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Directive on the Management of Materiel

Note to reader

Effective July 11, 2023, the *Directive on the Management of Materiel* has been amended to include new and modified requirements to Appendix A: Mandatory Procedures for Land Vehicle Fleet Management in support of the federal Greening Government Strategy and the commitment to electrify the entire federal fleet of light duty vehicles by 2030.

The following sections have been amended or added:

- Sections A.2.3.1.4, A.2.3.1.5, A.2.3.1.6, and A.2.3.1.14 relating to internal controls, planning, acquisitions and information management for all land vehicles.
- Sections A.2.3.6, A.2.3.7, A.2.3.8, A.2.3.10, and A.2.3.12 relating exclusively to executive vehicles.

1. Effective date

1.1 This directive takes effect on May 13, 2021.

1.2 This directive replaces the following Treasury Board policy instruments:

- *Policy on Management of Materiel* (November 1, 2006)
- *Controlled Goods Directive* (November 1, 2006)
- *Directive on Disposal of Surplus Materiel* (November 1, 2006)
- *Directive on Fleet Management: Light Duty Vehicles* (November 1, 2006)
- *Directive on Fleet Management: Executive Vehicles* (August 9, 2018)

1.3 Departments have 12 months to transition to this directive.

2. Authorities

2.1 This directive is issued pursuant to the same authorities indicated in Section 2 of the *Policy on the Planning and Management of Investments*.

3. Objectives and expected results

3.1 The objective of this directive is that materiel is planned, acquired, operated, maintained and divested in a manner that supports the delivery of programs and services to Canadians, while ensuring best value to the Crown.

3.2 The expected results of this directive are as follows:

3.2.1 Materiel is managed in a manner that enables operational outcomes, demonstrates sound stewardship and best value consistent with the Government of Canada's socio-economic, security and environmental objectives;

- 3.2.2 Materiel management decisions are based on risk management practices, performance information and an assessment of full life-cycle costs;
- 3.2.3 Effective governance and oversight mechanisms are in place to support the management of materiel;
- 3.2.4 Opportunities for collaboration are considered in materiel management decisions;
- 3.2.5 Workforce capacity for materiel management is developed and maintained commensurate with organizational need; and
- 3.2.6 Transactions related to materiel management are fair, open and transparent, and demonstrate due diligence.

4. Requirements

Senior designated official(s) for the management of materiel

- 4.1 The senior designated official(s) for the management of materiel in a department is (are) responsible for the following:
 - 4.1.1 Establishing, implementing and maintaining a department-wide materiel management framework consisting of processes, systems and controls that:
 - 4.1.1.1 Include oversight, planning and reporting mechanisms;

- 4.1.1.2 Incorporate performance results and lessons learned to inform materiel decision-making;
- 4.1.1.3 Contribute the materiel perspective to departmental planning functions, which includes ensuring that materiel inputs to the department's Investment Plan are in accordance with the *Policy on the Planning and Management of Investments*, Appendix A: Mandatory Procedures for Investment Plans; and
- 4.1.1.4 Facilitate collaboration between materiel management officials and program leads to enable informed materiel management decisions;
- 4.1.2 Providing advice to the deputy head on:
 - 4.1.2.1 The nature, structure and required resourcing of the department's materiel management function;
 - 4.1.2.2 Significant gaps in performance and issues of non-compliance with the requirements of this directive;
 - 4.1.2.3 The departmental materiel management strategy;
 - 4.1.2.4 Investments required to maintain the integrity of the department's materiel and to optimize its operational efficiency and environmental performance;

- 4.1.3 Identifying and addressing the department's needs with respect to the necessary competencies, capacity and professional development in materiel management;
- 4.1.4 Managing, in cooperation with the chief security officer, controlled goods, as outlined in this directive's Appendix B: Mandatory Procedures for the Management of Controlled Goods;
- 4.1.5 Identifying and protecting all assets that have heritage value, including Indigenous artifacts and assets that have cultural significance to Canadians;
- 4.1.6 Certifying annually to TBS the completeness and accuracy of the information submitted to the Centre for Greening Government Inventory; and
- 4.1.7 Facilitating the collection and reporting of accurate, timely and complete data for fleet management as described in Appendix A: Mandatory Procedures for Land Vehicle Fleet Management.

