister, Policy, Planning and Communications, Department of Public Works and Government Services):** Yes, Minister.

[English]

To respond to the question, last week, an order in council was posted that indicates that the Minister of Finance has authorized additional funding for Canada Post. This is required under the Canada Post Corporation Act, and the funding will be included in the supplementary estimates (C) as part of the annual process.

Thank you.

**Kelly Block:** Is it another loan like the previous \$1-billion loan? Are the terms of this loan similar to those of the previous \$1-billion loan?

[Translation]

**Hon. Joël Lightbound:** Would you like to answer that, Mr. Ieraci?

**Lorenzo Ieraci:** The answer is yes.

[English]

**Kelly Block:** Okay.

Will Canadians ever get repaid for the first \$1 billion you approved for Canada Post?

[Translation]

**Hon. Joël Lightbound:** That's my heartfelt wish. That's why, when I was appointed minister responsible for Canada Post, I didn't take long to act on the recommendations from the Kaplan commission, among others, and to ask Canada Post to come up with a transformation plan.

Canada Post Corporation was profitable for a long time, but for reasons that I have spoken to before this committee last fall, it has not been profitable for at least seven years. However, it's essential that the corporation gets back to a financially sustainable footing. I very much want to see Canada Post return to profitability and continue to fulfill its essential mission for Canada. It is a vital institution for the very fabric of our country.

I'll stop there. I see you have another question, Mrs. Block, so I'll not take all your time.

[English]

**Kelly Block:** Thank you. I do.

It is my understanding that you gave Canada Post 45 days to submit a plan to rightsize their operations. It was three months ago that you received that report. You have yet to make any sort of announcement about whether or not that's been approved.

I want to quote the Auditor General from February 9, 2026:

In our 2025 commentary, we also noted that 77% of Crown corporations did not have their corporate plans approved before the start of their fiscal year. This is similar to the rate reported in the 2024 commentary. Delayed approvals can cause operational inefficiencies, project delays or additional costs.

If we look at the fact that Canada Post provided you with the plan you required them to give you three months ago, when are you going to make a decision on that plan?

[*Translation*]

**Hon. Joël Lightbound:** First, that's right, we received Canada Post's transformation plan in November. We've had a lot of discussions with Canada Post to gather additional details and to ensure we have all the information we need.

That said, it's clear that when I made the announcement in September, we were going to lift the moratoriums on community mailboxes, rural post offices and service standards, I expected Canada Post to engage with communities that would be impacted, initiate consultations and start preparing for the transformation. That's the message I sent Canada Post and that's the message I'm sending the corporation once again. My understanding is that Canada Post is working on that.

• (1540)

[*English*]

**Kelly Block:** We know that, between 2019 and 2024, PSPC did not approve Canada Post's strategic plan, so for five years their strategic plan was not approved. We now find ourselves in a situation where in September you provided some—

**The Chair:** You have 30 seconds.

**Kelly Block:** I'll end it there and I'll come back to that.

Thank you.

**The Chair:** Thanks.

Madame Rochefort.

[*Translation*]

**Pauline Rochefort (Nipissing—Timiskaming, Lib.):** Good afternoon, Minister and the entire team.

[*English*]

Minister Lightbound, you mentioned in your opening remarks that these changes are administrative in nature. Can you explain the current process for setting stamp rates and how, to some extent, it creates red tape? This week, we've been discussing the Red Tape Reduction Act, so I'd be interested in your comments on that.

Also, how much do you expect the timeline to be expedited by giving Canada Post authority to set postage rates independently? I think you might have touched on that, but could you confirm it once more?

[*Translation*]

**Hon. Joël Lightbound:** Certainly, that's part of the transformation we want for Canada Post Corporation, but it also fits within a broader effort to reduce red tape and the administrative burden.

With regard to Canada Post specifically, it was also one of Commissioner Kaplan's recommendations to ensure Canada Post had a way to increase the price of stamps in keeping with the cost of inflation and delivery costs. This recommendation had, and continues to have, support from unions.

To answer your question, Ms. Rochefort, I would say that right now, the process is such that it has to be published in the Canada Gazette. It must go through the Governor in Council, thus through the cabinet. The process can take three to four months, which is lengthy and time-consuming, and it originates from the wrong side, meaning from the political side. With the current proposal, it would come from Canada Post, which would recommend an increase based on operational needs. It will be presented in its corporate plan and then approved by Treasury Board, but the process will be quicker and start from the right place, at the Canada Post Corporation.

To give you an idea, I would point out that between 2018 and 2023, the price of stamps in Canada increased 7%, while in other comparable jurisdictions, it went up by roughly 55%. This flexibility and agility to increase postage rates based on inflation was not available in Canada. That's what we want to change and improve with Canada Post while ensuring accountability in two ways. First, as I just said, it's going to be in Canada Post's corporate plan and it will be approved by Treasury Board. Second, as minister, I send Canada Post a letter of intent annually so the corporation can align with our priorities. In that letter, I can give Canada Post instructions on our expectations on the price of stamps.

**Pauline Rochefort:** Thank you.

[*English*]

You did mention the matter of maintaining preferential rates and exemptions for libraries and Canadians who are blind. I would just like you to repeat it. In my riding, the issue of libraries has come back, and so to say it once more, loud and clear, would be very helpful.

[*Translation*]

**Hon. Joël Lightbound:** Thank you for raising this matter. I'm very pleased to have the opportunity here to clarify the issue once and for all, because it has generated a lot of legitimate concerns because many libraries across the country depend on this program. None of the changes will affect postage rates for libraries or blind people. The program is staying in place.

The preferential rate for libraries has been in place since 1939, with or without legislative protection, and it will continue to exist even with these changes. There are no changes whatsoever. We understand the importance of this program for libraries, especially in smaller communities, where the program provides access to a greater network of libraries at a cost that makes financial sense. That will not change and there will be no change for blind people either. I want to be very clear about that. Canada Post has made that clear, and at Public Services and Procurement Canada, we have also made that clear repeatedly.

With respect to the blind people, and I know that this was not part of your question, but since I have the floor, I'd like to clarify something. Canada is a signatory to an international convention, and the exact name in French escapes me. Perhaps Mr. Ieraci has it but I'll find it later. Be that as it may, Canada is a signatory to this convention. The protection it offers to blind people in terms of Braille materials has been in place since 1898, which is more than 100 years. It was therefore there before there was statutory protection, and that will continue, because we believe it's an important public policy. This is also Canada Post's opinion. There will be no changes. I want to reassure the people in your riding and all Canadians who have expressed concern about this issue.

• (1545)

[English]

**Pauline Rochefort:** I just want to conclude with a question related to small and medium-size businesses, particularly in rural and remote communities. I was surprised to learn that they remit over \$350 million per year in prepaid postage through postage meters. I learned that metered mail is cheaper to process, improves address accuracy, and helps retain stable high-volume users in the postal network.

Can you explain how giving Canada Post greater flexibility to design targeted pricing, such as for metered mail, helps retain mail volumes, supports rural, small and medium-size businesses, and protects the long-term viability of Canada Post?

[Translation]

**Hon. Joël Lightbound:** That's an excellent question.

I want to back up briefly to the previous question. I spoke about the Universal Postal Union. Canada has been a member since 1878 and the protection for blind people dates back to 1878. It's been in place for a long time, and it's there to stay.

Back to your last question, it's essential for Canada Post Corporation to have the ability to set the price of stamps based on market needs and volume and to have some predictability for its customers. This is critically important to ensure the corporation has strong volumes and the level of customers or demand it needs.

The change at issue will help the corporation on this front. There is a good reason it was one of Commissioner Kaplan's recommendations. In many ways, it will address a missing element at Canada Post and bring a level of predictability for its customers, for example.

[English]

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

Madame Gaudreau, please go ahead.

[Translation]

**Marie-Hélène Gaudreau (Laurentides—Labelle, BQ):** Thank you very much, Mr. Chair.

Minister, welcome back.

I have several questions, but unfortunately, I won't have time to get to all of them.

I'm glad to hear your remarks about libraries because I also had a great deal of concern about that issue. I hope that news will be shared with municipalities quickly, because, let's be honest, nobody listens to us, or very few people do. We'll have to share that piece of news with them. I commend all the people in municipalities who shared their concerns with me. I have one person from my riding in mind.

There have been media reports about contracts handed out Driver Inc. truckers. I know that the Canada Post president and CEO will appear before the Standing Committee on Transport, Infrastructure and Communities tomorrow, but I'd like to speak to two issues. First, there is cost reduction, but at what price? Second, do you know who the subcontractors are hiring, at a time when we are seeing many fatalities on our roads?

**Hon. Joël Lightbound:** That's a very good question. As you are no doubt aware, I have also seen these articles. I also know that the president of Canada Post will appear before the Standing Committee on Transport, Infrastructure and Communities tomorrow.

In my view, while I'm not responsible for Canada Post activities, I'm the minister responsible, and I expect corporation to act in a manner consistent with the highest integrity, quality and security standards, in its procurement process and selection of suppliers, just as the government expects all Crown corporations to act.

Canada Post has told us that it has not used subcontractors or trucking businesses that use the Driver Inc. model. Perhaps Canada Post's president will provide the necessary information when he appears tomorrow, but based on the information given to me, the corporation has not done any business with these types of businesses. This is consistent with what I expect from the corporation.

Since we're speaking to the Budget Implementation Act, I would point out that the budget has \$67 million over four years to help the Canada Revenue Agency acquire the necessary tools to identify these businesses and to crack down on the ones that deserve to be punished.

**Marie-Hélène Gaudreau:** Mr. Chair, at our last meeting, I urged vigilance on the potential privatization of Canada Post and alluded to the German model. That is one of my concerns, obviously.

