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# Standing Committee on Government Operations and Estimates

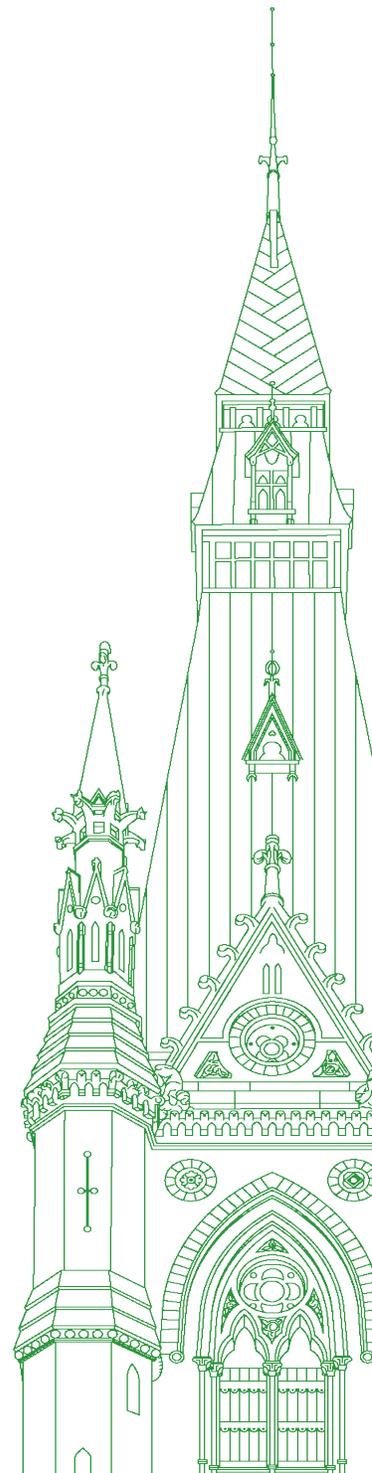
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Chair: Mr. Kelly McCauley



# Standing Committee on Government Operations and Estimates

Monday, March 6, 2023

• (1540)

[English]

**The Chair (Mr. Kelly McCauley (Edmonton West, CPC)):** I call this meeting to order. Good afternoon, everyone.

Welcome to meeting number 54 of the House of Commons Standing Committee on Government Operations and Estimates, a.k.a. “the mighty OGGO” or the only committee that matters.

Pursuant to the motion adopted by the committee on Wednesday, January 18, 2023, the committee is meeting on the study of the federal government consulting contracts awarded to McKinsey & Company.

We have with us Mr. Mendicino. I understand you have a five-minute opening statement. Welcome to OGGO, sir. You have five minutes.

I'm sorry. Before he starts, colleagues, we are very short of time today. I'm going to be ruthless with our time, so if you could, please watch your clock so that I'm not being rude and interrupting you. Thank you very much.

I'm sorry, Minister. Go ahead for five minutes, please.

**Hon. Marco Mendicino (Minister of Public Safety):** Thank you very much, Mr. Chair.

I want to begin by thanking the members of this committee for their study of this important issue.

I'm joined by Erin O'Gorman, who is the president of the Canada Border Services Agency, and Ted Gallivan, who is the CBSA's executive vice-president.

Today I will provide an overview of the Canada Border Services Agency's operating context and its work with McKinsey.

Service contracts are widely used by governments in Canada and around the world. They're used to complement the work of Canada's public service, and our government is committed to making sure that the public service operates in a way that best serves Canadians.

[Translation]

The growth in the use of consultants in the public service is an important topic, and that's why the Prime Minister has asked my colleagues, ministers Fortier and Jaczek, to review the government's practices and conduct a review of all procurements with McKinsey & Company Canada.

[English]

Additionally, Minister Jaczek has written to the Office of the Procurement Ombudsman to ask for a review of the procurement processes associated with the awarding of contracts to McKinsey by all federal departments.

Let's turn to the agency we are here to focus on: the CBSA.

The CBSA operates in a challenging and fast-paced environment. The agency manages the flow of approximately 80 million travellers per year, as well as goods, at 117 land border ports of entry, 207 airports and 213 marine facilities, and it enforces more than 100 acts and regulations that keep Canadians safe.

[Translation]

To ensure the ongoing integrity of our borders and the safety and prosperity of our communities, the CBSA strives to be proactive, adaptive and innovative.

[English]

As other large organizations do, the agency seeks outside expertise to fill knowledge gaps or to complement its own efforts. The work done by McKinsey has informed some of the largest digital and organizational renewal efforts at the CBSA.

McKinsey has been paid \$4,337,610 against three contracts since 2016. Mr. Chair, a fourth contract was ended before work began, as it was determined that this work could be performed with in-house resources. Therefore, no funds were spent against it.

All contracts over \$10,000 are published online in the agency's proactive disclosure report protocol on a quarterly basis.

The CBSA's first contract with McKinsey took place between May and October 2016. That contract value was \$1.9 million, of which \$1.7 million was spent. This initial contract was established to review and validate the options, risks and impacts associated with the CBSA's assessment and revenue management project, also known as CARM. McKinsey brought global experience to augment the CBSA's operational capacity.

• (1545)

[Translation]

Their expertise was used to plan for this major business transformation, which aims to reduce the burden on Canadian importers and improve revenue management for goods imported into Canada.

[English]

Once fully implemented, CARM will significantly improve how the agency collects duties and taxes on imported goods.

The CBSA's second contract with McKinsey was from October 2017 to October 2018, and that work was done to support analysis on border modernization. The original value of the contract was \$791,000, and it included the option of a one-year extension. In January 2018, the contract was amended to include additional requirements, which brought the total contract value to \$1.7 million. That contract ended in October 2018, with a total of \$1.5 million spent.

The third contract was established through a PSPC contract for up to \$1.3 million between October 2018 and 2019.

The fourth and final contract was initiated in October 2022 for a total value of \$1.9 million, but there was no money spent against it.

In summary, these contracts aided the CBSA to support the independent, non-partisan public service in fulfilling its duties.

I will now be happy to respond to any questions you may have.

Thank you.

**The Chair:** Thank you, Minister.

Mrs. Kusie, you have six minutes, please.

**Mrs. Stephanie Kusie (Calgary Midnapore, CPC):** Thank you, Chair, and thank you very much, Minister, for being here today.

Minister, do you believe that the work McKinsey did for the Immigration and Customs Enforcement in the United States was a good thing?

**Hon. Marco Mendicino:** Let me return to the remarks that I just made, and that is that any decision with regard to the retention of outside consultancy agency advice was done by our independent, non-partisan professional public servants. Therefore, it was a decision made on the basis of business needs set against objective criteria, and evaluated in a transparent manner towards—

**Mrs. Stephanie Kusie:** Do you, yourself, believe that the work that McKinsey did for your counterpart in the United States, also known as ICE, was a good thing? Do you think it had positive consequences, Minister?

**Hon. Marco Mendicino:** Mrs. Kusie, I'm here to speak with regard to the contracts that were awarded to McKinsey by the Canada Border Services Agency. I have laid out those contracts in a very transparent manner, and I am happy to take questions about them.

**Mrs. Stephanie Kusie:** Minister, do you know that McKinsey, the same corporation that your organization hired, was also responsible for suggesting to ICE in the United States to limit food for

refugees and to cut back on expenses for detainees? Were you aware of that?

**Hon. Marco Mendicino:** Mrs. Kusie, I am aware of the contracts that I am here to brief this committee on and to take questions about them and the manner in which those contracts were awarded.

**Mrs. Stephanie Kusie:** Were you aware, Minister, that the consulting firm that your agency hired also recommended to your counterpart in the United States to cut back on costs for medical aid for detainees in the United States? Are you aware that the same organization, which your organization chose, made that decision for your counterpart in the United States?

**Hon. Marco Mendicino:** Mrs. Kusie, I appreciate the question, but, again, I am here to brief this committee on the CBSA contracts that were awarded to McKinsey by the independent, non-partisan public service.

**Mrs. Stephanie Kusie:** Minister, it was your organization that hired McKinsey, an organization that recommended to your counterpart in the United States to cut back on supervision. Are you aware of that, as well? It recommended that ICE cut back on food for detainees and medical assistance for detainees as well as on supervision for detainees. Are you aware of any of that?

• (1550)

**Hon. Marco Mendicino:** I appreciate the question, Mrs. Kusie.

Again, I am here to brief you and other members of the committee on the contracts that were awarded by CBSA to McKinsey. I have laid out the instances in which that occurred, and the amounts and the time frames. I'm happy to take questions about that.

