



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

45th PARLIAMENT, 1st SESSION

Standing Committee on Government Operations and Estimates

EVIDENCE

NUMBER 040

Thursday, May 7, 2026

Chair: Kelly McCauley



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• (1100)

[English]

The Chair (Kelly McCauley (Edmonton West, CPC)): Good morning, everyone. We are in session. Welcome to meeting number 40 of the House of Commons Standing Committee on Government Operations and Estimates.

We're continuing with our study of the main estimates. We welcome back PSPC and Shared Services, as well as some new guests from the Office of the Governor General's Secretary.

I understand there's an opening statement from PSPC. Is that from you, Mr. Hammond?

Michael Hammond (Chief Financial Officer, Department of Public Works and Government Services): Yes, it is.

The Chair: Please go ahead. The floor is yours for no longer than five minutes, please.

[Translation]

Michael Hammond: Good morning, Mr. Chair.

Following the minister's appearance earlier this week, thank you for inviting me to provide further details on the main estimates for Public Services and Procurement Canada for fiscal year 2026 to 2027.

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

Joining me today are my colleagues Lorenzo Ieraci, assistant deputy minister, policy, planning and communications branch; Dominic Laporte, senior assistant deputy minister, procurement branch; Mark Quinlan, senior assistant deputy minister, real property services branch; and Kim Steele, senior assistant deputy minister, human capital management solutions branch.

Mr. Chair, PSPC is tabling a total opening net budget of approximately \$5.9 billion in the 2026 to 2027 main estimates, which represents a net decrease of \$1.3 billion from the previous fiscal year.

For clarity, Mr. Chair, this request does not include funding announced in the spring economic update on April 28. In addition, should these approvals be granted, funding for PSPC may be adjusted later during the year through the supplementary estimates process, in accordance with standard practice.

PSPC remains committed to the responsible management of resources in support of the government's priorities. The department takes its role of sound fiscal stewardship seriously and recognizes its importance in Canadians' confidence in the government. There-

fore, our focus is on reducing spending in order to enable greater strategic investment.

[English]

Mr. Chair, as you're aware, the department continues to work on a number of important projects, including supporting the establishment of the new Defence Investment Agency, applying buy Canadian policies, working hard to decrease the pay backlog and advancing the new integrated human resources and pay system. At the same time, PSPC continues to provide central procurement, translation, real property management and other common services to the Government of Canada. While carrying out this work, PSPC has reduced its overall request for funding in these main estimates. I will now explain the more significant year-over-year variances.

The largest decrease in PSPC's main estimates is for the long-term capital investment plan and preplanning for capital, with a total decrease of \$1.2 billion. This decrease is largely due to the completion of contractual milestone payments related to major infrastructure initiatives, such as the energy services modernization project.

PSPC can attribute a decrease of \$97.5 million in operating funding specifically to the government's comprehensive expenditure review. As part of the expenditure review, PSPC will streamline internal processes to reduce administrative burden while ensuring the workforce has the appropriate mix of skills and roles. The department also anticipates lower actual expenditures on discretionary areas, such as management consulting, from 2024-25 to 2025-26.

In its role as pay administrator for the Government of Canada, PSPC delivers pay to over 430,000 current or former public servants from over 100 departments and agencies. The main estimates contain a year-over-year decrease of \$57.3 million related to the current pay administration program. Related to this reduction, PSPC is seeking an increase of \$67.6 million to support continued rigorous testing and building of the next generation pay and HR system.

Additional variances in PSPC's main estimates include, for example, a decrease of \$27.7 million, following Canada's hosting of the G7 summit in 2025, for which funding is no longer required.

Finally, the department's main estimates also include an increase of \$20.7 million funding for non-discretionary expenses associated with Crown-owned buildings and leased spaces. This increase provides protection for accommodation costs beyond PSPC's control, with unspent funds at year-end being returned to the fiscal framework.

Mr. Chair, thank you again for the invitation to appear today. I'm happy to take your questions.

The Chair: Thanks, Mr. Hammond.

Mr. Davis, please go ahead, sir.

[Translation]

Scott Davis (Assistant Deputy Minister, Chief Financial Officer, Shared Services Canada): Thank you, Mr. Chair, for this opportunity to continue our discussion of the main estimates for Shared Services Canada, SSC, for 2026-2027.

I also wish to acknowledge that we are gathered on the unceded and traditional territory of the Algonquin Anishinabe nation.

SSC runs and modernizes the Government of Canada's core information technology and is driving digital transformation while protecting Canada's digital sovereignty.

We are working closely with departments to apply emerging technologies to help transform government operations, reduce costs and improve service delivery through technological innovation.

• (1105)

[English]

A key example is CANChat, SSC's in-house generative AI tool. CANChat is a safe and secure platform for public servants that helps ensure Government of Canada data remains in Canada, is hosted on government-accredited infrastructure and is not accessible by foreign service providers. We are working to begin deployment across government this spring.

These and other initiatives require sustained investment but are essential to building a more resilient, secure and innovative digital government while maintaining uninterrupted delivery of existing services.

Over the years, SSC has absorbed inflationary pressures and rising demand by leveraging efficiencies and economies of scale. However, the growing volume and complexity of IT requirements, particularly related to cybersecurity and AI, mean that additional

resources are needed to manage operational risk and sustain effective service delivery.

As a refresher, in these main estimates, SSC is seeking a decrease in funding that reflects savings from the comprehensive expenditure review and changes to the funding profiles of multi-year initiatives.

The estimates include targeted new funding to support continued delivery of core IT services across departments and to strengthen cybersecurity by modernizing security monitoring so SSC can better predict, detect and respond to cyber-threats.

Finally, SSC is maximizing value for taxpayers through a whole-of-government approach to IT procurement: consolidating purchases, leveraging economies of scale and strengthening domestic digital capacity, including through the buy Canada policy.

[Translation]

In conclusion, SSC will continue to develop and strengthen essential digital services that Canadians depend on every day, while advancing secure, efficient and innovative government operations.

Thank you, Mr. Chair.

I welcome your questions.

[English]

The Chair: Thanks, Mr. Davis.

Mr. MacKillop, are you doing the opening?

Ken MacKillop (Secretary to the Governor General, Office of the Governor General's Secretary): Yes, please, sir.

The Chair: Please go ahead, sir, and welcome to OGGO.

[Translation]

Ken MacKillop: Thank you very much.

Mr. Chair and members of the committee, I appreciate the opportunity to meet with you today as we review the main estimates for the office of the secretary to the Governor General.

I am the secretary to the Governor General. As Mr. Chair mentioned, this is my first visit to this committee in my current position.

I am accompanied today by Philippe Roy-Bélisle, director, finance and material management and procurement, and chief financial officer.

[English]

Before we discuss main estimates, please allow me to take a minute to acknowledge the important role of the Governor General.

I've had the privilege of supporting Governor General Mary Simon for the past two and half years and look forward to welcoming our next Governor General, the Honourable Louise Arbour. I've seen first-hand how we balance the constitutional responsibilities of the Crown and service to Canadians from coast to coast to coast, while staying firmly committed to doing so with fiscal responsibility and transparency as well.

As the representative of the head of state and commander-in-chief of Canada, the Governor General ensures the continuity of our parliamentary democracy through her constitutional duties, from the swearing-in of governments to granting royal assent. Beyond these duties, the Governor General is a non-partisan pillar of our national identity. She has a unique ability to convene people and encourage conversations on issues of national importance. She helps bring Canadians together, especially on difficult issues, such as the ongoing work of reconciliation between indigenous and non-indigenous peoples.

[Translation]

In other words, the role is about creating space for respectful dialogue and building understanding. It is about strengthening our connection with Canadians by championing themes that matter to all of us.

The Governor General also has a duty to recognize Canadian excellence. This is done through a range of honours programs, from the Order of Canada to decorations for bravery and military honours. This past year, our office oversaw the award of approximately 45,000 honours. These awards are presented at Rideau Hall, the Citadelle in Quebec City and in communities across the country. It is a way for the Governor General to meet people where they live and shine a light on the diversity of their achievements in shaping Canada.

• (1110)

[English]

On each visit, the Governor General highlights local people and organizations that are making a difference, advances priorities for communities or regions and supports national interests. The Governor General represents Canada abroad, as well as helping advance key foreign policy objectives such as strengthening co-operation and supporting sovereignty. We saw this, for example, when Her Excellency marked the opening of the Canadian consulate in Nuuk, Greenland, this past February.

Although much of our work focuses on supporting the Governor General directly, that's not our only role. We also ensure that both Rideau Hall and the Citadelle remain open and accessible to visitors. Providing Canadians and international guests with opportunities to learn about the Governor General's role and continued relevance is especially important at a time when trust in public institutions is fragile. We are enabling visitors to engage with Canada's heritage within the very special spaces in which Canadian history continues to unfold.

[Translation]

To deliver on the core functions of the office, we have 162 employees and a number of student guides. Our staff represents a wide range of occupations and functions expected of an organization that hosts 8,000 Canadians per year, from cleaners to accountants to heralds and student guides.

Out of our \$22.2 million budget, \$16.4 million is allocated to employee salaries. One-third of the remaining amount is for the delivery of the national honours awarded to deserving Canadians.

[English]

Although our department's budget has been stable for many years, we, like other departments, experienced the comprehensive expenditure review this year. As a result, by 2028–29, on an ongoing basis, the office will be required to achieve \$1.3 million in savings from vote 1. The voted budget reduction for 2026–27 is approximately \$743,000. However, that reduction is not in the main estimates, because of the timing of the government's decision. It will, nevertheless, be implemented through a frozen allotment this year and impact the office's available spending authorities this year.

Thank you, Mr. Chair.

The Chair: Thanks very much.

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

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

Since we have the announcement of the new Governor General, I think it's great to speak to Mr. MacKillop, as he's the secretary to the GG.

Right now, Canadians are lining up at food banks. They're cutting groceries; they're struggling to keep a roof over their heads, and they're watching every dollar just to get through the month. When they hear about hundreds of millions of dollars having been spent on the Governor General of Canada over the last decade—tied to travel costs, former GG expenses, clothing purchases and speech writing, and now the reports of a Rideau Hall skating rink project—they're rightly asking about who's watching the taxpayers' money.

