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• (1100)

[English]

The Chair (Kelly McCauley (Edmonton West, CPC)): Good morning, everyone. Welcome to meeting number 37 of the House of Commons Standing Committee on Government Operations and Estimates, known in the four corners of the world, of course, as “the mighty OGGO”.

We're continuing our CER review today. We have Finance, FINTRAC and DND with us.

Before we start, though, I'll give you a gentle reminder to keep your headsets away from your microphones. Don't touch the microphones, and don't crinkle or fold paper, etc., near the microphones.

We have an opening statement, I understand, from Mr. Blanchette. Then we'll go to Mr. Moor for five minutes.

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

Philippe Blanchette (Acting Deputy Director, Corporate Services, Financial Transactions and Reports Analysis Centre of Canada): Thank you, Mr. Chair.

I would like to thank the committee for the invitation to appear before you today.

My name is Philippe Blanchette. I am here to represent the Financial Transactions and Reports Analysis Centre of Canada, better known as FINTRAC. I am the deputy director responsible for corporate services, as well as chief financial officer and chief human resources officer.

I would like to acknowledge that I am speaking to you from the traditional unceded territory of the Algonquin Anishinabe people.

I am pleased to appear alongside my colleagues from the Department of Finance to provide testimony for the committee's study on the comprehensive expenditure review and FINTRAC's response to this process.

[Translation]

As you know, the Financial Transactions and Reports Analysis Centre of Canada, or FINTRAC, plays a key role in Canada's anti-money laundering and anti-terrorist financing regime. In fact, we fulfill a dual mandate for Canada: that of an anti-money laundering supervisory authority and that of a financial intelligence unit.

In practice, FINTRAC serves as a link to a wide range of private sector entities, law enforcement agencies and international partners

in the fight against money laundering, terrorist financing and threats to Canada's security.

FINTRAC is not responsible for law enforcement or conducting investigations. We do not investigate money laundering or terrorist financing, nor do we lay charges for crimes of this nature. In fact, our legislation requires us to maintain independence from entities responsible for law enforcement and prosecution.

[English]

Regarding the comprehensive expenditure review, as with other organizations, FINTRAC has undertaken the process of identifying savings measures that were identified in budget 2025. Prior to the announcement, we prioritized resources towards delivering on our core mandate, optimizing our processes and strengthening our organizational culture.

Following the announcement of the expenditure review, our focus was on maximizing the value of the centre's corporate expenditures, including travel and administrative expenses, and on enabling functions to ensure that they are efficiently and effectively supporting our core programs.

The centre's savings measures are also critical in supporting FINTRAC's broader modernization initiative, providing the centre with the flexibility to redirect resources towards the tools, technologies and capabilities needed to remain at the forefront of combatting crime. During our implementation of the comprehensive expenditure review, we were deliberate in ensuring that savings measures do not affect operational programs and responsibilities, and that we will also be able to effectively carry out our core mandate.

It is important to note that this review did not affect the funding FINTRAC received through its cost-recovered funding model for supervisory activities, which represents 60% of FINTRAC's total budget. In fact, with a significant increase in our supervisory-related resources over the next two years, we aim to significantly strengthen our supervisory program.

These increases under FINTRAC's cost recovery model are being directed exclusively to strengthening and modernizing FINTRAC's supervisory function in response to a rapidly expanding and increasingly complex regulated population, heightened financial crime risks and new legislative requirements. We will invest in resources to support supervision in the highest-risk sectors, respond to emerging threats and provide foundational technology, enabling functions and tools to make FINTRAC a more nimble and responsive regulator.

Separate from the cost recovery model, over the past six years, the Government of Canada has invested \$175 million in FINTRAC's operations in recognition of our critical role in combatting money laundering and terrorist activity financing. This funding is being used to modernize the centre's tools and implement new digital technologies to receive, analyze and assess information in order to generate actionable financial intelligence. In the last six years, it has further supported the addition of 65 employees on an ongoing basis.

[Translation]

We recognize that FINTRAC is increasingly called upon to address national priorities, including the fight against fentanyl, extortion, cartels, vehicle theft, terrorist organizations and other forms of emerging criminal threats.

I would like to reassure committee members and the public that FINTRAC has the capabilities, expertise and legislative tools necessary to effectively carry out its oversight and intelligence responsibilities. We are at the forefront of the fight against these crimes thanks to our unique expertise in tracing the money trail to ensure the integrity of Canada's financial system and the safety of its people.

Thank you, and I look forward to answering your questions.

• (1105)

[English]

The Chair: Thanks, Mr. Blanchette.

Mr. Moor, you have the floor for five minutes, please.

[Translation]

Jonathan Moor (Chief Financial Officer, Department of National Defence): Good morning, everyone.

[English]

Good morning, Mr. Chair and members of the committee. Thank you for inviting us today to present our comprehensive expenditure review on behalf of the Department of National Defence. I am joined today by the assistant deputy minister of HR-civilian, Renée de Bellefeuille.

National Defence was given a target last year of \$460 million in annual savings through the comprehensive expenditure review exercise. This is based on 2% of our vote 1 and vote 10 allocations. The reduction across the department has been developed through a comprehensive efficiency program covering a number of different initiatives to achieve these ongoing savings, in particular the following: retiring selected fleets that are nearing the end of their service lives; streamlining the real property portfolio through the di-

vestment of underutilized and surplus properties; expanding the use of energy performance contracts across our infrastructure, both increasing energy efficiency and reducing greenhouse gases; and finally, modernizing our internal business processes and our governance to reduce the administrative burdens and address any efficiencies identified.

The department has experienced a period of significant growth over the last year. We have a 35% increase in our authorities of \$12.3 billion. This follows the announcement last summer of a significant increase in order to meet the NATO 2% of GDP target. In order to deliver these priorities, no job losses are anticipated because of the comprehensive expenditure review savings. Any personnel who may be affected by proposed changes in our organization will be repositioned toward high-priority work.

As you are aware, the Canadian Coast Guard transitioned to DND on September 2, 2025. The Canadian Coast Guard completed an analysis of potential spending reduction measures. However, a decision on the Canadian Coast Guard's proposals has not yet been finalized. Together, National Defence and the Canadian Coast Guard will continue to explore cost savings, looking for opportunities for greater alignment of project delivery and acquisitions. It's also looking at the use of shared infrastructure, logistics warehousing and specialized technical services across our two organizations.

The department remains committed to continually identifying and realizing efficiencies across its programs and projects, ensuring that effort and resources are focused where they deliver greatest value for the taxpayer and enhance our military capabilities.

My colleagues and I would be pleased to address any questions or comments you may have.

[Translation]

Thank you very much.

[English]

The Chair: Thanks very much.

We'll start with Mrs. Jansen for six minutes, please.

Tamara Jansen (Cloverdale—Langley City, CPC): Thank you.

Mr. Blanchette, British Columbia is facing a very serious organized crime problem. In Surrey alone, there have been 87 reported extortion cases this year, and it's only April. Behind those numbers are shootings, arsons and business owners being pressured out of the communities they built. These are coordinated transnational networks operating with increasing aggression.

Minister Champagne has been touring the country, promoting the Liberals' follow-the-money strategy as the answer, even though you are told by the Liberals to make cuts to your ability to produce financial intelligence. How will making these cuts help you deliver on that follow-the-money strategy and stay ahead of these networks?

Philippe Blanchette: I want to reiterate that through the CER, for us the maximum ongoing cost was about \$6 million. We were able to achieve those savings just by reviewing our corporate expenditures and the way we were doing business in terms of supporting the programs. No cuts at all were done internally. We were able to do this exercise without cutting any FTEs or employees or any operating expenditures in terms of our program. That means our financial intelligence unit had zero reduction in costs in this exercise, or in our supervisory function, as they are covered through another method of finance.

• (1110)

Tamara Jansen: What does "They're covered by another method of finance" mean? Is this a bit of a shell game?

Philippe Blanchette: No, our supervisory programs are cost-recovered, which means that they're treated differently. The cost expenditure review did not require us to find savings and remit any money in terms of cost recovery, because this is money that is paid by our reporting entities. We have 60% of our budget cost-recovered through the regulated entities that we have in our legislation.

Tamara Jansen: I understand, from your documents, that, basically, you're shrinking your operational footprint. The wording was about financial intelligence—that you're going to shrink financial intelligence.

Now, the Cullen commission documented how these networks work. FINTRAC reports confirm it: underground banking, real estate, casinos, money service businesses and crypto. We know the channels. We know the money moves, and we know we have to stay ahead with our enforcement and that knowledge is useful only if FINTRAC gives it to police. Your disclosures are what give police an ability to open those investigations. If FINTRAC is cutting funding for the production and dissemination of financial intelligence, doesn't that mean fewer files, less information for the police and, actually, less safety for Canadians?

Philippe Blanchette: I just want to reconfirm that we have not cut any program operations in terms of our financial intelligence unit, so I'm not sure in which document you—

Tamara Jansen: Your document actually says you're cutting funding for the production and dissemination of financial intelligence. That's what the document says.

Philippe Blanchette: I don't know which document you're looking at, but I can confirm we've cut, and I can reconfirm where we've cut. We've cut in four different buckets. Just to give you an example, we separated our stuff into four buckets: operating expenditure—

Tamara Jansen: I'm just going to say it's the CER documents that went to the PBO. That's where it says you're cutting, exactly, the intelligence funding that's needed.

