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• (1545)

[English]

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

Welcome to meeting number 52 of the House of Commons Standing Committee on Government Operations and Estimates, or, as I like to call it, the mighty OGGO.

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

In accordance with our routine motion, I am informing the committee that all witnesses appearing by video conference have completed the required connection tests in advance of the meeting.

Each of our three witnesses will have a five-minute opening statement. We'll start with a friend to this committee, Mr. Hutton.

Welcome back. Go ahead for five minutes, please.

Mr. David Hutton (Senior Fellow, Centre for Free Expression): Thank you, Kelly.

My name is David Hutton. I'm a senior fellow with the Centre for Free Expression at Toronto Metropolitan University.

Thank you for the invitation to testify.

Based on my experience in the world of management consulting, I hope to provide some insights into what is likely going on in this particular situation. I've also listened to all of the previous testimony and can comment on some of that.

What are my credentials to speak about management consulting?

Early in my career, I was hired by the largest management consulting firm in the U.K. as its internal consultant to apply quality management principles to the firm's operations. It was a wonderful opportunity to study how large firms operate and what causes engagements to go well or badly.

In 1990, after coming to Canada, I founded my own management consulting practice and served what became a diverse international clientele for 20 years. I conducted assessments of various organizations. The Auditor General of Canada at one point, Sheila Fraser, was my client, as well as Xerox Canada, the Ontario government and the United States army bases in Europe.

In total, I led over 100 management system assessments. In the course of these, I partially conducted over 1,500 structured one-on-one interviews with senior executives. I learned a lot about organizational behaviour and how senior executives think.

With regard to the larger consulting firms, I competed against them successfully. I collaborated occasionally on joint projects that I would lead. I often found myself in the position of examining their handiwork and occasionally helping to clean up the mess they had left behind.

There are some major challenges inherent in employing management consultants. One is the inherent imbalance of knowledge and expertise, which makes it difficult for clients to judge the competency of consultants in order to avoid buying a pig in a poke.

While there are many ethical, talented consultants who do wonderful work, the consulting industry is also wide open to shady methods. Some of these are actually common practice. I'll be happy to describe some of these if anyone is interested.

Regarding McKinsey and the sudden spectacular growth in Canada over the past few years, the committee has rightly been exploring whether this growth has been achieved by leveraging personal friendships, since this is a common sales strategy, but there is another possibility: that McKinsey has simply impressed senior decision-makers so much that the doors have been thrown open to them. This is exactly how McKinsey operates.

• (1550)

In the consulting world, there's a hierarchy of perceived prestige. Worldwide, the top three firms are McKinsey, Boston Consulting Group and Bain. They rank at roughly eight out of 10 on that scale. The KPMGs of this world are rated more like six or seven out of 10.

This top-dog status that McKinsey has translates directly into very high fee rates, intimate engagement with clients—both governments and corporations—at the very highest levels, and often a bypassing of the due diligence that would routinely be applied to less well-connected firms.

Does it translate into supremely competent consulting? There's absolutely no guarantee of that. In fact, there are some disturbing examples of what I would describe as serious incompetence. A couple of examples are U.S. Steel and Disney, which are fairly recent and well-documented cases.

How does this play out in Canada? In the past, for a senior bureaucrat to employ McKinsey might have been a risky move, likely to attract scrutiny and criticism because of the outrageous costs and the company's track record, but if the senior leadership becomes convinced that McKinsey is simply the best, then, suddenly, hiring McKinsey can seem like a smart move that is likely to be applauded by one's boss.

What I've been describing so far is what can go on and what can go wrong when everyone is working honestly within the rules, but this is not always the reality. In any sizable organization, we can expect that there are some bad actors. In Canada, because of our absolute lack of whistle-blower protection, we have zero protection against the mayhem that such people can predictably cause. We are butt-naked.

