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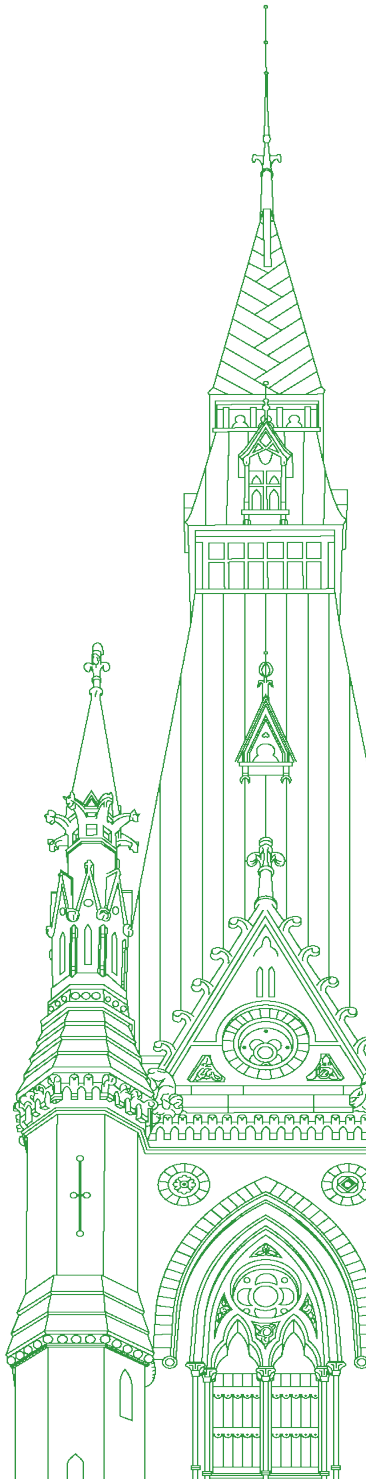

Chair: Kelly McCauley

Standing Committee on Government Operations and Estimates

Tuesday, November 17, 2026

● (1120)

[*English*]

The Chair (Kelly McCauley (Edmonton West, CPC)): Good morning, everyone.

I'm sorry for the delay. We had an unexpected vote.

Welcome to meeting number 58 of the House of Commons Standing Committee on Government Operations and Estimates.

Just as a reminder to everyone, keep your headphones away from your mics, and don't touch your mics while they're on in order to protect the hearing of our very valued interpreters.

We have several witnesses today. One of them, Mr. Greenley, is joining us virtually.

We're going to go right to opening statements.

I will remind you that if you're asking open questions of the witnesses, please specify which witness you're talking to. Mr. Greenley, obviously, cannot see us.

We'll start with—

Hon. Jenna Sudds (Kanata, Lib.): Chair, I'm sorry, but I have a point of order.

I just walked in the room, so I'm not sure if I missed it. We are still missing a member. We just had a vote. I assumed—

The Chair: Our rules allow it. As long as we have a quorum, we can start with the opening statements.

Hon. Jenna Sudds: I would respectfully say that I'm sure our colleague wants to hear the opening statements.

The Chair: Okay.

Anyway, we'll start with the Council of Canadian Innovators.

Mr. Carbonneau or Mr. Perry, which one of you is speaking?

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

Daniel Perry (Director, Federal Affairs, Council of Canadian Innovators): Good morning, Chair and committee members.

Thank you for the opportunity to appear today.

My name is Daniel Perry. I'm the director of federal affairs at the Council of Canadian Innovators. I am joined today by my colleague Laurent Carbonneau, our vice-president of policy and advocacy.

The Council of Canadian Innovators is Canada's 21st-century business council. We represent over 180 Canadian headquartered, high-growth technology companies operating across various sectors, including artificial intelligence, digital infrastructure, advanced manufacturing and defence.

Today's study on buying Canadian comes at an appropriate time. Public procurement in Canada makes up 15% of our GDP. Historically, the federal government has rarely used it as a tool to spur innovation, help our economy grow or build our sovereignty.

Our members feel this every day. We hear from them that it is easier to sell to a foreign government than it is to our own government. Take Raven Connected, an Ottawa-based company that turns city vehicles into real-time road inspectors. Their crews flag road and work-zone problems as they drive, and through AI and their system, they're able to have work orders go straight to the right departments to resolve the problems. Raven builds its hardware in Cornwall, Ontario. It keeps its data sovereign here in Canada and earns 93% of its sales from the United States. To date, it has yet to have a contract with the Canadian public sector.

The federal buy Canada policy is a useful first step to address this, and we support the direction of it. Our focus today is getting the design right.

The economy has shifted toward intangible assets—think intellectual property, data and know-how. These assets make up 92% of the S&P 500. Those who control these assets are the ones who directly benefit from them. When a company is run elsewhere, its IP, profits and top jobs usually stay abroad.

Today, the bar to qualify as a Canadian company is low. A presence in Canada is often enough, and the criteria do not take into account research and development, intellectual property or data stewardship. We also want to be clear on what buying Canadian should not be.

Many of our members sell into the United States. A crude Canadian filter can close doors to our companies abroad, and an overly broad definition can let everyone through the door and allow a lot more access. Buying Canadian is a sensible measure for the duration of this trade dispute, though the lasting goal should be a strategic innovation procurement policy that makes it easier for innovators to sell to government and rewards genuine Canadian innovators as well as economic value.

Our report entitled “Buying What We Build”, which was released earlier this year, makes three recommendations.

First, the policy should assess innovation activity as part of Canadian content. This means looking at SR and ED-eligible research, the share of a firm's global R and D workforce in Canada and payments for Canadian IP. Also, it should look at the share of Canadian direct suppliers and whether a Canadian entity will control the data gathered under the contract. Most of this information draws on data that is already reported.

Second, we should assess Canadian control and strategic management using existing legal tools. This includes Canadian-controlled private corporation status, backed by an attestation and the established “mind and management” test, which can be done with risk-based audits rather than new paperwork. This is not meant to be a gate. A multinational doing real R and D here in Canada should earn points, but only genuine Canadian innovators will score on every criterion because they are the ones contributing the most to our long-term economic prosperity.

We should also look at best practices abroad. The European Union uses contracts and looks at overall value, including innovation—not just the price. The United States requires agencies to set aside research dollars for small businesses; these firms are eight times more likely to patent and five times more likely to attract venture capital. South Korea certifies innovation products, fast-tracks them into government and helps them export abroad. Each treats government as the first customer and helps companies compete globally. These are export engines, not protectionist walls.

A patchwork of local preferences can favour a foreign firm over a Canadian company from the next province over. Provinces have a role to play as well. They should work with the federal government to have a system that mirrors the national framework. We should build one national economy, not 14 separate ones. At the end of the day, Canada should be building and buying, and it should be the master of its own destiny.

With that, thank you. I look forward to your questions.

● (1125)

The Chair: Thanks.

Mr. Johnson, go ahead for five minutes, please.

Eric Johnson (Senior Vice President, Federal Government Relations and Communications, Forest Products Association of Canada): Thank you, Mr. Chair and members of the committee.

I'm Eric Johnson. I'm the senior vice-president of the Forest Products Association of Canada, as well as the Canadian Wood Council. Our members make lumber, panels, pulp and paper, and the sector employs close to 200,000 people in over 300 communities across the country.

First, we support buy Canadian, and our engagement with Public Services and Procurement Canada has been very constructive to date. More than half of the lumber made in Canada is sold to the United States, where we currently face duties and tariffs of 35%—or more, in some cases. Our mills need to sell more of what we make here at home. We want buy Canadian to use more Canadian wood in the homes and buildings that Canada builds.

This month's budget committed $6.5 billion to the forest sector, and we welcome that. That funding, however, starts in April. The government's forest sector strategy is due before the end of the year. We anxiously await the details in that document, but buy Canadian is in force now. It's how the federal government can add demand while those other measures take effect.

I have a few points to make.

First, Canadian wood products are manufactured in mills in every region of this country. Structural lumber is marked with a grade stamp that identifies the mill and the region, as the other witnesses have told you. We worked with Public Services and Procurement Canada on how to identify Canadian wood products, and for our products, proving that they're Canadian does not necessarily require a new system or new measures.

Second, the federal government buys very little wood, lumber or forest products in general on its own. It pays for that wood inside the buildings that it funds, buys and owns. Build Canada Homes and the national defence procurement contracts are two large initiatives that can provide benefits and be used to help spur demand in a number of locations and for our members.

Whether a building uses wood is determined when it's designed, and you heard in May from a Treasury Board official that when architects are asked at the start of projects to use Canadian products—steel or lumber—those materials are much more likely to be used. Defence buildings are designed to federal requirements, so that choice should be the government's own. We'd like to see the government report volumes of Canadian wood being used in projects, not just dollar amounts.

Third, mills have to be able to deliver. Members asked a witness the other day about approvals, access to fibre, codes and standards, and whether mills can respond quickly. Those are questions I welcome and that my members can answer.

You heard that one particular building code change took from 2018 to 2025 to be approved. We've heard that the government wants to speed up code changes. We welcome that as well, and we look forward to working with government to do that. The budget says that model codes will be updated more often, and first ministers have agreed to align approvals for new building materials by the end of the year.

Mills also need predictable access to fibre, with less duplication between federal and provincial rules, and reliable rail and transportation services.

We ask the committee to consider two recommendations in particular. The first is to connect buy Canadian to Build Canada Homes and defence procurement, and the second is to report back on the volumes used in those projects.

Thank you. I look forward to your questions.

● (1130)

The Chair: Thanks, Mr. Johnson.

Mr. Greenley, please go ahead, sir.

Mike Greenley (Chief Executive Officer, MDA Space): Thank you.

Good morning. I'm Mike Greenley, I'm the CEO of MDA Space. With a 57-year history, 4,000-plus employees and headquarters in Toronto, with offices in Montreal, Vancouver, Halifax and Ottawa, MDA Space is Canada's largest space company, and we are growing our presence worldwide.

We are active in the defence sector through the provision of earth and space observation that monitors activity around our planet, space-based defence communications that enable and support the Canadian forces, space surveillance—

[*Translation*]

Marie-Hélène Gaudreau (Laurentides—Labelle, BQ): I have a point of order, Mr. Chair.

I'm sorry, but the volume is so high in English that I'd need two earpieces to hear the interpreters interpreting into French. They are doing a good job.

[*English*]

The Chair: Can you turn yours down?

[*Translation*]

Marie-Hélène Gaudreau: I raised the volume to the maximum in French, but the volume in English is very high in the room.

[*English*]

The Chair: Give us two seconds.

We've lowered it a little.

Mr. Greenley, can you say a few words for us, please?

Mike Greenley: I'm happy to try again. Is it any better now?

The Chair: It's wonderful. Thank you.

I'm sorry for the interruption.

Please go ahead, sir.

Mike Greenley: It was no problem.