I'm also concerned about the use of subcontractors who in turn hire Driver Inc. truckers.

Let us turn to Canada Post's transformation and restructuring plan. How did we get to a point where, after all this time, the president and the minister have not come up with a plan? Is there a mismatch between strategy and intention?

I expected to have some news on this issue by the time we reconvened. People are worried. They want to know whether their post office is about to shut down. Here is your opportunity to tell us when we're going to have an update.

• (1550)

**Hon. Joël Lightbound:** As I said, it's true that we received the plan in November. When I announced the changes at Canada Post, some people told me, and I don't recall whether you were one of them, that we were moving too fast. Now, I'm being criticized for taking too long. It's all about striking the right balance. That said, we received Canada Post's plan, and we have had a lot of discussions with Canada Post Corporation to get additional details and ensure that the plan is well designed.

In September, when I announced that we were going to transform Canada Post, I said—and I know we can agree on that—that there were some fundamental principles that had to be complied with, including the need to ensure services in remote, rural and indigenous communities. That's very important to me, and so I want to make sure we land on the appropriate spot with Canada Post.

That does not stop Canada Post Corporation from working on a number of things. For example, it can start consultations on community mailbox conversions with the communities that will be impacted in order to look into how the conversion can be operationalized from a practical point of view.

With regard to transformation, I'd be happy to come back to talk about it some more in due course. The fact that there has been no public announcement doesn't mean that no work has been done. A lot of work is going on with Canada Post to ensure we have all the information and land on an appropriate spot.

**Marie-Hélène Gaudreau:** Okay.

I have one minute left. Let's talk about regulatory sandboxes.

Last week, we met with officials from the Red Tape Reduction Office. I have a couple of concerns, and the first one is on conflict of interest. There is no regard for structure. People may adhere to directives from the Office of the Conflict of Interest and Ethics Commissioner, but we have heard that there is no clearly defined practice to ensure that ministerial choices don't place people in a direct conflict of interest.

What are your thoughts on the current screen, which is completely inadequate, in my opinion?

**Hon. Joël Lightbound:** How much time do I have to answer that, Mr. Chair?

[*English*]

**The Chair:** It is only 30 seconds, but I think it's an important topic, so I'll give you the time to answer.

[*Translation*]

**Hon. Joël Lightbound:** That's a good question.

When it comes to regulatory sandboxes, in principle, Bill C-15, as well as Budget 2025 more broadly, seek to establish a regulatory framework to accelerate innovation. The regulatory sandbox principle is used around the world, including in the European Union. The United Kingdom's financial sector alone has had regulatory sandboxes since 2016, which has allowed 700 firms to innovate and improve, and this has generated billions of dollars in economic spinoffs. Regulatory sandboxes will accelerate innovation in a world that sometimes needs more flexibility.

However, we are open to suggestions on effective oversight or monitoring mechanisms.

**Marie-Hélène Gaudreau:** Thank you very much, Mr. Chair. You are generous.

[*English*]

**The Chair:** Thank you.

Mrs. Jansen.

**Tamara Jansen (Cloverdale—Langley City, CPC):** Thank you so much for being here.

It's great to be able to have an opportunity to ask the minister about red tape reduction. I'm very excited, especially in the current situation we find ourselves in. We are going through the worst bankruptcy rates since the last financial crisis. In B.C., bankruptcies are up, at 10%.

When I meet small and medium-sized businesses, I hear things like this: too much paperwork, slow approvals, high compliance costs. They can't even afford the payroll or the rent.

I'm wondering if you could explain to me how giving this new sandbox exemption would make life easier for small and medium-sized businesses.

[*Translation*]

**Hon. Joël Lightbound:** First, you need to look at red tape reduction and reduction in bureaucracy as a whole. In this case, we're talking about paperwork. Take the example of our department, where we have—

[*English*]

**Tamara Jansen:** I hate to budge in, but I'm hoping we can hear whether this new exemption automatically simplifies forms for small and medium-sized businesses. I understand that it does for the big ones, but how about for the small and medium ones?

• (1555)

[*Translation*]

**Hon. Joël Lightbound:** That's because you're looking at one measure from the budget, even though there is a whole range of other measures. Red tape reduction is not limited to regulatory sandboxes.

[English]

**Tamara Jansen:** Again, this is a big one. This one is a discretionary one. We see this tragedy happening with bankruptcies. Would it automatically shorten approval times for small and medium-sized businesses? I get that it does it for some of the big guys, but what about for small and medium-sized ones?

[Translation]

**Hon. Joël Lightbound:** It's not just for big companies. This measure will accelerate innovation where the regulatory framework stifles innovation. One example is the sector—

[English]

**Tamara Jansen:** Would that work for a small business?

[Translation]

**Hon. Joël Lightbound:** It might, depending on the sector. I don't know whether it will help my barber, but it might help a small fintech company that wants to speed up payment systems using digital assets like stablecoin, among others.

[English]

**Tamara Jansen:** Is this power easier for a larger organization with a legal team to use than it would be for a small start-up? Would they require a legal team?

[Translation]

**Hon. Joël Lightbound:** My understanding is no. It might help innovative small businesses and that is certainly what we've seen in countries that have this type of instrument, namely regulatory sandboxes.

[English]

**Tamara Jansen:** This exemption will actually apply to them.

[Translation]

**Hon. Joël Lightbound:** It's—

[English]

**Tamara Jansen:** Will it apply to small and medium-sized businesses, the kind that are 10% of the bankruptcies in British Columbia?

[Translation]

**Hon. Joël Lightbound:** Countries that have introduced the principle of regulatory sandboxes, including Germany, France, the United Kingdom, Brazil and European Union member states have not necessarily targeted one sector more broadly. It's a matter of specifically looking at the sectors where the regulatory framework stifles innovation, and how to ease rules to foster innovation.

[English]

**Tamara Jansen:** Sorry, I'm not hearing whether it would actually help small and medium-sized businesses.

[Translation]

**Hon. Joël Lightbound:** The answer is yes; it would certainly help SMEs.

[English]

**Tamara Jansen:** I understand—and I could be wrong—that the only concrete red tape reduction measure in the BIA is the creation

of these exemptions for these big businesses. There's no other one. It's just that one. The rest is going to be sometime in the future in another budget. We just get this one.

When we see bankruptcies at such high levels right now, small businesses really need some relief. All we see is this fancy exemption for elite, large companies that are going to be doing who knows what.

[Translation]

**Hon. Joël Lightbound:** No, not at all. Take the example of the scientific research and experimental development tax credits, the much talked about SR and ED. You can visit Quebec to see the number of SMEs that are taking advantage of these tax credits. We have greatly streamlined—

[English]

**Tamara Jansen:** This particular thing is not SR and ED. These are fancy exemptions that they've put in place.

[Translation]

**Hon. Joël Lightbound:** It's not the only element. You're taking just one element in the Budget Implementation Act, which is quite big.

[English]

**Tamara Jansen:** SR and ED has been around forever. This brand spanking new one—

[Translation]

**Hon. Joël Lightbound:** Yes, but look at the changes we're making to these tax credits to streamline the process for entrepreneurs. This is a direct response to the feedback we received from the Council of Canadian Innovators, for example, who told us we needed to change the way tax credits are allocated to give businesses predictability and increase the threshold. That's precisely what we're doing.

[English]

**Tamara Jansen:** Why didn't you fix SR and ED in this, then? Why is that not in here?

[Translation]

**Hon. Joël Lightbound:** Yes, we've fixed that in the budget.

[English]

**Tamara Jansen:** Is it in this BIA?

[Translation]

**Hon. Joël Lightbound:** Yes.

[English]

**Tamara Jansen:** Okay.

My concern is around these very small companies that don't have the opportunities. They don't have legal teams. They don't have all these extra people. A lot of these things that you guys have put forward are about productivity that is going to get fixed 15 years from now—big projects.

I think the fastest way to actually make an impact on our GDP and on our productivity is exemptions for small and medium-sized businesses so that they can hire tomorrow—not in who knows how many years. It's the middle-class entrepreneur—the small and medium-sized business owner—who can make a decision tomorrow to hire someone. A lot of these things that you're putting forward have nothing to do with these small and medium-sized businesses, like the corner coffee shop.

**The Chair:** We're past our time.

It's Mr. Gasparro's round. If he's kind enough, he may allow some of his time for you to respond, Mr. Lightbound. I'm not sure Mr. Gasparro is.

The time is yours, sir.

**Vince Gasparro (Eglinton—Lawrence, Lib.):** Thanks. You'd be correct.

I want to come back to a line of questioning my colleague referenced. It was in regard to the Universal Postal Convention. You mentioned in your statement that the preferential rates for libraries have been in place since 1939. There's no plan to change them. You mentioned the no-rate postage for individuals who are blind. That's been in place since 1898.

Is that statutory in nature, or is it through the Universal Postal Convention that we are maintaining that public policy position?

• (1600)

[*Translation*]

**Hon. Joël Lightbound:** With respect to blind people, as I mentioned, since 1898, Canada had a clear obligation under the Universal Postal Convention, to which it is a signatory. It's not necessarily a statutory obligation, but nevertheless, we've had this obligation under a treaty that we have been a party to for more than 100 years.

When it comes to libraries, preferential rates for libraries were set out in law in 2013, while a private member's bill was adopted to enshrine this principle in the legislation. Prior to 2013, libraries enjoyed preferential Canada Post interlibrary loan rates since 1939. Even though we're making this change to give Canada Post more flexibility to set postage rates, it doesn't change anything to this public policy, which was in place before 2013, which has been in place since 1939, and that will not change.

Similarly, for example, members can mail letters to their constituents and constituents can communicate with their members for free, even though legal protection for this mail free of postage is not enshrined in legislation. This public policy has been in place for decades and will remain in place, even though, strictly speaking, it has no statutory protection.