Phoenix continues to be the poster child for wilful mismanagement and stunning incompetence. The software still isn't being fixed, and probably never will be, but the tragedy is that nothing has changed in the management system. We still have the perfect environment for breeding more disasters just like Phoenix.

I have some suggestions for the committee, but I think I'm out of time. Hopefully, that will come up later.

The Chair: You are indeed out of time, Mr. Hutton. Thanks very much.

Mr. Duguay, you have five minutes, please.

Dr. Benoit Duguay (Full Professor, Université du Québec à Montréal, As an Individual): Thank you, Mr. Chairman.

Thank you for inviting me, members of Parliament and Mr. Chairman.

I will address you in both French and English from time to time, and I will attempt to answer questions in the language in which they are asked of me.

I will not read through my notes, because that would be awfully boring. You have had all of this for some time now.

To present myself, I'm a sort of hybrid. I have a hybrid formation. I have an M.B.A. and I also have a Ph.D. in communications. I studied sociology and human behaviour, which was very helpful in this case, and psychology.

I also have experience in the field, because half of my career was spent in business doing management and doing consulting, including with the government, and what we're seeing with McKinsey right now I can't say I saw when I was a consultant. That's one of the main issues I have with this situation.

That's about me. If you want to know more about me, just go to my website, duguay.org, and you will find out everything you want to know about me.

[*Translation*]

Today, the committee's purpose is to study the contracts awarded to McKinsey by the federal government. I am familiar with the consulting world, and there are many consulting companies. Why is McKinsey being scrutinized at this time, but not other companies?

What I am going to tell you will help answer that question.

• (1555)

I have done a fair amount of research by reading this book and several articles. I have been interviewed by many journalists, who then wrote articles. I was even interviewed on RDI by Kim Vermette. You will find all of that on my website.

[*English*]

Let's start now. I will try to be brief.

The single most important thing I noticed about McKinsey is their culture of secrecy. That's the most disturbing thing, and it's not in Canada and not in Quebec and not in Ontario: It's all over the world, and I find this very, very troubling. I said so repeatedly in the media. I am worried. That worries me. That alone is cause enough to ask questions, but you ask questions and you never get answers.

They work for competing firms, sometimes with conflicting interests, saying it doesn't matter because they have a firewall and people within their firm do not talk to each other. Fine; I believe you, but mistakes happen.

They also work in the U.S., for instance, with health care corporations and with the FDA, which supervises them. I find this hard to swallow, personally.

They also work with competing countries. For instance, they helped China build the Spratly Islands in the South China Sea and turned around and took a contract with the Pentagon to counteract the influence of China in the South China Sea. I'll let you draw your own conclusions on that.

They consult on just about anything. I was being facetious at the time I was interviewed on TV and said that soon they will give us cake recipes. Of course, I was not serious, but it seems so.

[*Translation*]

That said, no law prevents McKinsey from doing business in Canada. It has not broken any laws. No one has told McKinsey that it cannot do business with a Canadian company or the Government of Canada. That cannot be said at present. We have even been told that it abides by Canada's ethics rules.

That comment came from a credible individual, and therefore I must presume that they were telling the truth. It is also possible that our ethics rules are not stringent enough and that we are considering only Canada's ethics, and not looking more globally. If we consider that McKinsey helped—

[*English*]

I'm sorry. I'm told that my time is up.

Thank you, Mr. Chairman. You can read the rest.

The Chair: I tried to give you a bit more time, Mr. Duguay, but we have to wrap up.

Professor Thomas, go ahead for five minutes, please.

Dr. Paul Thomas (Professor Emeritus, Political Studies, University of Manitoba, As an Individual): Thank you for the opportunity.

I read and listened to the testimony before this committee, but I don't have specialized knowledge about the McKinsey case. Therefore, my remarks will necessarily be rather general in nature. I encourage the committee to study the topic of contracting in all of its many forms in future work.

In the limited time available, I propose to make a series of brief points without much elaboration.