Materiel management practitioners

- 4.2 Materiel management practitioners are responsible for the following:

Planning and Governance

- 4.2.1 Ensuring that a materiel management information system is in place that:
 - 4.2.1.1 Enables the timely collection and generation of comprehensive and accurate data on materiel

holdings;

4.2.1.2 Links to departmental financial information systems and processes; and

4.2.1.3 Supports government-wide reporting requirements;

4.2.2 Ensuring that a strategy for life-cycle management of materiel is in place that:

4.2.2.1 Is developed in an integrated manner, in consultation with key departmental stakeholders, including procurement, real property, information technology, finance, human resources, security and other relevant stakeholders; and

4.2.2.2 Informs the department's Investment Plan;

4.2.3 Ensuring that the strategy for life-cycle management includes:

4.2.3.1 A table on the expected life of all materiel administered;

4.2.3.2 Estimates of the full life-cycle cost of all materiel, including environmental implications;

4.2.3.3 Performance information on the functionality, utilization and environmental impact of all materiel, allowing for year-over-year comparison with government-wide benchmarks;

- 4.2.3.4 The physical condition and financial performance of capital assets over their life cycle, allowing for year-over-year comparison with government-wide benchmarks;
- 4.2.3.5 Options to acquire materiel in support of program needs, including the rationale for decisions; and
- 4.2.3.6 Identification, assessment and management of risks;

Acquisition

- 4.2.4 Ensuring that acquisition decisions for materiel are taken in an integrated manner that includes consideration of operational requirements, usage, risks, investments and divestment;

Operation and maintenance

- 4.2.5 Implementing measures to minimize the risk of loss, damage and unauthorized access to or inappropriate use of materiel by:
 - 4.2.5.1 Implementing risk-based stock-taking for materiel by regularly undertaking physical asset verification and reconciliation of the verification results with asset records;
 - 4.2.5.2 Ensuring that the potential heritage value of materiel is assessed and that accurate

information on the nature and condition of such materiel is kept; and

- 4.2.5.3 Providing direction on the personal use of materiel;
- 4.2.5.4 Ensuring that every loan of a materiel asset is made by way of a written contract that meets the legal requirements set out in the Public Property Loan Regulations.

- 4.2.6 Managing controlled goods in a manner that prevents unauthorized access throughout the asset's life cycle; and
- 4.2.7 Identifying materiel that is surplus to program requirements;

Divestiture

- 4.2.8 Directing program leads to first consider the feasibility of the refit, repurpose and reuse of all materiel before divestiture through other options;
- 4.2.9 Documenting the analysis and rationale used to justify divestiture decisions, including a valuation for materiel that has not exceeded its expected life;
 - 4.2.9.1 For capital assets, ensure that the valuation is done by GCSurplus or another a third party;
- 4.2.10 Divesting of surplus materiel in a manner that is open, transparent and fair, and that results in best value or, if

appropriate, the optimal balance of overall benefits to the Crown;

- 4.2.11 Divesting of surplus materiel in an environmentally sustainable manner;
- 4.2.12 Eliminating all official Government of Canada symbols as part of divestment, with the exception of transfers between departments, or the donation of heritage materiel as appropriate;
- 4.2.13 When spending the proceeds of sale, ensuring that:
 - 4.2.13.1 To the maximum possible extent, proceeds are spent in the fiscal year in which they are recorded; where proceeds cannot be spent in the same fiscal year, they may be carried forward to the next, after which time any unused spending authority will lapse; and
 - 4.2.13.2 Proceeds are used only for divestment, operation and capital expenditures and are not used for transfer payments;
- 4.2.14 Transferring surplus materiel, subject to the exceptions listed in subsections 4.2.15, 4.2.19 and 4.2.20:
 - 4.2.14.1 If transfer is not possible, arrange for sale of the materiel;
 - 4.2.14.2 If neither transfer nor sale is possible, pursue other means of divestiture, including donation;

and

- 4.2.14.3 If no other means of divestment are possible, proceed with conversion to waste;

Divestment via transfer

- 4.2.15 Transferring between departments, where possible, all surplus unclassified digital devices;
- 4.2.16 Providing the right of first refusal, for materiel not transferred, of all unclassified digital devices in Canada to the Computers for Schools Program of Innovation, Science and Economic Development Canada;