I don't think Canadians are even aware that former governors general can continue claiming expenses after leaving office. On top of their pension, they can claim up to \$200,000 a year in expenses for life. Of course, with Mrs. Simon's retiring, we'll have five GGs able to pull on that.

Last year alone, more than \$550,000 was billed through it by past GGs. Is that correct?

Ken MacKillop: That is correct.

Tamara Jansen: Who claimed that money and what was it spent on?

Ken MacKillop: Mr. Chair, let me give a bit of context to the program, called the former governors general program. It's been in place since the Treasury Board decision of 1979. The program remains to assist former governors general in their administrative support, their office support, their travel—

Tamara Jansen: I'm sorry. I tried to give as much context beforehand as I possibly could. I was asking who claimed that \$550,000 for last year.

Ken MacKillop: In fact, there were five former governors general on that list, including Mr. Schreyer, Madame Clarkson, Madame Jean and Madame Payette.

Tamara Jansen: Did they all collect on that? Did they all put in expenses last year?

Ken MacKillop: There were expenses for five former governors general, yes.

Tamara Jansen: Do we know what it was spent on? Do we have some place in which we can see what it was spent on?

• (1115)

Ken MacKillop: When the program was put in place, it was put in place with guidelines that we have and can make available to the committee. Those guidelines are followed with strict attestations on what they spend—

Tamara Jansen: I'm sorry. We're wondering whether we can see what it was spent on. Even with my expenses, I have to declare them.

Ken MacKillop: We disclosed, obviously, the total amount. We haven't disclosed it either by person or—

Tamara Jansen: You don't know what it was spent on. Okay.

If these are legitimate public expenses, why not proactively disclose them in the same detail that we have to? Right now, we have to take a photo of everything we buy and upload it, so why wouldn't the former GGs have to do that?

Ken MacKillop: We do have protocols in place for them to report to the office, through the chief financial officer, what they spend and attest to it—

Tamara Jansen: The public does not see what those expenses are. Is that correct?

Ken MacKillop: Currently, it's not disclosed publicly.

Tamara Jansen: Okay.

The best way for me to really demonstrate the problem is by looking at the Governor General's trip to the Middle East in 2022. Mary Simon went to the Arab Emirates, Qatar and Kuwait. The total cost of that trip was about \$1.3 million. That included flights, accommodation and hospitality. This committee studied the Governor General's travel because Canadians saw what was going on. The point was to make sure that there was better planning, better cost control and better transparency.

Which of this committee's 2023 recommendations on the travel of governors general have been fully implemented?

Ken MacKillop: I'd have to go back to each of those to look at them individually, but I can tell you that many of them have been implemented, with Global Affairs Canada, which is responsible for international travel. We have been working very closely with them since 2022.

Tamara Jansen: Perhaps we can go backwards, then. If you don't know how many were implemented, do you know how many were not completed?

Ken MacKillop: I'll have to follow up with the committee regarding the recommendations, if I could.

Tamara Jansen: Please provide us with an explanation.

What specific safeguards are in place right now to make sure the reckless spending on travel by past governors general, which we saw as Canadians, doesn't happen again?

Ken MacKillop: As I said, we are working very closely with Global Affairs Canada and National Defence, which is also involved in international travel, to make sure that each of these expenses is done with probity. I certainly want transparency on these expenses, and I want them to be done in a proper way.

Tamara Jansen: There were reports that the office purchased clothing for Governor General Mary Simon because she had retired much of her professional wardrobe. Canadians want to know whether this practice is going to continue. Will taxpayers be expected to pay for professional attire for the incoming GG?

Ken MacKillop: There is currently a clothing allowance for governors general. Every year we look at this to see how it can be adjusted and—

Tamara Jansen: That's a yes, then.

There have been reports about a Rideau Hall skating rink project, including major projected costs, a sole-source contract and donations flowing through the Rideau Hall Foundation.

What is the total cost of that project, and how much of it was paid for by taxpayers?

Ken MacKillop: The total cost of the Rideau Hall rink this past year, through private donations, was \$350,000. None of it was taxpayers' money.

Tamara Jansen: Were donors offered tax receipts, VIP invitations, letters, photos, plaques or any other recognition connected to the project?

Ken MacKillop: There was recognition associated with the project, absolutely.

Tamara Jansen: What was that?

Ken MacKillop: Working closely with the Rideau Hall Foundation, we had pictures taken of the individuals who came for the launch of the Rideau Hall rink. It is important that this historic property and this historic rink are preserved—

Tamara Jansen: My time is almost up. I think I have 10 more seconds.

At a time when Canadians are being told to tighten their belts, I believe they deserve a clear answer about how public money is being spent at Rideau Hall. We'd appreciate it if we could get more transparency and find out what changes you've made since 2023.

The Chair: We will move to Ms. Sudds, please.

Hon. Jenna Sudds (Kanata, Lib.): Thank you to all the witnesses for being with us today.

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

You mentioned during your remarks the support from the department with respect to the new Defence Investment Agency, if I heard you correctly. Could you give us some context as to what the implications are and what resources are being dedicated toward this?

Michael Hammond: [*Inaudible—Editor*]

I'm sorry. Shall I start again, Mr. Chair?

The Chair: Yes, please.

Michael Hammond: As you rightly point out, PSPC has been supporting the stand up of the Defence Investment Agency as a special operating agency within PSPC as a department.

We had funding allocated to the agency. We provided some funding through our joint transition office funding, which was provided to PSPC previously to review regulations and the procurement process in order to streamline the defence procurement. That funding was allocated to the agency.

We also allocated, internally, up to \$5 million for this fiscal year from our departmental reserve funds to support the agency as it starts up. Budget 2025 announced some additional funding for the agency starting in 2026-27. That was supplemented through the funding that was announced in the spring economic update recently.

• (1120)

Hon. Jenna Sudds: Excellent. Thank you very much for that clarity. It is an important initiative that the government is taking on.

I would like to move to Mr. Davis.

You mentioned a number of things in your remarks relating to the moment that we're in and the need to ensure that our digital infrastructure is secure and that we are looking at sovereign solutions as much as possible.

I was at a conference in Ottawa yesterday on cybersecurity, so that's on my mind in this moment. Cybersecurity threats are increasing in both sophistication and in cost. With that lens, from a financial and operational risk perspective, how is Shared Services Canada prioritizing investments when it comes to cybersecurity and, I'd also add, quantum-safe measures?

Scott Davis: Cybersecurity is a priority, not just for us but for all the departments that we work with. Over and above that, there is the cyber tripartite, which includes CSE and the Treasury Board Secretariat.

From a priority perspective, through previous budgets we've received a series of funding for cybersecurity, so we're in the implementation stage of several of our key cybersecurity initiatives to modernize some of the technology that was historically, maybe, a little more manual in process. We continue to advance that capability.

Hon. Jenna Sudds: That's wonderful to hear, as well as daunting in an area in which these investments are certainly worth their weight in gold.

I'd ask you to speak a bit more, from a financial and operational risk perspective, around what we're seeing and the priority in which quantum and quantum-safe are now permeating within SSC, recognizing that quantum presents both an amazing upside in opportunities and some real risks that we need to be on top of as a government and be prepared for. Are we seeing that in the investments that are being made now, and are we preparing for that?

Scott Davis: We're definitely preparing for it. It's a reality for all. The investments are aligning towards that, but it is a broader conversation from a tripartite perspective and how we're working with Treasury Board and CSE to advance that. Yes, it is recognized as the challenge of the future and even of today.

Hon. Jenna Sudds: Absolutely.

I have, maybe, one last question for you. You mentioned CANChat. It's exciting in this moment to equip public servants with these tools. Can you share a bit around the timelines and what public servants can expect around deployment of CANChat?

Scott Davis: For sure. We've incubated a capability that we primarily ran at Shared Services Canada for the last 12 or 18 months. We have replatformed it now in a secure manner in which we are now actively rolling out, department by department, to onboard to this capability. Don't quote me on the exact timeline, but within the next year, all public servants will have access with a secure, on-prem, reliable and non-polluted by foreign interference—my words—capability. We're quite proud of it. It's an investment we made, and it's very powerful.

Hon. Jenna Sudds: That's incredible. Thank you very much.

Thank you, Chair.

The Chair: Thank you.

Go ahead, Madame Gaudreau.

[*Translation*]

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

I would like some more details about those behind CANChat. Who are they?

Did we create that platform?

• (1125)

Scott Davis: Thank you for the question.

Yes, the team in Shared Services Canada created it.

As I mentioned earlier in English, we are really proud that we have this resource. All departments are asking us to continue, even to proceed more quickly. The tool allows us to establish other databases so that we can capture information that is impossible to handle with the tools on the market.

Marie-Hélène Gaudreau: It will also allow us to achieve digital sovereignty in all aspects.

Am I right?

Scott Davis: Yes, it was built for the purpose of achieving digital sovereignty.

Marie-Hélène Gaudreau: Mr. Chair, could I make a small request, given the imminent arrival of a new Governor General?

I would like to see a breakdown of the costs incurred in the last five years. Taxpayers come to my office asking for that information and I have no answer for them. It will also allow us to see what is coming. We will see whether there are any changes in the proposals to reduce costs. If there are any cost-reduction goals and criteria, I would like to receive them.

You will not be surprised by my next question, which has not been answered. It is about the role of public servants working from home and returning to the office. I would like to know, in concrete terms, how it improves the quality of work and the services to the public.

I asked the President of the Treasury Board that question but I did not get an answer.

Mark Quinlan (Senior Assistant Deputy Minister, Real Property Services, Department of Public Works and Government Services): Thank you for the question.

You were right to ask Treasury Board. Public Services and Procurement Canada is a supplier of services. The employer determines the needs, the number of employees and the way to accommodate them. Our role, in terms of real estate and offices, is to give them the space that will accommodate their request.

Marie-Hélène Gaudreau: From what I understand, there's not enough space.