I'll start with this point: The growing use of management consultants reflects the broader trend of intermingling of public and private roles and functions. The assumption behind this trend is that governments get the best of both worlds. They benefit from their reliance on the presumed superior knowledge and skills of commercial private firms particularly. However, we all know that this isn't a guaranteed outcome, as there can be real horror stories arising from the contracting-out process.

In my view, successful contracting requires that governments behave as smart buyers to maximize the benefits and limit the risks of reliance on the private sector.

Sweeping generalizations about the advantages, disadvantages and risks of contracting out should be avoided. There are just too many different types of contracting and many different functions that can be wholly or partially transferred to the private sector, whether that be to for-profit firms or non-profit organizations.

Not all functions of government or all program activities are good candidates for transfer to the private sector. Based on experience and research, there are some general principles that can be used to guide the contracting process. Ultimately, it is a particularistic activity best approached on a case-by-case basis.

Fundamental to that process is a determination of whether a particular task or related activity is "inherently governmental" in nature. Such a determination involves, to a greater or lesser extent, a subjective normative judgment about the appropriate role of government and an assessment of the capacity of the public service to deliver effective results.

Attempts to define what functions are inherently governmental have occurred mainly in the United States. Functions that serve "the public interest" and those that involve the exercise of subjective policy judgments—

- (1600)

The Chair: I'm sorry, Professor Thomas—

[*Translation*]

Mr. Jean-Denis Garon (Mirabel, BQ): Mr. Chair, on a point of order for the usual reason. There is no interpretation.

[*English*]

The Chair: We're not getting translation.

I'm sorry, Professor Thomas, but we're having translation issues. One moment, please.

Dr. Paul Thomas: Okay.

The Chair: Can someone try to translate for me? We'll see if it works.

Go ahead, Professor Thomas. We have our system working again. You have about two and a half minutes.

Dr. Paul Thomas: Okay. I suggest that there are some criteria, but they're generally quite vague, and certain activities should not be candidates for outsourcing.

Diminished policy capacity within the public service and a lack of confidence in the willingness of senior public servants to speak truth to power may have contributed to the trend towards reliance on consultants as policy advisers. However, I know of no comprehensive empirical study of the historical pattern of the use of consultants for high-level policy work. That is something that could be explored. For accountability to work as intended, ministers must always have the final say on policy decisions.

I make the point that contracting out—and contracting—is a multi-stage process with various stages involved. Not all organizations have the capacity at all stages to behave as smart buyers. Managing relationships with contractors is crucial and is more difficult to produce effectively when managing across organizational boundaries.

I believe that management consultants and other contractors should be required to sign a conflict of interest declaration, just as registered lobbyists are required to do under the lobbyists' code. Consultants should also fall within the scope of the Access to Information Act to reinforce the principle that the information and knowledge generated in the contracting process is open to public disclosure, with limited exceptions.

I've read many of the guides and policy documents produced by the Treasury Board Secretariat, including the government-wide integrity regime document. The more fundamental challenge, I believe, is to create a professional community of contract managers with a shared culture, developed on a foundation of evidence-based, results-oriented decision-making.

My conclusion is that there is a place for management consultants in the modern governing process and that those consultants should be kept in their place.

Thank you.

The Chair: Thank you, Professor.

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

Mrs. Stephanie Kusie (Calgary Midnapore, CPC): Thank you, Chair, and thank you to the witnesses for being here today.

Mr. Hutton, in your remarks you indicated some examples of McKinsey—such as Disney—that you described as "incompetence". Would you say they were examples more of incompetence or of negligence, in your opinion?

• (1605)

Mr. David Hutton: I think there's perhaps negligence in who is assigned to the contracts. I think people on the ground are obviously incompetent.