Divestment via sale

- 4.2.17 Using the services of GCSurplus, with the exception of departments that have legislative or Treasury Board authority for divestment of materiel;
- 4.2.17.1 When entities are granted authority to conduct sales directly, ensuring that an open, fair and transparent opportunity is made available to Canadians for the purchase of surplus materiel;
- 4.2.18 When selling surplus materiel at sites outside Canada, departments are authorized to sell their surplus materiel directly or elect to use GCSurplus;
- 4.2.19 Seeking ministerial approval, unless this authority has been delegated by the Minister to the deputy head, for the sale of materiel that is being sold at less than market value or to a

limited market;

4.2.19.1 If a department directs GCSurplus to sell to a limited market, the originating department must obtain their minister's approval; and

4.2.19.2 Such transactions must demonstrate that they will serve the public interest more than sale to the public at market value;

Divestment via donation

4.2.20 Ensuring that materiel is only donated to other levels of government in Canada, Indigenous peoples, other national governments, treaty organizations of which Canada is a member, the United Nations, or charitable or non-profit organizations;

4.2.21 Seeking ministerial approval, unless this authority has been delegated by the Minister to the deputy head, for the donation to a designated recipient of materiel that has market value greater than divestment cost, has not exceeded its expected life, or is being donated to an individual or for profit organization;

4.2.21.1 Such transactions must demonstrate that they will serve the public interest more than sale to the public at market value;

4.2.22 Donating heritage materiel that is surplus to the department to federal institutions such as museums, other heritage organizations or institutions that have a mandate related to

the item in question, or public authorities as defined in the *Cultural Property Export and Import Act*;

Divestment via trade-in

- 4.2.23 Ensuring that, when trading in, surplus materiel is transacted as an integral part of the contracting process for the replacement materiel (applies only when a standing offer is not mandatory);
- 4.2.24 Ensuring that the market value of the materiel is used as the basis of contract negotiation for trade-ins and accounted for in the proceeds of divestment; and
- 4.2.25 Consulting with the original supplier of any controlled goods prior to trade-in;

Transfer of programs

- 4.2.26 When transferring programs between departments, ensuring that:
 - 4.2.26.1 Materiel follows the program for which it was acquired, wherever possible;
 - 4.2.26.2 Any materiel not transferred with the program is treated as surplus, with the exception of materiel that can be refitted, repurposed or reused, as outlined in subsection 4.2.8;
 - 4.2.26.3 The transfer of materiel is captured in the department's information systems; and

- 4.2.26.4 Transfer agreements include comprehensive information on the roles and responsibilities related to all materiel assigned to the program.

5. Roles of other government organizations

5.1 This section identifies the roles of other key government organizations in relation to this directive. In and of itself, this section does not confer any authority.

5.1.1 Public Services and Procurement Canada (PSPC) is responsible for the following:

- Contracting for goods, services and construction;
- Managing seized property, forensic accounting, industrial security and traffic;
- Divesting of surplus goods, including controlled goods, through GCSurplus on behalf of departments;
- Obtaining commercial insurance for vehicles for which the Government of Canada does not self-underwrite;
- Providing strategic, procedural and technical advice on behalf of departments; and
- Administering the Controlled Goods List contained in Schedule 35 to the Defence Production Act.

5.1.2 PSPC and National Defence (DND) share responsibility for providing materiel identification and related services to

departments.

- 5.1.3 DND is responsible for administering and maintaining the Canadian arm of the NATO Codification System (Canadian Government Cataloguing System).
- 5.1.4 Global Affairs Canada is responsible for the procurement of materiel for Canadian missions abroad and the administration of the Export Control List and all international trade treaties.
- 5.1.5 Parks Canada is the recognized Government of Canada authority for federal archaeology and is responsible for providing relevant advice and guidance to other federal departments on related topics.
- 5.1.6 The Privy Council Office is responsible for maintaining a list of senior executives who are eligible to use executive vehicles.
- 5.1.7 Innovation, Science and Economic Development Canada is responsible for the Computers for Schools Program and intellectual property.
- 5.1.8 Shared Services Canada is the Common Service Provider responsible for the following:
 - 5.1.8.1 Providing services related to email, data centres, networks and end user information technology to federal department and agencies;

- 5.1.8.2 Planning, organizing and acquiring related goods and services pursuant to section 7 of the Shared Services Canada Act.