I want to be very clear on that: These preferential rates for blind people have been in place for decades, the same way the free ser-

vice for members has been in place, and it will remain in place after the adoption of the Budget Implementation Act.

[*English*]

**Vince Gasparro:** Organizations and their lobbyists are calling for domestic statutory protection. It would, from your perspective, be redundant because of us signing on to this international obligation and the fact that it's, basically, been enshrined for decades.

[*Translation*]

**Hon. Joël Lightbound:** Exactly.

The problem now is that as soon as it is enshrined in legislation, it will be tied to the process we had, which I explained in an earlier response, where it must be approved by the Governor in Council and published in the Canada Gazette. We're trying to get rid of this patent glacial pace by giving Canada Post more flexibility to set postage rates. However, this doesn't involve any changes to public policies that have governed the corporation for decades, which Canada is bound to under the universal Postal Union Convention, for libraries and for blind people. I can't say that enough.

We have received a great deal of input on this topic, and rightly so. I understand how much this service is essential for many Canadians across the country. It gives libraries, including smaller libraries in smaller communities, access to a large network at a lower cost. It gives blind people access to free Braille materials, which are often quite expensive. This free service is very important, and the proposed amendments will not change it in any way.

[*English*]

**The Chair:** You have 40 seconds.

**Vince Gasparro:** Quickly, have any other stakeholder groups called for changes to the stamp rate process? I know you touched on this a little earlier. Obviously, the commissioner has, but remind me again. Has anyone else called for this?

[*Translation*]

**Hon. Joël Lightbound:** Canada Post Corporation has been calling for this flexibility for some time, and so have unions because it's vital to Canada Post revenues, which are essential if the corporation is to get to some form of financial stability or profitability, or at least a break-even point. That was actually one of the elements in Commissioner Kaplan's report that the union and Canada Post management agree on. I believe it's crucial to implement this measure.

I want to mention in passing that there have been positive developments since the last time I appeared before the committee because the union and the corporation have reached an agreement. The agreement is yet to be ratified, but the parties had not reached agreement in a long time. That's a very positive step because it delivers predictability and stability for Canada Post, two elements that were clearly lacking at Canada Post and accelerated the loss of business volume.

• (1605)

[English]

**The Chair:** Thanks.

Madame Gaudreau.

[Translation]

**Marie-Hélène Gaudreau:** Thank you, Mr. Chair.

I'm glad to see that you're open to our suggestions, Minister. It reminds me of a Quebec song that says something about feedback going down better if you buy the first round.

I want to cycle back to another grey area in connection to criteria for regulatory sandboxes. We've heard that the main criteria was that it has to be in the public interest. We asked for the definition of public interest, because that can be a qualitative judgment. However, there is no definition.

That could be cause for concern from a monitoring and independence standpoint, because, as we know, the minister may decide on the creation and content of a regulatory sandbox on their own, and this could drag out for three years.

What can we do now so that in three years' time, we don't end up saying that we should have done things differently? Where do things stand with the guardrail?

**Hon. Joël Lightbound:** Indeed, it must be in the public interest. First, the goal is to promote innovation in a number of key sectors that could benefit from that. A few key sectors jump to mind when I think about that, such as the financial, advanced manufacturing and clean energy sectors. There's a wide range of use cases that could be well served by a regulatory sandbox, as we have seen in many other countries.

When it comes to guardrails, it's important to highlight that the proposal is built on a high level of transparency. There are reporting requirements. Reports must go through Treasury Board and they must be made public. Nothing will be hidden. Everything that emerges from these regulatory sandboxes will be fully open and transparent so that the public can see what's happening and ask questions. The proposed process is transparent.

The whole point is to accelerate innovation in a rapidly evolving world. One example that comes to mind, which we see in other parts of the world, is the financial world, which is evolving rapidly due to new technologies, new payment methods and digital assets. However, the financial system's regulatory framework is not always conducive to innovation. Enabling innovation may be a win-win for innovative small businesses because it would allow them to experiment with innovative approaches without making heavy compliance investments upfront before they know whether the approach is viable. That is what makes this compelling.

Be that as it may, as I said, we are open to suggestions to ensure we strike a balance. This applies to my colleagues of all political stripes, be they from the Liberal Party, the Conservative Party or even the NDP, even though the party is not represented on this committee.

**Marie-Hélène Gaudreau:** Thank you very much, Mr. Chair.

Thank you, Minister.

[English]

**The Chair:** Thank you.

Mr. Gill.

**Harb Gill (Windsor West, CPC):** Thank you, sir.

Thank you to the witnesses for being here.

Minister, can you give us some concrete examples of what you have done to address the concerns you highlighted in your opening statement about our living in a dangerous world, which is true? Tell us about one project that has been started and that actually had a positive impact on Canadians outside of the Ottawa bubble.

[Translation]

**Hon. Joël Lightbound:** I can do that very easily.

Budget 2025 has \$5 billion in funding for our trade corridors to increase our capacity to diversify our markets and to export to new markets.

In that connection, shortly after the budget, I was in Saguenay to inaugurate the Saguenay port expansion project, where a second dock will increase capacity to handle goods from the region and even from much further afield. It will increase export capacity, competitiveness and productivity. That is why it's a boom for the region.

[English]

**Harb Gill:** Is this part of the current budget? Is this where it came from?

[Translation]

**Hon. Joël Lightbound:** Yes, 100%.

[English]

**Harb Gill:** It's from exactly this budget that you're bringing before us.

[Translation]

**Hon. Joël Lightbound:** There's \$5 billion for trade corridors. I don't have any announcements to make yet, but if I take the example of my region, I hope that one day the Port of Quebec will benefit from this the same way as many other port and airport infrastructures across the country. This may also be the case in your part of the country. That's a very concrete example.

[English]

**Harb Gill:** I haven't seen anything. In fact, the Gordie Howe bridge is in my jurisdiction and is currently being threatened by the President of the U.S. I'm not sure what your government is going to do about this, but I'm very disappointed in your lack of negotiations to open that bridge. It's been delayed and delayed.

When is that delay going to end? When is that bridge going to open?

• (1610)

[Translation]

**Hon. Joël Lightbound:** Regarding this bridge, I understand that the Prime Minister had a conversation with the president this morning and that the problem will be resolved as quickly as possible, given that the climate right now can be challenging, as you know.

[English]

**Harb Gill:** Minister, conversations are not enough. People in Windsor are looking for a date. They want toll rates. When is all that going to be published? I've reached out to your department and to the transportation sector, and nobody has responded to my emails about those questions. I'm sorry that I'm getting loud here, but these are frustrating things for the people of Windsor. They're not getting the answers they deserve.

Why is there a delay? Last year we were told that the bridge was going to open in the fall of 2025, and now it's early 2026. Yesterday, we heard the comments made by the U.S. President that he's not going to allow it to open. Now you're telling me that the Prime Minister had a conversation.

Give us some concrete timelines as to when this bridge is going to open. I'm sorry, but conversations are not enough.

[Translation]

**Hon. Joël Lightbound:** Shouting during a committee meeting is not enough either, Mr. Gill.

[English]

**Harb Gill:** I'm sorry.

[Translation]

**Hon. Joël Lightbound:** Good for you, but this is not a matter for my department. It falls under the Minister of Housing and Infrastructure. I'm sure he would be happy to talk to you so that you have all the information you need to keep the people in your riding up to date.

[English]

**Harb Gill:** He hasn't so far.

I'm sorry; I didn't mean to yell at you, sir. My apologies on that part, but, as you can imagine, the people of Windsor are very frustrated. They have been told that this bridge is coming and that it's going to open soon. I'm sure part of this procurement process is under your purview. There has to be some sort of answer that I can bring to the people of Windsor from you and your government to say the exact timeline that we are seeing and that this is when the bridge is going to open.

[Translation]

**Hon. Joël Lightbound:** Thank you for your question. I understand the frustration when projects take longer than expected. It happens. Infrastructure projects take longer than expected. I would like to answer your question, but I don't have the information, as this matter is outside my department's portfolio. It falls under the Minister of Housing and Infrastructure, and I would be happy to put you in touch with him.

To get back to your first question about direct impacts, I can also tell you about the runway in Îles-de-la-Madeleine, which was announced in the budget.

Furthermore, if I may turn back to the \$5 billion invested in trade corridors, you can talk to any port authority in the country and they will tell you that there is a pressing need for infrastructure, especially since we are seeking to diversify our markets at an unprecedented rate. I think Canadians understand that the context warrants that.

[English]

**Harb Gill:** I understand. That's why I brought it up, because you mentioned the infrastructure project that you have initiated and completed. This project in my city is not being completed, and that's why I brought it up to you, not for any other reason.

**The Chair:** That's your time, basically.

**Harb Gill:** All right, sir. Thank you.

**The Chair:** Thanks.

Ms. Sudds, go ahead, please.

**Hon. Jenna Sudds (Kanata, Lib.):** Thank you very much, Chair.

Thank you, Minister and team, for being with us here today.

First, I'd like to pick up on the line of questioning from MP Jansen. At that point, we were talking about what she referred to as "fancy exemptions" in respect to Canada Post, and she was asking whether there were any other "fancy exemptions" within Bill C-15 that would help small and medium-sized businesses.

You know, in my riding, businesses are talking about a lot of the supports that are in the budget that will help them, whether it's the small and medium-sized office of procurement that is going to be set up under the buy Canadian policy, whether it's improving and speeding up the SR and ED credits, or whether it's the productivity superdeduction.

I'm wondering, Minister, if you could speak to some of the examples that you've seen in the budget, similar to the efforts that we're making with Canada Post, that will help small and medium-sized businesses.