Philippe Blanchette: As I said, we've cut in four places. There were four buckets: streamlining operation costs across key func-

tions, which was specifically focused on travel and expenditures, so the cost of operations; workforce optimization, which was specifically focused on enabling functions such as HR, finance, communications, etc.; and the third bucket, which was to refocus on the IM/IT resource, reorganizing that unit in order to find—

Tamara Jansen: I'm sorry. My time's really short. I have to say that, if your documents that went to the PBO were incorrect, I think that's something that needs to be figured out.

Secondly, Minister Champagne's going around the country, promoting this Liberal follow-the-money strategy. I saw that you're actually going to be requiring and requesting more money elsewhere. To me, that's a shell game. The Liberals are saying we're going to save here, but we're going to ask for more money there.

I think Canadians should understand that we were told, during the election, that we were going to save money. Now, in actual fact, we're just doing a little shell game. We're going to show a little bit of change over here while we're asking for more money. We should be making sure that we have sufficient funds, because this transnational stuff is incredibly dangerous, and it's going to become a problem for Canada. You have to explain that shell game thing to me. Why are we doing that?

Philippe Blanchette: That's one perspective, but we need to understand that our organization is financed by two different... There's a voted appropriation, and then we have a cost-recovery mechanism on a supervisory function, which has significantly increased, and we are investing in our supervisory function. Our voted appropriation is where we found—

Tamara Jansen: I have just one more question, then.

You guys were very much a part of 200 cases that happened last year, 200 major investigations. Are you telling me that you're going to be saving money on travel, and you're going to be able to do a lot more of those investigations by saving money on travel?

Philippe Blanchette: We saved money on travel in other parts of the organization not impacting intelligence. Factually, in terms of...we're trying to be agile to emerging trends.

The extortion is a good example. We've increased our presence regionally in order to be able to help—

Tamara Jansen: Do you do that with less money? Is that how that works?

• (1115)

The Chair: That is your time, I'm afraid.

I pass the time to Mr. Gasparro, please.

Vince Gasparro (Eglinton—Lawrence, Lib.): Thank you, Chair, and thank you to all for your service.

In our globalized world, international conflicts are no longer just fought in the battlefield. They're fought on economic terms. This illicit financing through digital assets—and I'm being quite specific here concerning Iranian-backed crypto—threatens the safety of Canadians and the integrity of our financial system. Canada has strong rules for crypto platforms and money-service businesses, including registration and reporting requirements overseen by FINTRAC.

The government is strengthening those tools by investing in the resources and authorities FINTRAC needs to act quickly on suspicious transactions and unregistered platforms.

As you all know, in budget 2025 we announced the creation of a financial crimes agency to help detect these threats. How do you foresee FINTRAC and the financial crimes agency working together?

Philippe Blanchette: We're actually excited about the financial crimes agency, because we have kept increasing the number of our disclosures year after year. Last year we produced about 2,200 disclosures of financial intelligence for our partners. Having financial crime agencies that are present and have the mandate to investigate and be there on the ground means that more disclosures will be used and be looked at, so that our intelligence will be used, moving forward.

I see the coming collaboration between the two agencies as very positive, as it will allow us to really focus on trends and high risks. We've been talking about being able to look at the intelligence in real time, with the proper tools, and being able to push that information as quickly as possible to our disclosure recipients. The financial crimes agency will allow us to do that quickly, because that will be its main mandate, and we'll be able to work together towards that.

Vince Gasparro: Thank you for that.

I apologize, as I probably should have started with this next question. Can you explain to the committee and to the six people watching at home—

The Chair: They include my wife.

Vince Gasparro: Yes, that's right, and mine as well. It depends on whether she's trying to sleep or not.

Some hon. members: Oh, oh!

Vince Gasparro: Could you explain the difference between FINTRAC and the financial crimes agency?

Philippe Blanchette: Yes, FINTRAC is a separate agency. We act at arm's length because we are receiving a massive amount of data from financial reporting entities.

When we collect that data, it remains with FINTRAC. We do the analysis. We analyze if there are trends, if there are commonalities, if we have any suspicions from the reports. We amalgamate it together through analysis, and if it gives us an indication that there might be a crime, or something that could happen, then we share it with our disclosure recipients.

Our disclosure recipients then become responsible to investigate and follow the reports we've sent to them. The financial crimes agency will be an investigative body, as far as I understand.

Vince Gasparro: Excellent. Thank you.

How much time do I have, Chair?

The Chair: You have two minutes.

Vince Gasparro: Great.

I'd like to move to Bill C-2. Our new government placed some significant provisions in it to try to give FINTRAC and other departments greater intelligence powers. Unfortunately, it was obstructed and delayed by the opposition at the time, and we now have Bill C-22.

I had to put that in there, Mr. Chair. I apologize, though it's sort of a sorry, not sorry, I guess.

Can you speak to some of the provisions that were maybe in Bill C-2 that you would like to see in future legislation to help FINTRAC?

• (1120)

William Kendall (Senior Advisor, Financial Crimes and Security Division, Department of Finance): I'm William Kendall, from the Department of Finance. I'm working on financial crime policy, so I think I'm well placed to answer your question, and I'm pleased to do so.

As you correctly indicated, Bill C-2 had a number of measures to help fight financial crime. I think it's important to note, first of all, that many of those measures were brought into Bill C-12 and were actually passed recently. There are many measures, in fact, but to summarize, they strengthen the supervision, compliance and enforcement of the businesses and professionals regulated for anti-money laundering and anti-terrorist financing purposes. Those are the reporting entities that my colleague mentioned.

If we're talking about financial intelligence, that comes from those reporting entities that are on the front lines of the transactions that are trying to enter the financial system. It's very important that they take their responsibility seriously and that non-compliance is not treated as a cost of doing business. Those measures in Bill C-12 will address this part of the problem.

Of course, there are other measures in Bill C-2. One, which was passed, is also on the supervisory side in Bill C-12. It makes FINTRAC a member of the financial institutions supervisory committee, which will allow it to share information with other federally regulated supervisory bodies, most notably OSFI, the Office of the Superintendent of Financial Institutions, to better ensure strong—

The Chair: I'm sorry, Mr. Kendall. I need you to wrap it up.

William Kendall: To wrap up, the government still supports the other measures in Bill C-2 that weren't brought forward in Bill C-12. That's why some of them were mentioned specifically in budget 2025. It's to provide flexibility and reintroduce them in a future legislative vehicle. Of course, that is the government's prerogative.

Thank you very much.

The Chair: Next is Madame Gaudreau for six minutes, please.

[*Translation*]

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

My questions will be directed primarily at the representatives from National Defence.

I am the Bloc Québécois critic for veterans. Obviously, I meet with veterans on a weekly basis. There are also those who approach me directly, as a member of Parliament. People have been telling me for quite some time now that serving in the forces is truly a tradition passed down from generation to generation.

Right now—and you'll see where I'm going with this—veterans are telling me that, given what they experience and endure after serving in the armed forces, they wouldn't want their children to enlist.

How can we explain this decline in trust in the military, even as we try to better equip our defence forces?

Jonathan Moor: Thank you for the question.

For clarity, I will respond in English.

[*English*]

I'm the chief financial officer at the Department of National Defence. I'm clearly not the chief of the defence staff or the vice. That question would probably be better directed to them.

What I can assure you is that a lot of work is going on at the moment around improving recruitment and retention. Just last year, there was a very significant pay rise for all of our members. There was a 20% pay rise for the most junior members of the armed forces through to 8% for the most senior. That is a part of addressing some of the issues. There's also been an awful lot of work around sexual misconduct, racism and all the other things that are challenges for us as a society overall but that the military takes very seriously.

It's disappointing to hear your feedback, but I'm quite confident that over the last 18 months, very significant changes and very significant improvements have been made.

The very last thing I would say is that we're also investing very heavily in our capabilities and our infrastructure, including significant additional housing units, as well as the tools for the job and the capabilities our military requires in order to deal with this very challenging world.

[*Translation*]

Marie-Hélène Gaudreau: I'll explain what's happening.

Although the Minister of Veterans Affairs truly wants to help veterans and make a difference, the fact remains that, to date, we

are seeing budget cuts when it comes to veterans. In this context, how can we ensure better services?

Right now, as part of one of our studies, we are examining the partners in Canadian veteran rehabilitation services program, or PCVRS, which is managed in partnership with Lifemark Health Group, among others. It's important for you to know this.

It makes no sense. The government is devoting a great deal of energy and resources to strengthening national defence, while veterans are broken. They are suffering and feel abandoned. I'm talking about a large number of veterans from Afghanistan.

Are you aware of this?

• (1125)

[*English*]

Jonathan Moor: Veterans Affairs is a separate government department, and I think you're well aware of that. What I would say is that all of the expenditures of Veterans Affairs are included in the 2%. I think they were subject to the comprehensive expenditure review, but maybe their CFO would be better in answering those questions.

Clearly, the armed forces care very deeply about their veterans, and that is why a lot of the investment is going in there. Just last year, there was \$7.86 billion paid for by Veterans Affairs for veterans' interest. That was included in the 2%.

[*Translation*]

Marie-Hélène Gaudreau: Mr. Chair, what we have here is proof—and I won't point the finger at anyone in particular—that work is being done in isolation within the organization itself. The departments don't communicate with each another.