**Mrs. Stephanie Kusie:** Minister, are you also aware that a 19-month-old girl named Mariee Juarez died after being in a detainee environment as a result of the implementation of the McKinsey recommendations to your counterpart in the U.S.? Once again, it's a firm that your organization hired to make recommendations. Are you aware that a 19-month-old girl died?

**Hon. Marco Mendicino:** Naturally, I would express my condolences to that individual's family.

Again, we are here to discuss the contracts that were awarded to McKinsey by the CBSA. I have provided some detail and substance with regard to those four contracts.

**Mrs. Stephanie Kusie:** Minister, your government has talked a lot about Trump and has compared this side of the House to the Trump administration.

Is that what your organization was trying to do, to emulate and implement a similar policy direction that the Trump administration took with ICE, your counterpart of the CBSA? Was that what the organization was trying to do?

**Hon. Marco Mendicino:** The Canada Border Services Agency does issue contracts when internal resources are not able to meet the business case needs of the organization. Throughout the course of my introductory remarks, I laid out the process by which those needs are articulated, through which objective criteria are set and through which external bidders are able to compete for that contract for which there are appropriate protocols and processes in place to ensure transparency.

That is a process that is not carried out in a partisan way but rather by our independent, non-partisan professional public servants. Today I'm here to answer questions about those four contracts awarded to McKinsey by the CBSA.

**Mrs. Stephanie Kusie:** That's right. They awarded them to McKinsey, an organization that also provided advice to Immigration and Customs Enforcement with horrific results. You knew that and your organization knew that, yet you still hired them as recently as six months ago, Minister. I think that's shameful.

Minister, are you aware that this committee passed a motion on January 18 requesting that all documents around McKinsey be provided to this committee in an unredacted form?

**Hon. Marco Mendicino:** I'd like to offer two points.

First, you've imbued the CBSA with knowledge which I'm sure—and I will let Ms. O'Gorman add—they did not have with regard to the very tragic and unfortunate circumstances that you've described abroad.

Second, I am aware of the motion. I am aware that there has been a request for as much information as possible to be provided to this committee in a transparent manner. That is something this government believes in fundamentally.

**Mrs. Stephanie Kusie:** Then why are resumés redacted? Why are projects that McKinsey worked on in other countries redacted? Why are per diems redacted? What are you trying to hide, Minister?

**Hon. Marco Mendicino:** Absolutely nothing, Ms. Kusie, and that is because we follow the laws that relate to privacy and the charter.

**The Chair:** I'm afraid that's our time.

Mr. Bains, welcome in person to OGGO. It is fantastic to see you, sir. You have six minutes, please.

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

Thank you, Minister, for joining us today.

Do you have reason to believe anything was done incorrectly from a procurement process perspective by awarding those contracts?

**Hon. Marco Mendicino:** No. In fact, I am assured by the briefings I have received from the CBSA that in each and every one of the four contracts, business case needs were articulated after an assessment of the internal resources of the CBSA established that some additional support was required, that as a result of those business case needs, objective criteria were set both within the CBSA as well as with the support of Public Services and Procurement

Canada, or PSPC, and finally that a competitive bid process was set up all in a manner that was consistent with the protocols in a transparent way.

As I've outlined in my remarks, I believe that is all there for this committee to now study and debate as you produce your report.

**Mr. Parm Bains:** You mentioned that CBSA, like many federal government agencies and portfolios, often pursues contracts with a variety of private sector companies. How is the contract winner determined per CBSA's specific needs?

• (1555)

**Hon. Marco Mendicino:** I'm happy to begin that answer, but then I will yield the floor to Ms. O'Gorman, who is the president of the CBSA.

First there is an internal discussion about the business case needs for the organization, which in this instance was the CBSA. Once those are articulated, a number of criteria are then established. From there a process is commenced, all consistent with PSPC's processes and CBSA's processes.

Perhaps to expand for a moment, I will turn it over to Ms. O'Gorman.

**Ms. Erin O'Gorman (President, Canada Border Services Agency):** Thank you.

I would add generally that based on business requirements, the CBSA will undertake contracts that may be sole-sourced, may be competitively tendered or may use supplier arrangements that have been set up by PSPC.

In this case, one of the contracts was competitively tendered. Another used the mandatory benchmarking standing offer that had three companies qualified under it. The other two were national master standing offers or supplier arrangements. In other words, they were pre-qualified by PSPC, and CBSA drew down on those. For two of the contracts, CBSA was the contracting authority, and for two of the contracts, PSPC was the contracting authority.

**Mr. Parm Bains:** Minister, on February 1 of this year, Dominic Barton told the committee, "McKinsey never provides policy advice. They're executing what government wants to do." Do you agree with this statement?

**Hon. Marco Mendicino:** I can tell you that the processes by which the CBSA awards contracts are on the basis of either the operational needs or the policy priorities that are set by the government. Therefore, it is incumbent upon the CBSA to first allocate the resources that are necessary to make good on those priorities or those operational needs, and where it cannot, to then look beyond government for the additional resources or capabilities that are required to make good on them. That is precisely what was done in the instances of the four contracts that I've outlined.

**Mr. Parm Bains:** If I can get this in, has McKinsey made any policy recommendations to your department?

**Hon. Marco Mendicino:** No, to the best of my knowledge, but I want to ensure that Ms. O’Gorman also has an opportunity to answer as well.

**Ms. Erin O’Gorman:** The nature of the contracts that the CBSA undertook with McKinsey related to transformational projects and advice: looking at the legacy IT systems, other countries’ moving towards digital borders, increasing travel volumes, increasing revenue collection and the CBSA’s current posture of being not in the digital space as much as it needs to be to keep up with those pressures.

The nature of the contracts with McKinsey were of a transformational business process nature, not a policy nature.

**Mr. Parm Bains:** Who defines the bid requirements for proposals that are published by government? What safeguards are in place?

**Hon. Marco Mendicino:** I will begin and then again turn over the floor to Ms. O’Gorman.

It’s important for the committee to understand that the business case needs are determined by the CBSA in this instance. From those needs, the CBSA is then able to set the criteria by which a bid process will be conducted. With regard to that latter stage, there is close collaboration between the CBSA and PSPC to ensure that the CBSA is following all of the appropriate policies, protocols and procedures.

I’ll turn it over to Ms. O’Gorman.

**Ms. Erin O’Gorman:** As the minister said, the CBSA set out general requirements that became a statement of work for the work that needed to be done. There was a contracting authority and a technical authority. In two of the cases, the CBSA played both of those roles in different parts of the organization, and in two of the contracts, PSPC was the contracting authority, so it would have received the proposal and the requirements from—

**The Chair:** Thank you. That is our time.

Ms. Vignola, you have six minutes, please.

• (1600)

[*Translation*]

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

Minister, Ms. O’Gorman and Mr. Gallivan, thank you for being here.

Minister, within a department, when it comes to strategic plans or long-term vision, who makes the final decisions?

**Hon. Marco Mendicino:** Thank you for the good question, Ms. Vignola.

Firstly, it is the government that determines the priorities of all the agencies that fall under my portfolio. In terms of the Canada Border Services Agency, CBSA, that is a mandate that I share with its president, but it is CBSA that is responsible for the implementation process.

I don’t know if Ms. O’Gorman wants to add anything.

**Ms. Erin O’Gorman:** I would like to add that the decisions in question were to address operational challenges. We looked at what other countries were doing in terms of border services and digital transformation. These were operational decisions made by the CBSA.

**Mrs. Julie Vignola:** All right.

As I understand it, when it comes to creating a strategic plan, the minister and yourself are the ones who decide on the strategic plan and objectives for the next few years.

Is that right?

**Ms. Erin O’Gorman:** That’s right.

**Mrs. Julie Vignola:** Minister, if I may, I’m going to go back to when you were Minister of Immigration.

I imagine that, from one Immigration minister to another, there is a certain transfer of files and general information.

Am I wrong?

**Hon. Marco Mendicino:** That’s right. The new Minister of Immigration and I collaborate very well. He is a colleague. So when he asks me questions, I’m there to help him.

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

Unfortunately, when he came two weeks ago, most of the time he would answer that he wasn’t the one who was there at the time. You were the one who was there, so I’m going to ask you the questions that we put to the new minister.

You say you want to welcome 500,000 new permanent residents. Some are already here, some have applied from abroad. What is needed to accommodate them? What do we need to consider?