As I was saying, MDA Space is active in the defence sector through the provision of earth and space observation that monitors activities around our planet, space-based defence communications that enable the Canadian Forces, space surveillance and space control activities. We also provide non-space C4ISR to the Canadian Forces through our subsidiary, 49North.

The defence industrial strategy introduced earlier this year is a clear and positive policy framework that will ensure that the Canadian Armed Forces have sovereign solutions that, first and foremost, meet Canada's operational defence requirements. In addition, with the buy Canadian policy and defined list of key sovereign capabilities, the defence industrial strategy is the signal and incentive needed to spur industry investment to support the development of a globally competitive domestic defence industrial sector and strengthen our ability to support the Canadian Armed Forces over the coming decades.

Space was named as one of the 10 key sovereign capabilities, and it is the area that I will focus on today.

MDA Space has first-hand experience with the buy Canadian policy. We were one of the first Canadian companies to enter into a strategic partnership with the Defence Investment Agency, along with Telesat, to provide the wide-band and narrow-band military satellite communications that will support operations in Canada's Arctic.

I'd like today to discuss three topics that will be critical to the successful implementation of this policy: the definition of a Canadian company, how to grow Canadian industrial capability, and the development of long-term road maps.

The first is how a Canadian company is defined. For a definition to be meaningful, it is not enough to simply have an office in Canada, employ a few Canadians and pay taxes in Canada. That is a low bar. The bar must be set much higher and defined as Canadian-headquartered and Canadian-controlled companies.

Corporate head offices generate significant and measurable economic and strategic benefits for the country. They employ senior leaders who shape capital investment decisions, build local supply chains, conduct R and D, and invest in and incubate value-creating Canadian intellectual property that yields vastly higher economic returns while keeping the company rooted to where the head office resides. They also inherently embed loyalties to Canada, not a foreign jurisdiction.

In today's changing and charged geopolitical environment, industrial capacity is essential to national sovereignty, and Canada's domestic industry must be part of the defence effort. The last 24 months have clearly shown us that our national security can no longer be outsourced.

The second is how to grow Canadian capability. The defence industrial strategy wisely focused on key areas of national and industrial strength. Each sovereign capability area will typically be led by one to two larger established firms, or national champions, supported by a vibrant community of small to medium-sized enterprises that participate as suppliers and members of the broader sector ecosystem, gaining valuable revenue and growth opportunities.

In Canada's space sector, MDA is that kind of anchor company. As a strategic partner, we are a fully embedded collaborator alongside the Defence Investment Agency and DND teams, and we are well positioned to be the national industry champion to pull together the optimal all-Canadian team that can design and deliver options for Canada and help to grow the entire Canadian space sector. As a large-scale enterprise, we recognize our obligation to lift up those who are working hard to scale in their own right.

Developing the domestic space industrial base will require investment, planning and risk tolerance to build long-lasting benefits for Canada. Procurement needs to be predictable and move at the speed of innovation and market demand. Intellectual property developed on Canadian programs needs to be commercialized and exported. Canada needs to share the risk with industry through financing and equity infusion and by serving as a critical anchor customer.

My third point is about developing road maps. Canada must establish forward-looking road maps to project the Canadian Armed Forces' capability requirements across the 10 sovereign capability areas over the short-, medium- and long-term horizons and assess Canada's industrial base—from mature firms that can deliver now to emerging firms that can deliver later, and the core skill sets—to identify gaps and growth opportunities and provide pathways to procurement contracts. Aligning demand and supply maps will enable Canada to build the sovereign industrial capacity needed for future Canadian Armed Forces' operational needs.

Thank you for the opportunity to speak to the committee. I look forward to any questions.

● (1135)

The Chair: Thank you very much, Mr. Greenley.

We'll start our six-minute round with Mr. Bragdon.

Please go ahead, sir.

Richard Bragdon (Tobique—Mactaquac, CPC): Thank you, Mr. Chair.

Thank you to you, witnesses, for being here today and sharing with us your enlightening testimony.

I'd like to direct my first question to you, Mr. Perry.

You mentioned that a company can qualify as Canadian simply by having a permanent business presence here, even if it is foreign-owned. This could essentially mean having an office located here in Canada but, other than that, being completely foreign-owned.

Do you believe this definition in the policy really means buying Canadian?

Daniel Perry: Thank you very much for the question.

I think when we talk about being Canadian, we need to talk about what the business is providing to Canadians. Is it providing that long-term value that I talked about in my opening statement? Is it contributing to the intangible economy and pieces like that?

When we're thinking about what it means to be Canadian, we need to look past headcount, but we also need to look at whether IP and data are being stored here and other elements like that.

Richard Bragdon: To follow up, could a foreign-owned company with a Canadian office end up receiving the same procurement advantages as a Canadian company that develops and owns its own technology here?

Daniel Perry: The weighting system provides a little bit of a difference for it, but they do get a factor if they have a presence here in Canada, yes.

Richard Bragdon: Recently, when asked what the total number and value was of contracts awarded to Canadian-controlled suppliers versus foreign-owned suppliers, the government responded that whether a supplier is Canadian- or foreign-controlled is not information that is tracked under the buy Canadian policy framework.

I'm going to ask each of you witnesses this: Do you feel that this is something that the government should be tracking and that is relevant information and should be disclosed publicly?

I'll start with you, Mr. Perry, and then we'll work our way through.

Daniel Perry: It's definitely something that should be tracked. I think we also need to be tracking where IP is stored and founded. The more the government can provide us with data, the more insights we can have and the better we can deliver, but also the better they can explain what they're working on.

Richard Bragdon: Go ahead, Mr. Carbonneau.

Laurent Carbonneau (Vice-President, Policy and Advocacy, Council of Canadian Innovators): It's the same answer for me.

Richard Bragdon: Mr. Johnson, go ahead.

Eric Johnson: The importance for us is understanding the volume of lumber and wood products that can come into the system. We'd like any and all data to be tracked so we can report on the accuracy and find the right measures to determine the success of the program. For us, that would be volume. For our companies, when you cut a tree in the forest, the forest is Canadian so the product is Canadian.

Richard Bragdon: Go ahead, Mr. Greenley.

Mike Greenley: It's important to track Canadian-owned companies and Canadian-controlled companies. It's important to use that in the assessment of Canadian business. It's going to be really important as we get into international trade agreements. Almost every announcement around international trade and partnerships has said we're going to collaborate on things like defence and space, AI and quantum. If we have a policy in Canada to direct defence dollars to Canadian companies, then we should be paying attention to and we should know which ones are Canadian-owned, -operated and -controlled.

In Europe today, we can't get access to European spending. I just got a contract there, a small one, to support a European firm, but the European Commission had to give me a waiver, because my technology was so far advanced, to be able to contribute to the program.

We have to compete as others are competing. If, in Europe, you need to be European-owned and -controlled to be European, Canada should pay attention to that as well. Even if we ended up with an agreement that said Canadian firms can compete equally in Europe and European firms can compete equally in Canada, the decision-making bias of the last 25 years will absolutely result in European-owned and -controlled firms getting the advantage. We have to do the same.

● (1140)

Richard Bragdon: Thank you.

Again, it really is quite telling that the response came back that they are not tracking information as to where the origins are. Whether it is Canadian- or foreign-controlled is really quite foundational to, I would think, an effective buy Canadian policy and approach. If we're not tracking whether it's a Canadian company or a foreign-owned company, it's pretty hard to say we are advancing Canadian companies if we're not even tracking whether they're truly Canadian-owned or foreign-owned. This is very revealing, and it's going to be important that this gets corrected in short order and that proper documentation and proper tracking takes place expeditiously.

I will quickly move to another question.

You mentioned in your testimony, Mr. Perry, that some of your members, like Raven Connected, find it easier to sell to foreign governments than to their own. At the same time, 42% of Canadian manufacturers have either moved or are planning to move some, if not all, of their production to the United States.

What does this tell us about the current business environment in Canada and the competitive challenges that our businesses are facing as they relate to competing internationally?

Daniel Perry: That is a good question.

The Chair: You have 30 seconds to answer.

Daniel Perry: All right. I'll make it quick.

That is a good question. That is a challenge we hear from our members time and time again: that the environment is easier abroad because they have more systems. They want the best technology. They don't mind who's providing it. They want to get right to it. Whereas with our government, there is an advantage to incumbents. There isn't as much motivation or opportunities to bid in the same way that they do elsewhere.

Really, it needs to come down to a change in culture to make it easier for smaller and medium-sized businesses to be able to enter the procurement process. Often, you need a whole team for that. As you're growing your business, you often don't have a team dedicated to public procurement.

The Chair: Thanks very much.

Ms. Sudds, go ahead, please.

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

Thank you to our witnesses for being here today.

I'm going to start with Mr. Greenley.

Thank you for joining us. It's great to see you here today.

MDA, of course, does have a presence in my riding, but it also has, in my riding, an agreement with the government to operate the David Florida Laboratory, which is just an incredibly important and strategic piece of infrastructure when it comes to space exploration and research here in Canada.

First of all, I just want to thank you. Thank you for the partnership in working with our government on the David Florida lab. I had the opportunity to visit, probably back six months or so, and it really is inspiring to see the work that is happening there. I think about that partnership as an example of how government can work with Canadian companies in candidly preserving a national asset of strategic importance.

What do you think this has meant for the space sector in Canada? How has this helped to maintain some of those sovereign Canadian capabilities?

Mike Greenley: I think it comes back to my comments on the notion of national champions.

When it was decided in government funding cutbacks to cease the funding of the David Florida lab, we stepped in and asked for the opportunity to operate that. That is not a money-making activity for us, but it is essential. We use it, and we need to use it.

More importantly, small and medium-sized enterprises and academia need access to space testing facilities to be able to advance, especially when the larger parts of any of our industrial sectors are small and medium-sized enterprises. They require those types of facilities to be able to test their products. They would never be able to afford them themselves. Our role in being able to take on the big projects, engage the smaller companies to help scale them up and provide access for them, at a reasonable commercial rate, to the facilities that will allow them to advance their products is all-important in building an ecosystem and allowing people to scale up. Eventually, some people will grow out of that need and end up with their own testing facilities.

We have very extensive testing facilities, but even we still benefit from the very large facilities at the David Florida lab to put us in a world leader position. These types of relationships are really important to be able to scale up the industrial base.

● (1145)

Hon. Jenna Sudds: That's amazing. Thank you for that.

Given the time, I am going to pivot back to the room here and address my question to the folks from the Council of Canadian Innovators.

I don't mean to harp on about my riding, but I know that we have some members in Kanata who are members of yours. Solink comes to mind. BluWave-ai comes to mind as well. More broadly in Ottawa, you mentioned Raven and others.

When I speak with these companies, of course there is an interest to do more with the government. There is also the reality that it is taking time for the buy Canadian policy to be felt on the ground as procurements start to roll out and as that engagement becomes real, if you will, to these companies.