Am I right?

Mark Quinlan: It depends.

Marie-Hélène Gaudreau: Is it about leasing or renovating space?

Mark Quinlan: No, it does not depend on that, nor on the space in Crown-owned buildings. It's really about the number of workspaces vis-à-vis the number of employees.

Several departments need more work spaces than employees. In that case, returning to the office four days a week, or even five days a week, is not a concern.

However, other organizations have fewer work spaces than employees. In that case, they can look at unused environments in order to increase capacity. In other cases, no sufficient space is available and we have to make temporary exceptions while we work to increase the density.

Marie-Hélène Gaudreau: Do you have any information about the way work is done?

In the private sector, very specific adjustments are made, thereby increasing the quality of the work. That's the sort of thing we are asking about at the moment.

Which studies are you using?

Can you provide us with the criteria you used to make your choice about the return to work?

Can you send them to the committee? We would be grateful. It would let us understand the new arrangements and challenges.

Mark Quinlan: As I mentioned, the decision about returning to the office was not one that Public Services and Procurement Canada made. So I would not be able to provide you with studies or to answer your questions in that regard.

However, I can tell you that we use best practices governing the use of space. We can provide you with information on that, if you are interested.

Marie-Hélène Gaudreau: You could also pass on the message that we are waiting for answers.

Mark Quinlan: It's in the public domain.

Marie-Hélène Gaudreau: Understood. That's great. We want to be efficient.

I have a lot more questions but I do not have a lot more time.

I have a real concern regarding Shared Services Canada. It's about the geopolitical context. The minister was here, just the day before yesterday. He told us about IBM Bromont. It seems to be Canadian, which is a comfort. But the parent company is still American. That's why I asked the question about the new software.

We are well aware that our policies on cybersecurity and on the protection of personal information is not progressing a lot. I worked on it for two or three years, from 2019 to 2021. We have not done much since.

Can you please put people's minds at rest?

All the talk of software gives people allergic reactions. I start itching all over. Can you assure us that, when we talk of buying Canadian, we are really talking about our own intelligence, right here?

• (1130)

Scott Davis: Thank you for the question.

Let me say two things.

[English]

The Chair: You have time for only a very limited response, Mr. Davis.

[Translation]

Marie-Hélène Gaudreau: I only have five seconds left.

Scott Davis: As we said earlier, 91% of our contracts go to companies that are Canadian, or at least not American.

I have a report on that. I can send it to you.

Marie-Hélène Gaudreau: I would be grateful if you could send it to us.

Thank you very much, Mr. Chair.

[English]

The Chair: Thank you, Madame Gaudreau.

Mr. Williamson, welcome to OGGO. It is an honour to have the chair of the almost-mighty public accounts with us today.

Voices: Oh, oh!

John Williamson (Saint John—St. Croix, CPC): Well, you are a lucky chairman. You see the front end of the animal. We see the back end over in public accounts. I hope we'll get some answers that are clear and a little less messy.

My first few questions are going to Public Works.

On Tuesday, Minister Lightbound said that if a police officer has a suspicion about small mail containing something illegal, the officer must go to the home of the person rather than get a warrant to search the mail while it's in transit. I think I have it right.

Why is the government moving to allow the search and seizure of mail without requiring a warrant? What's the rationale for that?

Lorenzo Ieraci (Assistant Deputy Minister, Policy, Planning and Communications, Department of Public Works and Government Services): Thank you for the question.

Section 40.1 of the Canada Post Corporation Act indicates that when a letter is in the postal system, it cannot be opened by anybody other than the person to whom the letter is addressed. Because of that, a potential gap has been identified. There is a possibility for people to use letter mail to ship small quantities of potentially nefarious products. Even with a warrant, a law enforcement official would not get access to that letter. The proposed adjustments, if they go forward, would enable letters to be seized when necessary, as long as this is undertaken in compliance with another act, such as the Criminal Code or the Controlled Drugs and Substances Act.

It's to try to address what is seen as a potential issue, because even an inspector within Canada Post cannot open a letter while it's in the system of Canada Post.

John Williamson: What's an example of a small product that might be targeted?

Lorenzo Ieraci: The example cited most often is fentanyl potentially being shipped through letter mail. Fentanyl is something that, even in small quantities, can be very dangerous. While it is not necessarily efficient to transmit drugs through letters, it is possible. I think the view is to see whether there's a possibility of addressing this potential gap.

John Williamson: Does the government believe it's safer to deal with that at the person's residence rather than in a post office or postal truck? We've all seen these stories of mail being opened. That's when the white powder blows out of it.

If there's a concern, isn't this an additional danger? In addition to not having a warrant, there's a public safety risk as well.

Lorenzo Ieraci: Thank you, Mr. Chair, for the question.

There are two things to that.

The first is that any letter seizure would have to be done in compliance with another act. The second is that any opening of a letter would need to be done in a way that is safe.

We have heard from law enforcement officials that, right now, if they have a suspicion that there's something in a letter, they have to wait for that letter to be delivered—which means it's out of the postal service—before they can go and collect it. This may increase the risk of someone's detecting the fact that there's an investigation going on. This is the reason there's a proposal.

John Williamson: Thank you. I'm going to move on to “buy Canadian”, but I appreciate those answers.

In a previous meeting, it was said that buy Canadian will apply only to projects above \$5 million.

What happens when a project initially costs under \$5 million, but expenses grow and grow, going far beyond what was ever envisioned? This happened with ArriveCAN, which seized our committee for weeks and months on end. Going forward, would that project be reassessed to see whether it is compliant with the policy, or would it continue to be given a pass?

• (1135)

Dominic Laporte (Senior Assistant Deputy Minister, Procurement Branch, Department of Public Works and Government Services): The threshold right now for the buy Canadian policy prioritizing Canadian content is \$25 million. This threshold will be lowered to \$5 million.

If I understand the question, you're asking this: If we put in place, for example, a contract for \$3 million, and that contract increases in value, would this be captured by the policy? There is always the discretion to apply the policy to any procurement that is not captured by the threshold. This is something that is a possibility. If we were to see a huge increase for a contract that was initially under \$5 million, we would have the discretion to say, “We're going to apply the buy Canadian policy because that's going to be driving huge Canadian content.”

John Williamson: Thank you. I might come back to that. I have a lot of follow-up questions.

This is for Shared Services Canada.

In a written response to a question on how much your department spends on American digital providers, your department said that 11.9% of vendors are neither Canadian nor American. Could you provide the committee with a list of those vendors, the services they provide, their nationalities and how much they have been paid? Could the committee get that at a later date, please? Is that possible?

Scott Davis: Yes, sir.

John Williamson: Thank you very much.

The Chair: Thank you, Mr. Williamson.

Go ahead, Mr. Danko.

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

Some of the things that I'm most excited about here in Ottawa are the restoration, renovation and structural upgrades that are ongoing for Centre Block. Canada's Parliament Buildings have been described as a cathedral to democracy. They're an icon for residents across Canada and around the world.

On the significant amount of work that's going on there, there's the historical restoration of the buildings, but as a structural engineer myself, one of the things that I'm the most interested in is the isolation of the historic masonry building from the bedrock to make it earthquake-safe, which is an amazing technological undertaking.

Could the department give us an update on the Centre Block renovation project? Where are we? How are the timelines and budget? How is the project proceeding?

Michael Hammond: Thank you for the question.

It's a very important project that PSPC is undertaking on behalf of the government.

That project is in flight, as you all know. It's under major construction. I don't have the specific details in terms of the status of that project, but I certainly would be happy to provide some details in writing.

John-Paul Danko: Thank you.

We'll switch to consulting.

In your opening statement, you talked about the reduction of management consultants as a strategy to save public funds. I worked in consulting for 20 years as a consulting engineer, mainly in large, heavy, civil public infrastructure projects. One thing that was always interesting was saying when to bring in an external consultant—when you needed external expertise versus when a project could be delivered in-house.

When I was at the City of Hamilton, I was always really interested in building in-house capacity, building up the civil service so that they could do as much work in-house as possible. However, I also understood that there are times when you need to go to an external consultant.

Through you, Mr. Chair, I'll ask the question. When we are going outside to external experts, to consultants, how much of that is management or advertising versus architectural or structural engineering and that kind of thing? Also, how do we make the decision of when to keep that work in-house versus going to an external expert?

Michael Hammond: Thank you very much for the question. I can certainly answer it on behalf of PSPC. Other colleagues, such as Scott, may want to talk a bit from the Shared Services perspective.

You rightly point out that there is a balance between the use of external consulting versus building in-house capacity. We are looking at that on an ongoing basis to determine when it's appropriate to invest in building the capacity internally to address our requirements versus those areas that may continually be outsourced because of their high area of expertise.

In terms of the dollar spend for 2024-25, the latest publicly available figures, PSPC spent approximately \$3 billion on professional

services externally. Of that, a large portion is related to construction and architectural engineering, at approximately \$1 billion in total.

On management consulting, which is the area in which there is a bit more discretion, our spend was approximately \$130 million in 2024-25. It represents a very small portion of our total professional services spend.

• (1140)

John-Paul Danko: Thank you.

Mr. Davis, do you want to add to that?

Scott Davis: There are a couple of things of note. During the pandemic, for speed capacity, we brought on a series of professional services, and our numbers went up significantly. During the last two reviews that we did, we focused on government spending and the CER reductions we've done. If I go back, we're in the same predicament. We're currently closing the current fiscal year, so I'll be reflective of prior commitments.

In 2023-24, we reduced our professional services by \$86 million, and we've made a commitment of an additional \$68 million going into this following year, getting us back to pre-pandemic levels in professional services. We use a multitude of various contracts. As you unpack it, you'll see that, in the case of PSPC, they use engineers and various other things, and we use a series of IT professionals and various other capabilities.

John-Paul Danko: Thank you.

For my last question—

The Chair: You have about 10 seconds.

John-Paul Danko: I was so close. Thank you, Chair.

The Chair: We'll go to Madame Gaudreau, please.

