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# Standing Committee on Government Operations and Estimates

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Chair: Mr. Kelly McCauley





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• (1540)

[English]

**The Chair (Mr. Kelly McCauley (Edmonton West, CPC)):** I call the meeting to order.

Good afternoon, everyone. Welcome to meeting number 50—our gold anniversary meeting—of the House of Commons Standing Committee on Government Operations and Estimates, a.k.a. the mighty OGGO or, as I call it, the only committee that matters.

Pursuant to the motion adopted by the committee on Wednesday, January 18, 2022, the committee is meeting on the study of the federal government consulting contracts awarded to McKinsey & Company.

We have our minister of PSPC, Public Services and Procurement Canada. Welcome back. We give the floor to you for five minutes.

**Hon. Helena Jaczek (Minister of Public Services and Procurement):** Thank you so much, Mr. Chair.

Good afternoon to all committee members. Thank you for inviting me today as you conduct this important study.

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

With me today are my deputy minister, Paul Thompson, and the associate assistant deputy minister of procurement, Mollie Royds.

I'd like to begin by saying that I believe the growth in the use of consultants in the public service is an important question. That's why the Prime Minister has asked me and Minister Fortier to review the government's practices. I also believe that these important questions can and should be asked and answered with the thoughtfulness and respect that Canadians deserve.

[Translation]

As this committee undertakes its work, my colleague Treasury Board president Mona Fortier and I are also undertaking a full review of all Government of Canada purchases from McKinsey & Company.

[English]

Under Minister Fortier's direction, the Treasury Board Secretariat will require federal departments to review their contracts with McKinsey through their internal audit teams to assess if contracts complied with Treasury Board policies and departmental internal control frameworks.

On the PSPC side, my officials have already begun a preliminary assessment of the 24 contracts that fall under our department as the central purchaser. These contracts will also be more formally reviewed by the departmental internal audit team. In addition, to ensure that there is a more independent review, I have written to the procurement ombudsman to ask him to review the procurement processes associated with the awarding of contracts to McKinsey & Company by all federal departments and agencies.

I know this committee has also adopted a motion that calls on the Auditor General to conduct a performance and value for money audit.

While we have found no indication to date that any rules or policies were broken, I also know that there is always room for improvement. I welcome these reviews, which may help determine what further adjustments or refinements should be undertaken to continue to strengthen the fairness, openness and transparency of federal procurement practices.

Of the 24 contracts awarded to McKinsey by PSPC since 2011, three of them, worth more than 50% of the total value, were awarded through open, fair and transparent competition.

[Translation]

With the exception of one low dollar value contract, the remainder were awarded as call-ups through what is referred to as a "National Master Standing Offer".

I recognize that there may be some confusion related to the terms standing offer and supply arrangements, which I would like to clear up.

[English]

Standing offers and supply arrangements are not contracts and do not guarantee a company future business with the government. They are administrative tools that streamline procurement for departments and agencies, and reduce red tape and costs for governments and businesses. A company's status on a standing offer or supply arrangement list is reviewed regularly and can be revoked at any time if it no longer qualifies.

In addition, standing offers have expiry dates, as these are instruments whereby goods or services are provided at pre-established prices.

[Translation]

Supply arrangements, on the other hand, do not have expiry dates. That is because supply arrangements are established to allow for regular refreshes of qualified suppliers and to allow competition among pre-qualified suppliers for each contract.

For administrative and technological reasons, an arbitrary end-date—far into the future—is used when reporting supply arrangements on our website.

[English]

To be clear, there are no 80-year contracts with McKinsey. That said, I have asked my officials to address the way in which these standing offers are reported in order to avoid future confusion.

I look forward to working with you and I am pleased to answer your questions.

Thank you, Mr. Chair.

**The Chair:** Thank you, Minister. I appreciate your brevity in the opening statement.

We'll start with Ms. Kusie for six minutes, please.

**Mrs. Stephanie Kusie (Calgary Midnapore, CPC):** Thank you, Chair.

Thank you, Minister, for being here today.

You mentioned what the Prime Minister asked you and your colleague Minister Fortier to do. On what day did he ask you to investigate, please? What was the date?

**Hon. Helena Jaczek:** I would have to consult my schedule.

**Mrs. Stephanie Kusie:** Okay.

**Hon. Helena Jaczek:** I'm not exactly clear which day. I think it was about two weeks ago.

**Mrs. Stephanie Kusie:** All right. If you could come back to the committee with a specific date, that would be great.

What is the total number in dollars that Public Services and Procurement Canada has contracted to McKinsey & Company since November 4, 2015? What's that number, please?

**Hon. Helena Jaczek:** I will turn to my deputy minister, who has all the charts in front of him.

**Mr. Paul Thompson (Deputy Minister, Department of Public Works and Government Services):** Thank you, Mr. Chair.

The total number of contracts is 24. The value of those contracts is \$104.6 million. To clarify, those contracts were administered by PSPC, not by other departments and agencies.

• (1545)

**Mrs. Stephanie Kusie:** That's since November 4, 2015.

**Mr. Paul Thompson:** That is correct.

**Mrs. Stephanie Kusie:** Thank you.

A January 16, 2023, Globe and Mail article by Bill Curry says that the federal government “awarded 23 contracts to McKinsey & Company since 2015 with a total...of \$101.4-million”. This was

much higher than the \$66.1 million that was disclosed to date through the Public Accounts of Canada.

Why is the value that Public Services and Procurement Canada presented different from what has been disclosed in the public accounts?

**Hon. Helena Jaczek:** Again, I will turn to the deputy.

**Mr. Paul Thompson:** Thank you for that question.

The public accounts would be reporting on contracts on an expenditure basis, not on the basis of establishing contracts. Those are two different ways in which this kind of activity would be tracked.

Again, there's a difference between the contracts that would be administered by PSPC as the central contracting authority versus ones that would be managed individually by other departments, and disclosed as well by those departments if those contracts are over \$10,000 in value.

**Mrs. Stephanie Kusie:** How much in contracts has been awarded to McKinsey & Company for the 2022-23 fiscal year, please?

**Mr. Paul Thompson:** That number I don't have at my fingertips. I will turn to my colleague on that. We could provide that even before the end of the meeting, I'm sure.

**Mrs. Stephanie Kusie:** Okay. Sure. I'll move on, then. Thank you.

As we've seen in the value in contracts awarded to McKinsey & Company, this number keeps climbing. We were first told a number in the sixties, and it became fiftyfold and then beyond fiftyfold.

How, Minister, can you be sure that this is the true number when you're essentially investigating yourself? How do you have such confidence in this?

**Hon. Helena Jaczek:** Clearly, I rely on public officials to compile the correct numbers. As I understand it, because there are many other departments that request consulting services through us, this is a fairly complex matter.

Perhaps our associate deputy minister could clarify further some of the difficulties in terms of compiling this information.

**Ms. Mollie Royds (Associate Assistant Deputy Minister, Procurement Branch, Department of Public Works and Government Services):** Thank you very much for the question, Mr. Chair.

As was indicated, what we have been providing is in relation to the contracts awarded by PSPC. These are reflective of the point in time within our systems.

You made reference earlier in the question to \$101 million and the fact that this number increases. That was reflective of a recently awarded contract that had been updated in the system after the particular media release.

We have provided now the full information on contracts that have been awarded to date. Those are based on full contract value as well as what could be many ongoing contracts or multi-year contracts. That would be another reason that what you might see in the public accounts in actual expenditures against the contract might be different.

**Mrs. Stephanie Kusie:** Thank you, Ms. Royds.

Is the position of associate assistant deputy minister the position that signs and approves the contracts with McKinsey, please?

**Ms. Mollie Royds:** Thank you for the question.

Again, when—

**Mrs. Stephanie Kusie:** It's yes or no. Is that position, your position, the one that signs and approves the contracts?

**Ms. Mollie Royds:** The positions that would sign and approve contracts would be done based on a combination of value, complexity and risk. We have delegated authorities that are specific to certain levels of risk, complexity and value.

**Mrs. Stephanie Kusie:** Okay.

Who was in the position of associate assistant deputy minister at the procurement branch when the contracts were signed with McKinsey? Were you in that position, yes or no? Who was in the position when the contracts were signed, please?

**Mr. Paul Thompson:** If the question is about who is the delegated authority, as Ms. Royds—

**Mrs. Stephanie Kusie:** No. I'm asking who the person is who was in Ms. Royds' position when the contracts were signed, please.

**Mr. Paul Thompson:** I would have to check the records. That was before my time in the position, but as I said, there would be different delegations—

**Mrs. Stephanie Kusie:** Would it be the current associate deputy minister of Public Services and Procurement Canada, Ms. Reza? Would she possibly have been the individual who signed those contracts?

**Mr. Paul Thompson:** I don't have in front of me which delegated authority would have been used. It could have been that position or a different position.

Again, we'd have to check the records on that.

**Mrs. Stephanie Kusie:** My understanding is that historically, the individual in Ms. Royds' position signs these contracts. Prior to Ms. Royds' being in this position, it was Ms. Reza, who, of course, is now in another position.

Perhaps I'll conclude my time, Minister, by asking when you will provide the findings of your study to the committee.

• (1550)

**Hon. Helena Jaczek:** Certainly it will be at the earliest possible moment.

I want to emphasize that we're just as anxious as, I think, members of this committee are to look at what has been occurring within the department, and if there's room for improvement, to get those recommendations in front of this committee as soon as we can.

**Mrs. Stephanie Kusie:** Thank you.

**The Chair:** Thank you.

Ms. Kusie asked several questions that you promised to get back to us on. The clerk will follow up. I imagine that will be the same for the rest of the afternoon. Thanks very much.

Next is Mr. Jowhari for six minutes, please.

**Mr. Majid Jowhari (Richmond Hill, Lib.):** Thank you, Mr. Chair.

Minister, welcome to our committee. I want to quickly acknowledge that you are one of the very first ministers who voluntarily offered a date of last week to join us, but we had some conflict around the availability of the witnesses on that day. I want to quickly acknowledge that and thank you.

Minister, when you had that conversation with the Prime Minister—you said you were going to get back to us on the date—and Minister Fortier, what was the ask? What was the scope of the work that Minister Fortier's department was going to do or the minister was going to do, and what was the scope of work that your department was going to do?

**Hon. Helena Jaczek:** Thank you. I think that is an important question.

The Treasury Board Secretariat essentially puts forward the policies under which the government decides the usage of professional consulting services. In other words, it determines when we should use consulting services to address issues and for what types of policy issues.

PSPC is much more focused, essentially, on the mechanics. That's how we award contracts, the type of due diligence that is done and the processes that are used. You've heard references to national standing offers. We've heard "supply arrangements". These are all complex ways to keep the government going. In other words, there are a number of consultants who are used on an ongoing basis by PSPC under certain structures.

We want to ensure... This committee is, I'm sure, interested in the fact that we are actually adhering to those processes that have been established and that in fact there is no interference at any level in the qualification and pre-qualification of candidates. All of the various standing offers that we have are done in accordance with the processes that have been established.

Of course, we're going to look at those processes, especially through the procurement ombudsman, to see if there is anything possibly missing and if there is anything that can be improved.

**Mr. Majid Jowhari:** Thank you.

Would it be fair for me to say that TBS develops the policies and the guidelines, and then those policies and guidelines pass to various departments? As they pass to PSPC, you look at whether the contract that's been requested to be issued followed those steps, whether it fitted the requirements.

In a sense, of the 24 contracts that we are talking about, how many of those 24 at PSPC were the agent of the contract, rather than the administrator of the contract?

**Hon. Helena Jaczek:** I'll turn to the deputy for that detail. Thank you.

**Mr. Paul Thompson:** Thank you for the question.

To clarify, are you asking in how many contracts PSPC was the client department and user of the services?

**Mr. Majid Jowhari:** Yes.

**Mr. Paul Thompson:** That was one of the 24. It was one of the competitive contracts. There was also a small, non-competitive contract worth less than \$25,000—

**Mr. Majid Jowhari:** It was one contract. Can you tell me what the value was of that one contract in which PSPC was what I would call the agent of the contract?

**Mr. Paul Thompson:** Thank you for that question.

The one contract, the larger one that I mentioned, was \$29.6 million, and it was for services to support our pay centre operations.

**Mr. Majid Jowhari:** Okay. Are you in a position to talk about the scope of that? Naturally, your department would be the one that defined the scope as well as the criteria.