In your remarks, you also touched on how procurement really needs to be thought of not just as the buying of goods or services but as an economic tool to support Canadian companies, help them grow and help build capacity here in Canada. I'm wondering if you can speak to how your members are viewing that shift in thinking as we move forward with the buy Canadian policy.

Daniel Perry: I would say our members are positive. They were happy to see the policy roll out last December. I think they're waiting to see the impact be felt directly. Just based on how the policy is currently set up, a lot of the contracts they are working on and pushing for don't meet the minimum threshold. Seeing that lowered would be a good step. I think one of our recommendations to the committee as well would be to move forward on that.

Hon. Jenna Sudds: Absolutely.

I don't know if you've done this research, but I know that CCI is very thorough, so I'll ask you this. Are you seeing successes in other countries or governments that are getting this right that we could learn from as a country and as a government?

Laurent Carbonneau: Sure. I'm happy to take this one.

As Daniel mentioned, we had a report out earlier this year, “Buying What We Build”, which I will send to the committee for your reference for this study. We did look at a couple of foreign programs that have been reasonably successful.

One, as Daniel mentioned, is the most economically advantageous tender program, with the charming acronym of MEAT, from the EU. They look at the full life cycle. It's not just lowest cost. It's what will actually generate the most economic value, which, at a kind of deeper point, is really what we're talking about when we're talking about buy Canadian. Is it actually the location of where the paperwork is, or is it that not only is the work happening here, the research is happening here and the IP is here, but the strategic decisions are being made here?

As Mr. Greenley said, having HQs is a really important thing for economies. It's where you develop the really important entrepreneurial strategic skills that will grow Canadian champions to a global scale.

As well, the reality is that we are 2% of global GDP. If we create a really tight wall around that 2%, that could be helpful for some, but I think for most of our companies, you have to be global from day one. We want a flexible system that is sensitive to the realities of the value added but is not necessarily going to create trade barriers and hard walls for them to expand into other jurisdictions. Some have expressed some concern about that, so—

The Chair: I'm sorry. We're past our time. Thank you.

Madame Gaudreau, go ahead, please.

● (1150)

[*Translation*]

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

The quality of our exchanges helps us shed light on the situation.

We were just talking about added value. We're currently in a budget period, so I'm thinking, among other things, about the logging industry—I come from the hardwood sector, but I'm also familiar with softwood lumber—and there are several aspects I can't get my head around.

The industry had very specific demands regarding countervailing duty, but unfortunately, it's not there.

We also hear about establishing Build Canada Homes, but businesses are closing, such as the one in St-Michel-des-Saints with its 100 workers—that's added value—that just closed on November 12.

Businesses want some predictability and some help.

I'm outraged. We're making progress, but that at the same time, what happens if we want to use Canadian softwood lumber, for example, when businesses such as the one in Saint-Michel-des-Saints are closing?

Mr. Johnson, what do you think?

[*English*]

Eric Johnson: First, I don't think there's any way to replace the trade we do with the U.S. They will always be our number one trading partner for lumber and forest products. We need to find a path to a deal. It's a one-sided conversation at this point. That is, in effect, where it landed over the course of the summer, but we can control things at home to help move product from mills into the built environment.

First, we need to speed up codes and standards. This is not only the national building code. It's also finding ways to approve products. In Ontario, they have a program that approved a new product that can only be used there. It's manufactured in Quebec, but it's sold only in Ontario because the approval took five months. It takes three years everywhere else to get those approvals. There are also products that we make here that we can sell only to the U.S., because we don't have those codes and standards moved in.

The other thing is making sure we can smooth supply and demand for some of these products. When we think about modular and prefab and all of that, there's a financing and cost dynamic that doesn't necessarily work the same way as when you build normal housing with stick frame. In that, as soon as you reach grade, you start to get your funding. In modular or prefab, you're 80% to a built home before you can start to recoup some of that financing. We see some of those challenges with liquidity in some of those programs.

Finding support for that in order to pull some of that demand and smooth out some of that financing and using Build Canada Homes and some of the defence procurement to build buildings with mass timber and other products that actually use more Canadian wood is a first step.

[*Translation*]

Marie-Hélène Gaudreau: It's interesting. When he came to committee, the procurement ombud said, among other things, that it was the right time to look back at what had worked and see what we can correct with regard to added value. Thank you.

Let's move on to another topic. We talked about the economy, but in relation to intellectual property. I'd like to know what you understand and what you see. What should be protected? I'm thinking of intellectual property from abroad versus workers in Canada or in the provinces. How do we sort this out and how would you navigate those conditions?

I'd like to hear your thoughts, Mr. Carbonneau.

Laurent Carbonneau: I'll answer in English, just so I can give you a more qualified and eloquent answer.

[*English*]

I think the first responsibility of Canada and its government is, of course, going to be to Canadians. I understand why, historically, we have looked at economic policy through a job lens. I think it's very important to understand, though, that the economic dynamics of the 21st century and of the innovation economy are quite different. Jobs are not necessarily going to be the reliable indicator of a value added of growth that they historically have been, because in the industrial economy, it's very easy to draw a straight line between producing and selling more and employing more people. That is a one-to-one win.

In a world where you have intangible assets that are infinitely scalable, that one-to-one connection simply doesn't really exist in the same way. We need to be very strategic about how we look at whether these investments we're making are actually creating the kinds of assets that are going to generate long-term wealth for Canada and create long-term growth. They may not be the most job-intensive in the short term, but they are the foundation of a successful economy in the long run that will be able to generate growth and jobs to accompany the intangibles-driven growth that we see.

● (1155)

[*Translation*]

Marie-Hélène Gaudreau: In short, if we take an example like IBM in Bromont, is that a Canadian company?

Laurent Carbonneau: I'd say no, quite simply.

However, IBM has a notable impact, and many companies work with photonics infrastructure and other elements of the whole ecosystem in Bromont and elsewhere.

However, no, it's not a Canadian company.

Marie-Hélène Gaudreau: Thank you.

I have a few seconds left.

First of all, I read the report “Building homes with Canadian Wood: Turning Housing Ambition into Delivery”, and I was thrilled to see that it's not just in Quebec that we can build multi-level buildings using softwood lumber.

Is the main problem today a lack of industrial capacity, or a lack of sufficient and predictable orders to justify investments for our companies?

[*English*]

The Chair: I apologize. There's no time left for a response. Perhaps in Madame Gaudreau's next round....

[*Translation*]

Marie-Hélène Gaudreau: I got my answer, Mr. Chair.

[*English*]

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

Dan Mazier (Riding Mountain, CPC): Thank you, Chair.

Welcome to the witnesses.

Mr. Carbonneau, under the government's buy Canadian policy definition, a supplier only needs a registered place of business in Canada to qualify. Are you aware of any requirement for that company to be Canadian-owned?

Laurent Carbonneau: I am not.

Dan Mazier: Wow.

Are you aware of any requirement to employ a minimum number of Canadian workers to qualify as a Canadian supplier?

Laurent Carbonneau: I don't believe so. I think the buy Ontario policy has a provision that's somewhat similar to that, where they require 250 employees, I believe, in Ontario. I will say that this has created some interesting interactions where we have, for instance, large multinationals that have a substantial footprint in Ontario getting preferential treatment relative to companies headquartered in B.C. or Quebec that might be looking to sell into those jurisdictions.

Those types of provisions can occasionally be helpful, but also sometimes have some unexpected drawbacks.

Dan Mazier: The federal buy Canadian program does not have that.

Laurent Carbonneau: It would not have that interaction.

Dan Mazier: Mr. Carbonneau, when the buy Canada policy was announced in December 2025, you said, on behalf of the Council of Canadian Innovators, that for the policy to be effective, the government needs “to work with authentically Canadian companies.”

Is a company with a Canadian address and no Canadian headquarters authentically Canadian?

Laurent Carbonneau: In my view...no. That said, I mentioned before that we operate in a global economy where companies have to be global from day one. We don't want things to be harder for our companies to export and do business abroad.

However, as we've said, I think the really important thing the buy Canadian policy has to get right is to reward value and wealth creation in Canada. There are ways we can do this that don't insist on a hard and fast division between Canadian and not Canadian.

I think there are reasons, as Mr. Greenley—

Dan Mazier: I think you would agree that there need to be clearer definitions of what that—

Laurent Carbonneau: I do think that there need to be clearer definitions of the types of activities we're rewarding and looking for.

Dan Mazier: Okay.

Laurent Carbonneau: Mr. Greenley was saying that in his sector and in places where we have things like sovereign capabilities, we really do need to be Canadian. I think we should be more prescriptive and more detailed. Where we're in a global market, I—

Dan Mazier: I'm sorry. I have another question here for you.

Laurent Carbonneau: Go ahead, please.

Dan Mazier: Mr. Carbonneau, in the same statement, you warned about risk to “intellectual property generated by the tech sector” leaking out of Canada if the government policies allow subsidiaries “of foreign hyperscalers to call themselves 'Canadian companies'”.

Is that what this government's definition allows under the buy Canadian policy?

Laurent Carbonneau: At present, I think that if we were looking at our members who are in software services, they have no real preferential access or leg up on multinationals.

Dan Mazier: Under the buy Canadian policy, under this definition, does it allow hyperscalers to develop...?

Laurent Carbonneau: Yes.

Dan Mazier: What does that mean for innovation in Canada?

Laurent Carbonneau: This has been a very hard country in which to scale a company. I think the buy Canadian policy looks at that problem and I think wants to get it right. As you said, there are a lot of places where we can go deeper and look at what exactly we're trying to reward and what exactly we're trying to develop. I think we should do that. The report we'll send the committee will have a lot more granular suggestions on ways we could do that.

Dan Mazier: Needless to say, it would stifle innovation, though.

Laurent Carbonneau: In the long run, what we're seeing right now is a hollowing out of our innovative capacity. Because it's so hard to scale, we lose these companies too early. We should be doing more to keep them here.

Dan Mazier: Okay.

Mr. Perry, in March 2026, you wrote that if “foreign-controlled subsidiaries [can] qualify as 'Canadian,' much of the long-term value from public spending will...flow outside the country” and that “Canada risks funding the innovation of other nations”.

Is that the policy we have today?

● (1200)

Daniel Perry: I would say so, yes.

Dan Mazier: What risk does this pose to Canadian innovation and value creation?

Daniel Perry: As I said in my opening remarks, the intangible economy is the economy of the future. If we're not winning on that and making sure our companies have success there, we'll struggle in the future.

Dan Mazier: Are you saying that we're setting ourselves up for failure?

Daniel Perry: If we're not looking at the future, I would say so.

Dan Mazier: Has there been any indication to change these criteria?

You guys have been screaming from the hilltops. Has there been any reaction from this government at all?

Laurent Carbonneau: I will say that we've had productive engagements with the government. I've had ongoing conversations.

Dan Mazier: But no definitive—

Laurent Carbonneau: There's no definitive action yet, but I remain optimistic.

Dan Mazier: Good for you.

Laurent Carbonneau: You have to.