**Hon. Marco Mendicino:** That’s another very good question, Ms. Vignola.

Before determining its immigration targets, the government must consider certain factors.

First, there is the economy and its needs. This decision is the result of consultation with all the provinces and territories, including Quebec, with which we have a very good relationship.

Then there is our goal of family reunification.

Finally, we have a category for resettling asylum seekers and refugees, which is really important. So different factors are taken into account before determining immigration targets, but the decision is made by the government.

**Mrs. Julie Vignola:** Perfect.

What I was hoping you would talk about is the strategic planning needed to accommodate 500,000 new residents, specifically with regard to housing.

I’m not just talking about economics, because a happy worker is a worker who can not only put bread on the table, but also find suitable housing. If he falls ill, he must be able to get proper hospital care. His children must be able to attend a school that is not overcrowded.

So we need to invest in schools, in hospitals and in building housing. We need a long-term vision. As it happens, all of these areas are the responsibility of Quebec and the other Canadian provinces.

So you're saying that Canada, like the McKinsey company—that's what Mr. Dominic Barton said when he appeared before this committee—has thought first and foremost about the economy and productivity, before thinking about the basic needs of these 500,000 people who enter the country every year. This number is in fact a minimum, because the target is 1.25% of the total population.

What is the strategic plan for receiving these people? Do we welcome them by asking the provinces to cope somehow, while demonstrating that they are not capable of managing the situation?

The cause of the problem is that the basic needs of these people were not taken into consideration before letting them in.

• (1605)

**Hon. Marco Mendicino:** Ms. Vignola, you are right, this decision is important and essential for our economy today, and even in the long term. It concerns the challenges of our country's demographics. That is why we must not only set targets and figures. We also need to invest on the ground to support the creation of infrastructure and housing, as well as other services to facilitate the settlement of new immigrants.

This is work we are doing in concert with Quebec and the other provinces and territories.

[*English*]

**The Chair:** Thank you, Minister.

Mr. Johns, you have six minutes, please.

**Mr. Gord Johns (Courtenay—Alberni, NDP):** Thank you, Minister, for being here.

Minister, we know that Canadians get better value when programs and services are delivered by the members of the public service and not by outside consultants. We know that outsourcing to companies like this means less transparency, lower accountability and a loss of institutional knowledge. We know that when work is outsourced, the skills and expertise leave the public service when the contract ends. The real costs of outsourcing are much higher than the dollars and cents. We lose accountability, we erode capacity and it hurts our ability to retain staff.

Are you able to commit today to reducing your department's reliance on consulting contracts and to boosting the role of profession public servants in delivering services to Canadians?

**Hon. Marco Mendicino:** I want to make a couple of quick points, Mr. Johns.

First, when it comes to value for dollar, the decisions that are taken around the awarding of external contracts are taken objectively. It is only when internal resources are incapable—

**Mr. Gord Johns:** Minister, I'm just going to help you along here.

The big six outsourcing companies have gone up fourfold under your government. That's 400%. They're \$15 billion a year. It's out of control.

All I'm asking today is if you're going to put an end to it. What are you going to do?

**Hon. Marco Mendicino:** Mr. Johns, listen. I appreciate the urgency of your question. The government has committed.... You heard me say in my introductory remarks that Minister Jaczek and other ministers are undertaking a review of this situation so that we get not only best value for dollar but also all of the essential services that are required to be delivered to Canadians.

**Mr. Gord Johns:** Minister, across the country, thousands of people have died from a toxic drug crisis, including young people. Two 17-year-olds died yesterday in my community of Port Alberni from the toxic drug crisis. Family members, workers and loved ones are dying because of the toxic opioids that are on our streets.

We learned that McKinsey & Company received millions of dollars from your government, as we know. This is a company that settled on an \$800-million lawsuit for their role in the opioid epidemic in the United States. What's the threshold for your government for companies that have been embroiled in scandal?

I'm not going to put all of the toxic drug crisis on McKinsey, because your government has taken an incremental approach to this health crisis. Incrementalism kills when it comes to a health crisis. The Conservatives spread misinformation. Misinformation kills people in a deadly health crisis as well.

I want to know what your threshold is.

**An hon. member:** I didn't kill anybody.

**Mr. Gord Johns:** But you're contributing to it.

**Mr. Michael Barrett (Leeds—Grenville—Thousand Islands and Rideau Lakes, CPC):** On a point of order, Chair, is this *The Gong Show* that's going to go on here today? I'd invite, through you, Mr. Chair, Mr. Johns to withdraw that assertion.

**The Chair:** I was already reaching for a mike to state that.

**Mr. Gord Johns:** I'll withdraw.

**The Chair:** I appreciate what you're getting at, Mr. Johns, but it was very inappropriate.

**Mr. Gord Johns:** Your leader's not very classy either. Sorry.

**The Chair:** Mr. Johns, please—

**Mr. Gord Johns:** I'm getting chirped at.

**Mr. Michael Barrett:** How about an apology?

**The Chair:** Okay, Mr. Barrett and Mr. Johns....

Mr. Johns, please, we've been working well together with this. I would ask you to please apologize to Mr. Barrett for the comment about killing people. It was very inappropriate, and the comment about the Conservative leader—

**Mr. Gord Johns:** I didn't appreciate being chirped at while I'm trying to ask questions. I'll apologize for that comment.

**The Chair:** I will follow up to make—

**Mr. Gord Johns:** Thank you.

**The Chair:**—sure we all respect each other's time.

**Mr. Michael Barrett:** Is the apology forthcoming?

**Mr. Gord Johns:** The apology is right now, Mr. Barrett.

**The Chair:** Thank you. Let's have no more of this, please. Thank you very much.

Continue, Mr. Johns.

• (1610)

**Mr. Gord Johns:** I mean, I find it ironic that your government is investing \$33 million in the substance use assistance program, and McKinsey is getting \$32.5 million in contracts from your government.

As the public safety minister, do you feel that if there was toxic alcohol, toxic lettuce or toxic Tylenol, it would be your job to step in to do something about it?

**Hon. Marco Mendicino:** First, Mr. Johns, I want to be clear that I would hope that all parliamentarians are united in tackling the opioid crisis and indeed all of the public health concerns that revolve around substance abuse. That is one of the reasons this government has been working around the clock to finalize a new health care agreement with provinces and territories that will amount to approximately \$198 billion, which is why we are taking additional steps to take a public health care approach to the challenge of the opioid crisis, including in your home province—

**Mr. Gord Johns:** In my province, like the rest of Canada, you're not.

**Hon. Marco Mendicino:**—of British Columbia, where we have a very good collaboration with the Eby government.

Mr. Johns, I'm going some way here to assure you this is a government that believes in taking—

**Mr. Gord Johns:** Minister, \$33 million a year is not urgency. This is the leading cause of death in my province—more than homicide, motor vehicle accidents and death by suicide. You're the public safety minister. You ignored your own expert task force on substance use that made recommendations to your government. I put it forward in a bill, and you voted against it. You voted against your own expert task force.

There is no detox in my community. There's no treatment centre in my community. I was at the Parksville recovery centre. They're doing bake sales to keep their doors open.

These two young boys died. I got a message from their counselor, and she said that she was so sad and frustrated. They barely had a fighting chance, but there were moments that he did fight, and he certainly loved.... When will your government fight to be there

when people are ready? When will you show the love and compassion that's needed in this crisis? You are the public safety minister.

**Hon. Marco Mendicino:** We're going to fight every single day by taking the appropriate evidence-based and compassionate approach to supporting everyone who suffers from substance issues.

Mr. Johns, don't doubt it for a moment. I understand your pleas, and we will work with you. We'll work with your community, we'll work with the advocates in this space, and we'll work with the Government of British Columbia. We'll work with all of our provincial and territorial partners to—

**Mr. Gord Johns:** You voted against MP Brendan Hanley. He was the former chief medical officer of health of the Yukon who supported my bill. You voted against your own expert.

**Hon. Marco Mendicino:** We're doing, nonetheless, the work with the Province of British Columbia to push forward with a public health care evidence-based approach to tackle this crisis around the opioid substance abuse challenges that are felt by you, your community and right across the country. That is the commitment and the track record of this government.

Yes, it's hard. Yes, it's challenging. Yes, there are real human losses and tragedies that go along with that, but we will do this work together.

**The Chair:** Thank you.

Mr. Paul-Hus, welcome back again.