What I saw in both Disney and U.S. Steel looked to me as if they were supposed to be strategic engagements designed to find a new business model in an industry that was suffering. It turned into simply a cost-cutting exercise that was done very badly and really stupidly, with unavoidable negative consequences, including not only reputational harm and financial harm, but loss of life in both cases.

Mrs. Stephanie Kusie: You said you had some suggestions for the committee. I thought I would give you the opportunity to share some of those suggestions, please.

Mr. David Hutton: Yes. I'm obviously here about whistle-blowing. I always am.

I see the committee and anybody like this as being severely hampered in getting at information if people in the trenches—employees—are not able to safely come forward with what they know. It's an absolute disaster, and it has led to a lot of the problems we've seen in the past.

I think that in the long term, the committee should continue the excellent work it's done in the past of pushing for some kind of decent protection for whistle-blowers, and in both the public and the private sector, by the way. In the short term, I would consider having the committee set up its own mechanisms for people to come forward safely and give it information.

I'm not saying that there's a precedent for that in Canada. I'm not saying it would be trivial, but I think it's doable. I think that would open floodgates of information to you that would be very revealing.

I'll go on a little bit longer. One thing I learned over the 100 assignments that I led was that you really don't have the full picture until you've talked to the people in the trenches. As you work down through the levels conducting interviews, you would get different pictures at different levels. Those would, on the face, be contradictory, but it was really like walking around an object and seeing it from three dimensions. Once you'd interviewed all of the levels, you had a complete, three-dimensional picture of what was going on, which you could not get from any single viewpoint.

It's a very strong principle for me that if you're doing management consulting or running any type of organization, you need to understand what the people in the trenches believe and see and you need to have access to their knowledge and information.

Mrs. Stephanie Kusie: Thank you, Mr. Hutton.

Dr. Duguay, you spoke of a culture of secrecy at McKinsey. What do you think is the reason for this culture? Why does that exist at McKinsey?

Dr. Benoit Duguay: The culture of secrecy is enforced by McKinsey itself. They have the clients agree to that secrecy. I don't think they could exist without that secrecy.

That secrecy, in turn, is what's causing the problem. We are here today because of that secrecy. We don't know what's going on. We

ask questions—in Quebec, in Ottawa or elsewhere—but we never get answers. That's why I say that secrecy is the worst problem.

Listening to my colleague, couldn't we enforce some sort of disclosure when we sign a contract? As a consultant with the government, we have never had anything secret about our clients or what we were saying to the government. If someone asked the government what we told them or what documents we gave them, there was no restriction to that. Why is there such restriction with McKinsey?

Mrs. Stephanie Kusie: Do you think governments are complicit with the secrecy?

Dr. Benoit Duguay: I don't think I can answer that question. What documents were signed originally when the contracts were given? We would have to see those for me to answer that. I have not seen those, so I cannot say.

I'm not about to say that the government is complicit, but there is definitely something wrong. How to fix it is up to you—all the MPs.

• (1610)

Mrs. Stephanie Kusie: Thank you, Dr. Duguay.

Dr. Thomas, you said that ministers should always have the final say when it comes to policy decisions. Can you think of any examples with this government in particular in their relationship with McKinsey & Company when you think the minister might not have had the final say and you think perhaps the company had the final say? Do any examples come to your mind?

Dr. Paul Thomas: One of the problems for outside observers like me—and for members of Parliament, I would say—is that the most interesting parts of the decision-making process are cloaked in confidentiality and secrecy. You really can't see the main decision-making point.

I would observe, based on past research on the contracting process, that consultants develop very close working relationships with senior public servants and even with ministers. They are literally embedded in the department. That's why you too often get automatic contract renewals without further openness—open competition, tenders for recall of the contracts, and so on. Once you're in that status, then there's a greater likelihood.... You may not have the final say, but you have very strong influence over the parameters of decision-making and the scope of what's considered appropriate and feasible.

Mrs. Stephanie Kusie: Thank you, Dr. Thomas. Thank you, Chair.

The Chair: Thank you.