Voices: Oh, oh!

Dan Mazier: How are we doing, Chair?

The Chair: You have 10 seconds.

Dan Mazier: Okay. That's good.

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

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

Thank you to our guests for joining us.

I feel that before I go to my questions I need to reframe the discussion we're talking about here.

The buy Canadian policy is mainly a procurement policy with an evaluation for bids that go through federal procurement. What a Canadian business is and some of the discussion we're having, I'm concerned, is venturing beyond what the policy actually is. Each bid is individually evaluated and assessed on its Canadian content, and that is part of the score for the award of that tender.

Mr. Johnson, maybe I'll start with you. I believe we spoke before at Natural Resources.

This is an ongoing discussion that we've had on forestry products. Obviously, Canada has a very robust forestry sector that we have an opportunity to leverage. You spoke in your opening remarks about how we make more of what we sell at home. You're supportive of the funding in budget 2026, but you talked specifically about housing and defence as opportunities for incorporating Canadian lumber and Canadian forestry products.

I'm just wondering specifically what the biggest areas of opportunity are that you see in that procurement model so that we make sure we are favouring Canadian forestry products when the federal government is going through procurement.

Eric Johnson: On defence in particular, when RFPs went out there was no specification of the types of materials for the buildings or the projects they were undertaking. Because some of that is defence and government is able to give those types of specifications, we would have liked to see a little bit more in those RFPs around the use of wood, so that when developers are bidding, they're thinking about it ahead of time rather than after the fact. That would be one way.

Those are big contracts. They're across the country. We have members everywhere that can produce a lot of those materials. We can do prefab, modular and stick builds. We can build fast and we can build well. Specifying wood materials in certain projects would be helpful.

John-Paul Danko: Thank you.

One of your specific recommendations was to evaluate and track the volume of wood, not just the value. I'd offer you the opportunity to expand on that. Why is that important?

Eric Johnson: That's the easiest way to measure the actual incremental impact of the use of wood in the country. We're a commodity, so we don't control the price. You could report one year, and we could have a spike in price and it would look really good, or we could have a drop in price and it would look really bad.

I think you want to own the amount that you're actually taking from members, based on the global price. That would be the easiest way to track it—the volumes used in the projects that you're building.

John-Paul Danko: That's definitely a good recommendation.

I was going to ask you about code changes. That's something that I'm personally very interested in. However, I'm going to leave that, perhaps, for a further discussion at natural resources.

I want to switch to Mr. Greenley at MDA Space.

You talked, in your remarks, quite a bit about sovereign capabilities, the defence industrial strategy and the importance of sovereign access to space technologies and space-based infrastructure. I want to give you the chance to expand on why that is important to Canada's national sovereignty and buy Canadian?

How is it different from, perhaps, other buy Canadian initiatives in terms of the importance to Canada's strategic national sovereignty?

Did he drop off?

● (1205)

The Chair: I think we lost him.

John-Paul Danko: Okay. We'll go back to—

The Chair: Why don't you skip over him? We'll try to track him down, Mr. Danko, if you want to go to your next question.

John-Paul Danko: Okay. Sure.

The Chair: We'll have time to repeat, if necessary.

John-Paul Danko: I just have a final question for Mr. Perry and Mr. Carbonneau.

I think you talked about some really interesting ways to make sure that we are favouring buy Canadian and building value. I'll just ask you to speak to how that can work within the procurement process.

Laurent Carbonneau: As you mentioned, we do have the buy Canadian policy. That creates the framework for how to do this and how to assess.

The Canadian content piece is actually the really interesting portion of it. If you look at the policy, it's somewhat hazily defined for services. It's basically just what percentage of the work is done here, which is a start, but as we were saying about hyperscalers, for instance, it depends how you're booking things. Is Outlook being delivered through Microsoft Canada? I don't know. Would it count? It's a bit murky.

What we're basically saying is to take a broader set of criteria and use that to assess Canadian content, especially in services where it makes sense.

The other pieces, of course, in general.... Daniel mentioned Raven Connected. They were able to sell to all kinds of American municipalities. I think there's a different procurement.... I don't like using “culture”, because it lets us off the hook a little bit, because culture is kind of the sum of incentives in a system, but the sum of incentives in a system in Canada looks very different for procurement.

Buyers are not as aggressive in looking for the best. They're not as aggressive in adopting innovation. There are a lot of organizational hurdles that hold back Canadian governments from wanting to do that. I don't blame public servants. Public servants want to do the best they can do. They are working in a system that makes it very difficult for them to do that.

We have another report called “Buying Ideas”, which I'm happy to send to you, which looks at the features of successful innovation procurement systems and where Canada falls short. I'm happy to send that along. I know we're limited on time, so I won't go too much more into it than that.

John-Paul Danko: Thank you.

Maybe if Mr. Greenley heard that question, he can just submit a written response.

Thank you.

The Chair: We'll actually forward it to him. He had to leave. As you can imagine, in his role, he's pretty busy. Unfortunately, he couldn't stay any longer.

Madame Gaudreau, go ahead, please.

[*Translation*]

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

Let's talk about accessibility now. I now understand that the criteria aren't specific enough. This leads me to ask: Is it preventing companies from bidding?

We can talk about the size of the contract, financial guarantees, payment terms and the size of the business, but if the criteria are better defined, will that be of greater help to businesses as a whole, or even to small businesses?

I'll start with Mr. Johnson.

[*English*]

Eric Johnson: The one risk that we've heard—and I don't necessarily have validation of this—is contracts being split smaller so that they don't have to qualify. From a wood products perspective, we find that a little troubling.

Laurent Carbonneau: From our perspective, we can slice things any way with the buy Canadian policy. However, as I mentioned in my previous answer, I think the core procurement system is really optimized for large players in minimizing risk. It doesn't work well for small businesses.

I heard from a VC investor one time who said that if he's hearing from a company that there is a potential target for investment and that they are planning on selling it to government, he will not invest, which I think is a horrible sign. I think we should want our best and brightest to be producing solutions that are delivering value to the public sector and to Canadians. If that's a red flag for a VC such that they won't even touch it, that's a bad sign, and I think we need to focus on the service side, ensuring that the contracting system gets you to a decision faster and that it's more streamlined and easier to work with.

[*Translation*]

Marie-Hélène Gaudreau: I have a few seconds left.

I'd like to take this opportunity to say that in reality, the buy Canadian policy is a political and industrial tool. Shouldn't it be more of an industrial strategy aimed at strengthening our businesses? You've just made a powerful point.

Mr. Carbonneau, I'll let you answer.

● (1210)

Laurent Carbonneau: Yes, absolutely.

I think it needs to be part of a broader industrial strategy. I also think the procurement system as a whole needs reforming, in conjunction with pursuing a buy Canadian policy.

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

My time is up.

[*English*]

The Chair: Thanks very much.

Before we go to Mr. Bragdon, we've heard from Mr. Greenley's office. If anyone has any other questions for him that he was not able to answer, if you forward them to our clerk, he will send them to Mr. Greenley's office and then we will get a response.

Mr. Bragdon, please, go ahead.

Richard Bragdon: Thank you, Mr. Chair.

My first question is for Mr. Perry.

You described the buy Canadian policy as a useful first step, but you argued that Canada needs a longer-term strategic innovation procurement policy.

What would these long-term innovations look like, and what important gaps in the current policy would they address?

Daniel Perry: The long-term impact of this would be having it so it looks past the short term of the trade war that we're seeing with the United States. We want it to be more comprehensive. As I said, it's about looking at the long-term benefits that a contract will provide, whether that is how much it is investing back into Canada through the supply chain or other pieces like that. It's looking at the total value that the contract will reward and how it will contribute to the economy.

Richard Bragdon: Could these changes be made without setting up another whole arm of bureaucracy and another layer of bureaucracy?

Daniel Perry: Yes, they can.

Laurent Carbonneau: An important part of a successful policy would be radically simplifying how government does business with the private sector. For us, part of the vision is that the federal government, Canadian governments in general and the public sector should be some of the innovation sector's most avid clients and should be the easiest to work with, especially when compared to public sectors abroad. We are very far from that now, and we should be doing a lot better.

Richard Bragdon: Okay.

I'll ask this to all three of you. What is the single most important change the government should be making to ensure that procurement builds Canadian companies, rather than simply purchasing from companies that happen to operate here?

I'll start with you, Mr. Perry, and then go to each of you.

Daniel Perry: The first, I would say, is to look at the long-term impact. That's similar to what the European Union does with their MEAT example. I think that would be the best step for this government to take.

Laurent Carbonneau: Similarly, I think adopting the recommendations in our great report, which we will be very happy to send to the committee, would be very wise.

Eric Johnson: From our perspective, the work with PSPC has been quite good in terms of their focus on our members. We would like to see the volume of wood being reported, from our perspective.

Richard Bragdon: Mr. Johnson, I would like to follow up with another question for you. Obviously, it relates to the forestry sector, and I referenced this in one of our previous committee meetings.

My district is definitely being affected by the impacts on the forestry sector, namely with a mill in the town I grew up in just recently announcing its closure or idling. With that, Canadian forestry producers are facing a number of huge pressures with input costs, including the industrial carbon pricing, red tape in transportation and regulatory requirements. There are a lot of impediments and challenges that are facing the forestry sector within Canada.

How are these factors affecting the industry's competitiveness on a global scale? Also, what should be the immediate steps taken to increase competitiveness for a forestry sector that's in desperate need of help?

Eric Johnson: Regulation in and of itself and duplication among certain provinces and federal government regulations can certainly be streamlined. That cost alone, when you have to duplicate reporting across two different systems.... We'd like to see the provinces and the federal government work a bit better on sharing forest data so that we can do the measurements and report only once.

There's also a lot of risk in the system around certain regulations that can prevent folks from looking at gaining access to the fibre they actually need and make that more expensive. We hear stories of operations having to go 200 kilometres into the bush instead of 100 kilometres into the bush because of certain regulations around the ability to cut lower-value wood.

The biggest one for us is probably transportation. To go from the interior of B.C. or Alberta to the port costs seven times as much as it does to go from the port of Vancouver to China or Japan. That's 25% or more of the operating costs that we face, and we need to find ways to lower those.

● (1215)

Richard Bragdon: With the United States being such an important market for Canadian forestry products, American tariffs have created a lot of uncertainty in the industry. What would be some of the most helpful steps the government could take to alleviate the stress on the industry with regard to the United States?

How important is it that the government pursues with vigour the securing of a long-term trade agreement as it relates to our forestry products and others?

Eric Johnson: I—

The Chair: I'm sorry. I have to interrupt. There's no time left for a response. Perhaps you could submit it in writing to us.

We'll now finish up with Mr. Gasparro, please, for five minutes.

Vince Gasparro (Eglinton—Lawrence, Lib.): That's great. Thank you.

I'm going to yield the first couple of minutes to my colleague Ms. Sudds.

Hon. Jenna Sudds: Thank you very much.