[*Translation*]

Marie-Hélène Gaudreau: I would like to go back to Canadian sovereignty and all that entails.

I just want to make a distinction between one company with its senior people in Canada and another whose parent company is the White House.

What happens to our sovereignty if those companies decide to withdraw?

Look, we can have CANChat, we can have whatever we need. We have companies here, in Quebec and in Canada.

Can you explain why you keep those links?

Scott Davis: Thank you for that question.

We keep the links for a number of reasons. The reality is that, historically, most of the technology comes from the American companies that built it. I could name several.

Let me take a few seconds to answer the question you asked earlier.

In the fiscal year 2024-2025, Shared Services Canada awarded contracts totalling \$3.174 billion. Most are IT contracts, of which 52.18% were signed with Canadian companies headquartered here in Canada. In addition, 26.39% of the contracts were awarded to Canadian suppliers—

Marie-Hélène Gaudreau: Could you give me that answer after the meeting? I only have a few seconds left.

I would like to focus on what my colleagues said yesterday about the PrescribeIT software. It was designed to provide an e-prescribing service for medications. It incurred additional costs of \$300 million. Finally, the project was abandoned. The minister did not even reply to us.

What is the issue?

Scott Davis: I think that contract was set up by Public Services and Procurement Canada on behalf of the Department of Health. They would be better able to answer your question.

Marie-Hélène Gaudreau: Okay.

Dominic Laporte: I would just like to correct that answer.

PSPC was never involved in those files or those contracts.

Thank you.

Marie-Hélène Gaudreau: Great.

Thank you, Mr. Chair.

Dominic Laporte: Thank you for indulging me.

The Chair: You are forgiven.

[English]

We'll go back to Ms. Jansen, please.

Tamara Jansen: Thank you.

My questions are for PSPC.

In the spring economic update, there was additional funding for PSPC to run an extra team at the pay centre dealing with the current backlog of cases. With additional funding and a shorter runway to remove that backlog of cases before the new Dayforce system comes in, do you have a timeline for that backlog to be removed?

Michael Hammond: Thank you for the question.

I'll turn to Kim Steele, who's responsible for the human capital area.

Kim Steele (Assistant Deputy Minister, Department of Public Works and Government Services): Thanks.

To clarify, the additional funding we received was to maintain surge capacity that we have at the pay centre. It's for resources that are already there specifically to address the potential increase in cases related to the early retirement incentive, as well as workforce adjustment. This gives you a sense that it's to maintain that capacity.

I want to highlight that, currently, the most recent backlog numbers are at 88,000, so we've seen a significant decrease in the back-

log. Really, we're at the lowest point since Phoenix has been tracking the backlog, so we've been making good progress.

In relation to the onboarding to Dayforce, the goal is that we will have a phased approach. We will be onboarding gradually so that we will clear the backlog before each department onboards.

• (1145)

Tamara Jansen: Okay.

How many cases still exist that are older than five years?

Kim Steele: The way we track the backlog is with any case that's over a year old, and we have 88,000 of those. I'd have to come back with how many are over five years, but our backlog strategy is to address those that are the oldest and have the biggest financial impacts. Those are prioritized as part of our backlog work.

Tamara Jansen: You do have cases that are over five years old. Is that correct?

Kim Steele: I will have to come back and confirm.

Tamara Jansen: Have you been using AI, or will you be using AI, to assist in clearing that backlog?

Kim Steele: We've been using a number of different types of tools. We've just started introducing AI. The work we're looking to do is to help speed up the processing of cases, but we always have a compensation adviser as part of it. AI helps to gather the information together, but it is not making a decision; the compensation adviser does that.

Tamara Jansen: Then the question is this: How much is being spent to implement AI?

Kim Steele: I'll have to come back to you with that number.

Tamara Jansen: Okay, I'd appreciate it if you could.

I'm going back to PSPC.

My colleague had asked a question when the minister was present about PSPC being directed to examine present and future contracts to find savings last fall.

Was this exercise part of the CER?

Michael Hammond: Thank you for the question.

I'll turn to Dominic to speak to the federal contract review work that's been ongoing.

Dominic Laporte: Thank you for the question.

That review was requested by Minister Champagne and Minister Lightbound. We reviewed the largest contract that we have as a common service provider to identify savings.

Tamara Jansen: How much of the CER savings came from examining contracts for savings?

Michael Hammond: None of the CER savings that we proposed as a department were related to the review of contracts.

Tamara Jansen: Okay.

The interim policy on reciprocal procurement was issued last summer.

How much money will no longer be going to firms that fall outside the policy?

Dominic Laporte: Thanks for the question.

A very small number of vendors were located in countries with which we do not have trade agreements. I would need to get back to you in terms of the specific values attached to those contracts, but the number was fairly small.

Tamara Jansen: Can you submit a list to the committee of countries that would no longer have access to Canadian procurement with this policy in place?

Dominic Laporte: Yes.

Tamara Jansen: Does your department plan to make it more difficult for middle-man firms, such as GC Strategies, to bid on federal procurement opportunities?

Dominic Laporte: We've put a lot of strengthening measures in place, especially for professional services. We are moving from staff augmentation to outcome-based contracts. We've put in place caps on the duration and the value of those contracts. We are also doing a mandatory benchmarking of the cost of resources.

In terms of what we've learned from ArriveCAN through the various audits of the AG and OPO, strengthened measures have been put in place, and we are challenging our client department much more when it comes to requirements.

Tamara Jansen: I don't know who exactly in PSPC this question is for.

What's the timeline for your department to send the Defence Investment Agency off on its own and kick it out of the nest, so to say? It's been a year already.

Michael Hammond: You rightly point out that it's currently a special operating agency within PSPC. As was announced as part of the defence strategy in February, it was determined that this agency would become a separate entity.

The work to set up that agency will be under way, and there are required legislative changes associated with that.

Tamara Jansen: Is there a timeline?

Michael Hammond: I do not have specific timelines associated with that. It will depend on the tabling of the legislation and when that comes into force.

The Chair: Thank you very much.

We'll finish up with Mr. Guay.

Welcome to OGGO, sir.

[*Translation*]

Claude Guay (LaSalle—Émard—Verdun, Lib.): Thank you very much, Mr. Chair.

I am happy to be here with you today.

My thanks to the officials for joining us.

According to PSPC's departmental plan, the department intends to move forward with digital procurement documents and to better monitor project performance.

Mr. Hammond, could you explain how the changes will affect suppliers and departments?

What changes are they likely to see as these systems move forward?

• (1150)

Dominic Laporte: I will answer your question, Mr. Guay.

We already have an electronic procurement solution in place. Suppliers doing business with the federal government have electronic access to all calls for tender. More than 88,000 suppliers are registered. In addition, we have 19,207 contracts in the electronic procurement system, the EPS, with a total value of \$54 billion.

The beauty of it is that the platform is used by municipalities, territories and provinces. So we are able to have one place where suppliers can access the calls for tender. Of course, it needs to be improved. We want much more standardization of clauses. We also want to simplify our calls for tender, especially for small and medium suppliers. Doing business with the federal government can unfortunately be complicated sometimes. How can we simplify things?

About three weeks ago, we launched Procura, our new chatbot. More than 1,000 people have used it already. It provides information on the procurement process in real time and helps our suppliers by making it more accessible.

Claude Guay: Thank you very much for your answer, Mr. Laporte.

Could one of you tell me about how these projects are progressing?

Dominic Laporte: The role of Public Services and Procurement Canada is often to establish the contract. The clients follow up on how it evolves on a daily basis. They make the payments. Our role is to manage the suppliers. We want to make sure that suppliers who do a good job, on time and on budget, will continue to do business with us.

We are in the process of setting up a performance monitoring system for suppliers. Each supplier will have a rating, which will allow them to win more contracts when they bid in the future. Conversely, if a supplier's work is not so good and they do not abide by the requirements of the contract, the rating will go down.

That's the role PSPC plays each day. We are in the process of adding a new module to our electronic solution in order to streamline it.

Claude Guay: Will that be done jointly with the departments?

Will information be exchanged?

Dominic Laporte: That is an excellent question.

We are working closely with the departments in order for them to supply the ratings. We can then compile and validate the ratings and send them to the suppliers.

Claude Guay: Thank you.

Mr. Davis, the main estimates contain an amount of \$101.4 million designated as new funding.

Can you explain the main initiatives that the new funding will support?

Scott Davis: Thank you for the question.

The question has two parts. A part of the funding goes to Shared Services Canada each time the number of federal employees increases.

As an example, when National Defence increased the number of its employees, we received a certain amount for some tools and to include those new employees. This year, that's \$63.9 million and it includes previous years for the other departments that increased their staff.

The other amount has to do with the question that was asked earlier. It is to fund the information management solution and any security events, as part of our cybersecurity.

Claude Guay: Thank you very much.

I would like to go back to a subject we were discussing. It was about CANChat and the artificial intelligence being deployed through departments and agencies.

What steps are being taken to make sure people understand the tool and the use of artificial intelligence? For many government employees, it's all new.

[English]

The Chair: I have to interrupt. I'm afraid there's no time left for an answer, but perhaps you can provide it to us in writing.

Thank you very much for being with us today.

There's been a lot of information requested from you. As a quick reminder, this committee has passed a motion that we require it in writing within 21 days, to the clerk, lest you be brought back before us. Thank you very much.

Before you go, I have a couple of very quick questions.

Mr. Davis, you've been with us several times before, and I think we asked you once about, or you mentioned once, the number of cyber-attacks we receive on a daily basis. We know some of them are by foreign entities. Are any of them referred to the RCMP or police for follow-up?

• (1155)

Scott Davis: As the CFO, and in charge of procurement, I'd say it's probably better that my answer comes back in writing, because of the existence of the tripartite and so on.

The Chair: Perfect. That's wonderful.

Mr. MacKillop, thanks for being with us today. It's fabulous to have you with us.

I want to follow up on Mrs. Jansen's question about the clothing allowance, because that came out of an Order Paper question from my office. We understand there are certain outfits that are ceremonial, and it's understandable that there's an allowance for that. The previous GG was using the allowance for everyday things like runners, shoes, casualwear. Can we be assured that we won't see a repeat of that money being used for such items? Provide it in writing, if necessary.