I feel as if it's the first time you've heard this, and that's concerning. There were questions in the House the day before yesterday on this subject, and the minister said that an independent investigation would be conducted to ensure our veterans aren't being neglected. Yet that's exactly what we're seeing. We often find veterans on the streets. I'm shocked to hear that.

Do you commit to holding exploratory meetings to develop a concrete action plan with veterans?

Right now, people keep saying it's inadequate, but there needs to be proof, and the first step is communicating with each other.

Do you commit to doing this?

[English]

Jonathan Moor: I absolutely commit that we are talking to Veterans Affairs, and the Minister of National Defence is regularly in communication with their opposite number. I personally speak to the chief financial officer of Veterans Affairs every few weeks, and certainly I've been working very closely with them, but I think you're asking me a question that is outside of my scope. This is a scope for the Minister of National Defence or for the chief of the defence staff.

[Translation]

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

[English]

The Chair: Thanks very much.

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

Kelly Block (Carlton Trail—Eagle Creek, CPC): Thank you, Chair, and thank you to all of you for joining us today.

I'm going to direct most of my questions to the Department of National Defence witnesses. I'll start with Mr. Moor.

As outlined in your departmental plan, your department plans to save approximately \$460 million each year during the expenditure review by reducing some of your operating expenditures.

Will you be reducing the use of external consultants, and if the answer to that is yes, can you tell us by how much?

Jonathan Moor: Absolutely. We were also subject to the refocus in government spending, the cuts that happened a few years ago, and there was a focus there around reducing the level of consultants. What I can tell you is that over the last two years, we have reduced management consulting by \$18 million, or 22%. We have reduced informatic services costs by \$60 million, or 16%, and we've reduced temporary help services by \$27 million, or 42%.

Those are examples of costs that should be focused on in terms of efficiency. However, our engineering and architectural services have grown over the last two years, because we are spending a lot more money on the construction of warships and on the construction of other requirements for infrastructure and our capabilities.

Kelly Block: Thank you.

Just to make sure I understand what you've just said, the reduction in your operating expenditures that has been identified in your departmental plan captures what's happened in the past, not necessarily what's happening going forward.

Jonathan Moor: As I said at the start, over the last 12 months we've actually spent an additional \$12.3 billion, so we are in an environment where National Defence is spending considerably more money. However, we are very focused on ensuring that this money is being spent wisely and providing value for money for the taxpayer.

Kelly Block: I'm going to stop you, because my time is limited as well, and I'm going to assume that the answer to my question is yes.

I want to ask you a question about your plan to retire selected fleets. Was this already under way prior to the expenditure review as well?

• (1130)

Jonathan Moor: We always are focused on the age of our fleets, and the older our fleets are, the more expensive they are to maintain and sustain.

Just last year, the commander of the navy announced that he was going to be retiring eight of the Kingston-class maritime coastal defence vessels. That decision was made after the comprehensive expenditure review was put in place.

At the moment, we are still reviewing other of our capabilities, in particular when we are starting to see new capabilities coming on stream. You may be aware that submarines are now being considered by the Defence Investment Agency, and we would expect an announcement on that later this year. That would be an opportunity then for us to look at the four existing Victoria-class submarines, which are over 40 years old and are very expensive to maintain.

Kelly Block: To clarify, it had already been identified that the fleet needed to be reduced and that this was going to be under way.

Was it the comprehensive expenditure review that sped along the process?

Jonathan Moor: I would say that it's a combination of two things.

To be frank, we've also seen an additional amount of money coming in: \$2.3 billion. This allows us to invest in new capabilities, which will allow us to look at some of the older capabilities and say, "This is no longer appropriate. We'll remove it." The priority, therefore, is on the new rather than the old.

The comprehensive expenditure review happened at the same time as we announced the Kingston class.

Kelly Block: Thank you.

In your plan to modernize governance practices and internal services, you mentioned the goal of reducing administrative burdens, yet you also do not expect to have any reductions in FTE positions.

Can you explain that? Are there no middle managers or duplicative administrators whose resources could be used elsewhere?

Jonathan Moor: I'll kick it off, and maybe Renée could come in as well.

The Chair: We have only about 20 seconds, so please be brief, Mr. Moor.

Jonathan Moor: I'm sorry, Chair.

Very quickly, one example is digital services. We are trying to modernize the digital services. We believe this will reduce our costs by around \$65 million, or 650 staff. However, those staff will be redirected to other priorities.

The Chair: Thanks.

Ms. Rochefort.

Pauline Rochefort (Nipissing—Timiskaming, Lib.): Thank you, Mr. Chair.

Monsieur Blanchette, I am from the riding of Nipissing—Timiskaming. We are the very proud home of the Canadian anti-fraud centre.

I am simply wondering if you can describe how they fit into the overall system or framework of fighting fraud and crime?

Philippe Blanchette: The regime involves multiple partners and stakeholders. We have disclosure recipients. We have a regulated entity we work with for public partnerships. It involves multiple partnerships. They would be contributing. We do lots of consultation. We do lots of partnerships in terms of sharing trends and sharing what each of those partners is seeing on the ground. This also helps us inform our national risk assessment as we determine what intelligence products we could provide in the public space, as well as what supervisory products we could provide to regulated entities.

That's how we work together, in terms of sharing information, informing on trends and developing products.

Pauline Rochefort: I would be happy to share that with them.

Pardon me, Mr. Reade.

Greg Reade (Associate Assistant Deputy Minister, Financial Sector Policy Branch, Department of Finance): Very quickly, I want to make note of the recent consultation on the anti-fraud strategy, which is just concluding today, actually.

Regarding the financial sector more broadly but also the telecommunications sector and digital platforms, the government is thinking about anti-fraud measures that could be taken up from a consumer-focused perspective. That organization, in particular, would be important with respect to that initiative.

Pauline Rochefort: Thank you for those comments. I will share this with them. I know they're very proud of the work they do, and they speak out on it.

If it's okay, Mr. Reade, I would simply like to ask a question from a Finance perspective.

I am a new MP. For me, it's about understanding where we go from here with the comprehensive expenditure review process. What would the sequence be? What would the next phase be in that particular process?

• (1135)

Greg Reade: It's a great question.

I'll preface this by noting that my role in the financial sector branch is focused on somewhat of a different area.

That said, I think Finance, as a whole, has made a great effort to take a role in the overall review process. The objective, as was demonstrated in this specific case, was to look at modernization, duplication, overlap and where we can find efficiencies. It ramps up over three years, generally. Now it's about implementation. It's about focusing on the results and finding those savings.

Pauline Rochefort: I can say that I've been very impressed with all the presentations that have come before this committee.

As well, maybe I'll ask a second question in that line. What would be the responsibilities going forward now between the finance department and Treasury Board in terms of this next phase?

Greg Reade: I think that goes along the lines of implementation. Treasury Board and the Treasury Board Secretariat work very closely with the CFOs of the organizations on more of a day-to-day basis—or at least on a regular basis—and have a very detailed line of sight into expenditures at a more detailed level. Those are very productive working relationships, in which Finance is very closely linked, to understand implementation, reporting and results.

Pauline Rochefort: Through this process, I discovered as well that the finance department is not necessarily a large department. Is that a fair statement?

Greg Reade: That's a fair statement. Relative to many government departments, we are in fact quite small.

Pauline Rochefort: A lean, mean machine.... I was reading that you've done some consolidation of functions through this CER process. You've looked at integrating policy and changing your teams, roles and responsibilities. Moving forward, how do you anticipate that working?

Greg Reade: You're right. There have been some organizational changes within Finance, which has been quite stable for a long time. In particular, there is the merging of two branches under one ADM and one associate assistant deputy minister. Those are big changes, but the activities within those two branches were very similar.

It's our challenge function branches that work with departments across the government in respect of requests that feed into the budget process. This is a key part of the expenditure management system, but there are synergies there in terms of how the work is done, and so far so good. I think we've found our way.

Pauline Rochefort: On that note, I think my time is up.

Thank you.

The Chair: Madame Gaudreau is next.

[*Translation*]

Marie-Hélène Gaudreau: Thank you.

I have just two questions to ask, in the two and a half minutes.

When it comes to defence spending, I have serious concerns in terms of the human cost.

What about the dilapidated housing in Bagotville and the pollutants near that town?

Is this a concern? Should any actions be taken in the near future?

[English]

Jonathan Moor: Absolutely, and we have funding in ONSAF—“Our North, Strong and Free”—where we received considerable billions of dollars to actually invest in our infrastructure, including in our housing. In housing, we've had some big successes in the last year and, in fact, in buying condo blocks, where we can immediately get blocks in place for people to do housing.

There's always going to be more to be done, and we have a long process around making sure we align the housing needs across all of our bases and all of our wings, including using private-public options. We are now currently looking at an option whereby we could have a private-public sector approach to housing.

[Translation]

Marie-Hélène Gaudreau: I would appreciate it if you could keep us informed. Not only will this save you from having to come back, but it will also reassure us and the people listening to us, particularly veterans, who follow the committee's hearings closely.

I have one more question. It concerns fraud. I was here in 2019. At the time, we were really assessing the legislative capacity to protect our personal information. Now, I realize that, over the past six years, very little has been done, even though some steps are being taken right now.