Mr. Housefather, you have six minutes.

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

Thank you to all the witnesses for being here today.

[*Translation*]

I am very pleased to see you.

[English]

I just wanted to mention that as a larger outsourcing question—and we were doing an outsourcing study—it's really important to understand whether the Government of Canada is using consultants too often. However, this is not that study. This is not a general discussion about whistle-blowing or consultancy. Although I would love to hear from you on whistle-blowing—and we have—because I think you have a lot of very valuable things to say about it, this is supposed to be about McKinsey. I have to ask some questions about McKinsey only, because that's what we were supposed to be here for and what you were called in for.

Professor Thomas, do you have any non-public information that you wish to offer this committee about the government's relationship with McKinsey?

Dr. Paul Thomas: No. As per my disclaimer at the start, I have none.

Mr. Anthony Housefather: You were not involved in the negotiation of the government contracts with McKinsey?

Dr. Paul Thomas: No.

Mr. Anthony Housefather: You were not there to observe how those contracts were carried out?

Dr. Paul Thomas: No.

Mr. Anthony Housefather: You really have no information other than what the entire public in Canada of 38 million people has about the government's specific relationship with McKinsey. Is that correct?

Dr. Paul Thomas: Correct.

[Translation]

Mr. Anthony Housefather: Thank you very much.

Mr. Duguay, I will ask you the same question. Do you have any non-public information about the government's relationship with McKinsey?

Dr. Benoit Duguay: I will simplify my answer: The only information I have is public information.

Mr. Anthony Housefather: Okay.

I have another question for you.

You spoke about a difference in diligence. I believe you said that McKinsey's diligence was different than that of other companies that do business with the government.

Do you have proof?

Dr. Benoit Duguay: I do not think I said anything along those lines today. I'm sorry to contradict you.

Mr. Anthony Housefather: No, it's not that I want—

That is what I heard. I would like you to have the opportunity to clarify your comments.

Do you have any proof or confidential information that that is the case?

I do not believe that you have that information, but I would like to know.

Dr. Benoit Duguay: I have no information about any contract signed by the government with a consulting company. To my knowledge, I never said that the government had treated any company differently.

Mr. Anthony Housefather: That's fine. That is all I wanted to know.

You spoke about a culture of secrecy.

Can you confirm that that is the case not just for McKinsey, but for all companies that also compete with McKinsey? That is a standard practice at major consulting companies.

Dr. Benoit Duguay: That depends on the level of secrecy required. Yes, we can say that several consulting firms will require a certain secrecy. In my opinion, it is not to the extent we see with McKinsey.

Mr. Anthony Housefather: Have you dealt with McKinsey?

Do you have direct information or are you relying on public information?

• (1615)

Dr. Benoit Duguay: As I said before, my comments are based solely on the information in this book and what I can read publicly.

[English]

Mr. Anthony Housefather: Mr. Hutton, to save me the rigamarole of going through it—

Mr. David Hutton: I have no special or direct knowledge or insight into what McKinsey is doing at present.

On your point about whistle-blowing, whistle-blowing is directly relevant to the study you're currently doing, because—

Mr. Anthony Housefather: It's the overall study. It's very relevant to the overall study.

Mr. David Hutton: It's relevant to this study, because if we had free access to the information that employers in the trenches have, we would know a whole lot more about the work McKinsey is currently doing and has recently done in Canada. The committee would be a whole lot better informed and wouldn't have to rely on people like me to suppose what might be going on.

Mr. Anthony Housefather: But you would agree that... I take your point, and we would have to then assume that there were whistle-blowers, because there was something that was wrong that we don't have any information on, but the same would be true about any supplier. There's no difference between McKinsey and any other supplier, which is why I'm saying it's about the larger issue.

Mr. David Hutton: Fair enough.

Mr. Anthony Housefather: Can I ask just one more question?