Quickly, Ms. Steele, you mentioned clearing the backlog. I understand we'll go department by department, which makes sense.

John-Paul Danko: I have a point of order, Chair.

I'm confused. Are we doing another round?

The Chair: No, this is the chair's prerogative to ask questions. Thank you.

Ms. Steele, let's say, for the sake of argument, that we clear PSPC first and switch it over. Will you ensure that the entire backlog for that test department is cleared?

You will. That's wonderful. Thank you very much.

I have a last quick one for you, Mr. Hammond. I want to chat about the integrity regime. There's a company that has received a fair number of grants and contributions from the government, as well as contracts. It's Lafarge, which has recently been convicted in France and the U.S. for paying for or bribing, I guess, ISIS and other terrorist entities abroad.

Could you provide in writing why that company has not been subject to the integrity regime in Canada? It seems to very clearly violate appendix 2, subparagraph 1(f)(i), the primary ground, and then paragraph 1(k) on the integrity regime.

Thank you very much for being with us, everyone. We look forward to your responses.

Mr. Davis, I think you've been with us three or four times in the last month. Hopefully, we won't see you for a while. Thank you again.

We'll suspend for about four minutes to bring in our new witnesses.

• (1155)

(Pause)

• (1200)

The Chair: Thank you for your patience. We are back in session.

We welcome back Mr. Matthews and his team.

Mr. Matthews, go ahead for a couple of seconds, sir.

Bill Matthews (Secretary of the Treasury Board of Canada, Treasury Board Secretariat): Good afternoon, Mr. Chair.

It's a pleasure to be back with you for one hour. With me today, I have Antoine Brunelle-Côté, the assistant secretary of expenditure management. His day job is the estimates. To my left is Annie Boyer, our chief financial officer at TBS as a department, and on the far left is James Stott, the assistant secretary in charge of communications.

We're looking forward to your questions.

The Chair: Thank you, Mr. Matthews.

We have Mrs. Block for six minutes.

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

Welcome back, Mr. Matthews and departmental officials.

I would like to start by correcting the record. At our last meeting, I insisted that Minister Ali had told this committee that he had received advice that the advertising rules were being followed by the Government of Canada with regard to the—

The Chair: I'm sorry. Someone's phone is going off. I've paused the time.

Voices: Oh, oh!

The Chair: I'm sorry. Please continue, Mrs. Block.

Kelly Block: I don't get to start from the top.

The Chair: No.

Kelly Block: As I was saying, at our last meeting I insisted that Minister Ali had told this committee that he had received advice on the advertising rules being used or followed by the Government of Canada. He did not say that. I went back. I told him that we could check the recording and find out if, in fact, he had. He did not say that. Therefore, I want to correct the record from last Tuesday.

I would say, though, that he did claim that the rules were being followed, so I imagine you can guess where some of my questions will go.

Mr. Matthews, the minister offered his assurance to this committee that using the slogan “Canada Strong” in official Government of Canada communications, even though it appears on multiple Liberal Party of Canada communications, does not violate partisan advertising rules.

Here is my question for you: Is the slogan used by all Government of Canada departments, or do they need to seek approval from the Treasury Board to use the “Canada Strong” slogan?

• (1205)

Bill Matthews: Maybe I will give a bit of background, but I will get to the exact question. There is a Treasury Board policy in place on communications and federal identity. There is a subset of rules in that policy specific to advertising, so let's recognize that advertising is a subset of communications. For all advertising campaigns that are above \$250,000 in value, there is a special process in which they are reviewed by an independent party for comments to look for partisan messaging or inaccuracies, and there's a requirement

for departments to basically undertake to receive those comments and either dispose of them or adjust the campaign before it's launched. That rule is set in place for advertising, and it's specific to advertising.

If you look at the policy itself, deputy ministers of every department are accountable to follow the Treasury Board rules. Should we get questions from departments about using terminology and it goes back and forth, that absolutely happens. Oftentimes, it's around the issues of nomenclature for federal identity and symbols, etc., so that is part of the role.

From an advertising perspective, I've seen no issues in terms of using terminology that's inappropriate or, I'll say, any unresolved issues with the third party review. There is a report issued by Treasury Board Secretariat, and there's another one coming up fairly soon, that makes public the comments the independent party has made on campaigns and what departments have done about it, so that's coming.

Kelly Block: Okay, thank you.

Did your department provide advice on the use of the “Canada Strong” slogan? Did you provide advice that it did not violate the rules?

Bill Matthews: Advice to ministers is cabinet confidence, but what I can share is this: We have been engaged as officials with our counterparts from departments around terminology such as the use of “Canada Strong”.

I will maybe share my views, because I think this is where we're going. If you had asked me in month one of last year if “Canada Strong” language is offside of the policy, I would have said yes, it was, but as time has gone on, you now have a government that has taken language from campaign promises after being elected and turned those into programs. The Canada Strong pass is a good example; that is an approved government program, and the government can advertise on it. You've seen “Canada Strong” language in titles such as the budget and the spring economic update. We also talked about it here on Tuesday. This is now very much the brand of the government, in my opinion. I will say—

Kelly Block: I'm going to interrupt you there, because I'm grateful for your opinion, but does the Treasury Board receive or seek out any communications advice when they may be considering using a campaign slogan going forward?

Bill Matthews: For Treasury Board—and I'll distinguish between Treasury Board the group of ministers and Treasury Board Secretariat the department—if there's a need to go to Treasury Board to get approval for something and that something is a new program or it includes something that requires something special around advertising, there would be formal advice provided to the board as part of that package.

Kelly Block: Thank you.

What consequences exist for departments that violate Treasury Board guidelines on the advertising rules, and what are your enforcement powers?

Bill Matthews: Treasury Board policies and directives are a set of self-imposed rules the government of the day sets upon itself. They are mandatory unless an exemption is sought. On something like grants and contributions, financial management or project management, it's very clear that when there's a problem, Treasury Board's powers are—if there's no remediation—to change the delegation. On communications that are not coming to the board, you may not see engagement at all; deputies are accountable.

In my own head, and James may be able to help here, I'm not clear on what the authority of Treasury Board would be in this space because it's not as though the title of the budget comes to Treasury Board for approval.

Kelly Block: Thank you.

The Chair: Thanks.

Go ahead, Madame Rochefort.

[Translation]

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

[English]

I have a quick question to follow up on the questions of my colleague.

You spoke about reports. Are there any reports that tabulate complaints that come from the public regarding the government's advertising?

Bill Matthews: I should have mentioned in the first answer that this is another key mechanism of ensuring advertising is non-partisan. A complaints mechanism does exist.

James, I don't know if we do public reporting on complaints, but I'm sure you do.

• (1210)

James Stott (Assistant Secretary, Treasury Board Secretariat): Thank you for the question.

Yes, we do have a complaints mechanism, as you asked about. It has been in place since 2020. We report on all the complaints we receive on a quarterly basis.

I can tell you that, since 2020, there have been five complaints received that we were able to take action on and look into. Four of them had to do with a campaign about firearms awareness, and one of them was about a campaign about dementia. We assessed the advertisements against the criteria for non-partisan advertisements. In all cases, we found that there were no issues with the campaigns that were flagged.

I will say that we received, just recently, a complaint about advertising related to budget 2025. However, we checked our records. We don't have any record of advertising taking place around the budget in particular, but we shared the comments we received with the Department of Finance, as a matter of closing the loop.

Pauline Rochefort: Thank you for that precision. Thank you for clarifying that.

Quickly, I see government working to modernize government operations and to thoughtfully integrate AI across the public service to help drive what we call “the digital transformation”. At the same time, there's also a renewed focus on returning to the office to work. Could you speak more about how these two priorities complement each other and whether you see them working together to support a more effective and innovative public service?

Bill Matthews: Thank you.

The office for digital transformation has been announced in terms of intent but not yet stood up. The details are still outstanding on exactly what that will look like. My understanding is that the goals for that office are about enhancing and improving service to Canadians, as well as allowing for more efficient service, better service and more web-based, technology-enabled service. That could result in improved service, cost savings or, ideally, both.

Among the obstacles we have right now to departments offering digital services are some barriers to sharing data between departments. This was something created by the privacy legislation, and this is being reviewed right now. That, really, is the goal of the office: to make the Government of Canada, from a services perspective, more technology-enabled.

That could apply to internal services as well. Maybe you would have been aware, at this committee, that the government has launched a new technology tool for translation, which has improved efficiency and speed on that front.

I'll be blunt here: We know that many departments are struggling to keep on top of access to information. That would be a very useful thing to look into there as well.

I would distinguish all of that from the government's decision around the return to office. It's five days a week for executives, starting this week, with an intent to go to four days for non-executives in July. That is really about getting the most out of the public service. The government has a very ambitious agenda and is looking at new ways of doing things. It's a philosophical choice, frankly. There's a belief that having the teams together in the office to collaborate on doing things in new and different ways leads to a better public service.

Pauline Rochefort: I think I still have a minute left.

The Chair: Yes, you have two minutes.

Pauline Rochefort: This question has come up at the committee before, but it continues to be raised, so I thought it was worth revisiting today to set the record straight. You've previously described the comprehensive expenditure review as a “reallocation exercise”. For the record, could you explain what a reallocation exercise is and how it relates to the comprehensive expenditure review?

Bill Matthews: Certainly. At the same time as the government was announcing investments in key priority areas across the government—we've spoken about defence spending, an increase in the number of border service agents, etc.—it launched the comprehensive expenditure review as a way to free up some resources so that they could be put towards new and emerging priorities.

The government, in both budget 2025 and the spring economic update, has communicated its intent to run deficits. The comprehensive expenditure review was not targeted to eliminate the deficit, but it does result in a reallocation of resources. In the current fiscal year, 2026-27, there's \$9 billion in savings identified. If that had not happened, the main estimates would have been \$9 billion higher. That's the simple math.

