SUPREME COURT OF CANADA

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Case in Brief: *Quebec (Attorney General) v. SGS Canada inc.*

Judgment of November 6, 2026 | On appeal from the Court of Appeal of Quebec
Neutral citation: 2026 SCC 37

The Supreme Court of Canada rules that employees who inspect grain at federally regulated storage facilities are subject to federal labour laws.

In Canada, the Constitution divides legislative powers between the federal and provincial governments. Labour relations generally fall under provincial jurisdiction, but certain employees are subject to federal labour laws because of the nature of their work or their employer's activities.

SGS Canada inc. is a company that provides testing, inspection and certification services to different industries across Canada. Its Agriculture and Agri-Food Division has a branch in Montréal that employs 14 inspectors and graders. These employees work almost exclusively for six grain elevators along the St. Lawrence River in Quebec. Grain elevators are facilities where grain is received, stored and prepared for transportation. The six grain elevators are subject to federal jurisdiction.

A union applied to Quebec's Administrative Labour Tribunal for certification to represent the 14 employees in the Montréal branch under the Quebec's *Labour Code*. The Tribunal dismissed the application, finding that the employees' labour relations fell under federal rather than provincial jurisdiction. The Quebec Superior Court and Court of Appeal upheld that decision. The Attorney General of Quebec appealed to the Supreme Court of Canada.

The Supreme Court dismissed the appeal.

The Montréal branch's labour relations fall under federal jurisdiction because its services are integral to the operations of federally regulated grain elevators.

Writing for a majority of judges, Justice Karakatsanis explained that federal jurisdiction over labour relations can apply in two ways. Direct federal jurisdiction applies when a business itself conducts federally regulated work. Derivative federal jurisdiction applies when another business provides services that are essential or integral to that federally regulated work. These services must also form a significant part of that other business' own activities.

Justice Karakatsanis also explained that a branch or division of a larger company can sometimes be considered separately when determining which level of government has jurisdiction over its labour relations. This depends on whether the branch has functions and operations that are sufficiently distinct from those of the rest of the company.

In this case, Justice Karakatsanis found that SGS's Montréal branch was functionally distinct from the rest of the company. Its operations were largely managed independently, and its employees performed specialized grain inspection services for clients that differed from those of other branches. She concluded that direct federal jurisdiction did not apply because SGS did not operate the grain elevators itself. However, the Montréal branch's inspection services were integral to the operations of the six federally regulated grain elevators. It is also significant given 90 percent of the branch's services are dedicated to these federal works.

As a result, Justice Karakatsanis found that the Montréal branch's labour relations fell under derivative federal jurisdiction. Quebec's *Labour Code* did not apply to the employees and the Tribunal could not certify the union to represent them under that legislation.

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Breakdown of the decision: ***Majority***: Justice Karakatsanis dismissed the appeal (Justices Rowe, Martin, Jamal and Moreau agreed) | ***Dissenting***: Justice Kasirer would have allowed the appeal (Chief Justice Wagner and Justices Côté and O'Bonsawin agreed)

More information: Decision | Case information

Lower court rulings: Application (Superior Court of Quebec – in French only) | Appeal (Court of Appeal of Quebec – in French only)

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