[*Translation*]

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

Good afternoon, Minister, Mr. Gallivan and Ms. O'Gorman.

I'd like to come back to the famous contracts.

Minister, in your opening remarks you referred to the four initial contracts. Of these, three have been completed and one has been terminated before work has begun.

The committee made an access to information request about the contracts, but, as you can see, the documents we received were redacted. In other words, we have no access to any information about the contracts awarded to McKinsey.

From 2016 onwards, there was an explosion in the number of contracts awarded to McKinsey, which everyone found very strange. You said that the first contract, worth \$1.9 million, was entered into between May and October, 2016, and was regarding the Canada Border Services Agency's Assessment and Revenue Management project. Data was sought from McKinsey on how to proceed with billing.

Why don't the documents the committee receives contain this information? Is it because the information involves national security?

**Hon. Marco Mendicino:** I would like to make a clarification: not all the information was redacted. The redaction process complied with the Privacy Act.

Ms. O'Gorman can perhaps explain the process that was put in place to—

• (1615)

**Mr. Pierre Paul-Hus:** I understand, but, what you're telling me is that the contractual agreement with the Government of Canada means that McKinsey has a say in the non-disclosure. Because the government cannot disclose the information in the contracts, the content of the contracts is not available.

**Hon. Marco Mendicino:** That is exactly the process we went through, but Ms. O'Gorman can speak to that in more detail.

We received a letter last night, and we are reviewing the redaction, to confirm that everything is as it should be.

Ms. O'Gorman—

**Mr. Pierre Paul-Hus:** Who is this letter from? Is it from the committee?

**Hon. Marco Mendicino:** It is from the committee, yes.

**Mr. Pierre Paul-Hus:** All right. This is a letter in which you are asked to review redaction procedures.

As I understand it, basically the company decides what information it wants to hide. Is it the government or the company that decides what information to redact?

**Ms. Erin O'Gorman:** We received the letter last night, and we are taking action.

As far as the redaction is concerned, we have complied with the act.

[English]

We redacted, for example, the bid of the unsuccessful bidder in one case—the per diem rates and other information that would be classified as commercial confidential.

[Translation]

We also disclosed the names of individuals related to the project. As for other individuals who worked for the company, but were not involved in the project, their names have not been released publicly. We have checked all names, and redacted those of individuals who were not part of our project.

**Mr. Pierre Paul-Hus:** I see.

It's not just names that have been redacted; whole paragraphs have been blacked out.

I would now like to talk about the fourth contract.

Minister, you mentioned that three contracts were completed and the fourth was terminated because the agency said it had the capacity to do the work in-house.

What was that contract?

Why was it not possible to do the work in-house from the start?

**Hon. Marco Mendicino:** That's a good question.

The last contract started in October 2022 and ended recently. There are reasons for that, but I'll let Ted Gullivan tell you about it.

**Mr. Ted Gullivan (Executive Vice-President, Canada Border Services Agency):** I'll be brief, but it basically comes back to the point your colleague just made.

Since the project was ready to be implemented, we decided that it was best to have civil servants permanently working on this aspect, with the aim of quantifying the added value and targeting the performance standards of the system. As we need this insight on a permanent basis, we decided to break the contract and do the work in-house.

**Mr. Pierre Paul-Hus:** All right.

Minister, on November 18, I attended the meeting of the Standing Committee on Citizenship and Immigration; your colleague the Minister of Immigration, Refugees and Citizenship, Mr. Fraser, was also present.

In fact, I asked him a question in connection with an article in the Journal de Montréal. It said that 25,804 people had been denied asylum and given deportation notices, but it was not known where they were in the country.

This morning I received the response from Ms. Fox, the Deputy Minister of Immigration, Refugees and Citizenship Canada, who was present at the November 18 meeting. There are currently 223,630 asylum claims that...

[English]

**The Chair:** I'm afraid that's your time, Mr. Paul-Hus. Can you wrap up very quickly? Perhaps they can get back to us.

[Translation]

**Mr. Pierre Paul-Hus:** I am told that there are 51,988 people who have been refused asylum. What is CBSA doing to deport them? In fact, at this time there are only 1,400 who have been deported.

**Hon. Marco Mendicino:** There is, in fact, a process...

[English]

**The Chair:** I'm sorry. Perhaps we can get back to the committee, because we don't have time.

Before we go over to Ms. Thompson, I just want to briefly interject.

Ms. O'Gorman and Mr. Gullivan, the request from the committee was very clearly for unredacted documents. I don't think we're looking for departments to be looking at documents to redact. Again, I would just remind you that the request from the committee was clearly for unredacted documents, and the committee does expect those.

Thanks very much.

**Hon. Marco Mendicino:** Mr. Chair, on that point, I just want to assure you and all of the members of this committee that that is precisely what Ms. O'Gorman was getting at, which is that we are going over that process of redacting—

**The Chair:** There is nothing to go over. The committee requires them unredacted. The comments of Mr. Gallivan and Ms. O'Gorman seem to indicate they were reconsidering. There is nothing to reconsider. We do require them unredacted, as the committee has requested. Thanks.

Ms. Thompson, it's over to you for five minutes, please.

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

Welcome, Minister, and your two colleagues.

I would like to begin with you, Ms. O'Gorman. It's about something that you referenced in an earlier round of questions, which is the transformation of business process. I assume a tremendous amount of work is involved in digitalizing the department. Could you speak to this work, particularly the timeline of the work? Then could you relate it to the circumstances that, in that time, led to outsourcing? If not, what would lead to outsourcing? I'm really interested in a deeper dive into what the transformational business process looks like.

• (1620)

**Ms. Erin O'Gorman:** CBSA was created in 2003 out of different departments. In its initial years, it was focused on integrating the various functions into the one workforce. Around 2011 or 2012, it became clear that the systems and processes were quickly becoming out of date, as other countries digitized their borders or had plans to digitize their borders and digitize their revenue collection. Next to CRA, CBSA collects the most revenue on behalf of the Government of Canada. It was facing a changing landscape and also increasing travel volumes without a consequential increase in its budget and a recognition that it needed to look at its efficiencies.

It was in that context that the business cases were done, one for the revenue collection function and the other for the quite separate and different traveller experience functions. Two separate business cases were done for the CBSA, both of which are being implemented. There have been budget allocations. Additional public servants have been hired to help with the implementation of each of those processes. I'm not sure if that gets at your question, but that's the work that's been under way as a result of the contracts that McKinsey has been paid to do.

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

This next question probably stays with Ms. O'Gorman, but if not, it's certainly open to whoever would like to answer. CBSA told the committee in response to its motion that a fourth contract was ended before the work began because it was determined that the work could be performed in-house. Could you speak to what work was to be performed under this contract?

**Mr. Ted Gallivan:** I would be happy to take that.

There are two elements. The first was kind of re-documenting the expectation from our commercial system in terms of revenue increase, in terms of facilitating the passage of compliant goods, in

terms of the acceptance of trade chain partners. It was to kind of re-confirm that we were looking at the right things to judge the success of this, and then to ensure that we were set up to monitor it on an ongoing basis.

There were a series of conversations in which we said, "Well, that's not something we just need one time. That's something that we should be looking at day in and day out after the next decade." We decided to build that model ourselves. For validation of that model, our independent internal audit unit stepped up. They had some capacity and offered to lend the element of independence. I think we forwent the expertise of an outside vendor to build the in-house capacity so that we could stay focused on it on a more ongoing basis.

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

Was there a cost involved in ending the contract the way that you did?

**Mr. Ted Gallivan:** There was not.

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

Again, I open this to whoever is able and wants to answer the question.

When did McKinsey first bid on tenders for which the CBSA was the end user, and what was the result?

**Ms. Erin O'Gorman:** The first contract that they bid on was in 2016, and that was a contract of about five months. The CBSA was the end user of that contract, and it was the business case for the digitization of the revenue collection function.

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

I think I have time for one more quick question.

When pursuing contracts, who has the final authority?

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

**Ms. Erin O'Gorman:** It depends on the level.

When we do it with PSPC, the contracting authority resides there. When it's within the CBSA, it depends on the level and on the value of the contract.

• (1625)

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

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

[*Translation*]

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

Minister, if I understood correctly what you were telling us earlier, the decision to grant permanent resident status to 500,000 people rests entirely with the government.

**Hon. Marco Mendicino:** Yes, that's correct.

**Mrs. Julie Vignola:** This decision follows through on the proposal of the Century Initiative, tabled in 2016. You thought it was a good idea.