[Translation]

**Hon. Joël Lightbound:** Thank you very much for the question, Ms. Sudds, because you have reminded me of something that I forgot to mention in my answer earlier.

It's true that the "buy Canadian" policy announced to overhaul our procurement approach and prioritize Canadian companies and Canadian content has one important component, and that's the program funded in the budget to strengthen SME access to federal procurement. I think that is very important. Sometimes, doing business with the Government of Canada can seem complex. We want to simplify the process. We want to give more contracts to SMEs and ensure that the various departments and Crown corporations buy goods from our SMEs. Often, a Government of Canada contract is the best calling card a company can have if it wants to export internationally. I'm very happy about that. That will start this spring. It's funded in the budget.

You also talked about scientific research and experimental development tax credits. There's one thing I hear from many entrepreneurs around me, and I'm sure you hear it too, because your riding has many innovative businesses. These entrepreneurs tell me that the process lacks predictability and needs to be reviewed. They want to know how much they can invest and how much they can receive. They want that certainty up front. That is what Budget 2025 does. It provides approval for investment up front, rather than companies receiving it *ex post facto*, or retroactively. That's in addition to the enhanced 35% tax credit.

I would like to mention one last thing. Many entrepreneurs have also told me that they were eagerly awaiting the 100% accelerated first-year writeoff. I can give you proof of that. While preparing for this appearance, I went back and looked at the feedback we got after the budget. For example, I will quote Julie White from *Manufacturiers et exportateurs du Québec*:

We are pleased to see that the manufacturing sector has an important place in this budget. We sense the government's willingness to promote our businesses, which are critical to our economy and national security. The measures announced in this budget have addressed a number of our members' priorities, including access to government procurement and investment in innovation.

You mentioned access to government contracts.

Those remarks were made by Julie White, from *Manufacturiers et exportateurs du Québec*, but I could give you many other positive quotes from entrepreneurs, who are the backbone of our economy and at the forefront of innovation in Canada.

• (1615)

[English]

**Hon. Jenna Sudds:** Absolutely. Thank you, Minister.

I can certainly attest that those items are landing well. People and businesses in my riding are excited to see these efforts move forward. They look forward to seeing the budget passed, for sure.

Switching gears slightly, as we were focusing on Canada Post and the streamlining of the rate-setting process, can you speak to what the impact of these changes is expected to be on Canada Post's fiscal outlook?

[Translation]

**Hon. Joël Lightbound:** Certainly. It will allow Canada Post to have more predictability in terms of revenue and to track inflation and its delivery costs in a much more timely manner than in the past, which is why it was put forward. When you read the Kaplan report, it's clear that the cumbersome process that was in place before our proposed changes did not allow Canada Post to have that predictability or to follow what comparable companies in other jurisdictions are doing with regard to stamp prices.

[English]

**Tamara Jansen:** Mr. Chair, can I correct the record?

**The Chair:** Briefly, sure. What's up?

**Tamara Jansen:** It's just something that Ms. Sudds said at the beginning. She said that I was talking about Canada Post, when I was actually only talking about red tape reduction.

Thank you.

**The Chair:** Thanks.

Minister, keeping in mind that comment, I don't know if you want to change anything in your response. Maybe you could do it in writing.

We're going to suspend in a moment, but before we do, I have a couple of quick questions, if you don't mind.

Will PSPC post any justifications regarding the use of sandbox decisions and make them public?

[Translation]

**Hon. Joël Lightbound:** As I understand it, the process outlined in the bill includes a mechanism for reporting to Treasury Board, among others.

I'm not sure I understand your question exactly, but as I understand it, yes, there is a reporting requirement—

[English]

**The Chair:** It's enacting the power, making use of the power given to cabinet members to make these decisions under Bill C-15.

Will those justifications in the public interest be made public?

[Translation]

**Hon. Joël Lightbound:** Yes.

[English]

**The Chair:** Perfect, thanks.

Would you consider or would you recommend a sunset clause for these provisions, so that we can see, perhaps in a year, how they're working out, rather than just giving permanent powers to cabinet?

[Translation]

**Hon. Joël Lightbound:** That is one suggestion. I'm not prepared to commit on that on behalf of the government at this time, but I've heard your suggestion, Mr. McCauley.

[English]

**The Chair:** You talked about the need to bypass some of the regulatory framework we have, like enacting the power and making use of the powers from Bill C-15. Why not just fix the regulatory framework? Why do we need these powers to bypass the regulatory framework, instead of just fixing the framework?

• (1620)

[Translation]

**Hon. Joël Lightbound:** The regulatory framework may not fit a specific use, a specific industry, or a specific innovation. As an experienced parliamentarian, you know that sometimes, changes—

[English]

**The Chair:** Why not fix the regulatory framework, if it doesn't fit?

We've heard consultants, we've heard business, we've heard analysts, we've heard everyone talk about the issues around our regulatory system in Canada, how nothing can get built with all the red tape. Why aren't we just fixing that, as well? I understand that sometimes there is a need to bypass, but why aren't we tackling that?

[Translation]

**Hon. Joël Lightbound:** You're quite right. We need to reduce red tape overall and have a regulatory framework that protects Canadians while promoting innovation. I think we can do both.

That doesn't diminish the need for this kind of regulatory sandbox or lessen its importance. It's similar to what other countries have done to promote innovation, with some moving much more quickly than regulatory change would allow.

[English]

**The Chair:** What metrics are going to be used when we're talking about buy Canadian and the selection of buy Canadian? What metrics are going to be used to determine if we're succeeding?

[Translation]

**Hon. Joël Lightbound:** First, thank you for reminding us of that announcement.

For us, it's clear that the way we gauge the success of our "buy Canadian" policy will be by seeing an increase in Canadian content and in the number of Canadian companies winning contracts.

The problem is that there is not necessarily a high level of visibility at this time with regard to Canadian content, meaning that we may have a Canadian supplier without the content being Canadian. That is what we are changing with the "buy Canadian" policy. Not only must the supplier have an address in the country, but we also need to see that the content is Canadian.

The cold, hard benefits will be much more visible and will now be taken into consideration at contract award. That is the main purpose of the "buy Canadian" policy.

[English]

**The Chair:** How is that going to be presented, perhaps to this committee or to the public?

The reason I ask is that we have been looking at the issue around indigenous procurement for years. We'd send Order Paper questions to PSPC, which would respond that they track it on an Excel spreadsheet and that they really don't have that information.

How are we going to see if we're actually succeeding in this program, as opposed to it just being more talking points?

[Translation]

**Hon. Joël Lightbound:** I know that Deputy Minister Arianne Reza has been giving a lot of thought to these issues for a long time.

One of the problems we faced was that Canadian content was not always visible in past procurement. That will change going forward. We will have that visibility because it has been part of the criteria for awarding procurement contracts since 16 December.

Ms. Reza, would you like to add anything?

[English]

**Arianne Reza (Deputy Minister, Department of Public Works and Government Services):** I would just add that we are looking at it through many different lenses, including the KPIs and including what we're going to do to be able to have compliance and measurement around it. As the minister indicated, it's about the Canadian supply chain, about what is manufactured here and what professional services are done here. It's really about being able to look and unpack the supply chain and put some key performance indicators and measures against it. We're ramping up on the policy and trying to build the framework concurrently.

**The Chair:** I'll look forward to some success with that.

I've been on this committee for years. I recall one study where a very famous comment came from your department, which was about how Canadian IT companies could not get any government contracts. The answer was, no one ever gets fired in the government for hiring IBM, and thus we don't give it to Canadian businesses.

I look forward to actually seeing a change and some success in that area.

Anyway, thank you again for being with us.

[Translation]

**Hon. Joël Lightbound:** Thank you.

[English]

**The Chair:** Ms. Reza and Mr. Ieraci, it's wonderful to have you with us.

We're going to suspend for five minutes. We'll try to fix Mr. Lauzon and then we'll welcome our new guests.

We're suspended.

• (1620)

(Pause)

• (1630)

**The Chair:** Thank you, everyone, for your patience.

Welcome to the first part of our study on the creation and planning of the Defence Investment Agency, pursuant to Standing Order 108(3)(c).

We welcome Mr. Fuhr and Mr. Guzman.

I hope you're doing well. Thank you for joining us today.

We understand you have an opening statement for five minutes, sir. Please, go ahead.

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

[Translation]

Good afternoon, everyone.

Thank you for inviting me here today.

[English]

I would like to acknowledge that we are gathered today on the traditional and unceded territory of the Algonquin Anishinabe people.

I am pleased to appear before you today to discuss the Defence Investment Agency. As Secretary of State for Defence Procurement, my primary responsibility is to make sure that the government provides the Canadian Armed Forces with the tools and equipment they need to defend Canada and Canadians.

For too long, defence procurement in Canada has been too slow, overly complicated and fragmented across several departments. To address these shortcomings, the government is changing its approach. This work builds directly on the recommendations of the national defence committee's 2024 report entitled "A Time for Change: Reforming Defence Procurement in Canada".

We created the Defence Investment Agency to bring coherence, speed and accountability to the system. The DIA is making procurements faster and more efficient. We are prioritizing Canadian industry so that, whenever possible, we are buying here at home and strengthening Canada's industrial capacity. When urgent or operational needs require us to look abroad, we will work with trusted partners to secure the intellectual property needed for Canadian companies and workers to sustain that equipment here at home.

Canada has world-class capability and capacity in aerospace, shipbuilding, land systems, artificial intelligence and advanced manufacturing. Leveraging Canadian expertise to build out our military will grow our economy while delivering capabilities to our armed forces in a tangibly quicker way.