Since you're on the ground, can you tell us if we have the tools needed to take action in fraud management?

• (1140)

[English]

Greg Reade: I'm happy to start.

In respect of fraud, individual consumers and liability, again I would note the anti-fraud consultation strategy. The government announced in budget 2025 that this was an important issue that multiple departments are coming together on to think through, as it is a multi-faceted issue.

There's a consultation paper, as I mentioned, that has been out. I think you'll find in there some questions that officials and government are exploring around these issues. It's whether we have the right tools and capacity to raise awareness appropriately among consumers but also to protect, to disrupt the fraud and to find mechanisms to potentially give back some of their losses to people who are subject to fraud. These are all live questions within the guards of that framework and strategy.

[Translation]

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

[English]

The Chair: Mr. Patzer.

Jeremy Patzer (Swift Current—Grasslands—Kindersley, CPC): Thank you very much.

To the Department of National Defence, you mentioned that the Kingston-class maritime coastal defence vessels were part of the cost savings, because you're going to be retiring those ships.

What's the replacement for them?

Jonathan Moor: The commander of the navy is constantly working across what the best fleet requirements are that are needed for the modern navy. We are now investing billions of dollars in new warships, through the River-class destroyer. We've also just finished the AOPS, the Arctic and offshore patrol ships.

The maritime coastal defence vessel is on the radar for potentially seeking further funding in the future, but at the moment, the navy is focused on its existing warships, the Halifax class and also the AOPS.

Jeremy Patzer: I was reading in the Ottawa Citizen this morning about the continental defence corvette.

Do you know when the RFI is going to be released for that?

Jonathan Moor: As I said previously, that's another part of the overarching naval strategy. The corvette is one element in that. The maritime coastal defence vessel is another element.

No decisions have been taken on either of those assets at the moment. We are focused, at the moment, primarily on the River-class destroyer.

Jeremy Patzer: The quote from Vice-Admiral Topshee was that “My heart tells me I need it in five years.” We still don't know when the RFI is going to go out. Most likely, the contract probably won't even be awarded until 2030. In here it mentions that the first ship would most likely not be operational until 2039.

You're the Finance guy. You're going to need some of this information and these details. Do you have a clear directive and a plan to get that RFI out, so that way the navy can get on with it? Obviously, the vice-admiral is pretty clear about when they would like to see it.

Jonathan Moor: The Government of Canada provided an additional \$9 billion last year for us. That was allocated across a large number of different projects. We have been very focused on delivering those.

We are now developing up for the 3.5% plan, which was the commitment the Prime Minister made last summer to NATO.

That work has not been completed. I would say that the commander of the navy is feeding into that work and conversations are going on at the moment with the Minister of National Defence. We have to wait to see what the conclusion is on those, in terms of prioritization across all of the CAF requirements.

Jeremy Patzer: I hope that you're taking the words of the vice-admiral and others quite seriously about the timelines that are needed to get these replacement vessels in line.

We saw that the government has claimed to have hit its 2% NATO commitment, which is laudable, for sure. Are you familiar with the departmental results for the Department of National Defence?

Jonathan Moor: The departmental results are now being developed for the 2025-26 financial year. The financial year end is now complete. It was on March 31. We are working through all of the PAYEs and other invoices at the end.

We have exceeded the 2% target, but we are still not yet in a position to finalize the annual accounts. Once the annual accounts are finalized, then the DRR is also finalized. The DRR will be published later—

Jeremy Patzer: I'm sorry, but my time is short here. I just find it interesting when you look at the percentage of major new equipment spend and compare that to the GDP increase. It doesn't quite seem to add up. I know there have been lots of fancy announcements and big commitments and promises of spend, but when you look at what's actually been spent on major new equipment, it doesn't quite line up to get us up to 2%.

How much of this 2% and greater is due to swallowing in the Coast Guard or just shuffling a few departments around or fudging the lines a bit to hit that 2%?

• (1145)

Jonathan Moor: When you look at the overarching accounts of the Department of National Defence, 33% of our money goes on people. About 19% goes on professional services, which includes creating the warships and the other requirements we have.

This is the first year that Canada has hit the NATO target of spending 20% of its entire money on capabilities. When we start looking down that, we have the CMMA and the P-8 Poseidon, which is being constructed at the moment; we have the CC-330 Husky, and all of its equipment is now coming into Canada. In fact, in terms of the CC-330 Husky, we're now at four in the organization.

The Chair: That's your time.

We're going to finish up with Ms. Fancy.

I just have a quick question. You said that the P-8 is coming out. I just read that the P-8 has been delayed further. Unless I misheard, it sounded as though you said it was coming into Canada or coming into service. Could you...?

Jonathan Moor: I have to go back and check the actual details of exactly when it's being delivered.

The Chair: I don't think that you should be informing committee if you don't know the actual details.

It's just been announced that the P-8 has been delayed by a fair amount of time. I think it's unfortunate that you're coming to this committee and stating something as fact when you just stated yourself that you don't know the details. I just ask that we stick to items that we are sure of.

Madam Fancy, we'll finish with you, please.

Jessica Fancy (South Shore—St. Margarets, Lib.): Yes, let's talk about some hard facts. I have four questions today under two different themes.

The first fact I'd like to talk about is that sometimes we look at financial crimes like extortion or cryptocurrency as a more of an urban issue, but a fact that's happened in my riding recently was that 80-year-old Gladys lost \$30,000 in one of these schemes. In rural and coastal communities like mine in South Shore—St. Margarets in Nova Scotia, access to financial literacy and fraud prevention resources can be very limited.

I want to know how FINTRAC is ensuring its anti-fraud efforts will reach people like seniors, seasonal workers and small business owners, who are outside of those more urban centres.

Greg Reade: I can start off, not necessarily.... I mean maybe it's been said about what FINTRAC does.

The Financial Consumer Agency of Canada also runs a number of financial literacy programs and initiatives that are available for all Canadians, including on fraud prevention. Just to note again, one of the key tenets of the anti-fraud strategy that's under development is awareness-raising for all Canadians.

If there's anything specific....

Philippe Blanchette: At FINTRAC, we work with reporting entities to provide them with typology and with tips and tricks on how to determine what could be fraud, so that they can report to us and then we can use that financial intelligence and disclose to our recipients. That's mostly who we are working with directly—our reporting entities.

Jessica Fancy: I just wanted to give a reminder that sometimes it's not a financial issue; these are also social issues.

The second theme that I'd like to get into is the U.S. administration, which has continued to claim that a major trade irritant is illicit financial funds directly related to drug trafficking. We know that last week, Minister Champagne met with his American counterpart, Secretary Bessent, and discussed a shared goal to crack down on these criminals.

In terms of partnership and collaboration, are you seeing increased cross-border co-operation to help track down these illicit funds?

Philippe Blanchette: I can speak from a FINTRAC perspective. We've always had a relationship with our partners internationally. FinCEN, for example, in the U.S., is a partner that we share intelligence back and forth with. We share typology. We exchange on trends and what they see on the ground, etc., and we do the same. There's an active partnership there that has never really ceased. It has continued despite everything that's been going on.

I would also say that FINTRAC is positioning itself to be agile. When things are popping up, we can move our teams and so forth. One of the examples is all the efforts that we've made in terms of the fight against the illegal fentanyl. Since last year, we've redeployed existing resources. We've brought them directly to our disclosure recipient, so they could be there, hear, and then come back. This way, we keep at arm's length but work on what our disclosure recipient needs as far as information in order to combat illicit drugs.

• (1150)

Jessica Fancy: Nice. We ended up with a czar because of all that.

Also, revocations of money service businesses and cryptocurrency exchanges are at an all-time high. Showing that government is seriously tackling fraud and illegal financial flows, I want to know how this enforcement work follows that revocation.

Philippe Blanchette: In terms of the MSB, we've done a lot of work. We've revoked registrations for more than 120 money service businesses since the start of the year.

We've also issued about \$200 million in penalties over the past two years to money service businesses in violation. Also, legislative change, like having a universal enrolment and so forth, which we will implement, will help us better understand all the money service businesses that are within our country, so that we can identify risk right from the get-go and then go in and ensure that they are following the supervisory requirements.

Jessica Fancy: Thank you, Mr. Chair.

Thank you, witnesses.

The Chair: Thank you for being with us today.

I have a couple of quick questions.

Mr. Kendall, you mentioned that “the government still supports the other measures in Bill C-2 that weren't brought forward in Bill C-12.” Are those items purely what is in Bill C-22, or are there other items in Bill C-2 that you are referring to that also didn't make it into Bill C-22?

William Kendall: There are a few measures. I was referring to Bill C-22, but there are other measures.

The Chair: Would you provide to us in writing the ones you are referring to?

William Kendall: I'd be pleased to tell you right now.

The Chair: No. Put it in writing, because I have to suspend.

Voices: Oh, oh!

The Chair: I have another question.

Mr. Moor, you mentioned that the CER savings are mostly fleet retirement and reduced property. I know you mentioned the Kingston class, but could you provide any other fleet retirement, as well as the related cost savings—if you could break it out in such a way? Also, could you provide any property or perhaps buildings that are being decommissioned, for a lack of a better word? Could you provide that in writing to the committee?

Jonathan Moor: I'd be happy to.

The Chair: That's wonderful.