I want to follow up on a few points that have been raised. As I often say at this committee, I have the good fortune of representing over 800 companies in Canada's largest technology park, so this policy and the discussion we're having today are critically important to the companies in my riding. As I'm listening, there are a few areas we haven't talked about.

One of those is the introduction of the small and medium-sized business procurement office and the impact I expect it will undoubtedly have as it gets rolling on the ease of access to that white glove service. It will help these smaller businesses navigate and engage as they perhaps weren't able to in the past.

Another piece is around the digital transformation Canada announcement and the establishment of that organization, funded through this budget. I would argue that this really focuses on how we leverage sovereign Canadian solutions to advance the public service and the work it does to serve Canadians.

The other piece I wanted to pick up on was the discussion earlier around hyperscalers. I believe it was you, Mr. Carbonneau, who responded by saying there's been no real advantage seen yet for Canadian companies. I need to push back on that—in recent conversation, even—to raise the flag and raise the level of awareness, as I hope you are aware, that we actually have out on the streets right now an active request to qualify for a procurement for sovereign cloud services.

That effort is really around looking for Canadian-owned and -controlled providers to provide that service to the Government of Canada. I want to push back on the notion that we're not doing some new things that we haven't done in the past through this policy and through the work of the DTC, Shared Services Canada, PSPC and our government more broadly to be able to engage, specifically, on the digital side.

I haven't asked a question, but I look to you for your comment on that.

Laurent Carbonneau: That's really helpful. I'm aware that there's the sovereign cloud RFI right now. It's just too early for me to comment on a result, obviously, given that it's currently in an early stage, but it's definitely an encouraging sign. I know we have folks that are very interested in that.

I just didn't want to be too out in front of that ongoing process. You have to live in hope.

Hon. Jenna Sudds: Absolutely, but I just raise it because it's a proof point.

Laurent Carbonneau: Of course.

Hon. Jenna Sudds: It's a proof point that it's not all talk. We are doing what we're saying, and this is an example of exactly that. Thank you.

I will cede my time back to Mr. Gasparro.

Vince Gasparro: Great.

This is for Mr. Carbonneau, but I guess anyone can comment on it. We spent, obviously, a great deal of time talking about a buy Canada policy here at the federal level. What role can municipalities and provinces play in working alongside us?

Maybe you can all comment on that, please.

Laurent Carbonneau: I definitely think provinces have an important role here. I mentioned the buy Ontario policy and some of the outstanding concerns we have about that, that it creates internal trade barriers, really, in a very real way. We definitely want to avoid that. However, I do think that the federal buy Canadian policy is a useful template. This is also addressed in the report, which we will send. It basically says, "I think we should have a national standard, and we should apply it nationally."

I also think it would be really helpful to find ways that we can piggyback more on each other's purchases. People talk about internal trade barriers. How many different buyers are there for the public sector across Canada. There are many hundreds. I think, if we allow a much more integrated public services marketplace across the country, that's a huge opportunity for scale for companies that want to find a public sector market to solve public sector problems.

At the end of the day, if we're applying people's ingenuity toward solving the real problems that Canadian jurisdictions have and toward making life better for Canadians, I think that's a really big win. It also helps us find export markets abroad and more scale at home. It's a win-win. I think those are things we should look at. Having more integration rather than more fragmentation would be my recommendation.

● (1220)

Daniel Perry: I think—

The Chair: I apologize. That is our time.

Anyway, witnesses, thank you for being with us.

Colleagues, we'll suspend very quickly to bring the new witnesses in. I'm hoping we'll get out of here by about 1:15, just so you're aware.

We are suspended.

● (1220)

_____(Pause)_____

● (1225)

The Chair: We are back. Thank you, everyone, for your patience.

We welcome a couple of new witnesses. We have opening statements.

We'll start with Mr. Hamilton for five minutes, please.

Welcome to OGGO. The floor is yours, sir.

Geoffrey Hamilton (Chair, National Business Management Committee, Canadian Corps of Commissionaires): Thank you very much, Mr. Chair and members of the committee, for the invitation to appear.

My name is Geoff Hamilton. I chair the national business management committee of the Canadian Corps of Commissionaires, Canada's national not-for-profit security organization, founded in 1925 to employ veterans.

I will be open about our interest. We compete for federal contracts, and we recently lost one. Our concern today, however, is the design of the buy Canadian policy, not an individual tender.

Let me start with our conclusion. The buy Canadian policy is a welcome change of direction, but in its current form, it buys Canadian addresses, not Canadian businesses. Under the policy, a Canadian supplier needs a permanent place of business here, a registered address, Canadian tax filings and some staff. Nothing asks who owns or controls the company. On October 20, the procurement ombud confirmed to this committee that foreign ownership alone does not stop a firm from being treated as Canadian. Any multinational can be “maple-washed” by incorporating a subsidiary. The work is done here, but the mind and management remain abroad.

Why does that matter as long as Canadians are somehow employed? It's because ownership decides where value accumulates. A subsidiary's profits flow to its parents, and this profit margin can also move through intragroup management fees, licences and service charges. This is legal and normal for multinational groups, so a federal contract pays for Canadian labour while the returns build a balance sheet and business capabilities abroad.

This is most acute in the services sector. In a services business, the valuable asset is not a factory. It is the management system—the processes, training, quality control and business culture—that delivers a reliable service. That is precisely what investors pay for when they buy a services company. When we award a services contract to a foreign-owned firm, we underwrite that know-how in another country and keep only the frontline work here.

Canada was once warned against becoming a nation of “hewers of wood and drawers of water”. In the services sector, we risk a modern version. Canadians wear the uniform while the higher-value functions are exported.

In security-sensitive work, ownership is also about control and leverage, and leverage can come from heavy reliance on foreign lenders or foreign government revenue, not only shareholder equity. Canada has learned this lesson before. In 2020, a standing offer for X-ray equipment for Canada's missions abroad went to Nuctech, a partly Chinese state-owned firm, as the lowest-price bidder. In 2021, the RCMP bought radio frequency equipment from Sinclair Technologies, whose parent had been owned, since 2017, by Hytera, in which the Chinese state holds a stake. In 2025, the federal government ordered Hikvision's Canadian subsidiary to close and barred federal use of its CCTV products. Each time, ownership was examined after the contract award, not before.

If ownership matters for an X-ray machine, it matters more for the people inside government buildings. Guards, facility managers and other contracted staff have physical access, see sensitive information and know how these buildings work. In our experience, screening for the firms that employ these people is limited. Where ownership is considered, it rests largely on self-declaration. Debt and foreign government revenue are not systematically examined.

This is all fixable. Statistics Canada already maintains the intercorporate ownership registry, recording the country of control and residence for some 50,000 corporations. It does not capture every form of influence, such as that through shareholder agreements, but it would be a major improvement on today's test, which is, “Register here and you are Canadian.”

Preferences should also reward Canadian ownership, not just Canadian presence. The policy's evaluation credits go to any qualifying Canadian supplier, foreign-owned or not. In June, a $12-million Canada Revenue Agency guarding contract went to the Canadian subsidiary of a U.S. multinational over a Canadian not-for-profit that employs veterans—the Canadian Corps of Commissionaires—on a price gap of under 1%. A modest weighting for Canadian ownership would have counted in that decision.

We, therefore, recommend three things.

First, add ownership and control to the definition of a Canadian supplier wherever our trade obligations allow, including through national security exceptions. Where trade agreements preclude discrimination on the basis of foreign ownership alone, technical points should be awarded in bid analysis for services delivered by business capabilities residing substantially in Canada, under Canadian control, as a matter of industrial policy.

Second, any contract giving access to federal facilities, people or information should require disclosure of ownership, significant lenders and foreign government revenue, checked against Statistics Canada data.

Third, use the policy as an industrial strategy for services, building Canadian management systems, intellectual property and head-office jobs, not only for sourcing Canadian materials and labour.

Buy Canadian should mean investing in the development of Canadian businesses.

● (1230)

Thank you, Mr. Chair. I look forward to questions.

The Chair: Thanks, Mr. Hamilton.

We'll now go to Mr. Spencer.

The floor is yours, please, for five minutes.

Andrew Spencer (President and Founder, Mersey Critical Materials): Mr. Chair and members of the committee, thank you for the invitation to appear.

My name is Andrew Spencer. I'm the president of Mersey Critical Materials. I'm a metallurgical engineer with a master's in systems engineering. That's why you see what I'm wearing—I'm quirky.

I've spent the last 14 years in the U.S. steelmaking, scrap and mineral processing industries. I recently moved my family home to Nova Scotia to build that kind of industry here in the province.

Mersey Critical is a $55-million project to recover copper, gold, silver, lithium and critical elements from discarded electronics and their embedded batteries. We're working towards refurbishing the former Bowater Mersey pulp and paper mill in Brooklyn, Nova Scotia, which has been idled for more than a decade. We project to create 90 jobs within four years, but are not yet in production. I'm here, as a private company, building the kind of domestic capacity this policy is meant to support: critical minerals recovered and refined in Canada, for Canada's economy and our security.

From that vantage point, though, we see a gap. Canada's waste and recycling systems are built on the assumption that waste has no value. That is no longer true. As a nation, we generate about one million tonnes of electronic waste a year. Canadians pay a recycling fee when they buy the electronics, yet fewer than one in five tonnes is formally collected and recycled. Of what is collected, some of the most valuable material leaves the country for final processing, and Canadian manufacturers buy those same metals back, refined, on world markets.

We pay to recycle, we let that value leave and then we pay to bring it back again. This is economic leakage in its plainest form. We've thought about the life of the device. We have not thought about the life of its value.

Our project exists to close that gap and, in doing so, deliver what this policy sets to build: jobs, regional development, stronger domestic supply chains and the materials that companies in aerospace, technology and defence manufacturing depend on. That leakage is built into how we manage our waste. Until the buy Canadian policy reflects the full supply chain, we will keep shipping some of these valuable resources out of the country.

The policy's benefits are real. It signals the government's intent to buy Canadian, and that's exactly what investors look for. However, it doesn't yet reach a company like ours, as we won't sell directly to government. We'll sell the refined metals to the manufacturers who supply defence and aerospace technology. Nothing in the policy recognizes Canadian-recovered metals in their products, and nothing directs federal electronic waste to Canadian processors. Our policy touches both ends of the business—our customers and the supply—but it doesn't connect them.

That gap comes from three features in the policy's current design.

First is that the requirement to use Canadian materials applies only when a Canadian supplier already exists. Critical minerals are not on that list. When capacity is missing, as it is for critical minerals, the policy steps aside and government buys foreign by default.

Second, the policy covers what government buys, not what government throws away. Modern electronic waste is no longer just a disposal cost. It carries real value, yet nothing requires federal electronic waste to be processed in Canada, even as federal purchasing buys that same metal back.