**Hon. Helena Jaczek:** Again, it was I believe very much in terms of the training and onboarding of personnel to ensure that our pay centre, the Phoenix system, as we obviously call it, was being accelerated. In fact, it was called the accelerator project.

I'll turn to the deputy for more detail.

• (1555)

**Mr. Paul Thompson:** Thank you, Minister.

The project really was looking at the human resources side of the pay centre. It was looking at how we train our staff, how we onboard them onto the team, how we deploy the staff and how we look at the work and different levels of complexity and assign staff to those different types of work. It has led to a significant improvement in the productivity of the pay centre.

**Mr. Majid Jowhari:** Was it a new project that was introduced or was it a project that the government had been engaging in?

**Mr. Paul Thompson:** That was a new project that was introduced, and it's completing almost as we speak. That contract expires at the end of March, and all the recommendations that came out of that analysis have been implemented.

**Mr. Majid Jowhari:** Thank you.

Naturally, someone within the department or the minister had the authorization to sign that contract, which is fine.

On the other 23 contracts, since you're not the agent of the contractor, Minister, did you have any direct interaction with McKinsey or did any members of your staff or department have any direct contact with McKinsey to advocate for the project or sign this project or...?

**Hon. Helena Jaczek:** Mr. Jowhari, absolutely not: The minister's office is not involved in any way in awarding these contracts.

**Mr. Majid Jowhari:** Okay. Was there any discussion around those contracts, aside from, as you call it, "administration and evaluation"?

**Hon. Helena Jaczek:** Certainly not with me. Obviously I'm fairly new to this post, but in the way the process exists, there would be no contact with the minister's office or with the minister's political staff.

**Mr. Majid Jowhari:** Okay.

Was there anyone in the department, Mr. Thompson?

**Mr. Paul Thompson:** As Ms. Royds indicated earlier, there are different levels of delegation for the approvals. Depending on the value, it would be done by different levels of officials. Some of them—

**Mr. Bryan May (Cambridge, Lib.):** Thank you—

**Mr. Paul Thompson:** —would be done at the ministerial level, and some have to go to Treasury Board for approval. There are different levels of authority.

**Mr. Majid Jowhari:** Thank you very much.

**The Chair:** Someone pre-empted me in thanking you for your time, Mr. Jowhari.

Ms. Vignola, you have six minutes, please.

**Mr. Bryan May:** I apologize, Mr. Chair.

[Translation]

**Mrs. Julie Vignola (Beauport—Limoilou, BQ):** Thank you very much, Mr. Chair.

Good afternoon, Minister Jaczek, Mr. Thompson and Ms. Royds.

I'll continue along the same lines as my colleague Mr. Jowhari.

In the past 12 months, have you, anyone in your office or any senior official had a face-to-face or telephone meeting with anyone from McKinsey?

[English]

**Hon. Helena Jaczek:** Absolutely not.

[Translation]

**Mrs. Julie Vignola:** All right. So no one—

[English]

**Hon. Helena Jaczek:** Excuse me; Mr. Thompson has something to say.

[Translation]

**Mr. Paul Thompson:** I'd like to add a clarification. McKinsey provides services to government departments. All of our team members and I regularly work with the team contracted to provide consulting services regarding payroll administration. So we have a relationship under that contract.

**Mrs. Julie Vignola:** When you need to communicate with these McKinsey individuals working under contract with Parliament, do they use an email address that is directly linked to their original employer, McKinsey, or is a special email address created for them within the parliamentary structure?

**Mr. Paul Thompson:** All relationships fall within the structure of the contract. So communication is limited to the aspects of work that are described in the contract. That is how it's structured.

**Mrs. Julie Vignola:** Does it say in the contract that individuals who will be working for the Government of Canada on behalf of McKinsey will have an email address that ends in "parl.gc.ca" or "gc.ca"?

**Mr. Paul Thompson:** As far as I know, email addresses that end in "gc.ca" are for public servants, and those of employees of outside firms are their own responsibility.

**Mrs. Julie Vignola:** Okay. Therefore, you don't believe it's possible to confuse a public servant with a consultant.

**Mr. Paul Thompson:** I'm not aware of any such case.

**Mrs. Julie Vignola:** Thank you.

To your knowledge, over the past 12 months, has McKinsey & Company been registered in the Registry of Lobbyists?

[English]

**Hon. Helena Jaczek:** I understand just from media that I've been reading that apparently McKinsey has not registered as a lobbyist.

[Translation]

**Mrs. Julie Vignola:** If the firm is not registered as a lobbyist, normally it cannot request any meetings. However, a government department may request a meeting with McKinsey, in which case it would not necessarily be considered a lobbyist.

Is that correct?

• (1600)

[English]

**Hon. Helena Jaczek:** I cannot imagine a circumstance such as you described.

[Translation]

**Mrs. Julie Vignola:** All right, thank you.

The 2022–23 federal contract data suggest that McKinsey had exclusive rights to at least four bid solicitations that were awarded in a non-competitive way. All of Canada's free trade agreements allow limited bidding on the basis of exclusive rights, but what is the basis for McKinsey having exclusive rights to certain bid solicitations?

[English]

**Hon. Helena Jaczek:** Perhaps you could explain the standing offer piece and the supply arrangement piece, Mr. Deputy.

**Mr. Paul Thompson:** Absolutely. Thank you for that question.

As the minister noted in her remarks, we have a national master—

[Translation]

**Mrs. Julie Vignola:** I'm sorry to interrupt you, Mr. Thompson, but that doesn't answer my question.

Why does McKinsey have exclusive rights to certain bid solicitations?

I don't need a definition of standing offer, request for standing offer, contract or bid solicitation.

Why does McKinsey have exclusive rights?

**Mr. Paul Thompson:** We established that instrument.

[English]

It's a national master standing offer for benchmarking services.

We have four similar arrangements with other companies. These arrangements contain proprietary information. Each one of these companies has a service that involves proprietary methods, tools

and analytical models, and they are used to compare an organization within the Government of Canada to a peer organization, a comparable organization in the private sector or in another country or order of government.

That's the nature of the work. It's sole-sourced in relation to these proprietary models and datasets that these companies own.

[Translation]

**Mrs. Julie Vignola:** If I understand correctly, those businesses have exclusive rights because they sold tools and work methods to Canada, and under the agreement, our public servants didn't have the opportunity to apply those tools and methods themselves. We're therefore dependent on what we have purchased.

**Mr. Paul Thompson:** That's exactly right. These businesses, McKinsey and others, conduct surveys and the data they collect are their property.

[English]

It's these datasets that are used to do the analysis and comparisons between government operations and those of other entities.

[Translation]

**Mrs. Julie Vignola:** Is there absolutely no one in the federal government among all public servants who is able to do surveys and analytical programming for their own government? Do we not have that expertise within our public service?

[English]

**Mr. Paul Thompson:** In this case, it's partly about the expertise, but it's mostly about the data that these companies have from previous surveys that they have at their disposal to do the comparisons. We don't own datasets like that, datasets that would show productivity and levels of cost structure of different organizations around the world.

**The Chair:** Thank you, Mr. Thompson and Ms. Vignola.

Mr. Johns, go ahead, please, for six minutes.

**Mr. Gord Johns (Courtenay—Alberni, NDP):** Minister, you're aware that McKinsey recently settled a huge lawsuit in the United States for their role in advising clients on how to boost sales of opioids like OxyContin. Here in Canada, you've heard me speak repeatedly about the toxic drug supply and how it's killing thousands of people.

Do you think it's appropriate that the Government of Canada is rewarding companies like McKinsey with million-dollar contracts, given their previous involvement in contributing to the ongoing toxic drug crisis in this country?

**Hon. Helena Jaczek:** Mr. Johns, we have an integrity process in terms of analyzing whether companies should continue to do business with the Government of Canada. My understanding is that notwithstanding what I've heard through the media, McKinsey was not excluded from doing business with the Government of Canada.

Mr. Thompson has had some thoughts about our integrity regime as it currently exists. Perhaps he could address how it works, and maybe how it should work, or other thoughts about change.

• (1605)

**Mr. Gord Johns:** I think if he's going to do that, I'd like to hear Mr. Thompson talk about what the threshold is. What are the disqualifying characteristics of a company like this to make them ineligible? Clearly, they have had problems in South Africa and in France. This is a company that's riddled with scandal after scandal. Canadian taxpayers deserve to know what that threshold is.

**Mr. Paul Thompson:** Thank you for that question.

Certainly, we carefully monitor the situation and the allegations and activities that the member has mentioned. As the minister noted, these activities have not triggered our integrity regime, in the sense that there have been no criminal convictions of an affiliate, which would be the trigger for our integrity—

**Mr. Gord Johns:** Right. They settled a \$600-million lawsuit. They may not have been convicted, but clearly this says a lot in the court of public opinion. I imagine that most Canadians would be pretty concerned about this.

As well, what do you say to the health care workers? We all agree around this table that our health workers were heroes in the pandemic. They're burned out. They're on the front line of this toxic drug crisis. What do you say to them when they know that a for-profit company created medical advice that was counter to the needs of the public health system? What do you say to those workers?

**Hon. Helena Jaczek:** I would say, Mr. Johns, that I appreciate your comments and certainly the sentiments that accompany them. This is precisely why the deputy approached me a couple of months ago, I believe, in terms of looking again at our integrity regime. We certainly are committed to doing that.

**Mr. Gord Johns:** I'm looking at outsourcing. Right now your advertising agent, Cossette Media, has been locking out their workers, the ACTRA union. You've talked about passing anti-scab legislation. Are you serious about it?

Right now we're seeing one of your contractors locking out workers. Do you think it's appropriate for the Government of Canada to provide contracts to companies that are hiring scab workers to replace unionized workers?

**Hon. Helena Jaczek:** Mr. Johns, I have no knowledge of anything you have just said. I am not aware of any contract and who you're talking about.

**Mr. Gord Johns:** Okay. Well, I'm hoping you'll look into it, because I think it comes down to integrity when it comes to procurement.

**Hon. Helena Jaczek:** Just to understand your question, is this a contract that PSPC has with a certain company?

**Mr. Gord Johns:** Yes. Cossette Media does most of your advertising. ACTRA is one of the suppliers. They're locked out right now, and this isn't okay.

I think when we get back to the bigger issue... You've heard me talk about the bigger issue, which is the six companies that have been in the hundred-million-dollar procurement club over the last decade. We've seen Public Services and Procurement double the outsourcing to these "big six", as I'm going to call them, over the Conservative regime, or fourfold under your government. This is despite the Prime Minister making a campaign promise in 2015 to cut back, actually, on outsourcing. He put forward a platform to free up \$3 billion a year through a spending review that would include, and I quote, "reducing the use of external consultants". That hasn't happened. It's actually become a runaway ship.

Can you explain why so much outsourcing is necessary under your government, knowing full well that the government can hire, train and employ full-time workers within the Government of Canada's workforce?

**Hon. Helena Jaczek:** Mr. Johns, I agree with you that the numbers speak for themselves. They certainly have grown, as you've stated—

**Mr. Gord Johns:** They haven't just grown; there's been a tenfold increase. It's 10 times more, just with the big six. It was \$50 million a year in 2011 and now it's over half a billion dollars. This is a runaway train. It's out of control.

I guess this is what I'm needing to hear from you and hoping to hear from you today: What are you going to do to stop it and live up to the promise made by the Prime Minister?

**Hon. Helena Jaczek:** Let's put it this way: This is precisely why this review is taking place. This is why I acknowledged in my opening remarks that this committee is undertaking a very serious and important study, and—

**Mr. Gord Johns:** Do you plan on increasing or decreasing the amount of outsourcing? What's your plan?

**Hon. Helena Jaczek:** We want to look at every possible way to give value for Canadians, and we will do that in a comprehensive and systematic way with the assistance of the procurement ombudsman.

**The Chair:** That's our time. Thanks, Mr. Johns.

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

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

Thank you, Minister Jaczek, for joining us today.

You were appointed minister of PSPC on August 31, 2022. Is that correct?



• (1610)

**Hon. Helena Jaczek:** I remember that date. Yes, that is correct.

**Mrs. Kelly Block:** When you took over this portfolio, were you briefed on the process for awarding contracts?

**Hon. Helena Jaczek:** I was given a more general briefing in terms of the process and the delegation that has occurred through public officials based on the value of the contracts. We've heard a bit of an allusion to that. I would say that—

**Mrs. Kelly Block:** Okay.

**Hon. Helena Jaczek:** —there was no in-depth briefing because, of course, we trust our public officials.

**Mrs. Kelly Block:** Okay. Thank you.

Were you advised of any favoured firms at the time?