Presently, the government is working toward meeting our NATO 2% of GDP defence spending this fiscal year, which is five years ahead of schedule. We're also exploring opportunities to pull future procurements forward to ensure that we're on a path to meeting NATO's 5% defence investment pledge by 2035.

The Defence Investment Agency is ramping up its operations and is already focused on a number of high-priority procurements. Several major procurements have already been transferred to the agency, and more will follow as the organization expands. With a number of these projects, we have taken important steps to streamline their delivery and to create opportunities for Canadian industry.

With the enhanced satellite communications project, polar, we announced a strategic partnership between Telesat and MDA Space—two Canadian companies with expertise in delivering satellite communications and space-based infrastructure—to deliver this project faster and to stimulate our economy in the process.

Meanwhile, we streamlined the award of the contract to purchase six Global 6500s from Bombardier to replace our aging Challenger fleet, and we set the Canadian patrol submarine project on a path to deliver years earlier than otherwise anticipated.

Within the agency, CEO Doug Guzman is now responsible for building the agency and leading the DIA. His experience in capital allocation, project execution and major financial operations is essential as we accelerate procurement and grow our defence industrial base.

As a first step, we have established the DIA as a special operating agency within Public Services and Procurement Canada to benefit from the department's expertise and long-standing relationship with industry. This transitional structure is allowing us to stand up the agency quickly while bringing together the full complement of the personnel and capabilities from Public Services and Procurement, National Defence, the Canadian Armed Forces, the Canadian Coast Guard, and Innovation, Science and Economic Development Canada. The integrated experts report to the agency's CEO, who works with the deputy minister of PSPC. Together, they support me as the secretary of state responsible for this new organization.

To meet the moment, we are making defence procurement faster and more efficient so that our armed forces and Coast Guard get what they need when they need it, while helping drive innovation and economic growth for Canada's new reality.

I am happy to take any questions you may have for me today.

Thank you.

• (1635)

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

We'll start with Mr. Kibble.

Mr. Kibble, welcome to OGGO. I understand you're joining us from the defence committee today.

The floor is yours for six minutes.

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

Thank you, Secretary, for the opening statement.

My first question is for Mr. Guzman.

Let's just cut to the chase. What defence experience do you have?

**Doug Guzman (Chief Executive Officer, Defence Investment Agency):** Thank you.

You would have to ask others why I was picked for the job. I have relevant experience in a number of fields. I've led large, complex organizations. I've advised corporations on—

**Jeff Kibble:** I have seen your résumé and acumen.

My question is specific to defence.

**Doug Guzman:** I have less defence experience than I do in a lot of other areas relevant to the job.

**Jeff Kibble:** That's fair.

Do you have any defence experience or military experience?

**Doug Guzman:** I don't have military experience, no.

**Jeff Kibble:** Have you worked with defence-related companies?

**Doug Guzman:** I have advised defence-related companies.

**Jeff Kibble:** You have advised defence-related companies. Okay. I am just looking to explore your expertise in that area. Thank you.

Were you consulted on the creation of the defence investment strategy, scheduled to be announced tomorrow?

**Doug Guzman:** Yes, I was—very much so.

**Jeff Kibble:** I won't ask further questions on that. We will wait for that tomorrow.

According to an Order Paper question response I received on November 12, the Defence Investment Agency bureaucracy that has been created has 34 full-time employees.

Have there been any updates to this number since November 12?

**Doug Guzman:** The number is 85 today.

**Jeff Kibble:** We're at 85.

Mr. Fuhr mentioned a “full complement”. What is the full complement of the Defence Investment Agency?

**Doug Guzman:** The full complement will likely be in the 400 range, and that's some distance down the road.

**Jeff Kibble:** That's fair. Thank you for those numbers. I appreciate that.

It was mentioned that some of those employees have been pulled from Public Works. I believe the number is approximately 30.

Can you expand on that?

**Doug Guzman:** I don't have the exact split, but we formed the agency with experts from PSPC, ISED and DND. We intend to supplement that over time with external expertise, since the assignment is to innovate on the procurement side.

For the moment, I'm the only outside employee to date. The rest of it has been made from a transfer of existing government employees.

**Jeff Kibble:** Okay. It's taking away from the full complement of those other departments, if you're cannibalizing from them.

**Doug Guzman:** I don't know what the other departments have done, in terms of head count, but there's been no incremental head count in creating the DIA, other than me.

**Jeff Kibble:** But there's been a loss in those other departments, as they've gone to your DIA.

**Doug Guzman:** Madame Harty, do you want to take that? You look as if you do.

**Siobhan Harty (Senior Assistant Deputy Minister, Defence and Marine Procurement Branch, Department of Public Works and Government Services):** Yes.

What we did is transfer people plus their procurements, so there's been no loss. There's been a transfer of files.

**Jeff Kibble:** Yes. However, there's been a loss of capacity in that department.

**Siobhan Harty:** People went with their files, yes.

**Jeff Kibble:** Those people are no longer there. Okay.

According to that same Order Paper question, your department has no quality control officers, cost analysis or risk management advisers. Are these specialist services still going to be provided by PSPC?

**Doug Guzman:** For the moment, many of those central functions are being provided by PSPC to the agency. The intention is to build them over time in the agency as it—

**Jeff Kibble:** Right now, those services will be provided by PSPC, and eventually you'll be taking over them.

**Doug Guzman:** That's correct.

**Jeff Kibble:** It will be transferred from there. It sounds a bit complicated, but I understand we're working up to 400 people.

What is your role going to be in the procurement process, if we also have PSPC doing it? Are you taking over completely from them?

**Doug Guzman:** We are. We will have complete control of the groups of projects that we have custody of. The procurement activities on those projects will be executed by employees of the DIA, not by employees of PSPC. The intent of the design, as I'm sure you're aware, is to bring the expertise together in one place so we can arm the CAF at a faster, more effective rate.

**Jeff Kibble:** Thank you.

Your department was created to “cut red tape”, but we're going to have some people in PSPC doing the same thing that people in DIA will be doing. What red tape, specifically, are you going to be cutting?

● (1640)

**Doug Guzman:** Well, there won't be people doing the same thing, because a project will be in either the DIA or PSPC, from a procurement perspective. Therefore, only one group of people will be working on it.

**Jeff Kibble:** You still need to have two groups of people, one doing projects in one section and one doing...so you're doubling the bureaucracy. You're keeping some people to do, say, quality control in one department.

**Doug Guzman:** Well, I wouldn't say we're doubling it, because we haven't had a head count. We've split the complement in order to bring a responsive, rapid approach to procurement.

**Jeff Kibble:** According to a separate Order Paper question—

[*Translation*]

**Marie-Hélène Gaudreau:** Point of order, Mr. Chair.

What is being said is important. I commend the interpreters, but they can't speak twice as fast when members are talking over each other. I would therefore ask members to slow down and not all speak at the same time, so that the interpreters can do their job.

Thank you.

[*English*]

**The Chair:** Thanks.

We haven't had any commentary from them, but it's always a wise thing to remember. We are good so far.

I stopped your time, Mr. Kibble. Please go ahead.

**Jeff Kibble:** Thank you. I will try to keep it a little slower.

According to a separate Order Paper question, as of October 20, the DIA is handling eight projects, including over-the-horizon radar, but it doesn't say that it's doing polar over-the-horizon radar, which is a separate system.

Who will be handling that? Will that be the DIA?

**Doug Guzman:** In time it will, yes.

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

So far, you have not disclosed your public investments. Given your position and the decision-making power associated with that, I feel Canadians deserve transparency. We're expecting a conflict of interest disclosure from you. Will you commit to disclosing that and perhaps submitting it to this committee?

**Doug Guzman:** Yes, of course. I'm fully compliant with the process. I had 60 days to make my disclosures to the ethics team. I did that in 12 days, and I've had feedback from them and we're wrapping up the process.

**Jeff Kibble:** You have disclosed. Thank you.

**Doug Guzman:** I have until mid-March to complete the process.

**Jeff Kibble:** I have one last quick question for Secretary Fuhr.

You appeared before the national defence committee on October 23 and testified that you report directly to the Prime Minister, yet according to documents circulated to this committee you were meant to be accountable to the Minister of Government Transformation, Public Works and Procurement. Which would it be?

**Hon. Stephen Fuhr:** I certainly have a delegated authority. Politically, I'm accountable to the Prime Minister. I have a mandate letter from the Prime Minister.

**Jeff Kibble:** Do you report to the Prime Minister, or do you report to the Minister of Government Transformation?

**Hon. Stephen Fuhr:** I report to the Prime Minister. I have delegated authority—which I am sure you're familiar with, having been

in the military—from the minister of Public Services and Procurement Canada.

**Jeff Kibble:** Okay. That sounds confusing, but fair enough.

Thank you, Mr. Chair.

**The Chair:** Thanks.

Mr. Gasparro, go ahead, please.

**Vince Gasparro:** Thank you.

Minister and Mr. Guzman, thanks for being here.

As a recovering investment banker, I can say that it's very nice to see you, Mr. Guzman, being brought on board.

Can you tell this committee a little bit about your background, please?

**Doug Guzman:** Sure.

I've worked in finance my entire career. More than half of that was as an investment banker, the last 10 years overseeing wealth and investment businesses. I worked at two places: Goldman Sachs, an American financial institution, and the Royal Bank of Canada.

As I started to explain in a prior question, a lot of what I've done in my past is useful in terms of the role I play here: managing large, complex organizations, managing complex transactions, sitting across the table from or beside governments and corporates, which I've done my entire career, and providing advice in relation to structuring transactions. Having just led businesses.... I sit on the executive committee of the Royal Bank, and that's a large, complex institution that needs to do things differently as it advances its business. Clearly, one of the mandates of this team is to do things differently in pursuit of arming the CAF in a more effective way.