**Hon. Marco Mendicino:** Yes, but as a result of consultations and work with our provincial and territorial government partners, we have had discussions with other stakeholders who work in the communities and provide services with regard to the newcomer settlement process.

The consultation process is very good, and it takes place before the federal government makes a decision on the immigration target.

**Mrs. Julie Vignola:** Despite these consultations, the basic reason for the decision to take in 500,000 permanent residents was to support the economy.

Now, as I explained earlier, their primary needs, those of Maslow's pyramid, must be met. Among these needs is hospital care. At present, the health needs are \$6 billion for Quebec and \$26 billion for Canada; one-seventh of this amount has been distributed. I don't even want to talk about future needs: the population is going to grow and it's going to get older.

Are there any plans for health transfers commensurate with the requests from Quebec and the Canadian provinces?

**Hon. Marco Mendicino:** Thank you for your question.

In terms of immigration, we have an agreement with the Province of Quebec. According to this agreement, hundreds of millions of dollars more will be paid to Quebec each year, for the benefit of the Quebec population. In addition, other types of support and assistance are available to newcomers.

You mentioned infrastructure needs. Newcomers and immigrants who have the skills could help in the health sector, for instance.

This is one of the reasons why we need to continue the consultation work. We also need to continue to provide support on the ground, to support the economy and build communities where there is essential infrastructure.

**Mrs. Julie Vignola:** That's true, but you also have to be able to welcome newcomers well.

[*English*]

**The Chair:** Thank you. That is our time. I'm sorry, Ms. Vignola.

Mr. Johns, you have two and a half minutes, please.

**Mr. Gord Johns:** Thank you.

The Customs and Immigration Union estimates that there's a lack of about 3,000 border officers at the CBSA. Currently the agency only has the one college, with a maximum that I'll put at 500 recruits a year.

What's the agency's plan to fill this gap? Have you considered opening another college or other fully equipped training facilities?

The other thing is that I know you're offering to hire retired officers or student workers on a contract basis to perform these duties that are done by trained officers. It's not sustainable in the long term. What's your plan for this?

**Hon. Marco Mendicino:** I'll start and then pass it over to Ms. O'Gorman, given that it is operational in nature.

I want to highlight that in the last two years alone, we've allocated approximately \$450 million to assist with additional resources.

As to the rolling out of those funds with regard to staffing, recruitment and retention, I'll pass it to Ms. O'Gorman.

**Ms. Erin O'Gorman:** There are a couple of things. I think we would respectfully disagree with the number, but we share with our union colleagues and partners a desire to make sure that we are sufficiently staffed across the country. We are currently doing so with a view to the busy summer season.

I would also say that our student BSOs become, to a large extent, our permanent workforce. They are absolutely critical to CBSA.

We're always looking at opportunities for where and how to train our officers and what can be done in the regions on an ongoing basis, and making sure that the training at the college is always as efficient as it possibly can be.

**Mr. Gord Johns:** Have you received any advice, whether from the immigration union or CBSA employees from McKinsey, in terms of managing staff levels at the border or within the structure of the CBSA?

• (1630)

**Ms. Erin O'Gorman:** I believe that some of these contracts looked at how resources would be allocated with a view to a digital future. There is not ongoing advice from any consultants with regard to staffing levels at the front line of CBSA.

**Mr. Gord Johns:** Did you use McKinsey in your response to the toxic drug crisis, including the pilot project in British Columbia?

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

**Ms. Erin O'Gorman:** No.

**Mr. Gord Johns:** Okay.

**The Chair:** I'm sorry. I didn't hear a response.

**Ms. Erin O'Gorman:** No, we didn't.

**The Chair:** I'm sorry. Thank you.

We'll go to Mr. Genuis for five minutes, please.

**Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC):** Thank you, Chair.

Minister, one of the major concerns that I have about McKinsey is how they intentionally work multiple sides of the same issue, serving competitors in the same commercial space, serving regulators at the same time as the clients they regulate and even sometimes having the same analysts working both sides. The New York Times has, for example, reported on analysts working simultaneously for Purdue Pharma and for the FDA responsible for approving those drugs.

In your areas of responsibility in the security space, I'm concerned about the possibility that McKinsey and even specific analysts at McKinsey worked for the CBSA and worked for hostile foreign actors, and that they perhaps applied lessons that they learned in their advice to other actors.

My first question is this: Before retaining McKinsey, did you seek information about what other clients they worked for in the areas of security and defence, especially clients who are hostile to Canada's interests and values?

**Hon. Marco Mendicino:** Thank you for the question, Mr. Genuis.

That's one of the areas that is addressed through the award of these contracts by the independent public service.

I also want to be clear about the first part of your question. You're putting forward what sounds to me like supposition and conjecture, rather than an allegation on the basis of facts.

**Mr. Garnett Genuis:** Minister, you said that this is one of the issues that's dealt with in the independent process. I want a clear answer from you.

Did the Government of Canada seek information about other clients that McKinsey also works for in this same space? Do you have that information?

**Hon. Marco Mendicino:** Mr. Genuis, we put in place rigorous protocols when it comes to screening these contracts.

I'll pass it over to Ms. O'Gorman.

**Mr. Garnett Genuis:** Did you specifically have that information? Either can answer, but that's my question, and I want it answered.

**Ms. Erin O'Gorman:** These contracts were undertaken based largely on supply arrangements and pre-qualification by PSPC competitive processes.

**Mr. Garnett Genuis:** This is not my question, ma'am, with all due respect.

I'll go back to the minister. This is the last time I'll ask.

Did you request information about what other clients in the area of security and defence McKinsey was working for, especially clients who were hostile to Canada's interests?

**Hon. Marco Mendicino:** Mr. Genuis, as I've said and as you know, in the awarding of external contracts, we put in place the appropriate protocols that ensure the—

**Mr. Garnett Genuis:** Did that include asking for a client list, Minister?

**Hon. Marco Mendicino:** Mr. Genuis, I'm attempting to answer your question.

**Mr. Garnett Genuis:** It's a yes-or-no answer.

**Hon. Marco Mendicino:** We have in place the protocols that are necessary—

**Mr. Garnett Genuis:** Okay, thank you.

**Hon. Marco Mendicino:** —to ensure the integrity of the contracts that are awarded.

**Mr. Garnett Genuis:** All right.

**Hon. Marco Mendicino:** We've been very transparent.

**Mr. Garnett Genuis:** Very transparent, indeed. This is a reading of George Orwell, it seems.

Were you aware of McKinsey's work for Rostec, specifically? It's the Russian state-owned defence conglomerate.

**Hon. Marco Mendicino:** No.

**Mr. Garnett Genuis:** You were not. Okay.

Can you tell us if you were aware of McKinsey's work for the China Communications Construction Company that's building militarized islands in the South China Sea?

**Hon. Marco Mendicino:** Mr. Genuis, you're asking about questions with regards to McKinsey outside of the jurisdiction of Canada.

**Mr. Garnett Genuis:** McKinsey has other clients, yes.

**Hon. Marco Mendicino:** I'm here to answer questions about the four contracts that were awarded to CBSA. We've been upfront. We've been transparent. There's a process that we follow and adhere to—

**Mr. Garnett Genuis:** Yes, but, Minister, it's highly germane to McKinsey's work for CBSA whether they were also working in the security and intelligence space for organizations that are hostile to Canada's interests. Can you at least assure this committee that none of the specific individual analysts who were working for you at CBSA were also simultaneously working for Rostec, China Communications Construction Company or other clients that have affiliations with states that are hostile to Canada's interests?

**Hon. Marco Mendicino:** Mr. Genuis, I can assure you that these contracts were awarded in accordance with the policies and procedures and laws that are there to safeguard the manner in which these contracts were awarded, and—

**Mr. Garnett Genuis:** This is not an answer, Minister. It's not fooling anyone. My question was very specific: Are there mechanisms in place to ensure that specific analysts who are doing work for CBSA are not simultaneously doing work for Rostec, the China Communications Construction Company or other McKinsey clients who have interests that are hostile to Canada? Do you have those mechanisms in place?

• (1635)

**Hon. Marco Mendicino:** Mr. Genuis, as I have endeavoured to explain to you and to the members of this committee, we have the appropriate security protocols put into place to ensure that Canada's interests—

**Mr. Garnett Genuis:** Minister, you can't answer whether you have a client list and whether you know about clients that are contrary to Canada's interests. You're unaware of clients who have been reported in the news as being ones that McKinsey is working for that have interests hostile to Canada. You have no mechanisms you can report to us on whether analysts are working both sides of the fence here.