**Hon. Helena Jaczek:** Absolutely not.

**Mrs. Kelly Block:** How many contracts has PSPC awarded since you've been minister?

**Hon. Helena Jaczek:** I will have to turn to the officials, who have been awarding those contracts.

**Mrs. Kelly Block:** No, that's okay. If you don't know, it's fine with me that you don't have that answer for me.

Can you tell me how many ongoing contracts or multi-year contracts McKinsey currently has?

**Hon. Helena Jaczek:** I believe this is the 24 figure that you've heard from the deputy.

**Mrs. Kelly Block:** That's in ongoing contracts.

We've heard the number of \$101 million, but ongoing contracts could mean that there is still much more to be paid to McKinsey. Is that correct?

**Hon. Helena Jaczek:** I will turn to the deputy, who knows the details of the contracts.

**Mr. Paul Thompson:** Thank you for that question.

Any additional contracts that would be ongoing are the ones that my colleague Mollie mentioned might be the responsibility of other departments, which have not yet been recorded in the system. That's where we would see newer activity.

The number of contracts issued by PSPC that we have on record, current and ongoing, is 24.

**Mrs. Kelly Block:** Let's talk about the contract with PSPC for Phoenix. Originally, in 2020, that contract was worth \$4.9 million, and it has been amended three times to a total of \$27.7 million. Can you tell us what work McKinsey is doing?

As a side note, it has been reported that they've been hired to streamline processes and standardize work at the public service pay centre, but I believe that you, in a previous meeting, advised us that the backlog was growing.

I want to turn back to the minister and ask her if this is a concern to her with regard to the quality of work that McKinsey is offering. Is it a concern that we have ongoing contracts that were originally worth \$4.9 million that have been amended three times to be eight times the total, at \$27.7 million?

**Hon. Helena Jaczek:** Ms. Block, I believe that the number is actually \$29.6 million. Again, because this is the latest information that we have....

In terms of the work that's being done, this is the accelerator project. As you alluded to, it is to assist with the training of personnel and so on.

I have been told that the backlog has been stabilized in terms of Phoenix. We have, as you know, increased the number of public servants who are administering the pay centre, but we have also had McKinsey assist with efficiencies—

**Mrs. Kelly Block:** Thank you.

**Hon. Helena Jaczek:** —and productivity, and the deputy has some statistics on those.

**Mrs. Kelly Block:** No, I have other questions that I'd like to ask of you, Madam Minister.

Dominic Barton spoke of McKinsey doing pro bono work for the federal government. Are you familiar with this practice?

**Hon. Helena Jaczek:** No.

**Mrs. Kelly Block:** Could you then provide some answers for me with regard to how many of these departments are having pro bono work done by McKinsey?

**Hon. Helena Jaczek:** I will turn to the deputy to see if that's something that can be collated for you.

**Mr. Paul Thompson:** Thank you for the question.

The notion of pro bono work is not something that we entertain as part of PSPC's contracts. That, I guess, could be a question directed at other departments for relationships that they have, but I'm not in a position to speak to what other departmental practices would be.

**Mrs. Kelly Block:** Is there any pro bono work being done for PSPC at this time by McKinsey?

**Mr. Paul Thompson:** There is no pro bono work.

**The Chair:** That's our time.

• (1615)

**Mrs. Kelly Block:** Thank you.

**The Chair:** Thank you, Mrs. Block.

Ms. Thompson, you have five minutes, please.

**Ms. Joanne Thompson (St. John's East, Lib.):** Thank you, Mr. Chair.

Welcome, Minister. It's good to see both of your co-workers and department heads.

I'd like to begin by asking you if you could tell us why there is procurement of professional services and why McKinsey would be used.

Thank you.

**Hon. Helena Jaczek:** Thank you, Ms. Thompson.

Well, I think this is the question that we're all asking. Obviously there are times when there is specific expertise that is required. The deputy has referred to some of the benchmarking projects that do require data and that in this case McKinsey holds, and therefore this is very useful for us to know how we're doing compared to other jurisdictions.

In terms of fluctuation in terms of workload, there are times when there are specific projects that require additional staff, and it is not considered reasonable to necessarily increase our staff complement, which obviously costs a certain amount of money, if there is a time-limited project. Therefore, the use of a consultant could really fit what is needed at that particular time.

Certainly from my perspective, I want to ensure value for money for Canadians. I want quality services and quality products, because of course we also contract for products, not just management services. This is the case we're looking at today. That is absolutely paramount, from my perspective, and I have certainly ensured that public officials within PSPC are very aware of my feelings on that matter.

**Ms. Joanne Thompson:** Thank you.

To follow up on the benchmarking you referenced, Mr. Thompson, could you explain what benchmarking services are and explain that in relation to what McKinsey has to offer?

**Mr. Paul Thompson:** Thank you for that question.

I mentioned that there are a range of companies with whom we have arrangements for benchmarking services. They each hold different proprietary tools and instruments that would be used to compare different aspects of government activity.

Whether it's an internal corporate service function or a client- or citizen-facing service, it would be datasets that would compare the cost structure, for example, of that activity to those of other organizations and give a guide to some continuous improvement work that a department might be doing. It could also be helpful, if there's a deeper business transformation under way, to know where our current service posture is relative to other comparable entities.

**Ms. Joanne Thompson:** How would McKinsey fit into that understanding of benchmarking in terms of their contracts?

**Mr. Paul Thompson:** McKinsey, as I understand it, has nine techniques or data analytic tools they deploy in circumstances like this. Again, other companies would have different tool kits. They would have areas of specialization when it comes to IT systems versus business models and strategies. It would be up to departments to choose which benchmarking approach and tool would be best for the circumstances in question.

**Ms. Joanne Thompson:** Thank you.

Minister, I'm not sure if you're the best one to answer this or if it goes to Ms. Royds or Mr. Thompson again, but in terms of the contracts as COVID became the reality in the global space—contracts that the government initiated at that time and during the period of lockdown—could you speak about the processes around having to procure such a large amount of supports in such a short period of time?

**Hon. Helena Jaczek:** I think I should turn to officials. Clearly, I was not in the role, so perhaps Mr. Thompson could help.

**Mr. Paul Thompson:** Thank you, Minister.

I would start by indicating that these instruments that we spoke of before—standing offers or supply arrangements—are ways of facilitating procurements that can be very complex, as the minister noted. These instruments allow some of that work to be done ahead of time, such as pre-qualifying suppliers so that there are fewer steps needed to complete an actual contract when there's a defined need for the services.

I don't know, Mollie, if you want to add anything in the COVID context on how these instruments work.

**Ms. Mollie Royds:** In the COVID context, I would add to what the deputy said that we would have assessed each requirement that was brought forward to us for what the appropriate mechanisms would be. Given the urgency of the situation, we would have employed a range of tools, based on our policies and guidelines, and made a decision in order to deliver as quickly as possible on behalf of the government.

We would have employed a range of tools in those circumstances. Some would have been done in the supply arrangements—

• (1620)

**The Chair:** I'm sorry. I'm afraid I have to interrupt you. That's our time.

Mrs. Vignola, you have two and a half minutes, please.

[*Translation*]

**Mrs. Julie Vignola:** Thank you, Mr. Chair.

I will address you again, Mr. Thompson.

Earlier, you talked about contracts awarded for surveys, for which McKinsey collects data. You said that those data were then used to design other tools, complete other analyses and so on.

Can you explain to me why we pay to have surveys conducted, but we don't pay for the data collected, which belongs to our constituents and the public service, to be considered the property of the Government of Canada rather than McKinsey's?

Right now, it's as if McKinsey is trying to influence Canada to get contracts by saying that the methods they use belong to them. After all, they are quantitative methods.

It's also an attempt to suggest that the public service is in the Stone Age. That's what we heard on our committee last week. I can't believe that no one in the public service is capable of using quantitative methods and compiling and analyzing data. I've been trying to figure it out since earlier, but I can't get my head around it.

**Mr. Paul Thompson:** Thanks again for the question.

When I was talking about data, I wasn't talking about data on the Government of Canada's activities. I meant data related to other organizations, such as the provinces or other countries, the United States or European nations, for example. The data is used to compare the government's activities to that of other organizations.

So I wasn't talking about data on the Government of Canada; in this case, we're supplying the data.

[*English*]

We provide this information to a firm like McKinsey, which would then use their datasets of information that they've gathered from around the world and from other private sector partners to make comparisons and analyses.

[*Translation*]

**Mrs. Julie Vignola:** Typically, McKinsey shouldn't have the right to use non-public data it has on other countries to apply its comparison methods and make recommendations to a third party, like Canada or China.

How can we be sure that our own data collected by McKinsey isn't being used to make cookie-cutter recommendations for countries that are not necessarily buddy-buddy with Canada?

[*English*]

**The Chair:** I'm afraid I have to interrupt. It was an excellent question.

Maybe, Minister and Mr. Thompson, you can provide that answer in writing to the committee, please.

**Hon. Helena Jaczek:** Yes, we will.

**The Chair:** We'll go to Mr. Johns, please, for two and a half minutes.

**Mr. Gord Johns:** Minister, we believe that the companies doing business with Canada should be behaving ethically, both here in Canada and abroad, and that they should always be held to the highest standard when it comes to responsible business conduct. They should be held to account when they fail to meet those standards.

We heard from Mr. Thompson that McKinsey wasn't convicted of a crime, but they settled a \$600-million lawsuit for their role. I guess it might not have passed your integrity test in terms of shutting them down.

What would it take to meet that test and to exclude a company? Could you table the integrity data that allows McKinsey to bid? Could you do that for this committee?

**Hon. Helena Jaczek:** We can certainly give you the process that the integrity regime currently includes.

Mr. Deputy, would you...? Yes.

**The Chair:** Great.

I'm going to interrupt for two seconds, Mr. Johns.

Do we have the will of the committee that the department table this to the committee? I see no nays.

Please do. Thank you.

I'm sorry, Mr. Johns.

**Mr. Gord Johns:** I guess I still didn't get to the point about what the bar is, but I'm hoping you'll explain that.

Minister—

**Hon. Helena Jaczek:** Mr. Johns, I think the deputy can say exactly what the bar is now to exclude a company.

**Mr. Gord Johns:** Okay.

**Mr. Paul Thompson:** As I was indicating, the bar for an affiliate of a Canadian company is a conviction. There are some activities that we can pursue. If it is the direct activity of a Canadian direct supplier, a charge against a company would also be a trigger for an integrity action—

• (1625)

**Mr. Gord Johns:** I think sometimes a lawsuit of this magnitude should be considered. I think it should be reviewed.

I know there are many aspects of contracting out. Problems arise with an overreliance on this approach. We're seeing that clearly right now. It's high cost. There's a lack of competition. We all remember Phoenix and the sole-source contracts that ended up costing hundreds of millions of dollars and demoralized the public service. We also saw the cuts under the Conservatives that happened to the public service and we saw outsourcing increase. We know that it hurts morale.

What are you going to do to turn around the morale in the public service, Minister? They are not very happy right now, seeing what's going on.

**Hon. Helena Jaczek:** That's a very big question, and—

**The Chair:** You have about 30 seconds to answer.

**Hon. Helena Jaczek:** I'm sure, as a government, we have said many times that we value public officials and the contribution they make. We know that they work hard. We know that they're doing what they are supposed to be doing through their employment.

I have every confidence that the public service within PSPC is going to do everything they can to ensure we have good morale and that people know they are achieving what they need to achieve.

**Mr. Gord Johns:** When? When is that going to happen? This runaway ship is not.... It's not going to happen from the way things are going.

**Hon. Helena Jaczek:** I would have to disagree with you. I think that the people I have met within PSPC are totally dedicated to their jobs. They understand the importance of their jobs and that we, as the government, value their contribution.

**Mr. Gord Johns:** Do you think public servants are happy with the runaway ship? I don't think so. I disagree with you.

**The Chair:** I'm afraid that's our time. I let you go a bit longer. Minister, I let you go longer as well.

Mr. Barrett, you have five minutes, please.

**Mr. Michael Barrett (Leeds—Grenville—Thousand Islands and Rideau Lakes, CPC):** Thanks, Chair.

Minister, were you aware of the ethical record of McKinsey? Have you become aware, since taking on this role as minister, that they held a corporate retreat adjacent to a concentration camp?