Pauline Rochefort: Another issue that continues to come before the committee is early retirement incentives, that it will lead to an exodus of public servants and negatively impact the service delivery capabilities of the government. Can you touch on that as well?

• (1215)

Bill Matthews: Certainly. The criteria that are in place for acceptance of early retirement.... Just because an employee puts up their hand and says, "I'm interested," does not mean it will be accepted. In the criteria laid out for the acceptance of those, maintaining service delivery to Canadians is one of the considerations to be used in the decision of whether to accept or refuse that application.

Pauline Rochefort: Thank you.

The Chair: Madame Gaudreau has the floor.

[Translation]

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

Did you hear the questions earlier? Yes? Great. So I can ask the right questions to the right people.

First of all, there's one thing I would really like to stress. How is it so difficult for departments to provide a picture of the real costs of the activities of the state?

Bill Matthews: I am not sure I fully understand the question.

Marie-Hélène Gaudreau: Does the Treasury Board Secretariat have all the tools it needs to respond to the committee's questions about the consolidated costs or about an overview of the government's operations? Do you have those tools?

Bill Matthews: Thank you for repeating the question.

Yes, we have those tools. To start that process, we began by gathering ideas from the departments. We asked each department to send us their ideas and their documents.

In addition, the Treasury Board Secretariat already requires a lot of information because of its policies and guidelines. There is actually a database that allows that to be done. We have an excellent tool for showing each department's costs and objectives. It's available to the public.

Marie-Hélène Gaudreau: Where do we find the tool?

Bill Matthews: It's on our website. Mr. Brunelle-Côté, it's InfoBase, isn't it?

Antoine Brunelle-Côté (Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat): GC InfoBase, yes.

Marie-Hélène Gaudreau: Great.

Bill Matthews: It's a very useful tool. It's well done.

Let me say that it is a combination of data required by Treasury Board and regular reports. However, if we need more, we can ask specific departments to provide the information we need to make decisions.

Marie-Hélène Gaudreau: Okay.

Does the Treasury Board Secretariat evaluate the long-term impact of the value added by the services provided by consultants?

We would like to have figures on the loss of internal expertise, on the costs of the private sector, and the future costs to the state. We are still going to be dealing with a number of consultants.

Bill Matthews: Mr. Chair, I thank the member for her question.

It is different for each department and for each kind of resource. Ideally, if we need expertise that the public service does not have, it is certainly preferable to use consultants or subcontractors.

Hiring an expert is sometimes seen as a learning opportunity. It allows a department to acquire new knowledge. In other cases, we simply need more people and more resources to do something in a limited amount of time. It's great and it works. However, if we need something more permanent, I feel that it's preferable to have employees.

Marie-Hélène Gaudreau: What's important for us is to have the information. That is why I am asking the question. You will be able to provide me with a reply about the long-term implications of the approach, specifically comparing internal expertise with the private sector.

Bill Matthews: In terms of the study—

Marie-Hélène Gaudreau: You have all that already, right?

If not, you are just winging it.

Bill Matthews: No, it does not exist. It's different for each department. We have a human resources strategy. We know, for example, that national defence staff is going to increase. In the past, we had to award a lot of contracts to the private sector for health care services in the Canadian Armed Forces.

Marie-Hélène Gaudreau: Fair enough, let's talk about that. What happened with the PrescribeIT software?

Bill Matthews: That's something completely different

Marie-Hélène Gaudreau: Okay.

But we still deserve an answer. We are talking about \$300 million. Some may think that that's nothing, but we are thinking about the taxpayers. There were even additional resources provided that were not even used. We are trying to get an answer from the minister, but with no success.

• (1220)

Bill Matthews: So—

Marie-Hélène Gaudreau: What happened?

Bill Matthews: That was a case of a company separate from the government.

[*English*]

It's not part of the government. It's an independent, arm's-length not-for-profit that has been funded by the federal government through Canada Health Infoway, that project. That is a third party not-for-profit organization that is governed by federal and provincial governments. It has developed a system, as I think you all well know, that has not in fact been widely utilized. The criticism is, why wasn't it utilized?

I'm not an expert on this system, because the organization is an arm's-length one. My understanding is that there was a struggle around getting the provinces to fund this and developing a long-term revenue model to support the system. I can't say whether the system itself was an issue. Was it difficult to use? Was it the cost that was preventing doctors and pharmacies from using it? At any rate, it is clear, you're aware, that the resources were spent and that the uptake of the system was very poor. That is all outside the federal government.

[*Translation*]

Marie-Hélène Gaudreau: Mr. Chair, something is really going on, because the Standing Committee on Health is not able to get answers. The Auditor General highlighted this issue.

You can tell me that it's not about \$3 billion, but it is still an extra \$300 million. We need answers about this. The software is called PrescribeIT. It no longer exists and it was not used.

[*English*]

The Chair: Thank you.

Before we go to Ms. Jansen, Mr. Matthews, I'm glad you brought up GC InfoBase. It's a fabulous website, and it's underutilized by MPs. Thanks for giving it a plug.

Go ahead, Ms. Jansen.

Tamara Jansen: I'm going to switch it up and speak with Ms. Boyer, if that's all right.

When you were here in March, we talked about concerns about vote 50. The Liberal government was asking parliamentarians to approve \$1 billion, but there was no clear breakdown, no list of projects and no real way for Parliament to understand where the money was going. I believe Mr. Matthews called it a “contingency” fund set aside for whatever happens military spending-wise—something unexpected. In fact, I realized there already was a contingency fund, and that this was for an extra \$1 billion.

I noticed that the morning Parliamentary Budget Officer's report confirms exactly what I was saying. The PBO says that this fund may help government move money faster for a defence project, but it also makes it much harder for Parliament to track where the money goes and whether it is spent properly. Basically, parliamentarians were asked to approve a blank cheque.

Does that sound like a good plan to you? I am asking as a lawyer.

Bill Matthews: I happen to have more knowledge than my CFO about how the money has been used. It's up to you, Mr. Chair, how we do this. If you're looking for a more comprehensive answer, I think I can give it.

Tamara Jansen: I know. We had this discussion last time. Now I'm asking Ms. Boyer.

Is that all right?

The Chair: If Ms. Boyer is able to answer.... If not, we might have to refer to Mr. Matthews.

Bill Matthews: Why don't we start with Ms. Boyer? I will add to it, if necessary.

Annie Boyer (Assistant Secretary and Chief Financial Officer, Treasury Board Secretariat): Thank you for the question.

Vote 50 is for an amount of up to \$1 billion. This is to be approved with the main estimates. It will be utilized, based on certain requirements for the departments, after it's been approved by Treasury Board.

Tamara Jansen: My question was, does this sound like a good idea? We have no idea what we're approving. How is it possible? We don't even have a clue about what we're going to spend the \$1 billion on, and departments have only a tiny bit of time to spend it.

To me, it seems they must know what they want to buy. They just don't want Canadians to know what they're planning on buying.

Bill Matthews: I wouldn't agree with the end of that question.

The issue with that contingency is this: Defence is trying to spend in a hurry. Sometimes you get projects delivered on a schedule. As this committee knows from its studies, you come to get additional resources from Parliament several times a year.

Tamara Jansen: I have a question.

Does this continue every year going forward—this \$1 billion as an extra contingency fund, on top of everything?

Bill Matthews: It does if it's approved by Parliament, yes. Just last year—

Tamara Jansen: I have a quick question.

One billion dollars is a lot of money. You could pay 15,000 nurses for a year with that money. You could cover groceries for 50,000 families for a full year.

Can you please explain to Canadians why, without a clear plan, we are once again being told, “Just trust us”, especially during an affordability crisis? Canadians don't have a contingency fund on top of a contingency fund. They don't even have a contingency fund right now. Help me make a bit of sense out of it.

• (1225)

Bill Matthews: This aligns with the government's priority to invest in defence.

My expectation, although it remains to be proven, is that this fund will be largely used towards year's end, and less during the year. What the government has committed to do is provide information in supplementary estimates on the use of the fund. Last year, \$920 million was spent by National Defence on long-range precision strike, on surveillance for underwater and on river-class—

Tamara Jansen: How is it possible that you guys don't know this ahead of time? That makes no sense to me. It's \$1 billion. Yes, you can speed up spending, but every year, you want a second contingency fund with \$1 billion in it.

Bill Matthews: I would describe it as being there in case projects move more quickly than anticipated, which happens in defence.

Tamara Jansen: Is that every year from now on?

Bill Matthews: It's an “up to” amount, subject to Parliament's approval.

Tamara Jansen: You already have a contingency fund for that. I don't understand why you need a second one.

Bill Matthews: The other contingency fund, the second one, is more generic in nature and often gets used for wildfires, natural disasters, etc.

Tamara Jansen: Basically, this is going to be used for military equipment.

Bill Matthews: This is used for military, national defence and CSE. The national security organizations are the ones that have access to it, and you will see a reporting of what was used last year in supplementary estimates (A).

Tamara Jansen: The PBO says the new \$25-billion sovereign wealth fund is financed through borrowing, and the rules for how to operate are still unclear, so what is the annual borrowing cost in dollars?

Bill Matthews: What is it for the \$25 billion itself?

Tamara Jansen: Yes.

Bill Matthews: I don't have an answer to that, but I'm sure we can figure that out for you.

The Chair: You have 10 seconds.

Tamara Jansen: I have 10 seconds?

The Chair: You had 10 seconds, but those 10 seconds have passed.

Tamara Jansen: Oh, I thought you said I didn't.

The Chair: We'll go to Ms. Martin.

[*Translation*]

Danielle Martin (University—Rosedale, Lib.): Thank you, Mr. Chair.

My thanks to the witnesses for their presentations.

I would like to continue the discussion on defence, but in a different way.

[*English*]

My questions relate to the significant increases in defence and security initiatives under Treasury Board. Of course, we know that the primary purposes of these expenditures relate to meeting our NATO targets and protecting the safety of Canadians and the sovereignty of our country, but we also know there's a lot of focus on the concept of dual use and the notion that there may be ways in which we can meet those investment targets that will allow other benefits to Canada and Canadians domestically that may not necessarily relate to war.