Thank you for being with us today. We really appreciate it and some of the new information we have heard about FINTRAC and getting down to the money laundering and other issues. It's greatly appreciated.

We will suspend for five minutes as we bring in Shared Services Canada and PSPC.

We are suspended.

- (1150) _____ (Pause) _____
- (1200)

The Chair: We're back in session. Thanks to everyone for your patience.

Welcome back to our witnesses.

We'll start with Mr. Davis.

You have an opening statement. Welcome back to OGGO. Go ahead, please, sir.

[*Translation*]

Scott Davis (Assistant Deputy Minister, Chief Financial Officer, Shared Services Canada): Thank you, Mr. Chair, for the opportunity to discuss how Shared Services Canada will achieve savings through the comprehensive expenditure review.

Before I begin, I would like to acknowledge that we are gathered on the unceded and traditional territory of the Algonquin Anishinabe nation.

[*English*]

At its core, Shared Services Canada provides the Government of Canada's shared IT foundations, such as networking, data centres, cloud services, digital tools and cybersecurity, so departments can deliver programs and services reliably and securely.

Since 2016, SSC's funding has remained relatively flat, while demand, reliability and complexity have increased. The department has absorbed inflationary pressures and rising demand by leveraging efficiencies and economies of scale. Although SSC's total appropriation in 2026–27 is 25% higher than it was in 2016–17, this growth is driven by time-limited and targeted funding. In fact, once budgetary adjusted items and the previous refocusing government spending exercise are accounted for, SSC's base funding is lower than it was in 2016–17.

When combined with savings already delivered through refocusing government spending initiatives, the comprehensive expenditure review reductions will significantly reduce SSC's available funding compared with earlier years.

To make these changes, our approach was not to ask how we get to the number. Instead, we asked what we should not be doing any longer. The review is not only a savings exercise for SSC but also an opportunity to accelerate enterprise-level efficiencies through enterprise-wide solutions and by leveraging the department's collective purchasing power for the government as a whole.

Under the comprehensive expenditure review, SSC will achieve 15% savings over three years—an ongoing decrease of \$318.5 million a year. We will do this by standardizing what we use, buying and managing technology as an enterprise, and improving how we deliver services.

SSC is standardizing platforms and realigning enterprise software offerings to reflect current needs, eliminating non-essential fixed-line telephones in government buildings, and deploying cost-effective softphones to all workers.

The department continues to review and consolidate contracts to reduce duplication, improve pricing and better align spending with enterprise needs while strengthening in-house capacity to reduce reliance on external consultants and contractors for ongoing operations. Efforts to simplify the government's cloud footprint by consolidating over 287 cloud environments into SSC's enterprise cloud are ongoing, and we continue to consolidate by reducing the remaining 190 legacy data centres.

● (1205)

[*Translation*]

Shared Services Canada, or SSC, has put in place strong governance of the review to provide oversight, track progress and ensure accountability for results.

On professional services, SSC required additional resources during the pandemic, when we moved fast to support remote work. We are now back to pre-pandemic levels and stabilizing.

Under the Refocusing Government Spending initiative, SSC exceeded our savings target with an \$81-million reduction in professional services since 2022-23, and we plan to continue those reductions where feasible.

In conclusion, the savings measures we are looking to implement will ensure sound financial management in a tightening fiscal environment by eliminating duplication, addressing lower-value activities and improving efficiency.

Thank you, Mr. Chair.

I welcome your questions.

[*English*]

The Chair: Thanks, Mr. Davis.

Mr. Hammond is next, please.

[*Translation*]

Michael Hammond (Chief Financial Officer, Department of Public Works and Government Services): Mr. Chair, thank you for inviting me today to take part in your study.

Let me begin by acknowledging that we are gathered on the ceded territory of the Algonquin Anishinabe peoples.

Joining me today is Kiran Hanspal, assistant deputy minister, human resources branch.

I am pleased to be here today to discuss details of the comprehensive expenditure review contained in budget 2025 as it pertains to Public Services and Procurement Canada, or PSPC.

PSPC is committed to responsible stewardship of public funds by reducing operational inefficiencies and focusing on core mandates, while continuing to deliver reliable services for Canadians.

As part of meeting this commitment, PSPC is planning the following spending reductions as part of the comprehensive expenditure review. In the current fiscal year, 2026-27, a reduction of \$108.9 million. In 2027-28, the reduction increases to \$147 million. For 2028-29, the reduction under the comprehensive expenditure review is expected to be \$190.8 million.

The number of full-time equivalent positions at PSPC is expected to reduce by 1,793 by fiscal year 2028-29 through a combination of workforce adjustment, attrition and other human resources measures.

PSPC is implementing a number of measures under the comprehensive expenditure review. The department is assessing programs and services it provides across government with the aim of reducing ongoing operational costs and improving delivery efficiency. The department is also working to increase the efficiency of its real property revolving fund, focusing on core mandates, modernizing operations and eliminating duplicative functions.

● (1210)

[*English*]

As of March 31, 2026, the Canadian General Standards Board has wound down its standards development operational activities, as this optional service will now be served via other accredited standards development organizations operating in Canada.

There will be a reduction in funding to pilot and innovation projects for Laboratories Canada.

PSPC is also reviewing its internal processes in order to reduce administrative requirements, streamline its management structure and improve efficiencies.

PSPC is also reducing spending on professional services and travel, as well as implementing the use of AI chatbots and self-service tools to improve service delivery.

The implementation of these changes will be gradual and measured, so that PSPC can continue to support government priorities and effectively deliver services in our role as a common service provider.

Mr. Chair, before I take questions, I will quickly outline the processes taking place at PSPC regarding workforce adjustment.

The department is undertaking a workforce reduction exercise, while at the same time taking all possible measures to minimize involuntary departures, always respecting the conditions of employment set within all collective agreements.

PSPC has been leveraging normal attrition and voluntary departures as a means of reducing our workforce and will continue with this approach.

In addition, the recently approved early retirement incentive program is expected to provide further flexibility and support in reducing the need for involuntary workforce adjustments.

Reorganizations within PSPC are already taking place for our workforce to be better aligned with priorities, more efficient and more sustainable over time.

During this period of change, PSPC will continue to provide the critical services of procurement, pay, pension, real property and translation, among others, while supporting our people and maintaining our commitment to their health and well-being during this period of change and transformation.

I am happy to take your questions.

Thank you.

The Chair: Thanks, Mr. Hammond.

We'll start with Mrs. Block for five minutes, please.

Kelly Block: Thank you, Chair.

Thank you to our witnesses for joining us today.

My questions will be directed to those representing PSPC this afternoon.

As you mentioned, your departmental plan states that PSPC is planning spending reductions of \$445 million over the next three years. Did I understand that correctly?

Michael Hammond: Our reduction related to the comprehensive expenditure review is \$190 million over three years.

Kelly Block: It's the difference between the years you highlighted adding up to \$190 million. That's good to know.

You mentioned that you will be decreasing your full-time equivalents by 1,793, but you also mentioned the measures by which you will be doing that. You mentioned other human resources measures. Could you tell us what those include? If not attrition and voluntary departure, what would those be?

Michael Hammond: When we refer to other HR measures, we talk about workforce adjustment, and we talk about attrition. Other HR measures could include things like the early retirement incentive program that has recently been put in place by the Government of Canada.

I'll also turn to Kiran, in case she wants to add something more on that front.

Kiran Hanspal (Assistant Deputy Minister, Human Resources Branch, Department of Public Works and Government Services): We started our staffing control measures even before the CER. We stopped the clock on turning terms into indeterminates, so

we have been actioning very tight HR planning and managing through attrition.

Kelly Block: Thank you for that clarification.

Do these cuts affect all departments, or are there certain departments that will be affected more than others?

Michael Hammond: I assume that when you refer to departments, you're talking about areas within PSPC properly.

Kelly Block: Yes, I mean areas within PSPC.

Michael Hammond: Regarding reductions to various areas across the department, there are certain areas where we focused more attention because, again, we were trying to align our resourcing and our proposals to focus on core government priorities. Areas like pay, for example, and pay processing are less affected than other parts of the organization, where we had a better opportunity to look at lower-value activities and realign them into higher-value areas.

• (1215)

Kelly Block: Which regions will be facing cuts, and how many will there be in each region? Do you have those numbers?

Michael Hammond: Kiran may have the numbers by region with her, but I can tell you that the majority of the reductions related to the comprehensive expenditure review are within the national capital region. That's where most of the reductions will be taking place, but there are some reductions that will be happening across the regions.

Kiran, do you want to add something on regions?

Kiran Hanspal: Yes. We looked at the impact of our CER reductions and WFA reductions, and we compared it to a baseline of national capital region versus regions. We have a baseline 60 to 40 split for the population. When we looked at the people who are going to be subject and who are being subject to WFA, the split is 86% to 14%. The impact on the regions is fairly low. In fact, if you break it down by region, the breakdown is under 10 people on average across the regions.

Kelly Block: Do these cuts include the minister's office? Are you aware of any positions being cut in the minister's office?

Michael Hammond: Ministers' office budgets are approved centrally through the Treasury Board, and they are managing those budgets. I'm not aware of the changes that might be happening within the ministers' offices as a result of any adjustments in their budgets.