Our parliament recognized that there is a genocide happening there. They held a retreat next to one of the concentration camps. This same company is embroiled in a corruption scandal in South Africa and in an election interference scandal in France. This same company paid out \$600 million U.S.—almost \$800 million Canadian—as bonuses to pharmacists, when there were opioid deaths when they overprescribed drugs like OxyContin.

**Hon. Helena Jaczek:** No, I was not aware, Mr. Barrett.

**Mr. Michael Barrett:** When did you become aware of McKinsey's involvement and their payment of that settlement?

**Hon. Helena Jaczek:** It was through the testimony at this committee last week.

**Mr. Michael Barrett:** Okay. Since that time, have you taken any action to end the Government of Canada's business with that company?

**Hon. Helena Jaczek:** As we already discussed, I have discussed with staff, the deputy, that we need to look very closely at our integrity regime.

**Mr. Michael Barrett:** No, no, Minister; looking closely is not going to cut it. This is a company that is devoid of values and is completely antithetical to everything this country stands for.

Do you feel that you have a moral obligation to end the Government of Canada's business with this company, based on what you have heard at this committee?

**Hon. Helena Jaczek:** I need to investigate the matter further and be sure of the facts.

**Mr. Michael Barrett:** If you were assured that McKinsey, in their work for Purdue Pharma, advised them on how to supercharge the sales of opioids, would that be sufficient for you to end the business of the Government of Canada with McKinsey?

**Hon. Helena Jaczek:** I believe in very thorough investigations of all charges. I'm certainly not in a position to advocate ending any type of contract with McKinsey at this time.

**Mr. Michael Barrett:** Minister, I think that would be very disappointing for the victims of the work of this company to hear.

Do you think it is appropriate corporate conduct for a company like McKinsey to hold a corporate retreat adjacent to a concentration camp? Do you think that's appropriate?

**Hon. Helena Jaczek:** I just heard this from you right now.

**Mr. Michael Barrett:** Having heard it, do you believe that to be appropriate?

**Hon. Helena Jaczek:** I would need to check that your facts are correct, Mr. Barrett.

**Mr. Michael Barrett:** If my facts are correct, would you believe it to be appropriate?

**Hon. Helena Jaczek:** I can only say that I would need the full facts before I came to a conclusion.

**Mr. Michael Barrett:** This is a matter of public record. Would you say that...?

**Hon. Helena Jaczek:** I have not seen that public record.

**Mr. Michael Barrett:** Okay. It's been reported in Canadian media and in international media. Whose responsibility would it be in your department to brief you with respect to the actions of a contractor of the Government of Canada?

• (1630)

**Hon. Helena Jaczek:** Obviously it would be the public officials we rely upon, my deputy and associate staff.

**Mr. Michael Barrett:** Knowing now that it's been reported in the media, do you believe that it's something you ought to have been made aware of when it was reported?

**Hon. Helena Jaczek:** I'm not sure that Mr. Thompson was aware. Perhaps we—

**Mr. Michael Barrett:** Madam Minister, it's your responsibility. Ultimately, the buck stops with you.

**Hon. Helena Jaczek:** I take my responsibilities very seriously, Mr. Barrett. We will look into all these allegations.

**Mr. Michael Barrett:** Would you be willing to report back to this committee on the decision-making process you arrive at?

**Hon. Helena Jaczek:** At the request of the full committee, I have no doubt I will make any appearance possible.

**Mr. Michael Barrett:** Chair, I ask for consensus for the minister to table the information that she's already gathered.

**The Chair:** Do we have the will of the committee for that?

**Some hon. members:** Agreed.

**Mr. Michael Barrett:** I look forward to that.

How many times has McKinsey met or communicated with the minister or staff in your department?

**Hon. Helena Jaczek:** I have never communicated with McKinsey. I cannot speak for anybody else.

**Mr. Michael Barrett:** How many times have your staff met with them?

**Hon. Helena Jaczek:** I inquired of my staff today, and they say never.

**Mr. Michael Barrett:** No one from PSPC has ever met or spoken with—

**Hon. Helena Jaczek:** My political staff, the current staff in my office, said to me very clearly that they have had no communication with McKinsey.

**Mr. Michael Barrett:** Has past staff done so?

**Hon. Helena Jaczek:** How would I know?

I can certainly inquire.

**Mr. Michael Barrett:** Madam Minister, you're making an appearance at the Standing Committee on Government Operations. It was even reported in the media today that this company isn't registered to lobby when they are clearly lobbying the government. Didn't you think to ask your staff how many times people in that department had met with this company when they've done more than \$100 million in business?

**Hon. Helena Jaczek:** I clarified succinctly, I think, that the staff in my office have never met or communicated with McKinsey.

**The Chair:** That's our time, Mr. Barrett.

**Mr. Michael Barrett:** Those are disappointing answers, to say the least.

**The Chair:** We now have Mr. Bains for five minutes, please.

**Mr. Parm Bains (Steveston—Richmond East, Lib.):** Thank you, Mr. Chair.

Thank you to the minister and the staff for joining us today.

Minister, do you make the decisions as to when internal or external expertise is sought?

**Hon. Helena Jaczek:** Mr. Bains, I responded no, I do not.

**Mr. Parm Bains:** I just wanted to clarify that.

Can you please share with us the details on McKinsey & Company as a supplier of procurement instruments established by PSPC?

**Hon. Helena Jaczek:** Mr. Bains, are you referring to the fact that McKinsey was pre-qualified in terms of standing offer supply arrangements?

**Mr. Parm Bains:** I'll rephrase that.

Can you give information about the contracts awarded to McKinsey by client departments and how decisions to procure professional services work with client departments?

**Hon. Helena Jaczek:** Mr. Thompson, perhaps you have been able to collate some of the related information.

**Mr. Paul Thompson:** As was mentioned previously, the 24 contracts, with the exception of two, were administered by PSPC, but we had client departments for whom we were putting these contracts in place.

Beyond that, there are contracts that individual departments would do within their own delegations. That is not something we have a line of sight to. That's part of the Treasury Board's work in following up and conducting the review, although any contract over \$10,000 that a department has would be disclosed individually by those departments. That's the way it would work. If it's above a certain threshold, it would come to PSPC to be the contracting agent. We would execute the procurement on behalf of a client department.

**Mr. Parm Bains:** Can you explain the difference between supply arrangements and standing offers?

**Hon. Helena Jaczek:** Again, I will go to the deputy.

**Mr. Paul Thompson:** They are both instruments to use to help facilitate procurements.

The supply arrangements, as I mentioned, do some of the steps of a procurement in advance, particularly the pre-qualification of

companies. They would be put on a list for a range of services, but it does not constitute a contract.

A standing offer goes a bit further than that and puts in place a pricing mechanism so that goods or services could be procured at a predetermined price and called up by a department. They are different instruments that help facilitate procurement by other government departments.

**Mr. Parm Bains:** What are the advantages of having supply arrangements, and how valuable are they?

• (1635)

**Mr. Paul Thompson:** They are very valuable.

As my colleague Mollie alluded to, they were particularly useful earlier, during the pandemic, to facilitate and speed up the procurement process by doing some of it in advance, having that work ready to go and finalizing contracts on the remaining pieces under those two instruments.

**Mr. Parm Bains:** Minister, do you have any oversight in selecting bidders?

**Hon. Helena Jaczek:** Absolutely not, Mr. Bains.

In fact, as you probably know, we recently went through an ITQ, an invitation to qualify process related to administering the dental plan for Canadians, which is obviously an important policy of our government. I was completely blind to the six people who put forward an intent to qualify. They were blinded to me. Now that three are moving forward through the process, they are again blinded. I have no knowledge of which companies are moving forward. How they will be processed and evaluated will not be known to me at any stage.

**Mr. Parm Bains:** Thank you.

I'll go back to Mr. Thompson.

How many federal contracts have been awarded to McKinsey since 2011? Do you have a number on that?

**Mr. Paul Thompson:** Unfortunately, I'm only in a position to speak to the contracts issued by Public Services and Procurement, which were the 24 I mentioned. The Treasury Board Secretariat is doing further work to gather the information on departments and what did individually with their own authorities.

**Mr. Parm Bains:** How far do those go back in years?

**Mr. Paul Thompson:** We are looking back to 2011.

**Mr. Parm Bains:** Okay.

With regard to total value, would all of that be determined after that?

**Mr. Paul Thompson:** Yes, that's correct.

**Mr. Parm Bains:** How much time do I have, Mr. Chair?

**The Chair:** You have 13 seconds.

**Mr. Parm Bains:** Thank you very much for your answers.

**The Chair:** Thanks, Mr. Bains.

Mr. Paul-Hus, welcome back again to OGGO.

[*Translation*]

**Mr. Pierre Paul-Hus (Charlesbourg—Haute-Saint-Charles, CPC):** Thank you, Mr. Chair.

Good afternoon, Madam Minister, Mr. Thompson and Ms. Royds.

I'd like to come back to a question you were asked at the beginning of the meeting, Madam Minister, and get a confirmation from you. Were you aware that McKinsey was not registered on the list of businesses that can lobby the Government of Canada, or did you learn it this morning through Radio-Canada?

[*English*]

**Hon. Helena Jaczek:** I read it in the media. The Radio-Canada—

[*Translation*]

**Mr. Pierre Paul-Hus:** You did not have prior knowledge of that. Okay.

Based on the information we have, there need to be special circumstances for a no-bid contract to be awarded when it exceeds the base amount.

Can you give us an example of special circumstances where the Department of Defence, for example, was able to award contracts to McKinsey without going through the bidding process?

[*English*]

**Hon. Helena Jaczek:** I will have to turn to Ms. Royds.

**Ms. Mollie Royds:** Thanks very much for the question, Mr. Chair.

I believe the national, master standing offer is being referred to. In those circumstances, there is a requirement for us to confirm that the work in question brought forward by our client department is consistent with the scope of work associated with the standing offer, as well as the funding requirement associated with it. We facilitate the call-up against the standing offer tool on behalf of the department.

We previously addressed the circumstances for putting in place the overarching standing offer, but in that instance, because there were proprietary datasets and methodologies—

[*Translation*]

**Mr. Pierre Paul-Hus:** I'm sorry to interrupt you, Ms. Royds, but my question is about all the contracts awarded to McKinsey without competition. On behalf of the Department of National Defence, the Department of Citizenship and Immigration or the Canada Border Services Agency, the Government of Canada awarded contracts to McKinsey with no bidding process under special circumstances, an emergency.

I'd like some examples. What was so urgent in the country that those departments had to award McKinsey contracts without competition?

**Mr. Paul Thompson:** Thank you for the question.

In those cases, the use of the instrument was not related to an emergency, but to an intellectual property issue, as part of the benchmarking process. The instrument was used by other departments as well, including the Department of National Defence.

• (1640)

**Mr. Pierre Paul-Hus:** What do you mean by that? Only McKinsey could do the work?

**Mr. Paul Thompson:** Four other firms use the instrument, the national master standing offer, and provide a benchmarking service like this. There are five in total.

**Mr. Pierre Paul-Hus:** Which five companies?

**Mr. Paul Thompson:** I don't have the list on hand, but perhaps Ms. Royds can name them for you.

[*English*]

**Ms. Mollie Royds:** The other companies that we have national master standing offers with for benchmarking services are Forrester, CEB, Info-Tech, and Gartner.

[*Translation*]

**Mr. Pierre Paul-Hus:** Okay, thank you.

There was another time McKinsey was used and I'm looking for an explanation.

When Ms. Hudon, the former ambassador of Canada to France, was appointed president of the Business Development Bank of Canada, the first decision she made was to award a \$4.9-million contract to McKinsey. Why was that the first thing she did? We found out that her team, including the vice-presidents, were not very happy with the decision.

Who told Ms. Hudon to do business with McKinsey? Why was McKinsey awarded that \$4.9-million contract directly?

[*English*]

**Hon. Helena Jaczek:** I would have no knowledge whatsoever of this.

Deputy Thompson, could you comment?

**Mr. Paul Thompson:** I would offer two points.

Crown corporations have their own procurement authorities and typically work outside the services of PSPC. However, BDC, in one instance, did make use of our national master standing offer for benchmarking, in the amount of \$3.4 million. That was one transaction we executed on its behalf, but that's more of an exception. Crown corporations generally independently manage their own procurement.