**Hon. Marco Mendicino:** In fairness, Mr. Chair—

**Mr. Garnett Genuis:** You haven't answered a single question.

**The Chair:** I'm sorry; I have to interrupt. That is our time. However, Mr. Jowhari is up next. Perhaps he can allow you some of his time to respond.

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

Minister, I'd like to welcome you and your staff to this committee.

Minister, right off the bat in your opening remarks you broke down the four projects. Many of our colleagues have asked various questions about the scope of this project, the length of this project, what it was focused on and so on. What I'd like to give Canadians a sense of is really one level higher, if I can. This is about the overall direction that the CBSA is embarking on.

As you know, CBSA is embarking on an ambitious renewal agenda. There are three very specific goals highlighted in there—improving clients' compliance; automating, optimizing and harnessing the power of analytics; and very close collaboration with some of our colleagues.

Minister or any other participants here, can you put into perspective how these three projects fit specifically into that agenda? How does your renewal agenda bring us to the level at which we could be a strong partner for our other alliances in the world?

**Hon. Marco Mendicino:** I want to thank you very much for the question, Mr. Jowhari. I'll allow Ms. O'Gorman to elaborate on that question.

Again, I want to assure you that as we contemplate partnerships beyond government, we do set it against the business needs of the CBSA when they cannot be met internally. Those criteria then drive competitions that are based on those criteria, and those competitions are transparent and done in a manner that follows the law.

Most importantly, Mr. Chair, this does come back to Mr. Genuis's last question, which is one that I think does bear some clarification from you, because it does misstate the information that was provided by me.

I want to provide Ms. O'Gorman with an opportunity to complete her answer to Mr. Jowhari's question.

**Ms. Erin O'Gorman:** Sure. I'll speak briefly about the border of the future, and Ted can speak about our revenue assessment.

The work on the border of the future that stems from the second contract that was awarded to McKinsey relates to how we will be able to implement a digital experience for travellers. We are looking at what other countries are doing and at some that have started to be rolled out in the air mode, looking at what we can do next in

the land mode, looking to make better use of data and improving our infrastructure so that in our busy ports of entry we can streamline and move people across faster, and also looking at the experience of our border service officers and making that a bit more seamless. Just anecdotally, that means not having to go back and forth between a lot of screens while people are waiting to be able to pass through the port of entry. On the traveller side, that's some of the work.

Then there's the revenue assessment side.

**Mr. Ted Gallivan:** I think we were going to a global consulting firm because these projects tend to be expensive. They have a significant impact on our own employees.

To go back to the earlier question, we're trying to reassure them that we're freeing them up to do more secondary inspections and look in more trucks and spend less time with paperwork. They have a big impact on Canadians, on small importers and small businesses that aren't familiar with the rules.

When we reach out to a global firm, it's when we're changing something to make sure we're as efficient as possible and we don't mess up our own employees, our trade chain partners and both small and large-sized businesses. That's the advice we were looking for.

**Mr. Majid Jowhari:** For project number two and project number three, it looks like we're really dealing with some sort of knowledge gap when it comes to benchmarking and being able to figure out best practices across the board when it comes to customer experience and all of those things. Did that knowledge exist in-house, or are you trying to get the sense from across the world and from our partners? That data might not have been readily available in-house.

• (1640)

**Mr. Ted Gallivan:** Well, again, government is notorious for red tape. That's why it's called “red tape”, but when we want to eliminate things down to the minimum, we have to make judgments about what we should ask, how we should ask it and in how much detail, and whether we ask it up front or after the fact.

A global firm that has seen this in dozens of jurisdictions or in a commercial context can help inform the decision. I think that's an important point to make. They just give us advice. The ultimate decision rests with CBSA, but I think that before making decisions that affect billions of dollars or millions of people, it's useful to get the benefit of some outside advice.

**Mr. Majid Jowhari:** Very quickly, it looks like the first project dealt with the skills gap and was very much needed on a short-term basis. The other two projects dealt with the knowledge gap, and that was very much aligned with the goals that were set out by the department. On the fourth one, when we needed it, we in-housed it. Internal resources were tasked with the execution of what an organization should do.

Thank you.

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

Mrs. Block, you have five minutes, please.

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

Thank you to all of you for being here today.

I am going to pick up on some of the questioning of Mr. Jowhari and perhaps others who have asked about this contract that was cancelled. I think that it's not quite as cut and dried as your answers would suggest.

In response to our committee's motion, a letter from Ms. O'Gorman dated February 22 informed the committee that a fourth contract was cancelled. It is my understanding that during the contracting process, you need to justify outsourcing to the department and you must be able to demonstrate that the work cannot be done in-house, so you would have gone through that whole process.

This contract was awarded to McKinsey. It was set to start on October 21 of 2022 and then was cancelled less than two months later—on December 19, to be exact. What changed? You had awarded the contract, and in two short months you suddenly no longer needed it. I'm going to speculate that perhaps the mounting interest both by the media and perhaps by the official opposition through their order paper questions may have had something to do with that, but what changed?

**Mr. Ted Gallivan:** The decision was made in October at a meeting that I chaired personally, and through three conversations. I would say that what changed was....

Junior-level staff were following a plan that had been made several years in advance. There had been an intention to bring in a third party to evaluate this project, and they proceeded under that assumption.

When it was brought to senior public officials, we looked at the nearness to the go-live date for this project and we looked at the strategic need to have public servants doing this forever. In other words, we didn't want just a one-time benchmarking. We wanted to be in the business of benchmarking this project on an ongoing basis, so we made the decision to develop that capacity in-house. We created an organization within CBSA that is going to be running this program and this IT system in perpetuity.

**Mrs. Kelly Block:** Who signed off on the contract to begin with? I'm hearing that it was junior officials, not senior officials, who would have signed off on this contract with McKinsey.

**Mr. Ted Gallivan:** It was a more junior.... It was at the director general's level, who was pursuing a plan that had been established by more senior officials a long time ago, but when it became known that the contract was imminent and we were going to be outsourcing it, there were a series of conversations. Again, I think our focus was on the ongoing value and the need to have somebody watching this full time—not having somebody flitting in and flitting out to give us advice, but watching the ball full time.

**Mrs. Kelly Block:** Perhaps you could define “a long time ago”. When was the contract first signed off?

**Mr. Ted Gallivan:** I would say the plan to have this work done was at least a year in advance, and so the people who actually let the contract in October were following through on that intent. In governance over our expenditures, things go to more senior levels.

When more senior levels, including me and our CFO, had a chance to discuss it, we questioned whether public servants shouldn't be doing it, because we needed to be doing this into 2024, 2025, 2026, 2027 and onwards and we didn't want to be perpetually contracting out work when we anticipated an ongoing need for this kind of work.

• (1645)

**Mrs. Kelly Block:** That's interesting, given the amount that the government has been paying annually for outsourcing.

Would it have been that same junior official who would have determined that this should have been a sole-sourced contract and wouldn't be open to a competitive bidding process?

**Mr. Ted Gallivan:** Mr. Chair, I would say in the earlier cases when we were still securing funding and justifying the project and the value added of an outsider confirming the value to secure support and to convince ourselves that these were good investments, I think that value of a truly independent outside view was there.

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

**Mr. Ted Gallivan:** Now that we have decided to implement and the decision has been made—

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

**Mr. Ted Gallivan:** —I think the focus shifted to the go-forward.

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

How much time do I have?

It's 30 seconds. I will cede my time.

**The Chair:** We'll go to Mr. Kusmierczyk for five minutes, please.

**Mr. Irek Kusmierczyk (Windsor—Tecumseh, Lib.):** Thank you, Chair.

Thank you, Minister Mendicino, for being here at OGGO today and for your testimony.

Thank you so much for your regular visits to Windsor. I think you have been there four times in the last six months. We really appreciate the attention you're providing to the Ambassador Bridge and the good folks at CBSA who work there. I know you visited and toured CBSA a number of times, so thank you so much for all the attention you're bringing to our community and that important crossing. I also want to thank you for advocating help to cover the cost of policing of the bridge protests. Thank you for being a champion for our community.

I want to speak about one particular contract, the CARM contract. This is the CBSA assessment and revenue management system. CBSA is the second-largest revenue collector, second only to the CRA. I believe they bring in approximately \$31 billion, which is a sizable amount, in terms of duties and imports.