6. Application

- 6.1 This directive applies to the organizations listed in section 6 of the Policy on the Planning and Management of Investments.
- 6.2 This directive also applies to ministers' departmental headquarters offices and ministers' regional offices but excludes offices on Parliament Hill and constituency offices that are administered under the House of Commons guidelines and budgets.
- 6.3 Agents of Parliament:
- 6.3.1 The following organizations are considered agents of Parliament for the purposes of the directive:
- Office of the Auditor General
 - Office of the Chief Electoral Officer of Canada
 - Office of the Commissioner of Lobbying of Canada
 - Office of the Commissioner of Official Languages Canada
 - Office of the Information Commissioner of Canada
 - Office of the Privacy Commissioner of Canada
 - Office of the Public Sector Integrity Commissioner of Canada

- 6.3.2 In the event that any policy, procedure, process, guidance or best practice conflicts with a requirement or impedes on an Agent of Parliament's independence or authority, the Agent of Parliament will have full discretion to make determinations over their application.

7. References

This directive should be read in conjunction with the following legislation and policy instruments. Although items listed are considered the most relevant to departments' and agencies' ability to comply with the requirements in this directive, the list should not be considered exhaustive.

7.1 Legislation

- *Alternative Fuels Act*
- *Cultural Property Import and Export Act*
- *Defence Production Act*
- *Export and Import Permits Act*
- *Federal Sustainable Development Act*
- *Financial Administration Act*
- *Historic Sites and Monuments Act*
- *Library and Archives Canada Act*
- *Museums Act*
- *Official Languages Act*
- *Seized Property Management Act*
- *Surplus Crown assets Act*
- *Alternative Fuels Regulations*
- *Controlled Goods Regulations*
- *Public Property Loan Regulation*

7.2 Related policy instruments

- *Policies for Ministers' Offices*
- *Policy on Communications and Federal Identity*
- *Policy on Service and Digital*
- *Policy on Government Security*
- *Policy on Green Procurement*
- *Policy on Financial Management*
- *Policy on Legal Assistance and Indemnification*
- *Policy on the Planning and Management of Investments*
- *Policy on Transfer Payments*
- *Policy on Results*
- *Directive on Accounting Standards*
- *Directive on Security Management*
- *Directive on the Management of Procurement*
- *Directive on the Management of Projects and Programmes*
- *Directive on the Management of Real Property*
- *Directive on Public Money and Receivables*
- *Greening Government Strategy*

8. Enquiries

- 8.1 For interpretation of any aspect of this directive, contact Treasury Board of Canada Secretariat Public Enquiries.

Appendix A: Mandatory Procedures for

Land Vehicle Fleet Management

A.1 Effective date

- A.1.1 These procedures take effect on May 13, 2021.
- A.1.2 These procedures replace the following Treasury Board policy instruments:
 - *Directive on Fleet Management: Light Duty Vehicles* (November 1, 2006)
 - *Directive on Fleet Management: Executive Vehicles* (August 9, 2018)

A.2 Procedures

- A.2.1 These procedures provide details on the requirements set out in section 4 of the *Directive on the Management of Materiel*.
- A.2.2 These procedures apply to Government of Canada land vehicles registered in Canada.
- A.2.3 Mandatory procedures are as follows:
 - A.2.3.1 Materiel management practitioners are responsible for the following:

Planning

- A.2.3.1.1 Taking appropriate action to identify, assess and minimize risks associated

with the acquisition, operation and divestment of vehicles.

A.2.3.1.2 Ensuring that a mechanism is in place to determine whether ongoing and new operational requirements can be met within the existing fleet or through the use of other options that are financially and environmentally responsible.

A.2.3.1.3 Substantiating the requirement for the acquisition or replacement of government vehicles by:

A.2.3.1.3.1 Aligning the vehicle's function with program requirements;

A.2.3.1.3.2 Assessing the need for a vehicle by taking into consideration the vehicle's physical condition and financial, operational, environmental and accessibility criteria;

A.2.3.1.3.3 Rationalizing departmental fleet size;

A.2.3.1.3.4 Selecting the most appropriate and efficient

vehicle class and type, with consideration for vehicle and engine size, that meets operational requirements, and

A.2.3.1.3.5 Incorporating manufacturers' production lead times into the planning and replacement cycle for vehicle acquisitions;