I thought you made an interesting point about U.S. Steel. My understanding was that U.S. Steel was one key study you were looking at with respect to McKinsey's relationship with a private company that engaged McKinsey. Of course, McKinsey has 10,000 customers, and it may do very well on certain projects and very badly on others. Nobody is here defending McKinsey as being the greatest company in the world. That would be correct, right?

Mr. David Hutton: You would expect to see some failures by any large consulting firm. That's correct.

Mr. Anthony Housefather: Mr. Chair, how much time do I have left?

The Chair: You have 50 seconds.

Mr. Anthony Housefather: Basically, gentlemen, because I really don't have time to get into any other line, thank you so much for being here today. I do look forward to chatting with you about whistle-blowing, because I do agree that we need to strengthen our laws on whistle-blowing.

[Translation]

I think that Mr. Garon will have some questions for you about that.

[English]

The Chair: Thank you, Mr. Housefather.

I would like to welcome Mr. Garon to OGGO. You have six minutes, please.

[Translation]

Mr. Jean-Denis Garon: Thank you very much. I am pleased to be replacing Ms. Vignola, who is at the United Nations.

I would like to thank Mr. Housefather for giving me the rest of his speaking time. That was very kind.

Mr. Hutton, when I think of McKinsey, I think of U.S. Steel, which was just presented as an isolated case. I also think of Enron, the commercial papers, corruption in South Africa, the tobacco industry in the United States, corruption in Saudi Arabia, the opioid crisis in the United States, the events in France during Mr. Macron's election campaign and a company that worked for the Chinese military and the U.S. military at the same time.

Is there any indication at all that McKinsey's ethical conduct improved before the Government of Canada did business with this firm?

[English]

Mr. David Hutton: I've heard quite a lot of discussion about ethical screens and so on in your previous testimony. Consulting firms are profit-driven, and we cannot expect them to put in place effective ethical screens. It's just not part of their mentality. They may refuse some contracts on the basis that there's too much reputational risk, but that's purely defensive; it's not in order to protect the public interest.

The other point I'd make is that the government's own consulting screen is something that appears.... Heaven and earth get moved to avoid it from working when there's a situation like SNC-Lavalin

and it might actually kick in and cause consequences for a Canadian company.

I would think that ethical screens are pretty weak on both sides. I would also say that the most important screen you need is one around competency.

[Translation]

Mr. Jean-Denis Garon: That brings me to the issue of immigration. During the holidays, Radio-Canada reported that McKinsey had put a great deal of pressure on officials, who resisted. The firm, together with its shareholders council, on which Mr. Barton sat, pushed to gain acceptance for the Century Initiative it was proposing. It would increase Canada's immigration threshold so that Canada's population would increase to 100 million by 2100.

Mr. Barton was asked if he had thought of the social consequences of such an initiative. He answered that he had not.

When I think of U.S. Steel, opioids and all of McKinsey's work, I tell myself that I would have imposed additional criteria if I were the government.

Is there any indication that the Government of Canada did so? Do you not think that if it had, it would have boasted about it?

• (1620)

Dr. Benoit Duguay: I do not have any privileged information. However, I read the comments made by Immigration and Citizenship employees, which were reported in Mr. Gerbet's articles. Some officials said, off the record of course, that immigration is a very complex issue and you cannot barge in and tell the department what to do. That is almost word for word what they said.

Mr. Jean-Denis Garon: The social impact is important. The government has to consider it. McKinsey does not.

Dr. Benoit Duguay: It is extremely important, especially since it is a federal-provincial jurisdiction. Many people have to be involved in the area of immigration. However, at this time, I do not believe that all these criteria have been met.

Mr. Jean-Denis Garon: Mr. Duguay, my colleague, Mr. Housefather, began by somewhat trying to undermine the credibility of the witnesses who are here by asking them if they know something that we do not. We, the members of the opposition, asked for access to the contracts. The government refused, and stated that it was waiting for the contracts to be analyzed. At the same time, senior officials admitted that they warned subordinates to be careful about what they put in writing to ensure it would not end up in the hands of MPs.