Third, a Canadian supplier is defined mostly by its address and tax registration. The policy does score bids on Canadian content, which helps, but it does not track where the materials themselves were refined. These are not failures of intent. They are what happens when purchasing, waste management and industrial policy are designed separately. As a systems engineer, I'd say the policy is sound, but to have real impact, it needs to be connected.

We respectfully offer five recommendations.

One, please count critical minerals refined in Canada, including recovered ones, as Canadian content.

Two, adopt “dispose Canadian”. After reuse, federal electronic waste should be processed in Canada.

Three, when government buys foreign for lack of a Canadian supplier, make it public and commit to buying from new Canadian producers.

Four, define a Canadian supplier where value is created, and give Public Services and Procurement Canada the expertise to check.

Five, work with the provinces to keep Canadian material available to Canadian processors.

Canada cannot buy Canadian if it lets its resources leave before Canadians can process them. Buy Canadian creates the demand. Connecting it and managing our waste will build the supply.

Thank you, Mr. Chair. I look forward to your questions.

● (1235)

The Chair: Thank you very much, Mr. Spencer.

We'll start with Mr. Mazier for six minutes, please.

Dan Mazier: Thank you, Chair.

Thank you to the witnesses for being here.

Mr. Hamilton, the government recently chose to award a $12-million security contract to an American multinational instead of to Canada's largest private employer for veterans. The difference in price was about $80,000, which is less than a penny on the dollar for the contract's value.

Are you aware if being Canadian-owned earned the Commissionaires a single extra point in the government's procurement evaluation process?

Geoffrey Hamilton: We are aware that it did not. In our discussion with PSPC officials, the clear understanding is that the buy Canadian policy as it currently exists would not preclude any Canadian-incorporated security company from bidding on work for the federal government and earning that preference.

Dan Mazier: An American-owned bidder was treated exactly the same as you were on the terms of the buy Canadian contract.

Geoffrey Hamilton: That's right.

Dan Mazier: Wow.

Mr. Hamilton, the government has defended awarding this contract by claiming that the winner was a Canadian supplier, even though it's an American-owned multinational. Is it your understanding that the American-owned company would get exactly the same treatment as a Canadian supplier under the government's buy Canadian policy?

Geoffrey Hamilton: Yes, that's true.

Dan Mazier: Mr. Hamilton, are the Commissionaires pursuing any legal action on this government's procurement decisions?

Geoffrey Hamilton: We have applied for a judicial review on the right of first refusal decision, which is a separate one. The CRA contract was not related to that.

Dan Mazier: How is that? You just did it, or where are we—

Geoffrey Hamilton: It's still in process, so there's a limit to the extent that I can speak about it.

Briefly, our understanding is that the government decision was made without following the process set out in the policy governing that relationship. In general, it didn't benefit from a broad-based analysis of the review of that contract framework, which had been in place for 80 years. The last time it was seriously reviewed was in 2014, when the Treasury Board commissioned an independent consultant to review users of security services across government, speak to veterans groups, talk to commissionaires and develop a wholesome understanding of the benefits of the contract and its service to the Government of Canada. That didn't take place in this case.

Really, since then, all that has changed is that ownership of that right of first refusal file transferred from the Treasury Board to Veterans Affairs Canada. Our understanding is that VAC took a very narrow view of the review of the policy.

Dan Mazier: Mr. Hamilton, the government banned Huawei from our 5G networks on national security grounds. Under the government's definition of a Canadian supplier, is there anything preventing a Chinese-owned company like Huawei from registering an office in Canada and bidding on federal contracts under the government's buy Canadian policy?

Geoffrey Hamilton: To our understanding...no. In general, we are aware that there are security screening and background checks—foreign ownership, control and influence checks—that are done for security-sensitive procurements. For some reason, security guarding in federal institutions is not considered security-sensitive enough to be subject to those checks.

● (1240)

Dan Mazier: A company like Huawei could actually be considered to be a Canadian supplier by the government under their buy Canadian policy. Is that correct?

Geoffrey Hamilton: Yes, as we understand it.

Dan Mazier: Mr. Hamilton, do you have any concern that foreign companies could set up shell companies in Canada to qualify as Canadian suppliers and win contracts under the government's buy Canadian policy?

Geoffrey Hamilton: Yes, very much so. In particular, in the security guarding work that we used to do under the right of first refusal, and still do until March 31, there is nothing preventing that from happening. We feel that the national security implications of that change were not considered, because VAC took such a narrow view of the policy. They didn't speak to users in national security, public safety or DND.

Dan Mazier: Mr. Hamilton, you said that the government's buy Canadian policy buys Canadian addresses, not Canadian businesses. Is it fair to say that, as written, the policy is misleading?

Geoffrey Hamilton: I think so, yes.

Dan Mazier: What are the ramifications of that? Obviously, what you experienced....

Geoffrey Hamilton: If you're going to have a buy Canadian policy, have it support all of government's strategic objectives. The government's strategic objectives right now are very much focused on national defence, public security, public safety and investment in Canada. The buy Canadian policy, narrowly, doesn't support that, and the RFR decision itself also doesn't support that. We see these as linked in some way.

The buy Canadian policy as written really provides a road map for foreign companies to achieve a check in the box to be able to say they're Canadian.

Dan Mazier: It provides a road map for foreign companies.

Mr. Hamilton, I have one last question.

We just learned that government departments do not track whether their buy Canadian suppliers are Canadian- or foreign-controlled. How can a buy Canadian policy work if the government does not even know who owns the companies it is buying from?

Geoffrey Hamilton: I would say that it would have a very limited effect and a superficial effect. As you know, there are beneficial ownership registries that are going to be introduced in Ontario, for example, and individuals with significant control are tracked by Industry Canada for corporations in Canada. Statistics Canada, of course, tracks the control of companies through the intercorporate ownership registry, but none of this seems to be used by the buy Canadian policy.

Dan Mazier: Thank you very much.

Thank you, Chair.

The Chair: Thank you.

Ms. Rochefort is next.

[*Translation*]

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

[*English*]

Hello, Mr. Spencer and Mr. Hamilton. Those were excellent comments. Thank you.

I will direct my comments to you, Mr. Hamilton.

Actually, it was just a few days ago that we were commemorating Remembrance Day across our country. I know that all of my colleagues were all present at various commemoration events.

In my riding, I was surprised that 18 different commemoration events were held. At one in particular, in the town of Cobalt in northern Ontario, I discovered that we had a veterans cemetery with over 100 tombs. It's a very old cemetery. With candles, a vigil was held there overnight. It was very touching. I wanted to just touch on that and to say thank you to everyone who keeps Remembrance Day alive across our country and in Nipissing—Timiskaming.

As you well know, Mr. Hamilton, our responsibility continues beyond Remembrance Day, and we must also support veterans in civilian life. I did not realize that the Canadian Corps of Commissionaires is over 100 years old, is a very long-established organization in Canada, founded in 1925, and is a non-profit, a Canadian non-profit. There's an impressive history there, for sure.

Certainly, last week, I did hear a few veterans speak of the challenges they have when they return from the Canadian Armed Forces and re-enter civilian life. They talked about sometimes having challenges in having their credentials established from when they were with the Canadian Armed Forces, whether those are in leadership, technical or operational-type fields. I come with a few questions in that line about how we can better recognize or integrate the particular expertise they've gained in their service in the Canadian Armed Forces.

First, from your experience, what are the main obstacles that are preventing veterans from having their military training, their occupational qualifications and their professional experience recognized by civilian employers across industries and beyond just guard services?

● (1245)

Geoffrey Hamilton: Yes, I'm aware that it is a problem for lots of veterans, and that the government is working on supporting them through the national veterans employment strategy that was recently released. That strategy is very focused on supporting current serving members who are in the process of transitioning to the private sector today, and that's a worthwhile initiative. That's always been a policy gap. People with HVAC and plumbing credentials in the military, for example, did not previously have those recognized. That was always a burden.

I would say more generally, though, that the challenge folks transitioning from the military into a private sector experience have is that of not having a network where they happen to have retired. In the course of your military life, you tend to be posted around every two or three years, potentially, to a new military base, with your family trailing along.

Where you retire is, in many cases, just where you happen to have spent the last few years. It's not where you're from. It can be difficult under those circumstances to enter the local labour market, say, in Barrie, Ontario, if you grew up in Nova Scotia. You don't have a network there. Having national organizations with a footprint across the country that are able to support that kind of transition is important, in our view.

Pauline Rochefort: That was a good comment.

How can civilian employers better understand military occupations, rank structures, training systems and responsibilities to accurately assess the skills and potential a veteran may bring to the civilian workforce?

To go back to your example of a veteran in Barrie, for example, how could he or she get their credentials recognized amongst that employer community?

Geoffrey Hamilton: As somebody who works with an organization that has focused so much on employing veterans and is steeped in military culture, I'd say that everyone from frontline guards up to the CEOs are veterans, and I suppose we have an inherent understanding. Maybe I'm not well positioned to answer that question.

I'm aware that the advice we give organizations that want to become better employers of veterans is that it's useful to form what we call a veterans employee resource group, a small group of individuals with that experience, knowledge, understanding and empathy and who are usually former veterans themselves. Even in a large company, if you have three or four veterans and you put them in touch with each other, you've created a seed you can grow the crystal around, if you don't mind the metaphor, in veteran understanding. That's what a veterans employee resource group is intended to do.

Pauline Rochefort: When you think of the federal government, provincial governments, maybe educational institutions, professional regulatory bodies and private sector employers, could they equally play a role in addition to what you've just described as an employee-type group that would work together?

How can they, from that perspective—from federal, provincial and so on—establish more consistent approaches to recognizing military qualifications across Canada?

Geoffrey Hamilton: Of course, one of the challenges is that a lot of the trade regulations around these occupations, particularly ones like plumbing and HVAC and electrical work, are regulated at the provincial level, so some interaction with the province is required to support those transitions. Fundamentally, though, veteran support is a federal responsibility.

We find ourselves in a period of relative flow in the sentiment of public support for veterans right now, and that is a sentiment that ebbs and flows. I've seen it a few times in the course of my military career. Subsequently, we're blessed to have the opportunity to fix some of these things now while that sentiment is running high.

Our concern is that some of what the government is trying to do through the national veterans employment strategy is intended to leverage public sentiment rather than to replace it in its absence during the periods of ebb, if you will. Organizations like the Canadian Corps of Commissionaires, the Legion and others—there are other organizations that have always been around and have always been about supporting veterans—have to play an important role in always being there and, in our view, should be supported for that reason.

Pauline Rochefort: Have you—

The Chair: I'm afraid we're past your time.

Madame Gaudreau, go ahead, please.

Pauline Rochefort: Thank you, Mr. Hamilton.

[*Translation*]

Marie-Hélène Gaudreau: Thank you, Mr. Hamilton, for coming here to explain to us what happened in greater detail.

As you know, we discussed the matter in the House of Commons. I was on the Standing Committee on Veterans Affairs for only a year. There's a long wish list and a lot of goodwill, but very little in the way of meaningful, significant action. You tell me, but we could undertake an examination to see whether Veterans Affairs Canada is truly able to meet the tremendous needs of veterans.