Could you or one of the other folks around the table speak to the purpose of the McKinsey contract as it relates to the CARM?

**Hon. Marco Mendicino:** Thank you, Mr. Kusmierczyk, and thank you as well for your advocacy on behalf of your community. The constituents of Windsor—Tecumseh are served well.

With regard to the specifics of your question regarding CARM, I will turn the floor over to Mr. Gallivan.

**Mr. Ted Gallivan:** Again, I think in designing this new system we want to facilitate the process so that small importers, casual importers, one-time importers can do it easily. At the same time we want to have the data that can help us detect errors and clean those up. We also want the data to audit people who are creating an un-level playing field by deliberately breaking the rules and not paying what they should.

In getting that calibration right, talking to somebody like McKinsey, which advises dozens of multinationals and other governments—they have seen this many times—about how you define those objectives and how you make the trade-offs between them....

If we had a system that shut down the border and didn't let anybody through but maximized revenue, that wouldn't be good for anybody else. There would be no revenue to collect because it would be too onerous.

I think it really was around that benchmarking to look at our plans and tell us whether we're hitting the sweet spot to let the compliant people through quickly and address the non-compliant people as quickly as possible.

**Mr. Irek Kusmierczyk:** I really appreciate that answer.

This is important to my community. I can tell you that Windsor is home to Canada's largest independently owned customs agent, Farrow. They have over 100 years of experience. They employ over 700 people. They are an incredibly important part of our community, so what you're talking about here, the modernization of these systems, is critical.

Why does it make sense to bring in an objective external evaluator to take a look at whether your systems are working the way they should and that you're hitting that sweet spot, as you say?

**Mr. Ted Gallivan:** One really clear example is to go and talk to businesses like that as a third party, as an independent source of the truth, and take down that feedback. If I show up at CBSA and ask what they think about our CARM thing, there's a worry about the repercussions and the dynamics. Something very simple that an outside consultant did for us in this case was to seek that feedback from trade chain partners directly and independently.

**Mr. Irek Kusmierczyk:** Because McKinsey is such a large network—tens of thousands of employees in over 100 countries—now they're getting best practices not just in our own backyard, but best practices further afield. Is that correct? They're holding you to some of those best practices as well. Is that correct? Is that one of the reasons you seek external consultants?

• (1650)

**Mr. Ted Gallivan:** Large firms will have seen similar changes and similar problems, so they tend to know how to frame the question, how to ask the question and how to surface the situation. I think the government is going to large global firms because they've done it before.

It goes back to the value proposition between public servants and consultants. When the consultant has done it 50 times before, it's going to be a lot faster for them, versus time for the public service to even develop the questions.

**Mr. Irek Kusmierczyk:** Minister, even though we're seeing increases in the use of external consultants, we're still seeing significant investments in frontline staff at CBSA, and \$137 million was earmarked in the fall economic statement specifically to boost frontline capacity. Can you update us a little bit on that?

**Hon. Marco Mendicino:** Yes, those investments were made. They will contribute to additional frontline resources that will protect the integrity of our borders.

**Mr. Irek Kusmierczyk:** Thank you.

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

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

[Translation]

**Mrs. Julie Vignola:** Earlier, Ms. O'Gorman, you were talking about the redaction that was done according to the standards.

I invite you to compare the French version and the English version, because the French version has redaction that is not present in the English version. In addition, there are several pages of the McKinsey documents that are purely and simply illegible, misspelled. And I'm not even talking about the translation: instead of translating "deep dive" as "deep analysis", it was translated as *plongée profonde* "deep dive"; I don't know which scuba diver they used. This really should be looked into, because it is so unprofessional that it borders on a breach of parliamentary privilege. This is really unfortunate. I have the impression that a machine was used to do the translation, a type of program like Google Translate. Even my students didn't have permission to use it.

I will continue on the subject of French. I had a surprise when I read appendix A of the statement of work. In clause 10, it says that the principal working language is English, with the possibility of English and French. I accept this. However, I was surprised that the deliverables were to be in English only, and that the in-person presentation would be in English, or French, if necessary. I thought Canada was a bilingual country. Even in the contracts, it would seem that that is not the case.

Will a change be made to this? I think the McKinsey company also works in France. So they are able to translate their documents into both official languages.

**Ms. Erin O'Gorman:** I am sorry, but I have no information as to why the documents were not required in both official languages. I assure you that the Canada Border Services Agency, or CBSA, is a bilingual organization, and that at the headquarters where this work was delivered, the staff is bilingual.

**Mrs. Julie Vignola:** Thank you. I really had an extremely unpleasant surprise.

Would you characterize the advice you received from McKinsey as advice tailored to Canada's particular needs?

[English]

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

[Translation]

**Mr. Ted Gallivan:** In my opinion, yes. There are points that are tailored to our agency.

**Mrs. Julie Vignola:** All right. We should also take a look at what McKinsey says about its own services, because it says “a proven recipe for success”, not “tailored advice”. We may have a copy and paste of what was done with another client. We should also make sure that there wasn't a transfer of information.

Thank you.

[English]

**The Chair:** I'm afraid that is our time.

We'll have Mr. Johns for two and half minutes. Then we'll have a final five minutes with Mr. Barrett and a final five with Mr. Housefather.

**Mr. Gord Johns:** Thank you.

If it's okay, Mr. Chair, with the will of the committee we request that you table the documents around McKinsey's advice in terms of staffing levels so we can get some more details of that. You outlined that, Ms. O'Gorman, I believe, or maybe you could clarify.

**Ms. Erin O'Gorman:** Sure. They're contained in the documents that were provided, and there is a reference not to staffing levels but reflecting staffing levels that existed at some of the ports of entry. It's not information that is not with the committee; it references the documents that you would have.

**Mr. Gord Johns:** That helps. Then we don't need anything more.

You disagreed with the Customs and Immigration Union's estimate of a shortage of 3,000 officers. Can you provide the committee with your estimate as to how many workers are needed to fill current vacancies across the country? Have any consulting firms aided with the staffing plans for any work sites that CBSA operates in?

• (1655)

**Ms. Erin O'Gorman:** I'm not aware of any outside consultants that have done that work recently for the CBSA. In terms of vacancies, that's an ongoing discussion. There are some legacy frameworks in terms of positions. We're working to clean that up to see where they're needed and where they're no longer needed. We're overlaying post-pandemic travel patterns—

**Mr. Gord Johns:** Do you have a rough idea? You dismissed the 3,000 number.

**Ms. Erin O'Gorman:** We have not done an analysis that leads us to feel it's 3,000 vacancies.

We're also looking at post-pandemic commercial patterns. Some ports are back and higher than they were; some are not. We're working to distribute the workforce aligned with the demand and with our service standards.

**Mr. Gord Johns:** In some areas, such as investigations, intelligence, inland enforcement and hearings, the CBSA prefers to hire from outside instead of promoting from within. Can you talk about

why the agency isn't relying on the expertise of its officers, who are well acquainted with the intricacies of the border, but instead is bringing in outside personnel who have less experience in the field?

**Ms. Erin O'Gorman:** We always look for opportunities to promote from within. As mentioned, for certain functions we can use the expertise that's developed in other areas, such as law enforcement investigations and intelligence analysis. The BSOs are the bedrock of our frontline and inland enforcement, but there are opportunities to bring people in with different backgrounds to complement our border service officers.

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

Go ahead, Mr. Barrett, for five minutes, please.

**Mr. Michael Barrett:** Thanks, Chair, and thanks, Minister, Ms. O'Gorman and Mr. Gallivan for being here.

Minister, what would the impact be in terms of added personnel if you spent \$7 million on recruitment, training, and deployment of frontline officers? How many personnel could you employ for \$7 million?

**Hon. Marco Mendicino:** It would depend very much on the position, the classification, the term, etc. I'm happy to turn that precise question to Ms. O'Gorman.

**Mr. Michael Barrett:** Could you answer in about 15 seconds, if possible?

**Ms. Erin O'Gorman:** The \$7 million was the contract value, and the amount spent was \$4.3 million. That funding is not ongoing, so it's a bit hard to compare it to the cost if we hired people today. That money isn't ongoing in the CBSA's budget.

**Mr. Michael Barrett:** There was an app pitched by McKinsey, based on other models, that could have been deployed and used by Canadian travellers and the travelling public. What was McKinsey's estimate of the cost of that app?

**Ms. Erin O'Gorman:** I don't have that information. I can endeavour to get back to you if they provided us with a cost.