**Vince Gasparro:** It's very impressive. I'm glad our government is taking a page out of C.D. Howe's playbook.

I will now pivot, and it's for either of you to answer.

I am relieved that our government is bringing our defence procurement in line with our allies. How will the Defence Investment Agency help support collaboration with our allies, such as France, the U.K., Germany, Australia, etc.?

Either of you is fine.

**Hon. Stephen Fuhr:** I'm sure there was always collaboration. I'm just back on the scene after being away for six years. We're speaking to them all the time.

My assessment of where we're at in terms of the DIA is that we're last to the party with setting up an agency that is purely focused on defence procurement. We just came back from South Korea, and they have an organization called DAPA. It's a little bit more sophisticated than what we're doing. Everyone has their own take on what it looks like.

One thing that is completely clear is that decentralized defence procurement is just too slow. It won't meet the moment. We've been decentralized for more than half a century. I think it was in the late 1960s when they let the toothpaste out of the tube and they just couldn't get it back in. I know why they couldn't get it back in—because it was really difficult to do.

We're a special operating agency right now, and so are the other two agencies, Build Canada Homes and the Major Projects Office. The reason is that these can be set up very quickly and they can lean back on the departments around them for resources. This agency will be different in eight to 12 months.

Around 80% of our stuff is delivering procurements. Whether these are exact numbers or not, a portion of our time, 20% of our time, is building out what this agency will look like when it stands by itself in the future. It will stand by itself in the future. What does that look like? Do we need to amend the Defence Production Act? What legislative changes do we need to enable the agency to be on its own and independent? That's the ultimate goal.

The quickest way to start moving was the SOA. I can't remember if it's the Major Projects Office or Build Canada Homes, but they've already announced they're going to become a Crown corporation, as an example. I don't know what our future looks like, because there are a number of options. We're going to be discussing that over the coming months.

In the meantime, given how fast we have to move, how quickly we need to stimulate our economy, and how fast we need to arm and re-equip our Canadian Armed Forces, I'm solely focused on that. Even as an SOA, it's delivering results already. We've announced the Challenger replacement with the Global 6500. We have a strategic partnership with MDA and Telesat for a military-grade satcom for the Canadian Armed Forces. We've set the Canadian patrol submarine project on a path that's going to deliver submarines years earlier than otherwise would have happened.

We have a couple of new announcements coming. I don't want to get ahead of myself, but in the next couple of weeks we'll be announcing some really exciting things for the army.

Even as an SOA, we're delivering quickly. One of our mandates is that we need to also involve small and medium-sized enterprises, have more Canadian content, and work with allies who want to work with us. I don't want to take away all of your questions here, but this is an exciting opportunity, and I think we're off to a great start.

• (1645)

**Vince Gasparro:** That's great. That sounds impressive, Minister.

The Defence Investment Agency is going to facilitate our participation in SAFE, Security Action for Europe. Can you tell us what

this means for Canadian suppliers and our defence industry more broadly?

**Hon. Stephen Fuhr:** Yes, sure I can. Essentially, this all started with a trip to Europe that I was on with the Prime Minister, the Minister of National Defence and the Minister of Foreign Affairs—I think it was back in June—when we signed a Canada-EU defence and security agreement.

The second tranche underneath that was to sign the SAFE agreement, which we've done. That gives Canada access to \$240 billion—in Canadian dollars—of European procurement that we otherwise wouldn't have been involved in. Interestingly, Canada is the only non-EU country involved in this right now. I know that others wanted to be. I think you might have read something in the paper about the Brits. It didn't work out—I don't know the story behind that—but for Canada it did.

In addition to bringing our SMEs and our companies into our own procurement, we've now enabled them to get into other supply chains, whether it's through SAFE or other bilats that we have.

Again, when I went to South Korea—I just got back and am feeling a little jet-legged—we took a trade delegation of 24 companies with us, which had access to talking to a bunch of South Korean companies about how they could help deliver Canadian patrol submarines, how they could perhaps help support Canadian patrol submarines—

**The Chair:** Thank you. We are past our time.

We'll go to Madame Gaudreau, please, for six minutes.

[*Translation*]

**Marie-Hélène Gaudreau:** Thank you, Mr. Chair.

I will speak in French. We have two official languages, and I hope you are proficient in French.

Unlike my colleague, I'm not reassured, and I will explain why.

I am an entrepreneur. When I negotiate and put things in place, I do so with my own money. Right now, we're talking about an agency and public funds. My oversight role includes looking at what other jurisdictions are doing. I don't know why, but France came to mind. It has had a structured and planned policy framework for 60 years. Here, we're told that we have to move quickly, that there is compliance, that people were hired for this, that there are now 85 employees and that the bill on planning is on the way, but action will be taken before then.

What's the status of the clarification between investments and current expenses? What's the status of accountability? What's the status of the standardized accounting method? We want to know that. I know you are in the process of planning this. What's the status of the trajectory? It has to be something that is clear.

I'm telling you this because I'm also on the Standing Committee on Veterans Affairs and I know that veterans are watching the agency unfold and saying that we should start by providing them with transition and support services. Otherwise, tomorrow morning, no one will want to steer what's coming.

I don't find that reassuring. Can you give some reassurance about what's coming in the next quarter?

• (1650)

[*English*]

**Hon. Stephen Fuhr:** Let me just circle back to something you said about transparency and accountability. Obviously, those are very important things. They always have been. We've been spending taxpayers' money on things for years, and Canadians and taxpayers want good value for their money. I think they deserve that. We're going to really focus on that in a way that's probably more tangible than it has been in the past.

The reason I say that is that if you go back to that 2024 report from NDDN, which largely informed how this agency was stood up, the recommendations in that report were unanimous. All parties agreed to them. In addition to that, there's a supplement from the Conservatives that said they wanted a single point of accountability. Under our legacy system, arguably, we didn't have it. We had four agencies that all had major roles, but no single one of those agencies was accountable. If you're talking about an increase in accountability, whether the DIA is under PSPC as an SOA or it stands up on its own, it will have a single point of accountability.

In this case right now, I hold the position, but there will be others in the future. The secretary of state for the agency is politically accountable to this committee, the House of Commons and the voters, and we didn't really have that before. I think we're going to have accountability that we really haven't seen before. I think that's an improvement.

With regard to all of the other expert elements of how we keep procurements from coming off the rails, we're making sure that the process has integrity. Right now, we still have all of the resources of PSPC, because we're still housed under them. As Mr. Guzman said, as we build out on our own we'll either bring some of that with us or get it from some other place. Wherever we need to get it from, we'll have it. We will always have that expertise in-house to make sure the process has integrity, and now we have a single point of accountability at the top, which we haven't had in 60 years. I think we're in a better place than we were before.

[*Translation*]

**Marie-Hélène Gaudreau:** I have one last question.

I hear that we have the expertise here and that we will not lose it. People are being incentivized to perform better than they are currently doing.

Did I hear correctly, at some point in the preliminary remarks, that external expertise will be brought in?

**Doug Guzman:** Thank you for the question. I've not had a chance to practise my French for several years.

**Marie-Hélène Gaudreau:** You should speak more French with Mr. Carney.

**Doug Guzman:** I'm more comfortable in English and so I'll answer the question in English.

[*English*]

Yes, I think there's room for external expertise to come into the picture. There is no shortage of large corporations out there that have complex procurement exercises. The assignment we've received is to have a look at the process that we have today. I think everyone is unanimous that it could be improved, so a small number of folks from the outside who have experience to come and improve the process, I think, would make good sense.

My focus to date has been to get the internal hires right because, as has been pointed out by some of your colleagues, I have strengths in some areas and I have weaknesses in others, so I have sought to buttress the defence and procurement and government machinery areas that I have less experience in with top-quality people from PSPC and elsewhere. We are fortunate to be able to borrow ADM Harty in that respect.

I do think there is room for outside folks who can tell us how commercial entities run it differently. I have had interest from Canadians in all kinds of different places, people in multinationals who have procurement expertise, so I do think we can bring something to the mix that way.

[*Translation*]

**Marie-Hélène Gaudreau:** In closing, I wish to reiterate that I don't feel reassured. It's the same thing every time. It's not like that in Quebec, but at the federal level, we have a habit of asking for external help. It's been adding up. I've been here for six years, and every time the government has outsourced contracts, it's been another scandal. So, let me hope that all the expertise is in-house and that we're going to focus on the people inside.

• (1655)

[*English*]

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

We'll go to Mrs. Block for five minutes.

**Kelly Block:** Thank you, Chair.

Welcome here, Mr. Fuhr, Mr. Guzman and Ms. Harty.

It's good to have you here. We've been looking forward to this meeting for quite some time. I hope that you have healed completely from surgery, I think it was.

**Doug Guzman:** I asked if I should bring a doctor's note. It was a detached retina. It did happen. There was some skepticism. I can send the photos.

**Kelly Block:** I hope that you have completely healed from that.

In response to my colleague's question about your experience, I think you mentioned that we should ask others about why you were chosen. In fact, we did that last fall in committee. We had members from PCO, the Privy Council Office, here to answer some of our questions, and they weren't really forthcoming as to how it was that you were chosen. We do know that it was a recommendation by the Prime Minister through an order in council; however, they were reluctant to tell us about the ideas that they had on a list of people who might be good for this position.

I guess my question for you would be, did you express interest in this opportunity, or were you tapped on the shoulder to consider coming over to the DIA?

**Doug Guzman:** I expressed interest in serving Canada. I expressed that to the Prime Minister, who is a former colleague in banking, and that discussion was then moved to the PCO. I don't know who else they considered for the role.

I didn't seek this specific role. I asked the government through PCO where I could help and where my expertise fit. We landed on this role.