We're talking about the buy Canadian policy today. As far as commissioners are concerned, this is something of a tradition, something I think is very worrisome for the future. I'll explain. There's a reason we're still studying Bill C-39 into the wee hours of the morning. We absolutely need significant decision-making flexibility for the sake of the national interest and the economy.

In my early days as a member of Parliament, I felt like I was in a bad movie. All the talk about shell companies and frontmen was detrimental in the case of the pandemic. Is the same thing happening again, with people already talking about what might happen if…? The $80,000 contract is evidence of that. The contract went to an American company, even though the government says we need to buy Canadian. Explain that. It's all Greek to me, so I don't get it. I don't get how you weren't given the right of first refusal, which is the social procurement tool available to veterans. You explained it so well.

We did studies on the transition to civilian life, but this feels like a joke, like we're in a bad movie. At the end of the day, is the buy Canadian policy more about the supplier's administrative address, or do you genuinely think the government cares about what you are?

● (1250)

[*English*]

Geoffrey Hamilton: I'm sure it's useful in some sectors. I think it is intended, as I understand it, to motivate the use of Canadian material and intellectual property, but when it comes to the services sector, in particular—and security services is a unique subset of the services sector—it doesn't seem to help at all.

As to your point about the right of first refusal and the CRA contract, I should point out that the CRA contract didn't fall under the right of first refusal. I want to emphasize that, because the right of first refusal has always been a small subset of the totality of the federal government work contracted—$1.5 billion a year contracted by the federal government in security services such as guarding. The right of first refusal was a small set-aside that excluded much of that...most of that.

[*Translation*]

Marie-Hélène Gaudreau: Let's be clear. We're talking about an $80,000 difference on a $12-million contract. We know the challenges facing veterans. You yourself served. Frankly, I really need to hear something other than this is to protect the national interest and our economy, seriously. I'm a businesswoman and someone who's worked in the community sector. It's very clear to me, as someone who comes from both of those worlds, what's happening. No one's fooling me. This is very disheartening.

Is the buy Canadian policy really just a hyped-up lowest price policy to benefit companies that meet the legal definition of being Canadian? Conversely, is it a policy to maximize and keep economic and social benefits in Canada?

Is buy Canadian really about the lowest price, or should it include a social procurement component, since we are in the process of looking at the criteria?

[*English*]

Geoffrey Hamilton: The social procurement question is a good one, and it's perhaps outside the scope of the buy Canadian policy specifically. Our concern here, and how this relates to the RFR, really, is that there was a buy Canadian policy in place when the CRA contract was awarded. It didn't do anything to shift the needle even under 1% for a Canadian-owned supplier.

There is now no “buy veteran” policy. There's nothing at all supporting veteran businesses and veteran-employing businesses. You can just imagine how the 2,000 veterans currently employed under the right of first refusal will be affected by procurements going public without any kind of support.

● (1255)

[*Translation*]

Marie-Hélène Gaudreau: Absolutely.

I'll end with a simple comment. A moment ago, we heard that small businesses can't even bid on contracts. This is a one-size-fits-all model for the giants of the world.

Unfortunately, that really worries me, Mr. Chair.

Thank you.

[*English*]

The Chair: Thanks.

Mr. Bragdon is next.

Richard Bragdon: Thank you, Mr. Chair.

Thank you to the witnesses here. Thank you, in particular to both of you, for taking the time to be here today.

Mr. Hamilton, I mentioned this in the last hour of questioning, but I think it bears repeating, especially in light of the government's awarding of the security contract to a U.S.-based company tied to ICE, because of the difference of 1%.

Forty-two per cent of Canadian manufacturers have either moved or are planning to move some of their production, if not all, to the United States. This is a staggering fact. That doesn't account for other Canadian businesses that are perhaps looking at relocating to different jurisdictions in different countries around the world.

In light of this, how can the government ensure Canadian businesses stay in Canada?

Geoffrey Hamilton: That's a good point. Canadian businesses want to be able to export their services, and what they're experiencing, of course, is a similar sentiment abroad, where Americans want to buy American and Europeans want to buy European. Canadian companies entering those markets are already meeting barriers that they have to overcome.

For Canada, as sad as it is to say, the global trade environment has changed, and we've been slower to change with everyone else. We do have to provide a way to support Canadian businesses that want to work abroad, but not at the expense of exporting their core executive capacity, management capacity and business functions abroad.

Richard Bragdon: Yes...exactly. How would you suggest that the government ensure the federal contracts are building Canadian businesses and expertise rather than sending those profits abroad? Do you have any suggestions on that?

Geoffrey Hamilton: I think that looking at the ownership of those businesses and not just the place of incorporation or registration is the key one. It's a relatively easy one, to the extent that this is data already tracked by the individuals with significant control registry by Industry Canada and the Statistics Canada control registry.

Richard Bragdon: Yes. Given the sensitive access that security contracts can have inside federal buildings, shouldn't the government be taking a harder look at foreign ownership or foreign influences before awarding these contracts to, perhaps, shell companies and others that may have bases in other countries that may not be jurisdictions friendly to Canada?

Geoffrey Hamilton: Indeed, and I think one of the even more foundational problems is that you can't publicly tender for security services in sensitive jurisdictions like military bases and Public Safety Canada offices. Already, you can't be publicly advertising the number of guards, where they're patrolling, what the shift pattern is and what the scope of work is in order to meaningfully run a public tender.

The national security exemption exists in all of our trade agreements for exactly that kind of application, but because the Canadian Corps of Commissionaires has existed for so long and has been the framework through which that work was provided, we've had a national security role, I think, without the government really well understanding it. They're throwing away that relationship, along with the thing that's intended to support veterans.

Richard Bragdon: You mentioned that Statistics Canada's ownership registry could help verify who controls a company. Do you have any insight as to why the government isn't making use of the data it has already, as opposed to the self-attestation process?

Geoffrey Hamilton: I don't have an answer for that.

Richard Bragdon: Rather than creating another layer of bureaucracy, how can the government use procurement to give real Canadian businesses a fair opportunity to compete in procurement?

Geoffrey Hamilton: The current buy Canadian policy awards 10% for Canadian businesses over foreign businesses. The problem really is just the definitions of those two things. Without looking at the ownership and awarding that 10% without looking past the office of registration, if you will.... Leveraging those existing databases as a cross-reference against the self-attestations is a very good place to start. It seems like an easy hurdle to get over.

Richard Bragdon: In conclusion, I would be interested in your take, Mr. Hamilton. You work with veterans from across the country. How have they felt? What has been the reaction to the awarding of this contract to another company?

Geoffrey Hamilton: The contract hasn't been awarded to another company yet. The prospect of it happening, certainly, in the CRA case.... To use that as an example of what will happen with the other 8,000 commissionaires under the right of first refusal, of those 60 commissionaires, we understand from statements made in Parliament that 33 were initially hired by the incoming company. This is about half of the workforce, of which 12 were veterans.

In the most recent public statement made by that company, now the number of commissionaires on the contract has already dwindled to “several”. You can imagine how many of those veterans who were on the contract remain there. It wasn't because they were fired. They were forced out because the wages were unappetizing, the working conditions were unappetizing or the company just wasn't a supportive veteran employer. It's the sort of thing that if you're not deliberate about it, it's easy to ignore. If you don't have an incentive to pay attention to it or if there's not a reason to be employing veterans on that policy, these suppliers are not going to pay attention to it.

● (1300)

The Chair: Thank you very much.

Ms. Fancy, please go ahead.

Jessica Fancy (South Shore—St. Margarets, Lib.): Thank you very much.

Through you, Chair, I'd like to direct some of my questions to Mr. Spencer from Mersey Critical Materials.

First and foremost, Mr. Spencer, it's great to have someone who's also from the south shore here today appearing before committee. One of the things that I've been advocating for, particularly as chair of the Liberal rural caucus, is to make sure that rural communities are not left behind as we are trying to build a stronger Canadian economy.

We often talk about critical minerals, securing our supply chains and creating the industries of tomorrow. I think it's very important to recognize communities, like Shelburne county and Liverpool, Nova Scotia, to have a real opportunity to be a part of that. That's why I think the government's buy Canada approach will make such a huge difference. It's not just for supporting established industries, but also for helping innovative Canadian businesses like yours grow and create good jobs for communities like the ones we live in.

The question I have is about your opening remarks in regard to our current buy Canada policy prioritizing materials like aluminum, steel and wood products in our major procurements. Do you believe that there's an opportunity, like you mentioned in your opening statement, to expand that approach to include Canadian recycled and refined critical minerals, particularly those in batteries, electronics or defence technologies?

Andrew Spencer: Thank you for your question.

Absolutely. This actually had been performed in the past. A gentleman in my company used to work for EDC. They performed this exact thing back in the 1980s and 1990s. I think it could be easily reviewed to see how that was done and, similar to how we do steel, aluminum and lumber, just copy it over for critical minerals for what is already defined federally.

Jessica Fancy: Thank you very much, Mr. Spencer.

You mentioned in your earlier opening statement five different recommendations. I'm wondering if you could expand on those recommendations. What's the most important change that we, as a government, could make to help strengthen that buy Canadian policy?

Andrew Spencer: If I could make only one change of the five that I suggested, it would be to count critical minerals refined in Canada—including even these recovered ones, not just for mines—as Canadian content, as it costs the government nothing. It reaches out to customers in energy, defence and aerospace, and it tells investors that the market is real. This isn't waste.

This is exactly what we do with steel, aluminum and forestry, which are critical sectors. This sends a signal to investors that this is a very viable industry that's able to grow.

Jessica Fancy: From your industry's perspective, has the small business procurement program been helpful thus far? I know you're in the process of setting up.

What could we use to make communications better for our small and our medium-sized businesses to help make them aware?

Andrew Spencer: We have not reached out. The $5-million mark is not necessary in our business. The main need for us at this point is a signal from the federal government that this is an industry that can grow and supply its own critical means.

In terms of communications, we have reached out to other government agencies, and due to our start-up business size, we've been turned away.

In terms of assistance for how that could be progressed, what are critical industries in Canada and where do we need to grow rural economic development and try to target that?

● (1305)

Jessica Fancy: Let's look five years down the road. You're starting up and you're going. Hopefully everything is tickety-boo. I'd like you to comment on what you feel a successful buy Canada policy would mean five years from now and how that could help your industry grow.

Andrew Spencer: For our industry, it's really closing the gap in what we buy and where we procure. How do we close that gap for the metals and materials that need to come in, the value-added aspects for circuit boards or metals, and shed some light on some aspects of this?

We must stop the leakage, in small amounts, of the one million tonnes. If we can cut that by 1% or 2%, even a fractional amount, we would view that as a success.

The Chair: Thanks.

We're past the—

Jessica Fancy: Is that everything?

The Chair: That is everything, I'm afraid.