Kelly Block: The plan also specifically highlights the new buy Canadian procurement policy framework, which was announced last summer and is set for implementation in 2026-27, including a new program to support small and medium-sized enterprises, which I believe is supposed to be launched this spring.

What additional resources have been required to administer the buy Canadian policy, if any?

Michael Hammond: There was funding that was approved as part of budget 2025 related to the buy Canadian initiative. I don't have the specific numbers in front of me. I was preparing more for the comprehensive expenditure review today, and buy Canadian was not part of our comprehensive expenditure review process.

We are back here at OGGO for main estimates in a couple of weeks, and I certainly will be prepared to answer the question at that point, if that's acceptable.

Kelly Block: That's totally acceptable. Thank you.

This is a great segue to move a motion that I put on notice quite a number of weeks ago regarding the buy Canadian policy. If I could read that motion now, I believe everyone received it at the time it was put on notice.

The Chair: We'll get them to send it out again via email.

Kelly Block: Would you like me to speak to it first?

The Chair: Please, go ahead.

Kelly Block: Since the government announced its buy Canadian policy last summer, there have been numerous articles related to the policy and, more specifically, whether it will actually accomplish the purpose for which it was created. We have begun hearing from stakeholders from a number of industries, who are already identifying measures within the policy that need to be changed, including providing more clarity regarding the rules. I think that providing clarity would be a kindness to the people who are looking to benefit from a policy like the buy Canadian policy, which is why I put the motion on notice a number of weeks ago.

Can I go ahead and read the motion now? I move:

That the committee undertake a study into the government's buy Canadian policy for no fewer than three meetings, and that the committee invite PSPC officials to appear for the first meeting of the study and the Minister of Government Transformation, Public Works and Procurement to appear for one hour at the conclusion of the study.

The Chair: It's just a three-meeting motion to study the buy Canadian policy. Great.

Ms. Rochefort.

Pauline Rochefort: Yes, Mr. Chair, I was hoping that we could suspend right now, so that we could have a huddle to discuss this. It's a new item that's just come forward.

The Chair: It hasn't just come forward. It's been on notice for a month and a half.

Pauline Rochefort: Today it's catching us by surprise.

The Chair: No.

Pauline Rochefort: It would be greatly appreciated if we had an opportunity to discuss it. I think it would make for a more informed discussion.

The Chair: I understand what you're saying. I appreciate that. It can be the practice when it's a matter-at-hand motion. However, it has been on notice for a month and a half. That's the whole point of putting it on notice, so that you and your colleagues had time to discuss it for when it was tabled.

Could we keep it to two minutes, please?

• (1220)

Pauline Rochefort: Yes.

The Chair: It is a simple motion on something the government's pushing, so I hope we can agree to do a simple study on that and we get back quickly.

We're suspended.

• (1220)

(Pause)

• (1220)

The Chair: Thanks for your patience, witnesses.

I think we have an answer from Ms. Rochefort.

It's back to you. Are your colleagues fine with this?

Pauline Rochefort: Yes, my colleagues are fine with it.

Thank you.

The Chair: Wonderful.

We will adopt it by UC then.

(Motion agreed to)

The Chair: Thank you very much, Ms. Rochefort. I sincerely appreciate that.

We are now with Mr. Gasparro, please, for six minutes.

Vince Gasparro: Thank you very much.

I just want to pick up where my colleague left off on the buy Canadian policy.

Could the witness just touch on how budget 2025 addresses Public Services and Procurement Canada's measures to enhance efficiency as part of the CER and support the delivery of the buy Canadian policy? Can you shed some light on that?

Michael Hammond: Certainly, as part of the comprehensive expenditure review exercise, we look to identify as many efficiencies as possible in our operations. Buy Canadian is a new initiative that has been proposed. There are a number of areas where we will focus on trying to improve the procurement process, particularly for some of our small and medium-sized enterprises, as noted by the other member.

Again, I'm not the best person to speak to this. It's a little beyond my area of expertise. We are back in front of OGGO in a couple of weeks and will have the assistant deputy minister responsible for the buy Canadian initiative able to speak to it.

Vince Gasparro: At this committee we've also discussed the use of artificial intelligence and how federal departments are beginning to implement it. How is PSPC planning to integrate AI into its operations and service delivery?

Michael Hammond: We have been very focused on adopting some AI initiatives over the past year in particular. One that I will mention ties in to the buy Canadian side of things.

We recently launched a new AI chatbot, Procura, which is a procurement-related AI agent that is able to take questions and provide advice to external users on the procurement process.

We've also been very involved in the GCtranslate tool, which has recently been rolled out to Government of Canada departments. That's an online translation tool that is also AI-enabled.

We're also looking at policy chatbots internal to PSPC to help support the policy interpretation within the department, and that helps us to reduce the number of resources that are focused on doing that particular research within the department.

Vince Gasparro: That's great.

Can you identify any current PSPC processes that you believe are causing unnecessary delays or negatively affecting service delivery for Canadians? That obviously ties into some of the AI work you're doing as well.

• (1225)

Michael Hammond: One of the areas that come up quite often is procurement. It's a very challenging process to navigate, and the department is taking steps, as I mentioned, and looking at AI tools to help support businesses in that regard to have better access to the information they need to participate in the procurement process.

Vince Gasparro: As you're identifying current processes that need modernizing and you're integrating AI, how are you supporting public servants through this transition?

Michael Hammond: We have obviously been supporting our employees as they transition. We've made available a number of AI tools internally. We have access to the Copilot tool within the Microsoft suite in the department, and we're ensuring that our employees have access to that tool and are able to use it to effectively do their work and help streamline some of the processes they use in order to deliver for Canadians.

Vince Gasparro: If there are employees who, let's say, are less willing to work with AI and upgrade some of their skills, have you noticed any significant uptake of the early retirement incentive program?

Michael Hammond: I'll turn to Kiran for more details around the ERI program and the take-up at PSPC.

You obviously have seen in the news the overall take-up by the Government of Canada, and PSPC has also seen a number of applications come in from employees who may wish to be considered for that particular program.

Kiran, do you want to add anything on that?

Kiran Hanspal: We do have uptake, and we have put in place processes to ensure we're reviewing the applications based on the

three criteria that were determined by Treasury Board and to make sure we're aligned with them.

So far, the processes have already been put into play, and we're reviewing them. The deadline for applications is July 24, so after that we'll be able to get a clear sense of where the reductions will happen.

Vince Gasparro: Thank you, Chair.

[*Translation*]

The Chair: Ms. Gaudreau, you have the floor.

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

My questions will be very specific. If you are unable to answer them, I would appreciate receiving your responses in writing at a later date.

In concrete terms, how much does our dependence on U.S. digital service providers cost us each year?

Scott Davis: I'll respond to this question.

I'd like to send you a response in writing.

Marie-Hélène Gaudreau: Excellent. That's fine.

Scott Davis: With regard to our suppliers, 81% are complying with the buy Canadian policy.

Marie-Hélène Gaudreau: That's because we were talking about Copilot, Microsoft, and all that. So, I'd like to know the exact figure.

Who really controls our data—the government or the providers?

Scott Davis: We do. I testified before the Senate last week, and we discussed where, at the federal level, our data is being stored.

I'd like to correct myself slightly, because my answer was a bit vague. Today, I'm ready to give a precise answer: 86% of our data is in a federal data centre managed by Shared Services Canada, and 14% is with cloud providers, most of whom comply with the buy Canadian rule. Even when the providers are American or foreign, as in the case of the companies you mentioned, all the data is here in Canada.

Marie-Hélène Gaudreau: It's worth noting, however, that we're dependent on the tech giants to keep our digital infrastructure running.

Scott Davis: Generally speaking, that's true for a number of countries.

Marie-Hélène Gaudreau: This is a concern for me, because there's a question we need to ask ourselves about our suppliers. I'm just thinking about the devices we have here at the House of Commons. We have products from Apple and Microsoft, but other suppliers are possible.

Are you planning to review this from a procurement perspective?

• (1230)

Scott Davis: We're working hard on this to help Canadian companies continue to learn, step by step. It's a rather interesting request when it comes to buying domestically.

In fact, we're working with Canadian suppliers to address this situation, which puts us at risk.

Marie-Hélène Gaudreau: There's certainly a lot of talk about public service cuts. On the other hand, I must admit that we're also talking about private contracts. I wonder why we're cutting internally. We have our staff, our expertise. People are worried. Yesterday, in committee, we were talking about people who are in therapy because they're filled with anxiety while they wait to find out what will happen in September.

How do these examples produce the exact opposite of the outcome we actually want to achieve to be effective?

Are we going to limit our external contracts?

Scott Davis: We're going to leverage our external contracts to generate future profits and avoid relying on legacy systems. That's the key message I mentioned earlier. In English, we talk about legacy systems, which are the outdated systems we used to rely on. We're trying to get rid of them as quickly as possible so we can focus on the future.

[*English*]

Pauline Rochefort: I have a point of order.

Could you ask the witness to speak louder? I'm not using the translation. I can't hear.

The Chair: Could you speak a bit closer to your microphone, Mr. Davis?

Scott Davis: I've been told I have a big mouth from time to time, but apparently....

Voices: Oh, oh!

The Chair: Please continue.

[*Translation*]

Marie-Hélène Gaudreau: I'd like us to be able to break down the costs, ultimately, in relation to the actual cost.