**Kelly Block:** Thank you.

Given that you are a former colleague and, I'm assuming, a friend of the Prime Minister, it's really important that Canadians know and can be assured that a friendship won't be used to potentially subvert our ethics requirements.

Are you currently subject to any conflict of interest screens similar to those that the Prime Minister is subject to?

**Doug Guzman:** I expect to be subject to a conflict of interest screen, yes. I'm just working it through with the ethics folks.

**Kelly Block:** Okay.

Your report has still not been published from the Ethics Commissioner, yet you have already been, I'm assuming, making decisions as the CEO of the Defence Investment Agency.

**Doug Guzman:** As I said, I'm ahead of the process in terms of the deadlines. I've fully disclosed everything. The blind trust that I've been asked to set up is being set up as we speak. The accounts are being moved into—

**Kelly Block:** While that is happening, you have been making decisions.

**Doug Guzman:** I've been fulfilling my job responsibilities, and I've been complying with the ethics process as it's laid out.

**Kelly Block:** The first contract the Defence Investment Agency awarded was for military satellite technology in the Arctic. This is a project that could be worth up to \$5 billion. Just weeks ago, news broke that Telesat, one of the companies you awarded this contract to, is now being sued for fraud by creditors.

What due diligence was or was not undertaken in awarding a contract of this value?

**Hon. Stephen Fuhr:** I wasn't part of the due diligence process. I can confirm that what you described actually happened. We did award a strategic partnership with Telesat and MDA to provide military-grade satcom to the Canadian Armed Forces.

I don't have a comment. I might be able to pass it to Siobhan to comment on the specifics of your question.

**Siobhan Harty:** It's a strategic partnership that we awarded. This is still a work-in-progress in terms of progressing through all the steps, but we do our due diligence. I would just point out that this is still not determined. There's still a process that this has to go through as well in terms of the accusations. We have done our due diligence.

Thank you.

**Kelly Block:** Perhaps what I will ask then is, do you not check a company's standing with creditors ahead of awarding multi-billion dollar contracts? If Telesat is unable to pay for debt they owe, how do you expect them to fulfill their contractual obligations to this project? This is a lawsuit that is alleging that Telesat has billions of dollars of loans that are maturing. What is the contingency should this actually come to fruition?

● (1700)

**Siobhan Harty:** All the due diligence will continue, and we will work with our clients to determine a contingency.

Thank you.

**The Chair:** Go head, Ms. Sudds.

**Hon. Jenna Sudds:** Thank you, Secretary of State Fuhr, Mr. Guzman and Ms. Harty, for being with us today.

I have to say that here in Ottawa—I'm an Ottawa member of Parliament—there's been a tremendous amount of excitement in the industry and in constituents who work in the defence sector about the investments that our government is making and about the establishment of the Defence Investment Agency. It's been fascinating to watch.

What's been particularly fascinating to me is the dual-use technologies and the companies that are really stepping up and interested in working with our government. We referenced a few of the early wins, so to speak, or the early partnerships and contracts that the DIA has engaged in, including of course MDA Space, which has a presence in my riding, and Telesat here in Ottawa.

I'm wondering if you can speak to how the DIA will be able to engage and support particularly SMEs in this sector in order to get more Canadian content and to be able to grow the industrial base here in Canada.

**Hon. Stephen Fuhr:** I got elected months ago, as you did, before the DIA was stood up. I spent a good part of my time just travelling around the country and talking to SMEs, OEMs and the business community at large. I used to run a small business at one point in this space, so I understand it and I speak the language. I heard a lot of different things.

From an SME perspective, an overwhelming message was that they just felt unheard and they weren't sure how to get involved. They don't have big lobbyists who know how Ottawa works. They either can't afford it or they just don't understand the system. They're more confident in landing a commercial opportunity than trying to beat down the door of a government procurement, just because it's too technically complicated, so they just give up. The fact that we were showing up and talking to them was a big first step, and listening to their position on this whole thing.

Money was one. They don't have access to certain financing tools that big companies have. There have been some things put in place since then, and there'll be more to come. The regional development agencies received money that goes right across the country. It's specifically there to help SMEs in this space. That's relatively new. BDC got \$1 billion to help companies in this space. It has helped many entrepreneurs. I think they helped 103,000 entrepreneurs in 2024, so they know what they are doing. There are other financial mechanisms coming. Mr. Guzman may want to speak to that. However, money has been an issue, so access to capital is now there.

Communication is up. We're announcing the defence industrial strategy very soon. You'll probably hear about it in the next few days. This will map out how we can better bring SMEs into the ecospace.

The other thing we're doing through this engagement is putting a lot of pressure on our OEMs, original equipment manufacturers. I'll give you an example. Bombardier, De Havilland and MDA are OEMs. We're making it very clear to these OEMs that we want them to review their supply chains and make sure that, in their little ecospace of where they operate, they're looking for SMEs in order to bring them into their tent. It's in their best interests to do this, because when we start to compete for things, or we have an RFP out, these are points-based things and Canadian content will be an assessed factor. The more Canadian content you can provide, the more points you get.

There are all sorts of factors, but obviously we really care. It's not called the defence investment agency for no reason. We're investing in ourselves as we build out our Canadian Armed Forces, because they need capability. We're going to do that faster, but we're going to leverage this massive spend to stimulate our own economy. It's one of the three pillars of how we're going to do this: Build Canada Homes, the Major Projects Office, and the Defence Investment Agency.

That means we have to reach these SMEs. Some of the ways I just discussed were access to capital, access to us and the defence industrial strategy, which will be released very soon. That is part of the path to getting that done.

• (1705)

**Hon. Jenna Sudds:** You mentioned access to—

**The Chair:** I'm sorry, but that's our time.

**Hon. Jenna Sudds:** I thought I had another minute.

**The Chair:** No, you had five minutes.

Madame Gaudreau, please go ahead.

[*Translation*]

**Marie-Hélène Gaudreau:** I have just two questions, Mr. Chair.

I agree with the “buy Canadian” policy. Many organizations have buy local policies. However, what is happening Quebec?

As you know, the Bloc Québécois is only in Quebec. For six years, my oversight role has included monitoring the situation. I think we are more than relevant. We talk about what is happening in Canada all the time, but minimize the expertise and innovation we have in Quebec. I hope it's not on purpose, because Quebec expertise is being sidelined. I heard Bombardier mentioned, but we'll put that aside for now. There's something else.

Are you familiar with the organizations and have you visited them? I'm thinking in particular of the Caisse de dépôt et placement du Québec and Investissement Québec. So far, what contacts and relationships do you have with any organizations that can help business start-ups in Quebec? It could even be GCapital.

**Doug Guzman:** Thank you.

[*English*]

Quebec has a thriving aviation business. It has a world leader in training and simulation in CAE. It has companies like Héroux-Devtek. It has Bombardier, obviously, as you note.

**Hon. Stephen Fuhr:** I have to throw Davie on that list.

**Doug Guzman:** The process that we've started to implement in submarines is a good example of foreign suppliers clearly understanding that they need to get points by putting Canadian companies' products on the platform. That process—and I won't take credit for it, because that decision was made before I got here—has worked incredibly well. The German-Norwegian partnership and the Korean group have been criss-crossing Canada, including Quebec, to look for partners to improve the likelihood of their bids.

In terms of the financial players you mentioned, I'm very familiar with those organizations. I think that down the road, there is probably a place for us to make a contribution to the government. At the moment, we're not looking for financing to buy these platforms. Our colleagues in Finance worry about how we're going to finance the platforms. I think there's an opportunity in the longer run, which is probably beyond the scope of an early meeting on the BIA, for the government to play a role on the investing side with partners like that, some of which are sovereign wealth funds. The case would be a form of that.

I think there is a big opportunity internationally, as we have seen large countries show a willingness to invest in Canada.

[*Translation*]

**Marie-Hélène Gaudreau:** Thank you, Mr. Chair.

Thank you.

[*English*]

**The Chair:** Thank you.

Mrs. Jansen.

**Tamara Jansen:** Thank you.

I'm going to direct my questions to Mr. Guzman.

As the grandma of two amazing cadets, I would say that Canadians care, first and foremost, about whether their sons and daughters in uniform are going to get the right gear on time and at a good price for taxpayers. That's what defence procurement is supposed to do. Is that correct?

**Doug Guzman:** Yes, the primary purpose is to arm the CAF.

**Tamara Jansen:** You didn't come here from the military. You came from banking and investment, moving capital around and growing portfolios, not from moving tanks around.

I understand that in the nineties, you and the Prime Minister were colleagues at Goldman Sachs, an American company, and that you run in all the same banking and investment circles. Is that correct?

**Doug Guzman:** To refer to an earlier question, if I'm a close friend of the Prime Minister, I feel bad for the Prime Minister, because I don't see him very often.

**Tamara Jansen:** Okay.

It seems, from earlier testimony in November, as my colleague mentioned, that your name may not have been on the Privy Council's suggested list of candidates for the job. Canadians are wondering. How did you get to be the government's pick to lead this agency?

**Doug Guzman:** They would know better than I would. Just as I said, I expressed an interest in serving Canada. I think Canada is having a moment, globally.

**Tamara Jansen:** That was with the Prime Minister. Is that correct?

**Doug Guzman:** I expressed an interest to the clerk after the Prime Minister sent me there, and I left it to them where they thought I could best make a contribution.

• (1710)

**Tamara Jansen:** On that note, was there any consideration of taking a lower salary, rather than ending up being one of the highest-paid Crown CEOs, with a salary possibly higher than the Prime Minister's?