I'm wondering if whoever is appropriate, I assume it might be Mr. Matthews, could begin by speaking a little to this concept of dual use and how we account for that in the way we look at the estimates. Also, maybe you could give us some examples of what you think are creative, innovative ways in which we're thinking about this notion.

Bill Matthews: Certainly.

Thank you, Mr. Chair.

The importance of dual use is growing. If you go back many years ago, a military asset was a military asset, and you would see examples of dual use but not that many. In today's environment, so many things the military uses are computer-based. Think about quantum as an investment that is dual-use: absolutely beneficial from a national security perspective but equally beneficial for other things. As the government looks to increase its presence in the north, and there will be a need for infrastructure in the north to support the military—it could be highways; it could be runways—there is a potential for dual use as well. You have something that's hard and tangible, such as infrastructure, but also something like quantum.

As the spending evolves, NATO has its own definition for what counts as military spending. It comes in periodically and makes sure that countries are counting on a consistent basis, and it is certainly aware of dual use. It is open to it. I'm a little removed in terms of any work it might be doing on revising the definition of dual use at NATO, but that might be a very good question to ask officials from National Defence if they are here, or if need be, we can do a follow-up.

Danielle Martin: Thank you.

One could imagine, for example, that some of these infrastructure investments in the north and in the Arctic could be of tremendous—

• (1230)

Bill Matthews: Absolutely.

Danielle Martin: — benefit to indigenous communities that are at capacity, to ensure that essential services are brought to rural regions in the country, etc. These might all be secondary benefits from these investments that, strictly speaking, are defined as military spending but might have other significant social benefits to Canadians.

Bill Matthews: I think that, yes, you could define military spending that has knock-on benefits to broader society, but you could also see spending in other departments that is counted because it's useful from a military perspective. If you think about, maybe, investments in quantum from the Department of Industry or in Wi-Fi coverage, etc., it could be both ways.

Danielle Martin: Thank you. I agree that Wi-Fi coverage is another critical example for rural communities. I represent a riding in downtown Toronto, and there are some condominiums that are made of concrete blocks, so it's hard to get Wi-Fi there, but I don't think that I can relate much to that, or that my constituents can.

One of the areas that my constituents are very concerned about is health infrastructure. I'm curious to know whether you're aware of any examples around dual use, given the magnitude of the investment under your accounts in defence spending. We know that there's a tremendous need to build health infrastructure in the country, not just bricks and mortar but all kinds of infrastructure. Are you aware of any instances in which the concept of dual use is being applied, for example, to protect our supply chain with respect to essential medicines, or other forms of infrastructure that might be of direct benefit to the health of Canadians?

Bill Matthews: I'm not aware of any examples that I can provide. I have no examples to provide today in terms of dual use that are specific to health, but we are happy to follow up on that front.

Danielle Martin: That would be great, if it's appropriate to ask for some follow-up information on that for the committee. I know my constituents would be delighted to learn more about it.

Thank you.

The Chair: We're always delighted to add more work for Mr. Matthews.

Madame Gaudreau, please go ahead.

[*Translation*]

Marie-Hélène Gaudreau: Mr. Chair, the floor is mine for two and a half minutes.

Is that correct?

[*English*]

The Chair: Yes.

[*Translation*]

Marie-Hélène Gaudreau: Excellent.

Earlier, we talked about arranging and rearranging space.

We are also talking about budget cuts. People are asking which criteria led to the decision to bring people back to the workplace. We know that there will be some attrition and that some people will retire.

Let me ask you again. What was the decision based on?

Bill Matthews: The number of public servants has increased in comparison to what it was in the past. That is clear. The government therefore decided not to provide each employee with their own office.

You are right. The plan is to reduce the number of public servants. That will take a little time because the reduced budget expenditures extend over three years.

[*English*]

The decision around returning to office was made not only knowing that some departments have more people than space, but also believing that it's better to have employees in the office more often to collaborate, to learn, etc.

[*Translation*]

Marie-Hélène Gaudreau: Where does that come from?

The only motive on the table is to increase services to the public. Will that be done in the constituencies?

Bill Matthews: It certainly is about the services.

However, it is also important to provide young public servants with the experience of others, with a sense of teamwork and with the need to collaborate in order to meet the challenges of the government. We need to either improve things or do them more quickly.

[*English*]

If you look outside the federal government—industry, municipalities, provinces—you will see the trend. If you're looking for a study that says this is a better way to do things, I don't have one. I would describe this as a philosophical choice of the employer and a belief that teamwork is better.

[*Translation*]

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

[*English*]

The Chair: We're ahead of schedule, so I'll go back for one more two-and-a-half-minute round.

We'll go to Mrs. Block, please.

Kelly Block: Thank you, Chair.

As I mentioned in my first round of questions, technology is a wonderful thing—you can check on things in real time. I asked my staff to look at the Speech from the Throne, which would have been released maybe a month after the election. The slogan was used on the title page of the Speech from the Throne. Given your opinion on whether that was appropriate, I assume you would say that it was not appropriate, and they have gone on to use it ever since.

I'm going to leave it there. There's no question. I'm just putting that on the record.

In your departmental plan for 2026-27, you said that the Treasury Board “will work with departments to...integrate the Buy Canadian Policy into their grants and contributions programs”. Are all departments expected to implement buy Canadian rules into their grants and contributions funding?

• (1235)

Bill Matthews: All departments are expected to look at their various programs to see what might be possible. I am aware that this committee is going to do a study on buy Canadian.

Some grants and contributions programs, by their very nature, make buy Canadian a very difficult thing to do. The tasking to departments was to look at all of their programs and come back with an analysis of which ones they think could be good candidates to apply a buy Canadian lens.

At the same time, when there are contribution agreements already in place, even if there is a good candidate, but there's no language in the agreement around buy Canadian, you have to think about whether it's worth revisiting the agreement. That work was being led, from a Treasury Board Secretariat perspective, by the comptroller general of Canada. Departments were tasked with responding. I know they have responded, but I haven't seen it.

Kelly Block: Do you have any idea how long it will take to fully implement the policy into grant and contribution programs?

Bill Matthews: I don't have a great answer for you there, but I think of it in two tranches: new agreements that are being signed on an ongoing basis and another batch of existing agreements that might be worth revisiting and reopening. I'm sure officials from the comptroller general's office would be happy to provide more information.

Kelly Block: It's my understanding that those are governed by the Treasury Board's policy on transfer payments but that grants are not subject to audits. Grant funding is posted on the open government portal, but the terms of the grants aren't made public.

Is there a plan to make sure grants follow the rules of buy Canadian, and how exactly will the Treasury Board be monitoring compliance?

Bill Matthews: I think that would be a great question for the upcoming study this committee is doing. I don't have an answer for you on that, but it's a great question.

Kelly Block: Do you have any idea, given that you highlighted in your departmental plan to be working with departments to integrate this policy? Did you also contemplate what resources would be devoted from Treasury Board to monitor compliance with de-

partments' buy Canadian rules in those grant and contribution programs?

Bill Matthews: In regard to the terms and conditions of contribution agreements in particular, the expectation is that they are followed. The government has the right to audit the contributions.

There is an expectation that the terms and conditions be followed. The government maintains its right to audit. That is typically the way we do things, but the whole process would start with departments coming back to Treasury Board Secretariat indicating which programs they think are good candidates and which programs they believe should be exempted from the buy Canadian.

Kelly Block: I have a final question.

Have you identified or will you identify how many contribution agreements under the buy Canadian rules will be audited annually to give you a good idea if in fact they are in compliance, and how many departments might you choose for that?

Bill Matthews: I do not know the answer to that, but there are two pieces to audits. First, the right to audit in itself is important. It encourages good hygiene. Second, there is the possibility of a rotational audit. I'm not sure what the choice is in this space, but there is also maintaining the right to audit should something come to light that the government wishes to pursue.

Kelly Block: Thank you.

The Chair: Mr. Danko.

John-Paul Danko: Thank you so much, Chair.

In your opening remarks and through some of the discussion today, you talked about the reduction in the size of the public service. My understanding is that a lot of how that is intended to be achieved is through early retirement.

This is how my father retired from the City of Hamilton when we were merged with the region of Hamilton–Wentworth. Providing public servants with early retirement packages is a very standard way to reduce the workforce while minimizing impacts. At the same time, we want to make sure we maintain institutional knowledge, that there are people who are more junior who are ready to step into those more senior positions and that the function of the public service remains at a high level.

With the early retirement packages, how are we considering maintaining that institutional knowledge and making sure we have the capacity maintained throughout the public service?

• (1240)

Bill Matthews: I have a couple of thoughts.

Early retirement is part of the broader comprehensive expenditure review implementation, but there's also another mechanism called workforce adjustment. The goal of the two together is to minimize involuntary departures. If you have an employee who is interested in leaving, either to take early retirement or to take the transitional package because their team was impacted by decisions in the expenditure review, that is a way to minimize involuntary departures. That's being implemented as we speak.

As early retirement applications are received by the departments, one of the criteria they have to look at is maintaining services to Canadians. If an entire team put up their hands and said they would all like to take early retirement, that would have a serious impact on the department's ability to deliver services. There's a discussion to be had about which ones can be accepted, who is ready to take their place or, in some cases, whether we need to replace the person at all. This decision is being made on a team-by-team basis as the applications come in.

The other piece to this discussion is the requirements around information management. There is a reason we have policies in the area of information management so that records and institutional knowledge can be maintained, shared and accessed by everyone. The tools in use by the government that allow departments or employees to look at previous files to make sure that institutional knowledge is not lost have increased greatly over the last few years.

John-Paul Danko: My second question is on streamlining the bureaucratic burden of approvals and regulations for Canadian businesses. I don't like using the term "red tape", because it oversimplifies the regulatory process and what governments do. Regulations and approvals are an important part of how things work to make sure that our services are delivered effectively and safely.

At the same time, when you're dealing with large, bureaucratic organizations, it is important to streamline and be strategic about approvals and regulations. What is the department doing to make sure that businesses can do business as effectively and efficiently as possible with the Government of Canada?