**Mr. Michael Barrett:** Would you be able to quantify the number of frontline officers you'd be able to recruit, train and employ, based on an average salary and average employment cost, for the \$54 million that was spent on ArriveCAN, and juxtapose that number against what the projected number was for the border app, version 1.0, versus what we got with ArriveCAN?

I'll move on, because we weren't able to ascertain that with the first question. Is facial recognition technology deployed at our ports of entry?

**Ms. Erin O'Gorman:** Yes.

**Mr. Michael Barrett:** What is that program called?

**Ms. Erin O'Gorman:** It takes place at our PI kiosks, where individuals have their photos taken. They put their passports into the PIK machine, and they're validated, one against the other.

**Mr. Michael Barrett:** Was the use of that technology, or any other facial recognition technology, advised by McKinsey or any other outside consultant?

**Ms. Erin O'Gorman:** I'll have to get back to you with that answer.

**Mr. Michael Barrett:** I have the same question with respect to artificial intelligence. Are any AI systems deployed at our ports of entry or borders? If yes, what is the name of the program? If so, were those programs advised by or recommended by McKinsey?

**Ms. Erin O'Gorman:** I'll come back with that answer.

**Mr. Michael Barrett:** Okay.

Minister, you talked about learning best practices from having a company like McKinsey, this global company. Some of the lessons that they've learned are awful. We've heard some of them detailed, and while I appreciate that we're offering them in anecdotal form, they are well reported and documented and are the subject of legal cases. We've seen that reported, whether it's with respect to Homeland Security and ICE in the United States or whether it's their practices on other shores, be it China, South Africa or France. Are those the kinds of best practices that we want to import to Canada?

There are good lessons and bad lessons. I would say that there seem to have been a lot of bad lessons that they've learned, and to go back to Mr. Genuis' questions, we don't know if the same folks who worked on those projects overseas, as have been detailed today, are working on projects here in Canada.

You mentioned that there are best practices that you get from them. I would argue that there's a downside risk to that. There's also the reputational risk to Canada and also the policy risk of having folks who would advise doing the types of things that we've talked about today also advising on other things in Canada.

You say that you have systems in place. Do the systems screen out and prevent those folks who are involved with those bad behaviours and bad practices from being employed and deployed here in Canada?

• (1700)

**Hon. Marco Mendicino:** I would argue that yes, they do. My issue with Mr. Genuis is that he seemed to be operating on some assumptions for which there is no evidence, and to use your words, we don't know. More importantly, I am here to answer questions with regard to the four contracts that were awarded by the CBSA to McKinsey.

**Mr. Michael Barrett:** I'm sorry, Minister. Is it that you don't know if those folks are involved here?

**Hon. Marco Mendicino:** To be clear, I am here to answer the questions that this committee has a mandate and a scope to study around the CBSA contracts awarded to McKinsey. We've been very upfront with you about the details of those contracts.

Yes, we do have the screening protocols in place to ensure that as those contracts are awarded, they are done with integrity, ensuring the protection of our systems at the border. Yes, of course we embrace this committee's study, and we'll continue to have an important conversation about how we do that work.

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

Go ahead, Mr. Housefather, please.

**Mr. Anthony Housefather (Mount Royal, Lib.):** Thank you.

Thank you very much, Minister.

Thank you very much, Ms. O'Gorman and Mr. Gallivan, for being here today.

Mr. Minister, in your past life, you were a prosecutor, right?

**Hon. Marco Mendicino:** Yes.

**Mr. Anthony Housefather:** You were not a contract lawyer who delved into the intricacies of multinational contracts, right?

**Hon. Marco Mendicino:** I was a federal prosecutor for about a decade. Then, afterwards, I practised privately. My area of expertise remained criminal law, with some labour and personnel employment law as well.

**Mr. Anthony Housefather:** Ms. O'Gorman, you served with distinction at the Privy Council, the Treasury Board and Public Safety Canada. You were also not a contract lawyer, right?

**Ms. Erin O'Gorman:** No.

**Mr. Anthony Housefather:** The answer was no, Mr. Chair, if you couldn't hear it.

Basically, if we wanted to ask you questions about what was in these contracts—for example, whether certain clauses required certain things, such as the list of clients or what the security process was—you would not be best equipped to answer that. Is that correct?

**Hon. Marco Mendicino:** We work closely with Public Services and Procurement Canada to give us advice on how to craft those contracts, and the CBSA does that work in-house as well. I just would again assure you, Mr. Housefather—and everybody within the committee—that those practices are well established, and they are there to protect the integrity of the way in which we procure services outside of government.

**Mr. Anthony Housefather:** I understand, Mr. Minister, and appreciate that. What I'm trying to establish is that if the committee has questions—reasonable questions—as to what's in the contract, you would not necessarily be the best person to respond to the clauses that we standardly put in contracts to protect Canada's security. If I were to represent to you that what happens is that the department establishes security requirements and then security experts frame contractual clauses and due diligence processes based on their expertise to ensure that the client's—the department's—security requirements are fulfilled, that would essentially be the way to do that, and we do have experts, lawyers, who do this all their days and all their lives and who could come to the committee and answer those questions. Is that correct?

**Hon. Marco Mendicino:** I would agree that we have put in place rigorous protocols to protect the security and the integrity of the way in which we procure services outside of government and that those protocols serve us well, both in the context of the CBSA and right across the portfolio.

• (1705)

**Mr. Anthony Housefather:** Right, and if this committee had recommendations, based on what's in the contracts and after hearing exactly what is in the contracts, we could make recommendations in our report to revise the contracts. The same would be true, I imagine, with the integrity regime.

We're all concerned about hostile foreign actors. We're all concerned about companies that may have bad actors abroad and are charged with things in South Africa, for example, such as McKinsey, but our current integrity regime doesn't provide for convictions abroad, and therefore, Mr. Minister, your department is not able to bar people from bidding for competitive contracts if they're not disqualified under our integrity regime as it is today. Is that correct?

**Hon. Marco Mendicino:** Well, that is why we set up those protocols. It's to be sure that there isn't any compromise of the integrity with which we award these contracts. At the end of the day, those are decisions made independently by our non-partisan public service, and I think that's an important principle that all committee members should remember and underline as you undertake this study.

**Mr. Anthony Housefather:** But I think, again, that part of what we're looking at is whether the integrity regime should change. It's a very logical and fair question whether or not the integrity regime should take into account actions abroad and convictions abroad, which it does for certain convictions in certain countries at certain types of levels, but that doesn't allow you as minister, or the department, to disqualify somebody if they're not currently disqualified under our own integrity regime as it is today. Is that correct?

**Hon. Marco Mendicino:** I'd say two things in response.

One, I am confident in the protocols we have put in place to do this screening. Also, two, the way we screen for security is very much an ongoing deliberative process in which we work with all parliamentarians as we attempt to address and mitigate the evolving nature of threats on the landscape.

We have good systems in place. We have good protocols in place. Those protocols served us well in the context of these four contracts vis-à-vis security, and we look forward to receiving the study of this committee and any recommendations that you may make so that we can build on those protocols to protect the way in which we award contracts outside of government.

**Mr. Anthony Housefather:** Am I done, Mr. Chair?

I have 20 seconds.

Ms. O'Gorman, for my last question, with respect to the \$54 million on ArriveCAN, didn't we actually establish that some of those costs were internal costs and the number was actually a different number?

**Ms. Erin O'Gorman:** There was a different breakdown of the number, and some of the costs were internal to the departments.

**Mr. Anthony Housefather:** Thank you.

**The Chair:** That would be your time.

We are going to suspend in a moment to go in camera, but before we do, Mr. Gallivan and Ms. O'Gorman, thanks for joining us again.

Minister, before you go, I just want to make a comment and use a couple of seconds of the committee's time. There's a veteran in my riding, Jeremy Pruegger, who works for the Correctional Service. He started a program called the Incarcerated Veterans Support Resources program to help veterans in prison.

I understand, Minister, that you're going to have your folks contact him and help him out so that we can serve our veterans, even those who are incarcerated. Thank you very much for following up on that. I sincerely appreciate it, on behalf of Mr. Pruegger and the great work he is doing.

**Hon. Marco Mendicino:** Mr. Chair, first, thank you. I do acknowledge receipt of the letter, which I have since shared with my staff and will share with the department. Thank you for your advocacy, and thank you to the members of the committee for the questions today and for the study of this important subject.

**The Chair:** That's all. We are suspended.

*[Proceedings continue in camera]*







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