[Translation]

**Mr. Pierre Paul-Hus:** I understand that Crown corporations can manage acquisitions independently, but it's still quite a surprising situation. After a two-year stint in Europe, Ms. Hudon comes to the BDC and the first thing she does is award a contract to McKinsey. Someone somewhere must have recommended that to her.

Anyway, we hear the same thing at every meeting: Everyone works in a vacuum and no one knows what's going on. However, we mustn't forget that the federal government spends hundreds of millions of dollars.

We're just trying to figure out whose idea it was to suggest to Ms. Hudon that she do business with McKinsey.

[English]

**The Chair:** I'm afraid that's our time, Mr. Paul-Hus. Mr. Thompson, if you have an answer, perhaps you could provide it in writing to the committee.

Next we have Ms. Thompson, please, for five minutes.

**Ms. Joanne Thompson:** Thank you.

This is probably to you, Mr. Thompson. It's going back to comments that were made earlier around data analytics. It's the comment that McKinsey has a set of data analytics that would help for a particular contract.

Could you speak about the relevance of data analytics with benchmarking, and how they link? That is, they are not the same, but how are they interconnected?

**Mr. Paul Thompson:** As I noted, there are a range of different benchmarking methodologies and services. McKinsey comes with a certain tool kit of methodologies and data sets that it can use. They're used often by service-providing organizations. Employment and Social Development Canada has used these services to compare its offerings to those of other peer organizations. They've been used by CBSA, EDC and BDC, as well as the Department of National Defence.

They can be used in a service delivery context. They can also be used for very in-depth IT comparisons between the costs of developing and running an IT system in one organization versus another. There are a host of different situations that all benefit from this kind of independent review.

The last thing I would note is that the Treasury Board policy on management of projects actually requires and encourages independent advice on these large transformation projects that are undertaken by the government. It's part of the due diligence on a large project.

**Ms. Joanne Thompson:** Certainly as we modernize legacy systems and further digitalize operations and services, obviously increased IT investment is essential. Could you explain when it makes sense for government to use internal resources and when existing resources within government need to be supplemented by an outside source?

• (1645)

**Mr. Paul Thompson:** The minister has noted a few such examples, such as when we don't have access to the expertise, the skill

sets in question, or it's not the type of skill set that we would need on our payroll on a permanent basis. It could be that we need it on a very time-limited basis for a defined period of time. It could be in relation to an initiative that only has temporary funding; it would then not be appropriate to hire a full-time public servant if we had a six-month or twelve-month project to undertake. In this circumstance, we look for independent advice from outside the public service to help give critical perspectives on a project.

Those are some circumstances.

**Ms. Joanne Thompson:** Thank you.

This question is open to whoever would like to take it. Could you go into more depth in terms of that integrity process and how PSPC ensures a fair and open transparent process in how you award contracts?

**Mr. Paul Thompson:** On the question of fairness, our default is to competitive processes. There's only a specific set of circumstances in which we move to non-competitive instruments. I mentioned one, the intellectual property.

On transparency and openness, the bidding processes are very visible. We encourage, to the extent possible, multiple bids in competitive processes. The results of contracts are posted publicly on every department's website.

Another feature on fairness would be the fairness monitors we put in place for large contracts, just to ride along with the process and provide an independent assurance that the contract was issued fairly and appropriately.

Those are some of the measures we have on fairness and transparency. That's in addition to the integrity regime, which the minister spoke about earlier in response to some of the other questions.

**Ms. Joanne Thompson:** Thank you.

When the government contracts with McKinsey, what measures, if any, are in place to ensure that government information is not shared with other organizations that contract with McKinsey?

**Hon. Helena Jaczek:** Again, to the deputy—

**The Chair:** Give a relatively short answer, please.

**Ms. Mollie Royds:** Sorry; just to clarify, are these the provisions related to conflict of interest?

**Ms. Joanne Thompson:** No, it's the protection of information, the information that came about through the contract.

**Ms. Mollie Royds:** All right.

We would have specific clauses in the contracts associated with those requirements to ensure the protection of information. I'm sorry that I misunderstood the question.

**Ms. Joanne Thompson:** Thank you.

**The Chair:** Thank you, Mrs. Thompson.

Now we'll go to Mrs. Vignola for two and a half minutes, please.

[*Translation*]

**Mrs. Julie Vignola:** Thank you very much, Mr. Chair.

Minister Jaczek, who are consulting firms accountable to?

[*English*]

**Hon. Helena Jaczek:** I can't get the translation. I'm sorry.

[*Translation*]

**Mrs. Julie Vignola:** To whom are consulting firms accountable?

[*English*]

**Hon. Helena Jaczek:** I'm sorry. I just still don't understand your question.

[*Translation*]

**Mrs. Julie Vignola:** Who are consulting firms accountable to?

[*English*]

**Hon. Helena Jaczek:** To whom are the firms that are contracted with accountable?

[*Translation*]

**Mrs. Julie Vignola:** Yes.

[*English*]

**Hon. Helena Jaczek:** It's to the public service.

**The Chair:** I think the question is, if we're contracting to McKinsey, who is it accountable to?

**Hon. Helena Jaczek:** Who is McKinsey accountable to? It's to the contracting department, or in the case of a direct contract with PSPC, to PSPC, but it's always to public officials.

[*Translation*]

**Mrs. Julie Vignola:** As far as I know, everyone knows what tools public servants are using, and public servants are accountable to the people, to Quebecers and Canadians, because they are the ones that pay their wages and ours through taxes and income tax.

With respect to the tools it uses, why is McKinsey not as transparent with those who pay for these contracts through taxes and income taxes?

How is it that the data is protected, but it's okay for McKinsey to use it elsewhere in the world to do other analyses and make recommendations to other countries who may not be buddy-buddy with us?

• (1650)

[*English*]

**Hon. Helena Jaczek:** I think, Madame Vignola, you are asking.... McKinsey gets data from us, and then they potentially can use it perhaps in a benchmarking process for other contracts that they hold worldwide. Is that what you're getting at, the privacy of that information?

Yes, okay.

Then you're asking if there's any provision in our contracts to guard against the use of that data—

**The Chair:** Give a brief answer, Mr. Thompson.

**Mr. Paul Thompson:** The answer is yes, there would be limitations on how that data can be used. It would vary, I think, from contract to contract, but there are provisions.

Often the information we see from another country or another entity would be anonymized data. It would not have a company name or a country name. These are usually anonymized datasets that protect the identity of the organization in question.

**The Chair:** Thanks.

We'll go to Mr. Johns for two and a half minutes, please.

**Mr. Gord Johns:** Minister, we understand that there are times when we don't have internal capacity and the government needs to turn to external help, but these should be of last resort, not the government's first call. The problems here are coming from excessive use of costly outsourcing, which leads to higher costs and lower-quality services. We know that public service professionals in the public service are focused on giving taxpayers value and delivering the vital services that Canadians rely on.

Do you actually think this amount of outsourcing of government work is appropriate and that good-paying union jobs within the government are not worth pursuing instead?

**Hon. Helena Jaczek:** I think we need to look at it very closely, Mr. Johns.

I actually agree with the preamble to your question. I think we need to look at it very, very closely. I think we need to look at whom we're hiring and where there are opportunities to ensure that we have sufficient internal staff with the qualifications and skills that we need to perform the tasks in front of us. I would come at this question very much from the same place as you're coming from.

**Mr. Gord Johns:** I get it when it comes to surge, but it feels like it's a surge all the time when you have a tenfold increase of outsourcing to these big companies.

I'll speak about big companies a little bit.

We know there are thousands of skids in the national emergency strategic stockpile that are ready to expire soon. When it comes to resupplying the stockpile, is PSPC going to sole-source the tenders to these billionaire multinationals or are they actually going to give small and medium-sized Canadian companies the chance to bid on the replacement of these supplies?

In the House in 2021, a unanimous consent motion was passed to provide Canadian-made PPE to Parliament and federal government departments. A year later, the foreign-made PPE is still being supplied to the government. Why hasn't this motion been honoured? What are you going to do to intend that SMEs get a share of that?



**Hon. Helena Jaczek:** Mr. Deputy, would you comment?

**Mr. Paul Thompson:** I would note, Mr. Chair, that since the onset of the pandemic, there have been significant strides in Canadian-produced PPE, and the volume has shifted considerably towards Canadian suppliers.

**Mr. Gord Johns:** Most of the suppliers we're talking to are saying they're still sitting on it.

To go back to the conviction part, you also said that a conviction disqualifies affiliate companies from working with the government and that a charge disqualifies suppliers. McKinsey has been charged criminally in South Africa. That's my understanding.

Why is the bar higher for suppliers than for affiliates? It sounds like McKinsey would be disqualified if they were a supplier instead of an affiliate.

**The Chair:** I am afraid that's our time—

**Mr. Gord Johns:** Maybe you can provide that answer in writing.

**The Chair:** Perhaps you can provide that answer in writing for that specific question.

Thanks, Mr. Johns.

We'll go to Mr. Barrett for five minutes and then we'll finish up with Mr. Jowhari for five minutes.

**Mr. Michael Barrett:** Regarding your response to Mr. Johns, why is the threshold different?

**Mr. Paul Thompson:** The policy regime does have two levels. One is for domestic direct suppliers—the corporate entity with whom we're doing business—and one is for affiliates.

These aren't about automatic ineligibility. The thresholds that I was talking about are what trigger a review of the process. Then it can result in suspension. It can result in administrative agreements. There are various arrangements that can be pursued under the existing policy, but as the minister noted, the existing policy is being looked at and there are a range of improvements on the table.

• (1655)

**Mr. Michael Barrett:** There's an email that's been received by this committee. It's dated March 26, 2020. It's from Kevin d'Entremont at McKinsey to a department official. It is pitching a meeting on COVID response with Mr. Andrew Pickersgill. Did that meeting happen?

**Hon. Helena Jaczek:** I would have to turn to my officials to see what they know about the issue you're talking about.

**Mr. Paul Thompson:** I'm not aware of that particular meeting, but I would say that as part of the government's call to action, there was a very high volume of outreach to companies of all descriptions during that period.

**Mr. Michael Barrett:** If the meeting occurred, would a record exist?

**Mr. Paul Thompson:** I would have to look into that. It would likely be on the record, but I can't confirm that on the spot.

**Mr. Michael Barrett:** Okay.

Through the chair, it's a very narrow event for which we're looking for information. The date and the names have been provided.

I'm looking to find out—and wonder if you would undertake to provide this to the committee—if that did occur, who was at the meeting and how many other times those individuals met with Mr. d'Entremont or Mr. Pickersgill.

If you're willing to undertake to provide the results of that very narrow search request to the committee, I think it would be very helpful, because questions were raised in media reporting today with respect to whether this organization, McKinsey, should have been registered to lobby. It's not on designated public office-holders to get individuals to register to lobby; it's on the lobbyists to register.

I think that information would be very helpful. It would expedite the process of getting that information if you provided it to this committee. That would be in the domain where the Commissioner of Lobbying would also have access to that information—

**The Chair:** Let me interrupt, Mr. Barrett. I'm going to go out on a limb here and assume you're asking if it's the will of the committee to ask the minister's office and Mr. Thompson to provide that to the committee.

**Mr. Michael Barrett:** It is, Chair.

**The Chair:** Are there any objections?

There are none. Thank you very much.

Go ahead, Mr. Barrett.

**Mr. Paul Thompson:** I'm just going to make a point of clarification. The department is not the repository for the lobbying registry.

**Mr. Michael Barrett:** I appreciate that.

**Mr. Paul Thompson:** Those registrations are done by the individual, who has the obligation with the office of the registrar.

**Mr. Michael Barrett:** Yes, one hundred per cent, but for the information with respect to those meetings, a record would exist with your department if it happened.

**Mr. Paul Thompson:** We are occasionally asked by the Commissioner of Lobbying to validate and check on that kind of information, so if it's in that context....

**Mr. Michael Barrett:** Great. I appreciate that.

The email I referenced mentions Dominic Barton. They name-drop him. Does that name have currency among departmental officials, or with you, Minister, or with your cabinet colleagues?

**Hon. Helena Jaczek:** No one has approached me with the name of Dominic Barton at all. I can only speak for myself.

**Mr. Michael Barrett:** Okay. It seems odd for someone to name-drop another individual unless they thought it was going to get them past the doorman.

I have one more question.

Dominic Barton is reported in public accounts as having been paid \$150,000 by Global Affairs for other services while he was also ambassador to China. What was he paid for?