A.2.3.1.4 Establishing internal policies and controls to prioritize the procurement and use of zero-emission (ZEV) vehicles in the light-duty fleet;

A.2.3.1.5 For departments with a fleet of ten or more vehicles, developing and maintaining a long-term Strategic Fleet Greening Plan approved by the senior designated official that outlines the pathway to achieving the federal government's targets for a green fleet. This plan must present multi-year costed projections for vehicle purchases, consider operational feasibility, and optimize fleet size and relevant supporting measures, policies

or infrastructure. Departments must maintain rolling two-year purchase projections and budgets for vehicles;

Acquisition

A.2.3.1.6 In accordance with subsection A.6.1 of Appendix A of the *Directive on the Management of Procurement*, the use of Public Services and Procurement Canada's (PSPC's) standing offers and supply arrangement is mandatory for motor vehicles;

A.2.3.1.7 Ensuring, when rentals or leases are used, that the classes, engines, options and minimum features are consistent with those contained in PSPC's established methods of supply;

A.2.3.1.8 When delays are expected in the delivery of a new vehicle or emergencies occur, considering temporary arrangements in the following order:

A.2.3.1.8.1 Extending the use of the vehicle being replaced;

A.2.3.1.8.2 Using another departmental vehicle; or

A.2.3.1.8.3 Using a rental vehicle until the ordered vehicle is delivered by the manufacturer;

Operation and maintenance

A.2.3.1.9 Ensuring that government vehicles are used only for authorized government purposes and according to departmental policies;

A.2.3.1.10 Taking measures to reduce greenhouse gas emissions and modernize the fleet based on government requirements;

A.2.3.1.11 Purchasing premium fuel only when it is required by the vehicle manufacturer;

A.2.3.1.12 Ensuring that employees who have access to government land vehicles understand that the Government of Canada self-underwrites the risks associated with the use of such vehicles. As such, there is no requirement to purchase commercial insurance coverage, with the exceptions outlined in subsection A.2.3.1.13;

A.2.3.1.13 Ensuring that appropriate commercial insurance coverage is arranged through PSPC for:

A.2.3.1.13.1 Land vehicles registered in Canada that are driven in the United States;

A.2.3.1.13.2 Vehicles used for government programs by operators who are not Crown servants; and

A.2.3.1.13.3 All executive vehicles;

A.2.3.1.14 Tracking and maintaining required information about the fleet using a fleet management information system and a fleet card, as required. The fleet management system must:

A.2.3.1.14.1 Capture all mandatory data fields outlined in subsection A.2.3.1.18 through manual entry, automatic population and the collection of data from the fleet card;

A.2.3.1.14.2 Generate a single, coherent, department-wide view of all vehicle

maintenance, operating and repair costs related to fleet management;

A.2.3.1.14.3 Supply information to support planning and decision-making; and

A.2.3.1.14.4 Be kept up to date, complete and accurate;

A.2.3.1.15 Using the appropriate designated card for land vehicle fleets, where issued, to:

A.2.3.1.15.1 Pay for all operations and maintenance expenses of government vehicles registered in Canada; and

A.2.3.1.15.2 Ensure that expenses paid with a fleet card are limited to those needed for the operations and maintenance of the government vehicle or motorized equipment to which the fleet card is assigned, wherever possible;

A.2.3.1.16 Reporting to the appropriate authority all expenditures on the operations and

maintenance of government vehicles that were made without the use of a fleet card, for input into the fleet management database. Such expenditures include the use of other means of payment made to a vendor who refuses to accept the fleet card for payment; and

A.2.3.1.17 Ensuring that designated fleet cards are not used to pay for the purchase and installation of decals and equipment add-ons acquired as aftermarket improvements.

A.2.3.1.18 Mandatory data collection fields for fleet land vehicles are as follows:

Administrative information and identification information

- Department name (or client code)
- Program name
- Ownership (leased or owned)
- Status of vehicle (active or inactive)
- Government fleet vehicle number
- Vehicle identification number (VIN)

- Associated fleet card number(s)
- Type of card (vehicle-specific, non-specific, dedicated second card, seasonal)
- Fleet card on-system date (date that the card is first connected to the fleet information system)
- Status of card (active or inactive)
- Card limit
- Cancellation date of card

Vehicle tombstone data

- Model year
- Make
- Model
- Vehicle specification code used by PSPC (if available)
- Number of cylinders in engine (two digits)
- Size of engine by litres
- Transmission: automatic (A) or manual (M) and the number of gears (3, 4 or 5) or variable (V)
- Fuel type capability of the vehicle and grade

requirement (where applicable)

- Fuel system
- Licence plate and province or territory
- Vehicle category and subcategory
- Assigned status (pooled, driver assigned, etc.)