Jessica Fancy: It's so quick.

Thank you, Mr. Spencer.

The Chair: Thanks, Mr. Spencer.

Go ahead, Madame Gaudreau.

[*Translation*]

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

Mr. Spencer, I just heard you refer to a leakage valued at tonnes. That money is leaving the country. Did I hear you correctly?

[*English*]

Andrew Spencer: At this point in the Canadian industry, Canadians pay a disposal fee for electronics. We know and we record said number. When we dispose of it, we do not record that. What is officially recorded is that one in five tonnes that are purchased and paid taxes for is recycled. The remaining amount sits in your drawers at home in cellphones, children's toys, this headset that you guys sent me, thankfully, and other devices that we view as having no value.

[*Translation*]

Marie-Hélène Gaudreau: What I gather, Mr. Spencer, is that there's an opportunity there. The government says it cares about the environment and climate change. I think the criteria should include a provision on what you said about recovering critical minerals, for both commissioners and small businesses.

Would that make a big enough difference to bring you onside with the buy Canadian policy?

[*English*]

Andrew Spencer: We're not sure of the amount of e-scrap the federal government currently produces, and I'm not sure anybody knows that. What it does is send a signal to investors that this is a very credible resource. Instead of mines opening up, we can take what we've already mined, added value to and used during its life, and we can recycle it back into the system, similar to what the steel and aluminum industries have already been doing for 40 years.

[*Translation*]

Marie-Hélène Gaudreau: I have one last question in the few seconds remaining. You said earlier that the threshold was $5 million. Would reducing the threshold to make more contracts available help your sector?

[*English*]

Andrew Spencer: Absolutely, yes.

[*Translation*]

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

[*English*]

The Chair: Thanks very much.

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

Kerry Diotte (Edmonton Griesbach, CPC): I want to go back to Mr. Hamilton.

Could you summarize your biggest issues with this whole situation?

Geoffrey Hamilton: This whole situation...it's framed broadly. We have a lot of issues with a lot of things.

Our issue with the buy Canadian policy is that it doesn't really seem to reward Canadian-owned businesses, or even Canadian-controlled businesses. I suppose, to put a point on it, we're in the services industry, which is different from other industries in that you can deliver human beings who are Canadian under a guarding or a janitorial contract, say, and still have the headquarters run substantially out of Philadelphia, which is the case of the company that was awarded the CRA business. That's a real problem. They have a Canadian entity. They have a guy they call their Canadian president, but the real business is American.

● (1310)

Kerry Diotte: What has to happen immediately then? What should be done about this?

Geoffrey Hamilton: I think the policy needs to be updated to scrutinize ownership and to reward, in our RFPs, companies that are Canadian-owned and Canadian-controlled.

Kerry Diotte: Do you think that the average public citizen is even aware of this situation?

Geoffrey Hamilton: I'm certain they're not. We were not aware of it ourselves until a few months ago. We assumed that the buy Canadian policy would be supportive of a Canadian company like ours.

Kerry Diotte: You've heard that this government is all about, allegedly, Canada first, Canada this and Canada that.

What does that say about their slogans?

Geoffrey Hamilton: I'd say that slogans are easier to make than policies that work in practice. It's the work of this committee to make recommendations to fix that, and I hope you are able to.

Kerry Diotte: I just wanted to talk to the other witness.

It was quite surprising to learn we're in a situation where we are in great need of critical minerals, yet you're saying that we're missing an opportunity and actually we're exporting to the U.S.A., which we're supposed to be in a trade war with.

Can you go into that situation a little bit more, how Canada should be keeping better control of its minerals and the operation that you're doing?

Andrew Spencer: In the sense of e-scrap, we as Canadians have two main options. The regulatory body that we have was designed to keep electronics out of landfills. It is doing that. It is doing a great job.

When it comes to processing these materials, they are either exported to the U.S. for landfill.... There are no sites in the U.S.A. that handle this type of material. The lion's share of this is exported to third world countries, the BRICS nations specifically, where they are disassembled by hand, smelted in a backyard, sold to a larger smelter and then resold back to us under their environmental conditions, not our own.

Kerry Diotte: Isn't that quite shocking? We've seen these kinds of reports. We've seen the people in these places taking these things apart and exposing themselves to all kinds of toxic substances. How can we solve this problem and put an end to this immediately?

Andrew Spencer: We start by defining this as not a waste product. This is a feed source similar to scrap steel or scrap aluminum. We then prioritize combining this with new mines that are proposed to be opened up in five, 10 or 15 years. This is a collaboration that can occur with mines to stop bleeding this material out of the country and instead combine it with the virgin material that is created.

The road map I would suggest looks similar to the electric arc furnace steel industry that the U.S. and Canada have progressed since the 1980s.

Kerry Diotte: Can you tell me what your company is doing? Can you explain it to the people viewing this now?

Andrew Spencer: Absolutely. Thank you.

We plan to bring these materials that have embedded batteries in them—you can't remove these by hand—into our facility. We're building subsidiary sites around Canada to collect this, to help with supply to the maritime province, which does not have enough material currently collected to supply our needs. The material is received. It's recorded how much and where it came from. It's then shredded under conditions that are monitored.

It's a proprietary design that I made. Material goes in and it's shredded. The purpose is to discharge these materials. In terms of fire risk, there's about a fire every single week in Canada, only when they're broken into. The intent of this is that I want the fire to occur inside, to get rid of the fire risk. Now it's safe to transport.

Afterwards, all the material is loaded into a multiple hearth furnace. Picture a couple of cake pans on top of each other. Through the process, we make our own natural gas, oil and what comes out of the bottom is a concentrate ready to go into smelters, such as the Horne in Quebec, to make all these brand new metals. Our final step in year four would be to add a hydrometallurgical process to physically make the metals on site.

Right from cradle to grave, it's trucked one time to a site and it doesn't leave the country.

The Chair: Thank you very much.

We'll finish with Ms. Sudds, please.

Hon. Jenna Sudds: Thank you very much, Mr. Chair.

My thanks go to the witnesses for joining us today.

I'd like to start with Mr. Spencer.

Thanks for joining us virtually.

I'm always intrigued when I hear from a start-up that obviously is aspiring to do good and to help solve some of these environmental challenges that we have as a country but also more broadly in the world.

You made a comment around the buy Canadian policy needing to include the full supply chain. I'm wondering if you can elaborate for us what that supply chain is so that we can better digest that.

● (1315)

Andrew Spencer: Absolutely.

At this point, we, as a consumer economy, will purchase new materials from large electronic suppliers like Apple, Google or this company that made these headphones. We use these as consumers. At the end of their lives, we discard them. The materials that are in these are either processed in Canada and then shipped out of the country.... Many of the e-scrap collection companies in Canada right now are actually foreign-owned. Foreign countries have identified this as an important feedstock for their operations. They send it from Canada to their country to their main processing, where they process it under their national conditions, their national environmental.... They turn it back into metals. They refine it, add all the value and then sell it back directly to new manufacturing.

Hon. Jenna Sudds: That's excellent.

I was actually thinking more along the lines of—and I guess I didn't articulate this—your supply chain. With your aspiration of setting up this new facility, what does that look like as far as the supply chain? Just answer briefly. I'm trying to get my head around this.

Andrew Spencer: Absolutely.

For us, it's working in province with regulators that are currently managing this material. For the province of Nova Scotia, it's to stop exporting this material out of the province. For a second subsidiary in the greater Toronto area, it's to partner with an existing e-scrap company that already has existing supply and is already paying to dispose of and disassemble this material. With regard to the e-scrap material, it's shredding, disposing of the steel there in the steel industry and shipping the material back to us.

Then, for us, at the end of the day, our partner is an international commodity trading company located in England that has agreed to purchase every ounce of material that we produce and that can sell it to whomever it's dictated it needs to, whether that is domestic, western Europe or the world.

Hon. Jenna Sudds: That's interesting. I'm glad you clarified that for me. That is very helpful.

What I'm trying to understand, as well, is the demand for your services and who those end customers would be. I know from conversations here in Ottawa with some companies that I have engaged with, there seems to be an increase in expected demand, due to some of the investments, particularly in the defence and aerospace sector.

Is that relevant? Do you feel that in the work that you're doing?

Andrew Spencer: Absolutely, yes.

Hon. Jenna Sudds: Okay. That's fantastic. That's a great signal.

What will it take for you to be able to move forward with the facility that you are aspiring to fit up in your community, in your province?

Andrew Spencer: We're in detailed discussions with the Province of Nova Scotia. It currently holds the site from the bankruptcy of the pulp and paper mill. We have private funding already conditionally secured. We have sites in Ontario conditionally secured on securing this one site. For us, a move forward is finalizing the site with the Province of Nova Scotia. Then, within 18 months of that, we would be turning our facility on.

Hon. Jenna Sudds: That's incredible.

Then would you have the capacity to support the growing demand within the defence and aerospace sector here in Canada, for example?

Andrew Spencer: Our entire business model is to go into old pulp and paper mills that, in my opinion, will not reopen in most conditions. Our design is modular, so you design it for the capacity of a region of several hundred kilometres around it.

Hon. Jenna Sudds: Okay. Thank you very much.

I'm going to cede the rest of my time to MP Danko.

John-Paul Danko: In the very short time that's left, Mr. Hamilton, I have one final question for you.

It seems to me that veterans have a lot of the modern skills that would be in high demand: advanced technology, communication skills, some trades. However, most important would be the ability to perform under pressure, leadership and work ethic, which is something most companies are really looking for in new employees.

Speaking broadly, how can we better communicate the value that veterans bring to the Canadian workforce?

● (1320)

Geoffrey Hamilton: Yes, the soft skills are always the thing that employers talk about when they end up employing veterans. They're impressed by how relatively capable this person is. They seemed to have nothing relevant on their résumé because they were in the infantry for 15 or 20 years, and in whatever sector they entered, they were able to thrive as a manager and as a peer within that organization. I think that's a story that needs to be told much more often.

You're right that a certain segment of the veteran population releasing from the military today has directly applicable skills. If you think about, in particular, air force veterans—airframe technicians and electronics technicians—these people have no difficulty finding jobs. Frankly, they don't require the government's support to do so.

We're the largest employer of veterans in Canada. The second-largest, I believe, is Boeing. They're happy to hire these people. They don't really require any particular incentive to do so because their skills are directly translatable. They're already trained and ready to go.

The problem is that of the 461,000 veterans in Canada, almost all of those released from the military between five and 20 years ago, and if they now require employment.... It might sound strange to you that somebody might need support for that long. However, for people who have been uprooted throughout the course of their careers in the military and have never really put roots down anywhere, a certain segment of that population does require ongoing support. That's the sort of support that the right of first refusal was providing, and there's nothing really to replace that.

The Chair: Thanks very much.

Mr. Hamilton and Mr. Spencer, thanks for being with us today. We appreciate your time, your openness and your answers.

Colleagues, with that, we are adjourned.

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