**Hon. Helena Jaczek:** Really, I would have no knowledge of such a transaction.

**Mr. Michael Barrett:** Is that something the department would have records on?

**Hon. Helena Jaczek:** The deputy is saying that it would be the Global Affairs department.

**Mr. Michael Barrett:** Okay. It would be necessary to get that information from the minister responsible for Global Affairs. Is that right?

**Mr. Paul Thompson:** Yes.

**Mr. Michael Barrett:** Thanks.

**The Chair:** That's our time.

We're going to finish up with Mr. Jowhari.

**Mr. Majid Jowhari:** Thank you, Mr. Chair.

For full disclosure, my background is management consulting. The question I'm about to ask is intended to demystify a number of terminologies that have been used and thrown around. Then it will lead into a question.

Mr. Thompson, we talked about a number of concepts, such as benchmarking, analytics and data, and I'll throw KPI in there as well. The way I understand how things work is that when an organization is going through a transformation with the intention of improving its processes and policies, it will look at jurisdictions and at the data that exists. Then that data is compared with the data that's gathered within the organization. It compares it, and then it can run analytics. Those data are usually gathered around key performance indicators. Then transformation road maps are developed.

Is my understanding of how we've used the terminology of benchmark, data and analytics correct in the context of the last hour and a half that we've been talking?

• (1700)

**Mr. Paul Thompson:** That's a very accurate description of the work.

**Mr. Majid Jowhari:** Okay. Thank you.

I really want to get to the question and the purpose of the "why". Are you, as a public servant, expected to have the benchmark data that exists in other jurisdictions or to be an expert, or is anybody within your department expected to be an expert in having that benchmark data?

**Mr. Paul Thompson:** As I mentioned, when we're undertaking a business transformation, whether it's PSPC or another department, the Treasury Board policy on project management encourages independent reviews and perspectives. Benchmarking is one tool that brings credibility and precision to a business transformation plan.

**Mr. Majid Jowhari:** That's perfect.

You talked specifically about McKinsey having nine benchmarking tools. PSPC itself went through a transformation around pay-

ments in improving their process, etc. I believe that your department might have used one of those benchmarking tools.

Would anyone within your department have the expertise to develop that data, aside from the base data you're gathering from your department?

**Mr. Paul Thompson:** We would have good information on our own operations, but we wouldn't have the basis to compare it with peer organizations. If we were comparing the pay centre to private sector or public sector pay operations, or if we're comparing our pension operation to pension plans, etc., what these companies do is bring in an analytical framework for doing just that.

**Mr. Majid Jowhari:** Perfect. Thank you for that.

Therefore there is a need, a justifiable need, to bring in external resources. I'm talking more broadly than McKinsey or other consulting firms. There is a need, and there is a reasonable why.

Let's talk about the data and the fact that the privacy of the data is protected.

During the time when the benchmarking exercise was done for your department, were you at any time aware of whether the specific data being benchmarked was specific to a given client, or was it a pool of data that had been normalized or anonymized and therefore was a pool of data that was used without any reference to a specific client?

**Mr. Paul Thompson:** Typically the benchmarking reports that I've seen have anonymized data. The data will refer to "an insurance company" or "a comparable country". Occasionally when there is publicly sourced information as part of the benchmarking, there will be a more clearly identified company, but a lot of the information gathered is proprietary and commercially confidential. As a result, it's often protected.

**Mr. Majid Jowhari:** Therefore, is it fair to assume that for the data that's being gathered by doing benchmarking for the Government of Canada, specifically to PSPC, there's a highly unlikely opportunity for it to be identified as the Government of Canada's data in other benchmarking exercises?

**Mr. Paul Thompson:** I believe that to be correct, with the possible exception of publicly available information that any of these companies or anybody else could use.

**Mr. Majid Jowhari:** Absolutely. I mean, the number of employees that the Government of Canada has is publicly available, but if we're talking about the performance of a procurement process or how long it takes, etc., that might not be publicly available.

I'm 13 seconds over. Thank you very much for your indulgence.

**The Chair:** Thank you, Mr. Jowhari. Thank you for joining us.

Before we go, I'm going to invoke the chairman's prerogative. I have just a couple of things.

Several questions were asked that you were going to get back to us on. As well, we've been asked to send for documents. As the will of committee, we'll set a date of Friday the 17th at noon for these documents.

Is that agreed?

That's agreed. Thank you.

On the chairman's prerogative, I've been dealing with the procurement ombudsman for seven years as part of this committee. If you read his annual reports and you meet with him, you'll see repeatedly that his recommendations are not actually put into force.

Minister, will you guarantee that the recommendations he puts in on this issue are put into force and not just pushed aside like his other recommendations over the years?

• (1705)

**Hon. Helena Jaczek:** Thank you, Mr. Chair.

I have met with the procurement ombudsman and had a very full discussion with him and was very impressed by what he has to offer.

**The Chair:** Will you be accepting and implementing all of his recommendations?

**Hon. Helena Jaczek:** Obviously we'll look at them very, very closely. I cannot commit to immediately accepting all recommendations, but I feel sure that they will be very carefully considered.

**The Chair:** The reason I ask is that you emphasize that as one of the actions—

**Hon. Helena Jaczek:** Yes.

**The Chair:** —and I will express my great concern that we are falling back on him, but we're not actually committing to that. I'll leave that be.

Mr. Thompson, Mr. Johns, Mr. Barrett and the minister as well brought up repeatedly this integrity test. A simple Google, putting in three words, “KPMG convictions fraud” or “Deloitte convictions fraud” or “Accenture convictions fraud” comes up with multiple pages of fraudulent activity around the world. McKinsey is not an affiliate; it is a sole company. I just ask that you provide to this committee real black and white information on how this so-called integrity test is put into effect for these companies.

We've asked repeatedly over the years at OGGO. It's very clear. I'm aghast to hear that you were not aware of the McKinsey stuff. I was well aware, even though it wasn't part of our study, and well aware of all the issues with KPMG and Accenture. It's not that I'm doubting the honesty of what was said today, but I find it extremely concerning that a simple Google check that shows a massive number of concerns with these companies somehow doesn't stop them from receiving massive contracts from taxpayers.

I'll leave it at that. I appreciate your time.

We're going to suspend very quickly for about five minutes as we bring in our new witness.

• (1705)

(Pause)

• (1705)

**The Chair:** Colleagues, we're going to get going, because we are tight on time.

I would like to welcome Mr. Cory for opening comments of five minutes.

Before he starts, I want to assure everyone that we have tested his microphone and the audio with our interpreters and that we are good to go.

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

**Mr. Ehren Cory (Chief Executive Officer, Canada Infrastructure Bank):** Thank you, Mr. Chair and members of the committee.

As introduced, my name is Ehren Cory. I am the chief executive officer at the Canada Infrastructure Bank, or CIB. I'm pleased to be with you today and to accept the invitation to act as a witness in your study of federal government consulting contracts awarded to McKinsey & Company.

The Canada Infrastructure Bank is a federal Crown corporation that reports to Parliament through the Minister of Infrastructure and Communities. We were created to invest in revenue-generating infrastructure projects in Canada to benefit Canadians. We do this by working with governments, indigenous communities, the private sector and institutional investors to provide investment in projects that support economic growth, connect communities and contribute to Canada's transition to a low-carbon economy.

We work on investment opportunities from coast to coast to coast that reflect priority sectors for investment—public transit, broadband, green infrastructure, clean power and trade and transportation. We invest in projects across each of those sectors that, in particular, reduce infrastructure gaps in indigenous communities across the country. I cannot overstate the critical importance of infrastructure investment to our ability to meet climate goals, enhance productivity and protect our quality of life.

The CIB was created when the Canada Infrastructure Bank Act was passed in June 2017. An inaugural board of directors was appointed in November 2017. Since then, we have been steadily building the institution and accelerating the pace of investment activity.

The CIB got off to a slow start as it worked to establish the guardrails for projects that it should or should not invest in; build relationships with infrastructure owners across the provinces, territories, municipalities, indigenous communities and the private sector; and establish clear governance that allowed it to act decisively and independently in making investment decisions while ensuring close alignment with government policy and good transparency.

The launch of the CIB's growth plan in the fall of 2020 marked a significant turning point for our organization, with a clearer definition of priority investment areas, concrete investment goals and clarified investment decision-making processes. Since then, the CIB's investment activities have rapidly accelerated.

That's why I am particularly proud to report that as at December 31, 2022, the CIB has now made investment commitments of \$8.6 billion across 43 projects with a total capital cost of almost \$25 billion. These are investments that will result in annual greenhouse gas emissions reductions of more than 4.5 million tonnes; nearly 300,000 new homes connected to broadband; nearly 175,000 new transit riders every day; more than \$60 million in agricultural value being added to the economy; and improvements across infrastructure in 26 indigenous communities.

This has real impact for Canadians—in new broadband in southern Manitoba, electric buses on the road in Edmonton, new district energy systems powering Richmond, B.C., reliable energy storage in rural Ontario and rail expansion in northern Quebec and Labrador.

Over the course of the CIB's work, to exercise due diligence in our investment decisions and to ensure maximum return for Canadian taxpayers, the CIB does rely from time to time on the help of experts from external firms. These are accountants, lawyers, engineering and technical firms, and other consultants.

The CIB has received the motion adopted by this committee on January 18 with respect to contracts with McKinsey & Company. We are currently preparing our response, which will be provided to the committee within the prescribed timeline.

As we've previously reported to Parliament in response to Order Paper questions, I can confirm that since our inception in 2017, the CIB has entered into three contracts with McKinsey & Company, all prior to my joining the CIB in November 2020. Two of the contracts were undertaken as part of the CIB start-up activities in 2018. The final project was undertaken and completed in July 2020. The scope of this work included providing advice on the initial development of the CIB's criteria for investments and risk management governance and policies, and the later work was in assessing new strategic opportunities.

In total, the value of the contracts awarded by the CIB to McKinsey & Company was \$1.43 million. To put that in context, it represents just under 5% of our total expenditure on professional service fees and about 1% of our total operating expenses. All of our expenses, of course, including these professional fees, are reported annually to Parliament in our audited financial statements.

Now, as honourable members of the committee may be aware, prior to my joining the CIB I was the president and CEO of Infrastructure Ontario, a provincial Crown agency responsible for building the province's infrastructure and real estate assets. Before that, I worked at McKinsey & Company, between 2001 and 2012. As is clear in the timeline I have outlined, the CIB has not hired McKinsey & Company since I joined the organization in November 2020.

With that being said, I would like to thank the chair and members of the committee for the opportunity to speak. I am looking forward to the discussion.

• (1710)

**The Chair:** Thank you very much.

Colleagues, we'll do a very short second round of six minutes. We'll do a shorter second round because of the late time.

We will start with Mr. Paul-Hus for six minutes, please.

[*Translation*]

**Mr. Pierre Paul-Hus:** Thank you, Mr. Chair.

I'd like to confirm with you, Mr. Cory, that the idea or concept behind the Canada Infrastructure Bank, its structure and its implementation are McKinsey creations? Is that right?

• (1715)

**Mr. Ehren Cory:** Thank you for the question.

[*English*]

The creation of the CIB predates my joining. As I mentioned, I joined in November 2020. My understanding—

[*Translation*]

**Mr. Pierre Paul-Hus:** I'd like to know if it was McKinsey who developed the implementation plan for the Canada Infrastructure Bank.

[*English*]

**Mr. Ehren Cory:** I don't have an awareness of that. I'm sorry.

[*Translation*]

**Mr. Pierre Paul-Hus:** I can tell you that the answer is yes.

You held a position at McKinsey from 2001 to 2012. Steven Robins, who is head of strategy at the Canada Infrastructure Bank, is also a McKinsey alumnus, as is Anil Jaswal.

Can you confirm for me that all three of you are former McKinsey employees and that you now hold executive positions at the Canada Infrastructure Bank?

[*English*]

**Mr. Ehren Cory:** Yes, that's correct.

[*Translation*]

**Mr. Pierre Paul-Hus:** Thank you.

I have no further questions.

I'd like to give the rest of my speaking time to Ms. Lewis.

[*English*]

**Ms. Leslyn Lewis (Haldimand—Norfolk, CPC):** Thank you for your question.

Thank you, Mr. Cory, for your attendance here today.

Did you personally hire Mr. Robins or Mr. Jaswal?