Vehicle location and billing information

- Physical location: street address, city, province/territory and postal code
- Billing address: street address, city, province/territory and postal code

Utilization statistics

- On-road or taken-on-strength date (including leased or rented vehicles)
- On-system date (if different from taken-on-strength date)
- Out-of-service or sale date of vehicle

- Current odometer reading in kilometres
- Current odometer date
- Days of use

Vehicle costing and life-cycle information

- Capital cost of vehicle
- Vehicle maintenance and repair costs (for both internal and external maintenance and repair, including warranty work if notified)
- Vehicle maintenance and repair service dates (for both internal and external maintenance and repair, including warranty work if notified)

Fuel

- Bulk or retail fuel or electricity purchase
- Date of purchase
- Total units of purchase, by specific fuel type and grade
- Name and location of supplier or owner of bulk facility, if applicable

- Unit cost of fuel or electricity purchased
- Total purchase cost

A.2.3.2 In addition to the above requirements, the following requirements apply only to executive fleet vehicles:

A.2.3.2.1 Executive vehicles are authorized only for ministers and eligible senior officials. Authorized users of executive vehicles are Cabinet ministers, ministers of state, secretaries of state, deputy ministers of the Crown, and eligible senior officials who are entitled to make use of an executive vehicle.

A.2.3.2.2 Eligible senior officials are those who meet all the following requirements:

- Are Government in Council appointees;
- Hold a full-time position with a personal classification equivalent to the DM 2 level (GC 9-10 or GCQ 9-10) or above;
- Are deputy heads; and
- Occupy the most senior position in the organization.

A.2.3.2.3 The authorized maximum price limit for executive vehicles is established by the Comptroller General of Canada and communicated annually to PSPC and the Privy Council Office.

A.2.3.2.4 The actual total price paid for an executive vehicle, excluding taxes and aftermarket equipment or accessories installed in an executive vehicle for reasons of security and efficient government business, must fall within the applicable limit and includes the cost of all factory-installed equipment and accessories and all preparation and delivery charges.

A.2.3.3 Authorities and exceptions are as follows:

A.2.3.3.1 The Comptroller General of Canada has the authority to determine the most appropriate method of procurement for executive vehicles.

A.2.3.3.2 The Treasury Board must approve exceptions to the authorized maximum price limit, executive vehicle standards and selection of executive vehicles.

A.2.3.4 Ministers, eligible senior officials, and persons related to these authorized users are allowed to

make personal use of their assigned executive vehicles when these vehicles are not required for official use.

- A.2.3.5 Personal use of executive vehicles is considered a taxable benefit under the *Income Tax Act* and must be reported as income in accordance with the Canada Revenue Agency's guidance on taxable benefits.
- A.2.3.6 The list of authorized executive vehicles is established annually by PSPC based on the Comptroller General of Canada's authorized maximum price limit. PSPC's established methods of supply are communicated to the Treasury Board of Canada Secretariat and the Privy Council Office and must be used by organizations when selecting their executive vehicles.
- A.2.3.7 As of January 1, 2025, executive vehicle acquisitions must be ZEVs.
- A.2.3.8 When transferring a vehicle from the light-duty fleet to the executive fleet, the vehicle must be consistent with the criteria for eligible executive vehicles according to the *Directive on the Management of Materiel*.
- A.2.3.9 An executive vehicle must meet executive business requirements, authorized user needs

and, where possible, the personal preference of the authorized user.

A.2.3.10 An executive vehicle is eligible for replacement once it has reached six years or 150,000 km.

However, the vehicle may be replaced:

A.2.3.10.1 at any time if a gasoline-powered or hybrid-electric executive vehicle is replaced with a ZEV; or

A.2.3.10.2 at any time if the vehicle is transferred to the executive fleet of another department; or

A.2.3.10.3 after three years if the vehicle is transferred to the light-duty fleet, provided there is a documented operational need for the vehicle in the light-duty fleet.