What's less expensive? Is it using external consultants?

We can discuss our failures. It's essential in the short term because internal expertise is not accessible or available.

Scott Davis: No two situations are alike. We have about 35 departments. Some are very up to date or forward thinking, while others are outdated. It's a mix of systems, and we deal with that every day. It's not easy.

Marie-Hélène Gaudreau: I served on the Standing Committee on Access to Information, Privacy and Ethics from 2009 to 2021. We had, in fact, discussed the transition, privacy management and all that. It seems, therefore, that we did not enact sufficient legislation or that we did not do so quickly enough.

Among others, we met with representatives from certain countries, including Estonia. You might say that's to be expected, since that country was just beginning to roll out digital services.

How is it that we are still so far behind in 2026?

Scott Davis: Once again, it depends on the services in place. Some are up to date. We also need to take into account the fact that smaller countries may have fewer options than larger ones.

We need to be agile and continue to improve our processes so we can move faster. We move forward as the situation evolves.

Marie-Hélène Gaudreau: If urgent legislative action is needed, we need to be told so that we can take action. That's our role. That said, we were delayed for several reasons: prorogation, the elections and everything else.

Thank you, Mr. Chair.

[*English*]

The Chair: Thank you.

Mrs. Jansen.

Tamara Jansen: Thank you.

Mr. Hammond, your department is pretty important. Public Services and Procurement Canada is kind of like the engine room of the government. It buys goods for departments, manages federal buildings and major assets, runs pay and pension systems for public servants, and does a lot more.

Looking at your performance numbers, I see that you're missing the mark on a number of things. The simplest way that I can think of to explain this is that you're like a general contractor hired to run an entire home—not just one job but everything: the renovations, the bills, the maintenance, and even making sure that everyone in the household gets paid properly. Right now, that contractor is already missing deadlines, going over budget and not always delivering what was promised. In fact, by your own numbers, only about 6.5 out of 10 projects are being awarded on time, for example.

Someone with a contractor who gets only two out of three jobs done on time wouldn't automatically think that the best way to get better results is to lay people off.

If you can cut hundreds of millions of dollars without reducing service, why were these efficiencies not implemented earlier?

• (1235)

Michael Hammond: Where this comes from is that we now have access to additional new technology that we may not have had access to before.

I talked a bit about some of the AI work that we're doing. That is one area where we are focusing some attention. That's helping us to achieve some efficiencies, particularly in our back office functions.

We're also looking at streamlining and delayering at the management level in order to have a slightly flatter organization and expand responsibilities at the executive level over our staff.

Tamara Jansen: How did the government, after years of under-performance and massive spending, suddenly discover that you could supposedly do that same work for so much less?

Michael Hammond: This is really about transforming the way we do our business.

We were given targets, and we were asked to go back and look at them. We looked at those areas that were of lower priority, and we looked to reduce there. I mentioned one, the Canadian General Standards Board. It's an area that we have been operating for a number of years within PSPC, but a number of other organizations are doing very similar work across the federal system, so we made the decision to discontinue that function within PSPC and achieve some savings.

Tamara Jansen: Why would it have taken so long? If you guys are double-doing things, why did it take so long to find those savings?

Michael Hammond: This is an opportunity for us to really look closely at our finances and determine areas of lower priority. This exercise gave us that opportunity to really focus our attention on that piece.

Tamara Jansen: Then you're not regularly looking at that sort of thing, at how you can save money. Is that happening only suddenly, now, because you were told you had to look for savings?

Michael Hammond: We continually look at ways to reallocate our budget within the department in order to focus on the highest-priority areas for Canadians. We do that process on an annual basis. When we go through our budget-setting exercise within the department, we'll look at the areas that need the most attention.

Tamara Jansen: Why did Canadians have to live with missed targets and higher deficit spending, causing increased inflation, only now to be told that the department can suddenly do the same work for less, that you're suddenly not going to be doubling up on things?

Michael Hammond: We take our fiscal stewardship responsibilities as a department very seriously. We look to find savings where we can and reallocate them to the highest-priority areas.

Tamara Jansen: This just happened in the past year, then, or has it been going on for quite some time?

Michael Hammond: This has been going on for some time.

Again, as I mentioned, we hadn't necessarily had access to new, modern technology and tools that will enable us to become more efficient as we move forward.

Tamara Jansen: How much is it going to cost us to reduce these extra employees?

Michael Hammond: We are going through the process of our reductions. We talked a lot about achieving targets through attrition, and we're doing as much as we can through that. We have achieved some of our savings through attrition.

Tamara Jansen: Do you have a cost?

Michael Hammond: We have estimated some of our cost. However, it is still based very much on assumptions at this point, because we're still waiting for the outcome of things like the early re-

tirement incentive, the voluntary departure program and other attrition that we expect over the next several months.

Tamara Jansen: What is your estimate?

Michael Hammond: I'm sorry. I don't have that specifically in front of me, but I'd be happy to provide that number in writing.

Tamara Jansen: Okay.

This is my last question. I don't have a lot of time.

Why should Canadians trust that service levels won't slip further, when you're already failing to meet the goals that were set for you?

Michael Hammond: As part of the comprehensive expenditure review exercise, we looked very carefully at the areas where we needed to deliver services to Canadians. There are areas where we did not look to reduce, such as in our pay processing area, which is critical and is already experiencing delays. We recognize that, and we didn't look to reduce in those areas. We focused on the areas where there were lower-value tasks that we would be able to adjust to achieve efficiencies through new processes.

The Chair: Thanks, Mr. Hammond. That's her time.

Go ahead, Ms. Rochefort.

Pauline Rochefort: Thank you, Mr. Chair.

I want to reconcile the answers that you provided to Mr. Gasparro and now to Madam Jansen. Give a statement, maybe, on your answers to my colleagues.

I'd like to be able to tell my constituents the following. I'd like to know if this is correct. I'd like to say to them that the PSPC targeted spending cuts will improve efficiency and service delivery for Canadians—for them, in my riding of Nipissing—Timiskaming.

Would that be correct?

Michael Hammond: Yes, absolutely.

Pauline Rochefort: Absolutely. Okay.

Michael Hammond: PSPC is focused on achieving efficiencies through changes to business processes and implementing new technology to become more efficient and deliver our services for less money.

• (1240)

Pauline Rochefort: Okay.

In that same line, I'd like to make sure I understood correctly and that I can confirm that the actions PSPC is taking to support public servants—I heard you speak to that a moment ago—and industry partners will keep the disruptions during the transition to a minimum overall.

Michael Hammond: Absolutely. As we go to implement our CER reductions, we are taking a very cautious and methodical approach to ensure that there is a continuance of services and not a deterioration in the services that we provide to both our client departments and Canadians.

Pauline Rochefort: Okay. Thank you for that.

Mr. Davis, because I missed some of your answer, I hope you don't mind if I come back. I want to make sure that there was clarity on the issue of external consultants. Could you explain what you described to Madame Gaudreau in terms of what the practice will be going forward with IT consultants? If there is a diminished role for IT consultants in the work you do, how does that impact the overall reliability of IT services for the government and for Canadians?

Scott Davis: When you look back through the refocus in government spending, in the first tranche, as I said in my opening statement, we reduce by \$81 million in professional services. A good part of the professional services that were onboarded during the years of the pandemic escalated our use of professional services for surgical reasons, to deploy telework, remote work and all those other capabilities. We've now modernized some of those services that I mentioned to the other member. We've completed those transactions, and now we're on a downward slope of returning to fewer legacy systems and moving towards more modern systems that we implemented throughout the pandemic, when we were asked to go fast and enable things like remote working.

I'll go to one point to help my colleague. We at Shared Services Canada also do some procurement activities and, from a generative AI perspective, we've put in place recently for all government departments a generative AI tool that includes three Canadian vendors. That enables all departments to leverage generative AI tools like the one my colleague mentioned, the Microsoft one, but there is a series of Canadian vendors as well in that mix.

As well, we've developed internally a tool called CANChat, which we've deployed now on a Canadian hyperscaler to enable AI capabilities inside the Government of Canada for all public servants. Collectively, we work together, and collectively we're enabling public servants to be more efficient using AI tools.

Pauline Rochefort: On that note, as we move forward, how will you be able to measure the impact of AI tools on improved services and efficiency, compared to what we have now?

Scott Davis: In some cases, for my department, we're an enabler to other departments, so we manage the infrastructure for ESDC, PSPC and several other departments. These tools will be really at the QOL phase, to enable better service to Canadians ultimately. We will utilize the tools internally for ourselves as a department to be more productive in primarily project management and a series of other transactional tools to enable better service internally that will in turn enable our departments and our partners to render better services to Canadians.

Pauline Rochefort: Through procurement, you provide advice to other departments on tools that they will be using, AI tools and other types of tools from an automation perspective, on whether those are the right tools and on whether they're doing their job, in other words.

Scott Davis: In the example of a generative AI tool, where there are five different vendors in that space, we've started to make use of use cases, and we're providing departments advice on the best type of tool for each use case. It will be done through a competitive process, but we're building a pool of capabilities that will enable departments to be informed as a buyer of the tools that can enable them to offer better services.

Pauline Rochefort: Thank you.

The Chair: You're right on time, thanks.

Madame Gaudreau, you have the floor.