Bill Matthews: The first part of this story, especially from a Treasury Board Secretariat perspective—I know the member indicated that he does not like the term "red tape"—is that we did a red tape review launch last summer that identified 500 items brought forward by departments that could be implemented to help reduce red tape. Those 500 things are a combination of such things as changing rules and making websites more streamlined to access information. That implementation of the 500 things is under way. I would call it a good start.

There is other work going on among various federal ministers, officials and their provincial counterparts to talk about federal-provincial trade issues on such things as trucking, agriculture and mobility of labour. That work will continue. There's a federal-provincial ministers meeting on this coming up in the next month or so.

We expect departments to bring forward additional changes as we go forward, so stay tuned for that.

John-Paul Danko: Thank you.

The Chair: Go ahead, Madame Gaudreau, for two and half minutes, please.

[*Translation*]

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

Mr. Matthews, let's go back to the use of the slogan. I brought it up a little while ago and you answered my question. The fact remains that you don't need a Ph.D. in psychology to understand the expressions "Canada Strong" and "Building Canada Strong". It's pulling the wool over our eyes to change one word in a sentence. People say, "Come on, now!" when they talk to me about it. They are directly connected.

The rules are very broad. Changing a word or a colour seems to be okay.

Don't you find that it would be good to take another look at the criteria so that we can be sure that there is a separation between politics, democracy and the fact that the government is working with taxpayers' money?

What do you think?

● (1245)

Bill Matthews: Mr. Chair, I thank the member for her question.

We made some changes to the rules last March. That was the first time that the policy had been reviewed in 10 years. It was a good time to do it. I am happy with the rules on advertising.

[*English*]

That's a good process. There's an independent third party. We've made some adjustments to make it go more quickly. It's transparent.

On the policy, which is on communications and federal identity, it's a really interesting issue. There is an awful lot of room for judgment in there. There are people with different opinions, and you're seeing a sense of this today.

When an elected government actually starts using election commitments, as the elected government, to implement its program, it becomes the brand of the government. That is the discussion to be had.

I was not fussed when the government used the language in the Speech from the Throne. That's the brand of the government. However, when you see issues such as this one pop up, it makes you wonder whether the policy is right, so we will continue to reflect.

The Chair: Thank you.

Go ahead, Mrs. Jansen, and then we'll finish with Mr. Guay.

Tamara Jansen: I'm going to try one more time, if I can, with Ms. Boyer.

This is about the sovereign wealth fund. This fund, traditionally, would come from wealth. Norway used oil revenues. Alberta did as well. The gulf states used resource surpluses. Canada is proposing something very different. We're borrowing \$25 billion we don't have, adding interest costs to an already strained fiscal picture and hoping the investments outperform the debt.

The Parliamentary Budget Officer's report, published this morning, confirmed that this fund will increase borrowing and public debt charges, putting us in a risky position when it comes to market volatility. He also mentioned a recent IMF report, which gave a serious warning: Increased reliance on market-based and foreign financing can amplify vulnerabilities during periods of financial stress.

Canadians deserve to know exactly what risks they are being asked to carry.

First, can I confirm that Canadians will be paying interest on borrowed money to capitalize this fund?

Annie Boyer: Thank you for the question. I understand that it's an important question. In my role as CFO for the Treasury Board as a department, I don't have that information. I believe maybe Mr. Matthews or—

Tamara Jansen: Okay. Can you answer, Mr. Matthews?

Bill Matthews: I will turn to Antoine in a second. He is the economics person at this table.

For the money to fund the sovereign wealth fund, the government is running a deficit, so it is not coming from a surplus. There will initially be interest costs attached to that. I have not done the math on what they will be. The intent is that this fund, through investments, will then generate return, which, as the member says—

Tamara Jansen: That is my question. Traditional sovereign wealth funds are usually built from surplus revenues or resource wealth. Why is Canada building one through borrowing instead?

Bill Matthews: That is probably a better question for the Department of Finance, but Antoine, do you want to share anything?

Antoine Brunelle-Côté: No, it is probably a better discussion to have with the Department of Finance. Of course, if there's borrowing, there will be costs borne by the taxpayer.

Tamara Jansen: Okay, what is the projected annual rate of return that the government is assuming for this fund, and what borrowing rate are those projections based on?

Bill Matthews: Those are better questions for the Department of Finance. I know the spring economic update has a forecast around interest rates for the Bank of Canada. That might be a good place to start in terms of interest costs, but it is really a better question for the Department of Finance.

Tamara Jansen: If the investment returns underperform the government's borrowing cost, who absorbs the losses?

Bill Matthews: We're at a conceptual level here, because I think the details are still to come on the fund. As mentioned, the \$25 billion to fund this new fund will come from borrowing. The PBO is quite right. It is one you'll have to keep an eye on as it is implemented.

• (1250)

Tamara Jansen: What role do you play in approving the financing and stuff for this?

Bill Matthews: If there are authorities required from a Treasury Board perspective—and I have not seen enough detail on the new fund yet to know if something will come to the Treasury Board or not—

Tamara Jansen: Would you know if a stress test has been performed for recession market downturn or rising interest rates affecting the fund's viability?

Bill Matthews: That would all be the Department of Finance.

Tamara Jansen: You have no idea, then.

The IMF recently warned that countries relying more heavily on market-based financing and volatile investment flows face greater vulnerability during financial shocks. Would you agree, Ms. Boyer?

Annie Boyer: I am not in a position to answer that question.

Tamara Jansen: Okay. How about you, Mr. Matthews?

Bill Matthews: I have not read the IMF report, but we are in a period of great uncertainty, and when there's uncertainty, there's an increased likelihood of shock. That's—

Tamara Jansen: Well, what safeguards would be in place to ensure the fund does not increase Canada's exposure to those risks?

Bill Matthews: These are better questions for the Department of Finance.

Tamara Jansen: Would you agree that a sovereign wealth fund is supposed to manage surplus wealth for future generations, yet here we are borrowing money to create it? You guys are finance guys. Is it really just a leverage investment fund backed by taxpayers?

Bill Matthews: Again, you'll have to ask the Department of Finance in terms of the thinking—

Tamara Jansen: You gave your opinion in regard to the advertising. Can we get your opinion on this?

Bill Matthews: The difference is that with advertising, there's a Treasury Board policy in place. There is no Treasury Board policy or definition around what a sovereign wealth fund is. I think people are very much looking at other sovereign wealth funds as comparators, but that doesn't mean it is the only way to do things.

Tamara Jansen: Do you have any thoughts on why Canadians should trust a plan with public debt charges projected to reach \$80.9 billion by 2030-31? Why does the Treasury Board consider this acceptable? What do you consider an acceptable ceiling for debt charges as a share of revenue?

The Chair: I am going to save you from your response that it is for finance, because we are out of time.

We are going to finish with Mr. Guay, for five minutes, please.

[*Translation*]

Claude Guay: Thank you, Mr. Chair.

Mr. Matthews, I assume that lessons were learned from the comprehensive expenditure review that all departments had to go through, because Treasury Board is keeping an eye on them.

Which lessons were learned from the review and how can they be used in the future to reduce expenditures and continue our improvement, both in productivity and in cost-cutting?

Bill Matthews: Thank you for your question.

I would say that there are two key lessons. But it is possible that my colleague Mr. Brunelle-Côté might want to add something.

First, we learned the value of the government-wide reviews. We began by asking departments to send us their own ideas and to develop their own documents on reducing expenditures.

We also recognized that there are many programs in a number of departments that deal with the same subject. Youth is one. It's valid to examine all those programs.

[*English*]

We call that a horizontal review. We are doing one right now on youth and skills. We will be doing more of those in the future. That's a good lesson. It's not to say that the bottom-up from each minister's department isn't useful—they were—but the horizontal thing is valuable.

The second thing I would say, before I pass it to Antoine, is that we have a policy at Treasury Board on departmental results. Programs and departments produce their results achieved on an annual basis. I would say that we are not finding those reports overly useful in making resource allocation decisions. There's more that can be done there.

What's interesting about this is that the performance policy is rather resource-intensive. You have a very burdensome policy that, I would say, was not as useful as it could have been in terms of making decisions. Maybe we could do something there.

Antoine, go ahead.

[*Translation*]

Antoine Brunelle-Côté: I would add a third lesson to what the secretary said. As the exercise was to ask the departments to make

proposals, we gave ourselves some room to manoeuvre. We set slightly higher targets for the department so that we would have some room to manoeuvre. That gave the politicians or the cabinet committees a choice of options for the cuts and provided them with more flexibility.

• (1255)

Claude Guay: I have a few seconds left. Can you tell me about the new office of digital transformation?

What will its responsibilities be? How will it work with artificial intelligence to improve government productivity?

Bill Matthews: For the moment, we are waiting for those details. The goal of the office will be to increase access to software in order to improve service to the public and, at the same time, I hope, to reduce expenditures. We do not yet know any details about the way the office will be set up.

Claude Guay: Do I have any time left, Mr. Chair?

[*English*]

The Chair: You have one minute.

[*Translation*]

Claude Guay: I am going back to the comprehensive expenditure review.

Just now, you said that the departments had made a number of proposals and that more may be on their way.

What will motivate departments to continue the review? How do you follow up?

Bill Matthews: We have already reduced the expenditure budget for each department. We use a website to communicate the impact on the employees. A process is under way to require departments to communicate the results and the implications on programs.

I will turn to Mr. Brunelle-Côté for a more complete answer.

[*English*]

Antoine Brunelle-Côté: As the secretary mentioned, for the tracking, we already removed the budget from the different departments. The departments no longer have access to that money.

In terms of future expenditure reviews, to ensure [*Inaudible—Editor*] you saw in the spring update that the government announced, as the secretary mentioned earlier, that we're conducting horizontal reviews on different teams. There's more to come. We'll continue to do that type of exercise going forward.

The Chair: Mr. Matthews and team, thanks for being with us again. I appreciate it. It's been an interesting meeting.

If there's nothing else, colleagues, have wonderful constituency weeks. We're adjourned.

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