A.2.3.11 Authorized price limits will be reduced by 25% if these conditions are not met.

A.2.3.12 If it is cost-effective, a surplus zero-emission executive vehicle can be transferred to another minister or eligible senior official in the department or agency, or it can be transferred to the departmental fleet.

A.2.3.13 Executive vehicles must not bear external identification markings such as those identified in

subsection 3.1 of the Federal Identity Program Manual.

Appendix B: Mandatory Procedures for the Management of Controlled Goods

B.1 Effective date

- B.1.1 These procedures take effect on May 13, 2021.
- B.1.2 These procedures replace the *Controlled Goods Directive* (November 1, 2006).

B.2 Procedures

- B.2.1 These procedures provide details on the requirements set out in section 4 of the *Directive on the Management of Materiel*.
- B.2.2 These procedures apply to controlled goods as identified in the Schedule to the *Defence Production Act*.
- B.2.3 Mandatory procedures are as follows:
 - B.2.3.1 When controlled goods are transferred from Canada or are divested outside Canada, departments must liaise with the following:
 - B.2.3.1.1 Global Affairs Canada (GAC) to determine applicable export restrictions and/or additional export requirements; and/or

B.2.3.1.2 The United States Department of State when goods are subject to the United States *International Traffic in Arms Regulations* (ITAR), to determine applicable export restrictions and/or other export requirements.

B.2.3.2 The senior designated official for the management of materiel, in cooperation with the chief security officer, is responsible for the following:

Access to controlled goods

B.2.3.2.1 Ensuring that, prior to accessing controlled goods in Canada, a person is registered with the Controlled Goods Program of Public Services and Procurement Canada unless:

B.2.3.2.1.1 Excluded from registration, for example, the person occupies a position in the federal public administration, including a position in a federal Crown corporation, or is employed by Her Majesty in right of a province, a public officer as defined in

subsection 117.07(2) of the *Criminal Code*, an elected or appointed official of the federal or a provincial government, or a member of a visiting force as defined in section 2 of the Visiting Forces Act, and acts in good faith in the course of their duties and employment (see section 36 of the *Defence Production Act* and section 1.1 of the *Controlled Goods Regulations*); or

B.2.3.2.1.2 Exempted from registration by PSPC upon provision of evidence to the Controlled Goods Program registrant of the individual's status as a director, an officer or an employee of a person registered to access controlled goods under the ITAR, or an officer, employee or elected or appointed official of the

United States federal government or of a state or territorial government of the United States, or an application by the designated official of a registrant (for a temporary worker, international student or visitor) to the Controlled Goods Program;

B.2.3.2.2 Ensuring that the department's controlled goods are:

B.2.3.2.2.1 Examined, possessed or transferred only by persons who are excluded, registered or exempted from registration with the Controlled Goods Program; and

B.2.3.2.2.2 Addressed, as required, in their procurement, divestment and security plans;

B.2.3.2.3 Ensuring that all federal government personnel in Canada and at Canadian

government offices abroad, including personnel deployed overseas, have the appropriate security clearances for accessing controlled goods, and only on an as-required basis;

Identification of controlled goods

B.2.3.2.4 Identifying and/or defining potential controlled goods by consulting the following to determine whether materiel in their custody is considered controlled goods:

- The Controlled Goods List in the Schedule to the *Defence Production Act*;
- The accompanying Schedule Guide; and
- GAC's *A Guide to Canada's Export Controls*;

B.2.3.2.5 Consulting the following to determine the Schedule control of materiel that may be considered controlled goods:

B.2.3.2.5.1 The Controlled Goods List in the Schedule to the *Defence Production Act*;

B.2.3.2.5.2 The accompanying Schedule Guide; and

B.2.3.2.5.3 *GAC's A Guide to Canada's Export Control;*

- B.2.3.2.6 Identifying whether the controlled goods are subject to the controls of other governments, such as the United States ITAR. Departments with controlled goods that are “defense articles” controlled by the ITAR must also adhere to the provisions of the ITAR, including those provisions relating to third-party transfers and re-transfers of United States defense articles; and
- B.2.3.2.7 Directing questions pertaining to the ITAR or to the ITAR control status of goods to the United States Department of State's Directorate of Defense Trade Controls, Regional Security and Arms Transfers, or other foreign regulatory bodies, as appropriate;