**Mr. Ehren Cory:** Thanks for the question, Ms. Lewis.

Yes, I did hire Mr. Robins. He previously worked at Infrastructure Ontario as well. He had left McKinsey on or about, I think, 2014, had gone back to school, and worked at Infrastructure Ontario. I was part of hiring him.

Mr. Jaswal joined us through an open competitive process through our HR department. He applied. I didn't know Mr. Jaswal prior to his application. He went through the process, and I met him once he joined.

**Ms. Leslyn Lewis:** But it was an open competitive process that happened to hire Mr. Jaswal, who formerly worked at McKinsey with you.

**Mr. Ehren Cory:** I'm sorry, but no, he didn't work at McKinsey with me. I left McKinsey in 2012. I believe he was there from 2016 to 2018. We didn't know each other at all.

**Ms. Leslyn Lewis:** He didn't work at McKinsey with you, but you both worked at McKinsey.

**Mr. Ehren Cory:** That's correct, at different times.

**Ms. Leslyn Lewis:** Mr. Robins worked at McKinsey. The chair of the finance minister's Advisory Council on Economic Growth was Dominic Barton, who recommended the creation of the Infrastructure Bank. Is that correct?

**Mr. Ehren Cory:** That's my understanding. That was part of the work of the committee, yes.

**Ms. Leslyn Lewis:** How many former McKinsey employees have worked at the Infrastructure Bank since its inception, or currently work there?

**Mr. Ehren Cory:** There are four of us, to my knowledge—the three the member mentioned previously, and also my executive assistant.

**Ms. Leslyn Lewis:** Okay. Other than your executive assistant, are those all high-level executive positions, management positions?

**Mr. Ehren Cory:** No. Mr. Robins, who's the head of strategy, is in an executive position. He helps us identify investment priorities and the portfolios of investments we should make. Mr. Jaswal leads our work on portfolio strategy, on how much money to allocate across different investment goals, but that's not an executive position. He's a director in our company.

**Ms. Leslyn Lewis:** He's a director. Thank you.

I understand that McKinsey & Company was awarded at least four consulting positions with the Infrastructure Bank. Is that correct?

**Mr. Ehren Cory:** My understanding is there were three separate contracts, all prior to my time. One had two phases to it, but there were three different pieces of work, yes.

**Ms. Leslyn Lewis:** One had two phases, so that's where I probably got the four from.

**Mr. Ehren Cory:** Yes, that's right—exactly.

**Ms. Leslyn Lewis:** Were you involved in the decision to award McKinsey the infrastructure contracts?

**Mr. Ehren Cory:** No, I wasn't. Those all predate my time at the CIB. I wasn't here. I was working for the province at the time.

**Ms. Leslyn Lewis:** Do you know whether there was a request for a quote or a tender process involved in awarding McKinsey those contracts with the Infrastructure Bank?

**Mr. Ehren Cory:** I really can't speak to the procurement that was used in the days I wasn't an employee here and wasn't here for that. What I can tell you is we do have a really clear procurement policy that we follow, similar to other Crown corporations, and the government itself, I'm sure. We have—

**Ms. Leslyn Lewis:** Sorry, Mr. Cory; you're telling me you have a fair process, and there was no—

**Mr. Ehren Cory:** That's correct.

**Ms. Leslyn Lewis:**—unfair advantage given to McKinsey executives in deciding which company would get the contract with the Infrastructure Bank, but it just so happened that four contracts went to McKinsey from the Infrastructure Bank. You're telling me that other businesses had a fair shot at those contracts.

• (1720)

**Mr. Ehren Cory:** I'm telling you that they were several years before I was here, so I really can't comment on the procurement process, but we do have very clear procurement policies around best value for money. We use external advisers on our transactions because we're doing—

**Ms. Leslyn Lewis:** It's a coincidence.

Mr. Cory, the public sees this process as McKinsey stacking the Infrastructure Bank with their loyalists so that there could not be a fair tender process and so other companies would not have the same advantage because the Infrastructure Bank has been stacked with McKinsey loyalists. That's what the public sees.

Did you create a Chinese wall to ensure that McKinsey would not have this unfair advantage that the public is seeing?

**The Chair:** Could you give us a very brief answer, please?

**Mr. Ehren Cory:** I would say to the public that the fact of the matter is that not since any former McKinsey employees have worked at the CIB has McKinsey been hired to do a dollar's worth of work.

**Ms. Leslyn Lewis:** You have 1.43—

**The Chair:** I'm sorry, but that is our time.

Mr Jowhari, go ahead, please.

**Mr. Majid Jowhari:** Thank you.

Welcome to our committee, Mr. Cory.

I have a bunch of rapid questions. I'm hoping for quick responses, because I want to get to debunking some of the themes that are being created.

Between 2001 and 2012, you were at McKinsey. My understanding is that you were the leader in the public sector in capital project practice. Am I right?

**Mr. Ehren Cory:** That's correct.

**Mr. Majid Jowhari:** Roughly what was the dollar amount of the contracts that McKinsey, under your leadership, had with the Government of Canada during that period?

**Mr. Ehren Cory:** My primary work in the public sector was actually at the provincial level. I did work in both the Province of Ontario and Saskatchewan at the time. In the federal government, I did relatively little work. It was around infrastructure, of course, and also economic competitiveness. Probably in total it was a very small amount. I don't want to quote a number to you—

**Mr. Majid Jowhari:** Was it one million? Was it more than five?

**Mr. Ehren Cory:** It was one to two million dollars.

**Mr. Majid Jowhari:** Between 2012 and 2020 you were with the Province of Ontario around infrastructure. Am I right?

**Mr. Ehren Cory:** That's correct.

**Mr. Majid Jowhari:** In that department, how many executives did you have working for you?

**Mr. Ehren Cory:** We had a team of 600 staff and seven other executives who reported directly to me as the CEO.

**Mr. Majid Jowhari:** For CIB, what is the number of staff you have currently reporting to you in total and at the executive level?

**Mr. Ehren Cory:** I have six executives and a total organization of 115 employees. We're small but mighty at the CIB.

**Mr. Majid Jowhari:** Out of the six executives, aside from your executive assistant, how many are from McKinsey?

**Mr. Ehren Cory:** One also worked there a long time ago.

**Mr. Majid Jowhari:** In the past five years, how many of them worked for McKinsey?

**Mr. Ehren Cory:** There were no executives.

**Mr. Majid Jowhari:** In the past 10 years, how many of them worked for McKinsey?

**Mr. Ehren Cory:** One executive did.

**Mr. Majid Jowhari:** Can you talk to me about some of the work you did with the Province of Ontario and others around infrastructure, and the number of projects and what the results were?

**Mr. Ehren Cory:** Of course.

My background was in large capital projects and project delivery. I started working entirely in the private sector, so I was working with large energy companies, renewable power companies and Canadian mining companies on their work both in Canada and around the world. Through that work I developed quite a bit of expertise around what it takes to get large-scale projects done, whether infrastructure or a large mine or a solar power project.

**Mr. Majid Jowhari:** Can you talk to me about the partnership model you needed to roll out when you were with Ontario and how it helped you not only to qualify for the position of CEO at the CIB but also to manage it?

**Mr. Ehren Cory:** Given my background, I joined Infrastructure Ontario in late 2012. I think the work we've done in Ontario to get more infrastructure built over the last decade has used this idea of hybrid models, such that you're bringing in private sector expertise—engineering firms, architecture firms, construction firms—

and private finance where it's helpful, while still keeping public ownership of the assets. That's the P3 model. If you look at Ontario, all of the hospitals and all of the roads and highways and courthouses we built, for which Infrastructure Ontario oversaw the construction, remained public assets, but they leveraged the best of the private sector. We're trying to apply some of the same logic at the CIB.

• (1725)

**Mr. Majid Jowhari:** Okay. Thank you.

Can you tell me how many contracts, when you were heading the Ontario practice, were awarded to McKinsey?

**Mr. Ehren Cory:** To the best of my recollection, one.

**Mr. Majid Jowhari:** Can you tell me the amount that this contract was worth?

**Mr. Ehren Cory:** Again, I don't remember figures, but I can tell you—

**Mr. Majid Jowhari:** Was it \$10 million, \$5 million or \$1 million?

**Mr. Ehren Cory:** It was less than \$1 million.

**Mr. Majid Jowhari:** It was less than \$1 million. Great.

Now let's focus on your role since 2020.

In general, when you walked into this role, what did you inherit? Did you inherit projects, or did you inherit just strategies or structures that you had to execute?

**Mr. Ehren Cory:** Well, as I mentioned in my opening comments, the CIB was launched late in 2017 with the appointment of a board. Really, it was 2018 when staff started to join.

Early on there was a really significant investment by the CIB in the REM transit project in Montreal, which was a great foundation. Following that, there was a period of about 18 months when I think the CIB was very focused on trying to build relationships with provinces, with municipalities and with private sector owners. It was trying to figure out how exactly to get through the governance and the process of making investments—

**Mr. Majid Jowhari:** Is this timeline of 18 months normal for being able to...?

**Mr. Ehren Cory:** I think that in many ways it's normal in standing up an organization from scratch. I think also that we learned some things along the way, in answer to the question, in terms of what it takes for us to be good partners with municipalities, with indigenous communities and with the private sector.

When I joined in November 2020, we had made only the one investment in the REM. In my opening comments today, I mentioned that we're at 43. They're approaching \$9 billion of our money, and those are real investments—

**Mr. Majid Jowhari:** Thank you. I have 15 seconds and I just want to get to a couple of other points.

Can you tell me how much the four so-called huge projects were in total value to McKinsey?

**Mr. Ehren Cory:** It was \$1.43 million.

**Mr. Majid Jowhari:** Okay.

Do you believe you are uniquely qualified because of your relationship with the provinces to have this position you hold?

**Mr. Ehren Cory:** I'd like to think that I bring something to the organization, yes.

**Mr. Majid Jowhari:** Thank you, sir.

**Mr. Ehren Cory:** Thank you.

**The Chair:** Thank you, Mr. Jowhari.

Next is Mrs. Vignola for six minutes, please.

[*Translation*]

**Mrs. Julie Vignola:** Thank you very much, Mr. Chair.

Thank you for being with us, Mr. Cory.

I'm trying to clear up who created the Canada Infrastructure Bank and how it works.

The Advisory Council on Economic Growth, which included people from McKinsey and BlackRock, an infrastructure and real estate investment firm, recommended that the Canada Infrastructure Bank be created. The government itself recognized that the companies associated with the recommendation to create the Canada Infrastructure Bank could benefit financially from government decisions based on that recommendation.

You have confirmed that you used to work at McKinsey, as did two other colleagues of yours. In other words, the people who helped create the Canada Infrastructure Bank are also the people running it through the back door, and the businesses they currently own or previously owned can receive government contracts and investments.

On the surface at least, the situation can be summed up as follows: Some corporations are using privileged information they have or receive from the government to gain benefits that are highly profitable to them. Isn't that a problem?

**Mr. Ehren Cory:** Thank you for the question.

[*English*]

I would just reiterate, perhaps, the timeline.

I left McKinsey more than a decade ago and have since worked in public service. I was hired in this job through a competitive search. I was contacted by an executive search firm, by a headhunter who was searching for a new CEO for the CIB. They contacted me because of my background and expertise, primarily at Infrastructure Ontario.

The other thing I would say is that the fact of the matter is that since I've become the CEO, we haven't hired McKinsey for one dollar of work.

You mentioned BlackRock. BlackRock does not happen to be an investor in any of the projects we're working on either.

We are trying to get more infrastructure built in this country by bringing together the best of the public and private sectors. That's what I came to the job to do.

• (1730)

[*Translation*]

**Mrs. Julie Vignola:** Thank you.

Last week, Mr. Barton told this committee that the Advisory Council on Economic Growth was solely focused on productivity and the economy, and not on social matters.

If infrastructure funded or recommended by the Canada Infrastructure Bank has negative social or environmental impacts, will you turn a blind eye to those impacts or refuse to let investments be made in those infrastructure projects?

[*English*]

**Mr. Ehren Cory:** It's an excellent question. Thank you.

At the CIB, given that we're a Crown corporation, the critical thing to think about is that we take the policy of the government of the day. The priority sectors for investment come from government. For each of these things, such as clean power, green energy, broadband to homes, transit and transportation, and trade, we set clear outcome goals, such as tonnes of GHG emissions reduced or the number of new transit riders. Those are the public policy goals. Our job is to invest the money to make those happen.