[*Translation*]

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

It is important to have reliable partners and shared values.

Will Canada work with the European Union, which is, in fact, shifting toward digital sovereignty?

Are we doing that?

Scott Davis: Thank you for the question.

Yes, absolutely.

We have worked on several occasions with other countries that have made some progress in this area, with the aim of reducing our dependence on certain suppliers or countries and achieving self-sufficiency.

• (1245)

Marie-Hélène Gaudreau: All right.

Mr. Chair, in my opinion, there have been discussions and we are in agreement.

Last Monday, I tabled a motion to have the president and CEO of Canada Post come and meet with us for two hours.

I am getting more and more calls from people in my riding who are sharing their concerns with me. We received the communication, which I would describe as terse, and which our people weren't happy with. You will see that we're all in agreement on holding this meeting with the president and CEO of Canada Post.

[*English*]

The Chair: I think we've all agreed that—

[*Translation*]

Pauline Rochefort: Yes.

[*English*]

The Chair: We'll pass it on UC.

(Motion agreed to [*See Minutes of Proceedings*])

The Chair: I think our amazing clerk has seen into the future and has already taken such steps. We'll advise on an available date.

Continue. You have about one minute.

[*Translation*]

Marie-Hélène Gaudreau: Excellent.

When can I expect answers to the questions I asked during my first round?

You were asked to provide more information on a few of them.

Can you commit to providing the committee with the answers by next week at the latest?

Scott Davis: We'll work hard on it, but I think so.

Marie-Hélène Gaudreau: I know you are going to work hard, but will you provide them by next week?

Scott Davis: Yes, absolutely.

Marie-Hélène Gaudreau: Perfect; thank you very much.

Thank you, Mr. Chair.

[*English*]

The Chair: Mr. Patzer, go ahead, please.

Jeremy Patzer: Thank you very much.

I want to follow up really quickly, Mr. Davis. You're talking about a list of different cloud and AI vendors and a bunch of different tools that are now available to departments. I'm wondering, can you submit to this committee a list of all the vendors for cloud, for AI and for the various tools that you have mentioned here today?

Scott Davis: There are some active procurements in that cloud space, but for the ones we have firm contracts with, absolutely, yes.

Jeremy Patzer: Thank you. I really appreciate that.

Building out from that separately, can you confirm that the cloud services you are offering are located solely in Canada?

Scott Davis: I'll respond, and please let me know whether this is exactly what you're asking.

The data that is being stored in the cloud provisioning that we procure on behalf of departments and for which they then leverage our contracts.... Those cloud capabilities are housed in Canada, yes.

Jeremy Patzer: Are they accessible only by Canadians? I'm just making sure they're very secure. That's what I'm after. We've heard from Shared Services previously about the tens of millions, if not hundreds of millions, of cyber-attacks that happen daily on Canadian government services. I just really want to make sure that this is very secure and what your level of confidence is in that.

Scott Davis: Do you mean confidence in the 20 billion cyber-attacks we have per day or....

Voices: Oh, oh!

Jeremy Patzer: No. I'm sorry. Thankfully, very few of those have ever been successful. I mean that the security is not going to be easily accessible, I guess, for people trying to probe our system.

Scott Davis: I'm sorry for the humour.

Absolutely, yes, we are secure.

Jeremy Patzer: Thank you very much. I appreciate that.

Mr. Hammond, I want to switch over to you for a bit here, because you're the CFO for PSPC. Is that correct? You're nodding yes.

How much money is allotted to the Defence Investment Agency? Do you know that number, roughly, off the top of your head?

Michael Hammond: I can speak a bit to the amount that was allocated to the Defence Investment Agency for last year, when it was part of PSPC as a special operating agency. We allocated approximately \$2.8 million related to the joint transition office funding, which PSPC had received previously, and that was specifically to look at the procurement rules around defence procurement and ways to create efficiencies there. That funding had been allocated to the DIA for last year.

We also internally allocated another \$5 million to help support the Defence Investment Agency as it was ramping up. They now are looking at the ongoing resourcing requirements associated with that. There was some funding that was approved, as part of budget 2025, that will start this year. Those resources will be determined in terms of what that organization looks like on a longer-term basis.

Jeremy Patzer: Do you, as CFO, get to see what the requests are for the DIA?

• (1250)

Michael Hammond: We have supported the DIA as they prepare their requirements for moving forward, yes.

Jeremy Patzer: The reason I'm asking is that we heard previously that the Defence Investment Agency was not involved with the F-35, that it would be outside of it, but we just heard from the minister on April 20, through the media, that the Defence Investment Agency has actually been quite involved with the F-35 project. I'm curious to know, have you received any requests for funding for the Defence Investment Agency that would be related to the F-35?

Michael Hammond: I have not seen any specific funding requests related to that.

The way the funding model works for defence procurement is that some of the funding related to those specific projects is provided by the Department of National Defence. I wouldn't necessarily have seen or been part of the conversations around the specific projects and the funding related to those. Those are conversations between the Defence Investment Agency and the Department of National Defence.

Jeremy Patzer: Building on some other things we have heard today, we know there have been lots of announcements about big money being put into defence. One article I read had it upwards of half a trillion dollars.

How fast and how readily is the Defence Investment Agency, through you, able to get that money and spend that money, and what controls do you have over that to make sure it is not misappropriated?

Michael Hammond: The Defence Investment Agency—

The Chair: Mr. Hammond, we're past our time. Can you make it a really short response?

Michael Hammond: Absolutely, sir.

The Defence Investment Agency has been set up. They're in the process of transferring over the projects, and I think the framework around what they can deliver and the timing and associated pieces will be worked out over the coming months. However, those questions may be better directed at the CEO and the CFO for the Defence Investment Agency, who are responsible for the specific projects.

The Chair: Thanks, and we'll finish with Ms. Fancy, please.

Jessica Fancy: Awesome.

Thank you very much to everybody, through you, Chair, for coming today as witnesses. This has been really good testimony. I don't usually serve on this committee, so this was really opening my mind when I was preparing yesterday.

I'd like to ask either Mr. Hammond or Ms. Hanspal about what you mentioned earlier regarding standard setting. I want to see how we can keep our standards by also creating efficiencies. That's the theme of my line of questioning today. My first question is, why wasn't the authority for standard setting and that custodianship assigned to a specific standard development within the organization?

Michael Hammond: We did have an organization within PSPC that was looking after specific standards in certain areas, and there are, I think, about 70 standards that that group was managing. They are going through the process of identifying the specific owners of those standards and liaising with those groups in order to determine where the best standard-setting body would be to take over responsibility for them.

Jessica Fancy: What are some of those standards specifically? You say there are so many. Could you give us some examples?

Michael Hammond: Sure. If you can bear with me for just a moment, it's in some specific areas, but it's around dangerous goods, hazardous goods, things that PSPC is involved in in its mandate.

Jessica Fancy: Thank you. I look forward to looking at what those standards are.

How will you work with industry and government? Let's bridge the two together here. How will you work with industry and government departments to minimize this disruption and uncertainty with the closing of the CGSB?

Michael Hammond: Our colleagues who have responsibility for that group have been working very closely with those organizations that are impacted by this change. They have been through some consultation and again are continuing to work with those organizations that are using those standards to ensure that they understand where they can look in order to have the ongoing support related to those.

Jessica Fancy: What are some examples of that? What are some concrete examples where your department and industry have been working together?

Michael Hammond: I'm afraid I don't have specific details on the types or specific examples. However, I know there are some ongoing conversations that happen with the key stakeholders associated with those standards.

Jessica Fancy: Thank you.

Could you explain how savings from back office efficiencies are now reinvested into some of these frontline services that Canadians rely on?

• (1255)

Michael Hammond: Within PSPC we do make opportunities to realign our resourcing where we can. A good example is our pay processing area.

We are in the process of having to ensure that that organization continues at a level that can support operations, particularly as we go through WFA. As a government as a whole, that has an impact on our pay processing. The funding associated with pay is not permanent funding. It tends to sunset, and we were anticipating a reduction in our resourcing going forward. We have made some decisions internally in order to reallocate some funding from other areas, in order to support that area over the next several months.

Jessica Fancy: I have only about a minute or so left, so at a high level in terms of procurement in whatever... I'm a new MP as well, and I know that whenever we're dealing with procurement, when we're doing tendering and whatnot, we're always looking for efficiencies. I want to talk a bit about the locality. I come from a very rural area where, sometimes, when we're doing the tendering and products and materials, it takes a bit of extra time, money and effort.

I'd like to know if you have any insight into how we could make this more like a local level, to help our own local economies, quite frankly. Thank you.

Michael Hammond: Within PSPC, we have regional offices, and we have individuals who are located in the regional office who are there to provide support to businesses that are located within the regions.

I also mentioned earlier the Procura AI tool, which has just recently been launched. I think that will provide greater access to a number of constituents across the country.

Jessica Fancy: Thank you very much.

That is my time, I think.

The Chair: Witnesses, thanks for being with us.

Mr. Davis, I think we'll see you back in a couple of weeks for two more sessions. By then, you'll have enough OGGO points to get a free coffee at the back.

Thank you very much for being with us today. We appreciate it. Next Tuesday we are not meeting, because we have the late fall economic update. Then, on Thursday, we have PCO, GG and then Madame Gaudreau's witness, I believe.

We are adjourned.

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