Security plans, procedures and breaches

- B.2.3.2.8 Developing procedures for proper handling, storage, access, security and responsibility structures for assets determined to be controlled goods, and the reporting and investigation of breaches thereof;

B.2.3.2.9 Establishing and implementing a security plan for each place of business in Canada where controlled goods are kept. This security plan must set out the following in writing:

- B.2.3.2.9.1 The procedures used to control the examination, possession and transfer of controlled goods;
- B.2.3.2.9.2 The procedures for the full demilitarization of controlled goods;
- B.2.3.2.9.3 The procedures for reporting and investigating security breaches in relation to controlled goods;
- B.2.3.2.9.4 The description of the responsibilities of the department's security organization and the identity of the individuals who are responsible for the security of controlled goods; and

B.2.3.2.9.5 The contents of security briefings and training programs given to employees and to registered or exempt contracted workers, as the case may be;

B.2.3.2.10 Notifying the deputy head or their delegate of any breaches to controlled goods immediately after a security breach has occurred or been discovered; and

B.2.3.2.11 Providing appropriate awareness training to all employees and contractors on the proper handling, storage, access, security and responsibility structures for controlled goods and breaches thereof;

Records

B.2.3.2.12 Keeping and maintaining records that contain:

B.2.3.2.12.1 A description of any controlled goods in their custody, the date of their receipt, any applicable licences or restrictions,

and identification of the person from whom they were transferred;

B.2.3.2.12.2 A description of any controlled goods transferred by the department, the date of their transfer, and the identity and address of the person to whom they were transferred;

B.2.3.2.12.3 A description of the manner and date of divestment of all controlled goods; and

B.2.3.2.12.4 A separate description of ITAR "defense articles," kept for a period of five years from the expiration of the licence or other approval;

Acquisition

B.2.3.2.13 Ensuring that, with respect to a procurement process, departments are responsible for determining the potential involvement of controlled

goods, including any technical data, as early as possible;

B.2.3.2.14 In the case of acquisition from Canadian business enterprises, allowing potential bidders or buyers in a procurement process that involves controlled goods sufficient time to seek registration with the Controlled Goods Program; and

B.2.3.2.15 Ensuring that, where a department retains the services of a third party to aid or participate in the administration of a procurement process that involves controlled goods, that any third party with access to controlled goods is registered or exempted from the Controlled Goods Program and has the approval of any applicable foreign government's office of primary interest, as appropriate;

Divestment

B.2.3.2.16 Ensuring, when divesting of controlled goods domestically, that such goods are transferred only to current registrants of the Controlled Goods Program or entities excluded from Controlled Goods Program

registration, or that these items are fully demilitarized before divestiture;

- B.2.3.2.17 When divesting of controlled goods through GCSurplus, it is the responsibility of departments to notify GCSurplus that the items are controlled in order for GCSurplus to follow the appropriate procedures;
- B.2.3.2.18 Ensuring, when divesting of controlled goods through export, that the Export Control List, the Arms Trade Treaty and other applicable international treaties are consulted, end use assurances are provided and that all necessary export permits are obtained from GAC. When controlled goods are sold internationally through GCSurplus, GCSurplus will verify that the appropriate approvals are obtained on behalf of departments;
- B.2.3.2.19 Ensuring that potential bidders or buyers in a divestment process that involves controlled goods have sufficient time to obtain foreign and domestic authorization in the case of foreign business enterprises if their proposals contain reference to

transfers, sales, donations, trade-ins or conversion to waste of controlled goods;

B.2.3.2.20 Ensuring that, when divesting of controlled goods, the item is fully demilitarized unless it is being transferred to a current registrant of the Controlled Goods Program or entities excluded from Controlled Goods Program registration; and

B.2.3.2.21 Before the divestment, re-transfer or re-export of any ITAR “defense article” to any end-user or destination, determining whether the department needs to obtain written approval from the United States Department of State’s Directorate of Defense Trade Controls or the Office of Regional Security and Arms Transfers, as appropriate. When selling controlled goods through GCSurplus, GCSurplus will verify that the appropriate approvals are obtained.

Appendix C: Definitions

Definitions to be used in the interpretation of this directive can be found in Appendix C of the *Policy on the Planning and Management of Investments*.

Date modified: 2023-08-03