**Doug Guzman:** I didn't negotiate the salary. I was presented with a proposal to join at a level—

**Tamara Jansen:** You didn't negotiate.

**Doug Guzman:** I was benchmarked, as I understand it, against a grid of Crown corporation CEOs.

**Tamara Jansen:** Okay.

Interestingly, the name of the organization that you lead is the Defence Investment Agency. "Investment" tends to mean making money, not buying equipment that works for soldiers. It sounds less like equipping soldiers and more like structuring a portfolio.

I want to make this a bit more concrete. If there is a piece of equipment that's the best in the world and it's available right away and it's the safest for our soldiers, but it doesn't help build domestic industry, would that make it less attractive under your new model?

**Doug Guzman:** I think I can connect a couple of your questions.

DND and the CAF play a very important role in all of these projects, and the requirement-setting is done by DND. To the extent that DND has a view that two or three choices are adequate to serve and protect the CAF, it would articulate that. Only at that point.... It needs to be accepting of more than one solution if we can bring these other considerations to the table. It will have the last say on the requirements.

**Tamara Jansen:** Thank you.

After the minister told Canadians that the old system took too long and cost too much—and we know that's real—if your primary lens is investment returns and building market outcomes, rather than getting the best equipment for our troops quickly, I feel we face a risk.

My question is, are defence dollars at risk of being spent for market outcomes, rather than giving our troops the right gear at the right time?

**Doug Guzman:** I think the word "investment" is confusing people a bit.

**Tamara Jansen:** It's a misnomer.

**Doug Guzman:** It is taking the spend, which is going up dramatically, in pursuit of arming the CAF properly, as you point out, and it is using those funds, in addition, to create growth, therefore investing in the country. We do not have a pool of capital that we invest as an investor.

**Tamara Jansen:** I have another question.

Were you in charge when the Telesat contract was awarded?

**Doug Guzman:** No.

**Tamara Jansen:** That's lucky for you, then.

Thank you.

Oh my goodness, I have one minute left. Wow.

I have a few more questions.

In the process of complying with the ethics law, have you divested any assets that you owned?

**Doug Guzman:** Have I divested assets? I have sold some assets that didn't fit the blind trust structure that the ethics—

**Tamara Jansen:** May I ask what they were?

**Doug Guzman:** There were no single stocks. They were funds.

**Tamara Jansen:** Your biography shows that you worked for the RBC, where you led the bank's wealth management, which includes asset management. Is that correct?

**Doug Guzman:** That's right.

**Tamara Jansen:** Do you have any financial stake, including but not limited to stock options, at RBC Global Asset Management?

**Doug Guzman:** There are no equities or stock options at RBC Global Asset Management. They're all at the parent company. I have deferred compensation, which has been disclosed in the process, and I have stock options, which have been disclosed in the process and which will be part of the blind trust.

**Tamara Jansen:** The stock price has since doubled, and the Defence Investment Agency has given them a \$750-million purchase order as of December. Is that correct?

**Doug Guzman:** I'm unaware of the Royal Bank getting a purchase order for \$750 million.

**Tamara Jansen:** I'm sorry. It's the stock price of RBC Global Asset Management.

**Doug Guzman:** There is no stock price for RBC Global Asset Management. There's a stock price for the parent bank, but I don't know what order you're referring to.

**The Chair:** Madame Rochefort.

[*Translation*]

**Pauline Rochefort:** Thank you very much, Mr. Chair.

[*English*]

I come from a community that's very proud to be home to 22 Wing, a Canadian Forces base. I must say that in my community... I'd just like to echo what my colleague mentioned about the pride. I find there's a lot of positive reaction to the government's general defence policy, to both your appointments and the launch of the Defence Investment Agency. That's what I'm hearing very much from the citizens in my riding.

I must say, Secretary of State Fuhr, that I enjoyed watching you on TV last week, going in and out of submarines. I thought that was very good. I watched all of the coverage. I was impressed as well. I understand that we're now down to two countries in a very short amount of time, so it seems to me like an efficient process.

I'm wondering if you might touch on that. When you describe the process, I almost get a sense that it's like a continual improvement process that you're engaged in, that you will learn as we go along and as we develop processes. I'm wondering if already there have been some lessons learned from our involvement with submarines or other acquisitions that we've made.

That's my first question.

• (1715)

**Hon. Stephen Fuhr:** It was an unbelievable experience, especially bringing all those companies over with us, because they could just sense opportunity over there. South Korea is a natural partner for us. They're like-minded. We can work with them. There's a lot of opportunity there.

Just to circle back to what you just asked, and maybe a bit about what MP Jansen referred to with Mr. Guzman, the primary lens for defence procurement isn't going to be investment. That's an additional lens. We need to build out our economy in a way that we just didn't have to do a year ago. This is very important.

Obviously, the Canadian Armed Forces' requirements are where we start. If they submit requirements, we're going to put on another lens to meet their needs so they can do the jobs we ask them to do. That's what they need.

We're going to put another lens on top of that and ask, if that thing exists in Canada, why would we not buy it from ourselves? We'll give the CAF what they need while we stimulate our own economy to meet the moment because of all this tariff situation and other pressures that are on us economically.

If we don't make it in Canada, can we partner with another nation that shares our values and that we can work with? We'll get our supply chains into their system. Not only can we make sure that we buy something that our supply chains are involved in, but we can get our supply chains into their system, whether that be South Korea or Germany. These are the new lenses of procurement that we have to think about. It's just adding other things that we have to think about, moving forward.

With regard to the sub choice, Canada doesn't make subs. It's buy, build or partner. We're not buying one here, because we don't have one, and we're not building one here. It's not because we don't have the capability; we're super capable. We could build a sub here, but we don't have time, and time is one of the things this agency has to solve for. Who are we going to partner with? This is why we ended up with the options we have, which are Hanwha Ocean, in South Korea, and TKMS, which is a Norway-Germany option.

We had 24 or 25 responses to a request for information on submarines. We quickly down-selected to two. Those two were primarily driven by the requirements of the Royal Canadian Navy. They said to us that these two would satisfy their requirements. They understood that there were other things at play here, but either of these two subs would work for them, so we decided to run a competitive process against the two that met the navy's requirements. That makes both of them very aggressive. They both want this job. They're both putting their best foot forward in terms of bringing our companies into their supply chains. They're making sure, for the in-service support that will be required to look after these subs for the next 30 years—which is 70% of the total cost of this program—that we have the IP to do it in Canada and that there's a Canadian company or companies to look after this sub.

This is exactly what this agency is doing. It's making sure that we get the stuff—the submarine, in this case—to the Canadian Armed Forces quickly. As I said at the beginning, we're going to shave years off this. The public-facing timeline on this before we got involved was a contract awarded in 2028 and subs in the water in 2035. We're going to have subs in the water by 2032. We're probably going to announce a winner this year.

We can get infrastructure going. It will take years to build infrastructure. We need to get people working in this country. There's significant infrastructure on both coasts to support these submarines. That gives us people working. It creates jobs.

**The Chair:** We're past our time. Wrap up, please.

**Hon. Stephen Fuhr:** This is very important.

In addition to that, we haven't done a really good job in the past of making sure that infrastructure is in place and ready for the equipment when it arrives. Getting this whole process rolling is very important, and that's what we're doing.

**Pauline Rochefort:** In my riding—

**The Chair:** No, we're way past our time, Ms. Rochefort.

**Pauline Rochefort:** Algoma was so happy. You see the impact in communities.

Thank you.

**The Chair:** Ms. Rochefort, we allowed him an extra two minutes, to be kind.

**Pauline Rochefort:** Yes, and I know there's a snowstorm outside.

**The Chair:** What does the snowstorm have to do with it? Fix the snowstorm.

We're done. Thank you for joining us.

I have a couple of quick questions, if you don't mind.

Mr. Guzman, are you subject to the one-year cooling-off period that Governor in Council appointments are subject to?

• (1720)

**Doug Guzman:** Do you mean on the other side, when I leave?

**The Chair:** Yes.

**Doug Guzman:** I believe so.

**The Chair:** Are you not sure? Would you respond back to us?

**Doug Guzman:** Yes, sure.

**The Chair:** We asked the PCO, and they said to ask Mr. Guzman. Maybe you can get back to us.

Ms. Harty and Secretary Fuhr—

**Tamara Jansen:** I have a point of order.

I don't understand why we're done already.

**The Chair:** It's because we're finishing at 5:30, having done our rounds.

**Tamara Jansen:** There's no further round.

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

I know you were talking about how we're going to hit 2% in the years ahead. Could you provide to us just how much of that is due to the reclassification of an unarmed, civilian Coast Guard? Could you get back to us? Again, there's no hurry.

Just talking about reaching the 5% for the costs, I'm looking at the PBO report. The response was... They talk about how, from 2% to 3.5%, that's already existing spending across all levels of government. I want you to get back to us with how much of that, at all levels of government and ancillary components, they expect to be met under current planned spending. It's already existing spending at all levels of government. How much of that is actually going to be on defence equipment? The point is, we hear so much—and we've heard it today—and everyone is excited that we're ramping up, but we're hitting the 2% because we've reclassified, by and large, the Coast Guard. Apparently, from the 2% to 3.5%, it's already existing spending across all levels of government.

I'm not looking for an answer right now, because there's a snowstorm and you have seven minutes left, but if you could, get back to us when you have the time.

Thank you again for being with us today. I appreciate your time.

Colleagues, quickly, before we break, our analysts are going to provide a short summary of what we've heard so far regarding our recent study on the budget. They'll have that out during the break week. We agreed, then, that we would put our recommendations to the other group, and we're asking for those by the 20th at noon. We'll have a report out. The analysts will have their suggestions out

on what we've heard, and the suggestions, and then we'll provide recommendations and we'll try to hash it out. That's by the 20th at noon, please. We'll send out a reminder next week.

Thanks, everyone. We are adjourned.

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