To be clear, we have a goal around building green infrastructure and reducing the carbon intensity of our economy. If a project came that was counter to that, yes, we would not invest in it. You are correct.

[*Translation*]

**Mrs. Julie Vignola:** Thank you.

Moments ago, you said that the Canada Infrastructure Bank operates under a public-private partnership model.

Am I to understand that the government, in other words the public sector advances the funds and the profits go to the private sector?

[*English*]

**Mr. Ehren Cory:** Actually, in our projects we're always working with some blend of public and private involvement. Sometimes it's a municipality. We've lent money to the City of Calgary or to the City of Brampton to buy new electric buses. That's us working directly with a municipality to share in the upfront cost of buying new electric buses and sharing in the risk that those buses will perform over the next decade in the way that we all expect them to.

Other times, we're investing in a district energy company that is building out their district energy system. They're a private company, but they're providing a public good—which is shared district energy, which takes buildings off of gas—and then we'd lend money to them. In those cases, we would always have a gain-sharing mechanism so that we get a higher return if the business does well. We're not only guaranteeing profits; it's a loan or an equity investment. These are true investments by us. That includes making sure that if the project is with the private sector and it does well, then we share in that.

[Translation]

**Mrs. Julie Vignola:** It's reassuring to know that the profits are shared, because in the past we've had projects where that wasn't the case: We took all the risk and the private sector kept all the profits.

Thank you for considering that.

The ultimate goal—

[English]

**The Chair:** I'm afraid we have to end on that.

[Translation]

**Mrs. Julie Vignola:** I will come back to this later.

Thank you.

[English]

**The Chair:** That is your time.

Mr. Johns is looking at you to start his six minutes.

**Voices:** Oh, oh!

**The Chair:** Mr. Johns, go ahead.

**Mr. Gord Johns:** Mr. Chair, I tabled a motion the other day and I'm hoping we can have a chat about that and make a decision to expand this study to include Deloitte, PricewaterhouseCoopers, Accenture, KPMG, and Ernst & Young.

I don't think I need to read the motion again, do I? I'm hoping that we can either make a decision or have a conversation.

Maybe you'd like to hear from other members of the committee and see where they're at.

**The Chair:** I'm not sure—

**Mr. Gord Johns:** Of course, I'm hoping that the committee will support the motion.

**The Chair:** I'm not sure if we have a will to do that, because we're right into this one. Perhaps we'll let this one....

Go ahead, Mr. Barrett.

**Mr. Michael Barrett:** Thank you, Chair.

Thank you, Mr. Johns. It's a last name only this time, not first name and last name.

**Mr. Gord Johns:** You get used to it.

**Mr. Michael Barrett:** In terms of the merit of looking at why these consulting companies are receiving these massive sums of money instead of the work being done in house by our public service, certainly we share the belief that closer examination is re-

quired, and not at some time into the distant future. I would suggest that perhaps it could be immediately following the conclusion of our look at McKinsey.

On the rationale as to why not to blend them, I touched on those points in my questions to the minister today. It speaks to a question of values. You also went on further to talk about some of the conduct of some of those other contractors and whether they're appropriate vendors as well.

I think that study is one worth doing, but I would like to conclude the work that we're undertaking on McKinsey right now.

I'm not sure if you'd be amenable to that, but that's—

• (1735)

**Mr. Gord Johns:** Absolutely, so maybe through....

I shouldn't interrupt you. I'm sorry about that.

**The Chair:** To follow up on Mr. Barrett's comment, we could certainly adjourn debate on this study and then reintroduce it at a more appropriate time, but I'll leave it up to you.

I'll go to Mr. Jowhari after you respond, Mr. Johns.

**Mr. Gord Johns:** I really appreciate hearing that my other colleagues in the opposition are supportive of examining the other companies in the \$100-million-plus elite club of procurement. I am happy to come back at the next meeting with a revised motion that could gain support from my colleagues. It would allow us to finish the McKinsey study and then look at the other five companies that are getting \$100 million-plus in consulting fees from the government, if that makes sense for my colleagues here. I want to make it work.

Obviously I want to get to the bottom of the trough, see what's going on here, get an idea of what exactly is being done, and make good recommendations to the minister so that we can fix this.

**The Chair:** Perhaps it would give the government time to actually Google some of these corporation names, with the word "corruption" beside them.

**Mr. Gord Johns:** I'm sure we're going to be able to get to the bottom of a lot of things, hopefully, in examining that. I am open to coming back with a revision in terms of allowing McKinsey to stand alone.

**The Chair:** Go ahead, Mr. Jowhari.

**Mr. Majid Jowhari:** Thank you, Mr. Chair.

I definitely agree with both colleagues. Not only do we have to look at the numbers, the amount of money we are spending on consulting fees and outsourcing, but we need to keep the focus of this study on McKinsey. Let's not dilute the study.

When our colleague Mr. Johns is going to prepare the revision, I would like to suggest that he may want to consider actually looking at the scope of the outsourcing we are doing and include all the witnesses from the firms we want to hear from regarding outsourcing. The scope is broad enough to include all those firms appearing.



The policies around outsourcing give us an opportunity to ask the fundamental question of “why?”. What has driven the need for us a manifold increase in outsourcing during 2021-22? What drove that?

The scope of outsourcing, which is already one study in our books, would be a great place for us to ensure this fits into that. We can add outsourcing witnesses and get it done. That study is already approved. I believe this is a study that will be running concurrently with diversity in procurement, had we not been engaging on McKinsey.

**The Chair:** Go ahead, Mr. Barrett.

**Mr. Michael Barrett:** Did you want to respond to that, Mr. Johns?

**Mr. Gord Johns:** I'm happy to come back with a motion to expand looking at those companies. I will certainly consider the feedback from my colleagues here.

Everybody knows that I'm very much in support of the outsourcing study, and certainly I would like to see it expanded in order to spend more time on that study. Initially I was very concerned about the number of meetings we were going to have around that. Given the circumstances, I'm glad to see the enthusiasm here today regarding the idea of having many more meetings to look at this in a more in-depth study.

• (1740)

**The Chair:** Go ahead, Mr. Barrett.

**Mr. Michael Barrett:** Mr. Chair, I move that we adjourn debate on Mr. Johns' motion, because he's indicated he'd like to come back with a motion.

**The Chair:** There is a motion to adjourn the debate on this motion.

(Motion agreed to)

**The Chair:** Mr. Johns, can we consider that as your six-minute intervention?

**Mr. Gord Johns:** Sure.

**The Chair:** Wonderful. Thanks.

Ms. Lewis, because of that, we're very short of time. We're going to go with two and a half minutes and then two and a half minutes, and that will finish the day.

**Ms. Leslyn Lewis:** Thank you.

Mr. Cory, are you aware that last May, the Standing Committee on Transport, Infrastructure and Communities recommended that the Government of Canada abolish the Infrastructure Bank? Are you aware of that?

**Mr. Ehren Cory:** I am.

**Ms. Leslyn Lewis:** Okay.

Despite paying McKinsey \$1.43 million in consulting fees, the Infrastructure Bank has not completed even one single project. Clearly, McKinsey did not do a good job and Canadians did not get their money's worth with the \$1.43 million. Would you agree with that?

**Mr. Ehren Cory:** I would not. I would say we have made significant progress in the two years since I have joined the CIB.

The testimony for the transportation committee happened in March 2021, just after I joined. That was nearly two years ago. Since that time, we have made real progress in getting infrastructure built in this country.

**Ms. Leslyn Lewis:** Mr. Cory, have you completed...? Has one project reached financial close?

**Mr. Ehren Cory:** Yes.

**Ms. Leslyn Lewis:** Which project has the Infrastructure Bank completed, Mr. Cory?

**Mr. Ehren Cory:** To answer your question, 27 projects have reached financial close. That means there is a credit agreement, and we are lending them money. Of those, 19 are in active construction, so there are shovels in the ground and concrete is being laid.

There are new buses on the road in Edmonton. Those have been purchased and are running. There is irrigation piping being laid in Alberta. There is new fibre optic cable being—

**Ms. Leslyn Lewis:** Right. You have funded those, but there is no project that has been completed, that you can say you have completely finished and that has been successful.

Isn't that correct, Mr. Cory? There is not one project.

**Mr. Ehren Cory:** Infrastructure projects, by their definition, take time to engineer, design and build. I think the typical timeline one would see for a large infrastructure project is in the range of four to five years. The CIB has only existed for five years.

In the REM project, which is our first investment, trains will be running later in the year. As I say, many other projects are deep into construction. However, as I mentioned in our statistics, of the 43 projects we have done, 42 of them are in the last two years, so it is absolutely fair to say that the construction is still under way on those projects.

**Ms. Leslyn Lewis:** Do you know how many former McKinsey clients got money from the Infrastructure Bank?

**Mr. Ehren Cory:** I'm sorry. I'm not sure I understand the question.

**Ms. Leslyn Lewis:** How many former McKinsey clients got funding from the Infrastructure Bank?

**Mr. Ehren Cory:** I don't know. I don't know the full list of McKinsey clients, but we've lent money to, as I say, governments of all levels and private sector companies.

**Ms. Leslyn Lewis:** Are you aware of former McKinsey clients that got money from the Infrastructure Bank?

**The Chair:** Give a brief answer, please.

**Mr. Ehren Cory:** Not to my knowledge. No.

**The Chair:** That's your time.

**Mr. Ehren Cory:** I don't have enough visibility of who their clients are to answer the question with—

**The Chair:** I'm afraid our time is up, Mr. Cory.

We'll go to Ms. Thompson for two and half minutes, please.

**Ms. Joanne Thompson:** Thank you.

Very quickly, Mr. Cory, could you speak to the average timeline for an infrastructure project? From the moment it touches your desk or is within your department, what's the timeline to completion?

**Mr. Ehren Cory:** Thanks for the question.

Typically, an infrastructure project has a timeline somewhere in the range of five years. That's going quite quickly. They also last, I should say, for 50 to 100 years. These are long-term investments we're making in our country. However, an infrastructure project generally has a year to 18 months of design and engineering work to figure out the project. It then has, often, 12 to 24 months of procurement to hire a short list of construction firms to build it, and then it's somewhere within three or four years, usually, to build it. Typically, you would expect to see that timeline for a large-scale infrastructure project.

Some of our projects are smaller. We're working with indigenous communities on renewal projects on a wastewater treatment plant. Those projects might be more like 24 months. They're faster.

The good news is that the reason we're getting involved in some of these projects is that there have been years of work leading up to this point. They've done the detailed engineering, but they're stuck and they're looking for help. Those ones can go a bit more quickly. However, that's the general timeline we are talking about.

• (1745)

**Ms. Joanne Thompson:** Thank you.

Could you also speak briefly, because I know I am quickly running out of time, on how the Infrastructure Bank protects against conflicts of interest? What do those processes look like?

**Mr. Ehren Cory:** Absolutely.

We have a conflict of interest policy. It's quite rigorous. For every investment we make, we have an independent board of directors who bring expertise from the private sector from across the country. They declare any conflicts, and our employees are held to a very strict code of conduct.

We are, of course, lending money to the infrastructure owners, such as the City of Mississauga the Province of Alberta or the renewable power developer, so we're not directly building or contracting for the infrastructure. We are lending them money. We're very careful to document any potential real or perceived conflict of interest, and we keep a rigorous record of those.

**Ms. Joanne Thompson:** Thank you.

If there's time, could you speak to the contribution, if any, that McKinsey made in the formation of the institute? Indeed, was that part of the Liberals' 2015 platform?

**The Chair:** Do it in about a five-second answer, please.

**Mr. Ehren Cory:** My understanding is that the early work helped set up the investment framework and the risk management practices of the CIB for the first few years. I think that was helpful. Of course, five years in, we've evolved from those quite a bit, and in my time, we have revised them.

**The Chair:** Mrs. Thompson, thanks very much.

Colleagues, I apologize. There's one last point of business.

On the Governor General studies, in the way we did the motions, we actually ended up with two separate studies. With the committee's approval, to help the analysts, we'll combine the two studies, and then all the testimony we've heard will become part of the one study. The first one, expenditures related to travel by the Office of the Secretary to the Governor General, will become part of the travel expenditures study. If we all agree, it will make the lives of our analysts easier.

**Some hon. members:** Agreed.

**The Chair:** Thank you very much.

Unless anyone has anything else, we will adjourn.

The meeting is adjourned.







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