Do you not find it odd that there is an attempt to undermine your credibility as a witness when the government is doing everything it can to prevent parliamentarians from obtaining only the information that has been made public? Do you not find it rather troublesome that these types of questions about your credibility are coming from the government?

Dr. Benoit Duguay: If I didn't find it odd, I would not have told Radio-Canada on two occasions that I was very worried.

I realize it, and I am very worried. That is not normal. Either there is a contract or there isn't one. If you ask for the contracts under the Access to Information Act, why are they not giving them to you? It has been the same everywhere. It was the same in Quebec. The Quebec government was asked to provide information and we were told that they could not find any information.

Mr. Jean-Denis Garon: I gather that you believe it is normal for parliamentarians to have access to that information.

Mr. Hutton, do you have something to add? Do you find it normal that we are not being shown the contracts, that the government is being given time to manipulate documents and, at the same time, that officials are being told to be careful about what they write down?

Would you be concerned if you were an MP?

[*English*]

Mr. David Hutton: I'm not sure that I heard the question clearly, but clearly there are concerns here, and the committee is right to be looking at this.

[*Translation*]

Mr. Jean-Denis Garon: We were talking about McKinsey's culture of secrecy. When we asked how the culture of secrecy was evaluated and the government's role in that, we were told, among other things, that we would have to read the contracts.

How can we, the parliamentarians, do our job if we are not given the contracts? At the same time, they are trying to undermine the credibility of witnesses by saying that all the information is public, which is not true.

[*English*]

Mr. David Hutton: I think that a committee like this should have strong powers of obtaining information.

It's a common problem that the people who hold the information have the power to reclassify it, to redact it and to make all kinds of excuses.

When there's private sector involvement, there's an additional level of complication, because the private sector company may make all kinds of claims regarding intellectual property, secrecy—you name it.

The Chair: Thank you.

Mr. Johns, you have six minutes, please.

Mr. Gord Johns (Courtenay—Alberni, NDP): Mr. Chair, I want to bring back the motion that I tabled at the last meeting. I'm hoping we can get some resolution.

I had a chance to talk to committee members and I believe that the only thing might be is a subamendment around the date for witnesses. I'll put that out to the committee, but I'd like to get moving on a decision on this matter.

The Chair: Does anyone have a change on the potential date for the witnesses?

Mrs. Stephanie Kusie: We are open to this motion. We would just ask that the closing date to accept witnesses be March 20. We are amending it to that.

The Chair: Are you fine with the new date, Mr. Johns?

Mr. Gord Johns: I am.

The Chair: Colleagues, are we fine with this motion?

(Motion as amended agreed to [*See Minutes of Proceedings*])

• (1625)

The Chair: I will consider it adopted, then.

Thanks, Mr. Johns. Go ahead with your questioning now.

Mr. Gord Johns: Mr. Duguay, I'll start with you.

You talked about the secrecy and confidentiality at McKinsey. If you look at other highly paid consultant companies, can you talk about this secrecy erodes accountability and transparency to the public and erodes the government's credibility?

Dr. Benoit Duguay: Secrecy, to my mind, does harm to the credibility of the clients, whether they are governments or organizations.

That's why I said in the beginning that this culture of secrecy is very, very harmful for McKinsey, for all the clients and for the governments involved.

I don't know if that answers your question.

Mr. Gord Johns: Thank you.

Mr. Hutton, can you tell the committee about your expert observations regarding the Business Development Bank of Canada contract, which we talked about in the last meeting, and the pay centre contract? Both were awarded to McKinsey.

Mr. David Hutton: I only know what's in the public domain about these contracts. I've no special inside knowledge.

With regard to the Business Development Bank, to me, as an experienced person in this field, there are red flags all over the situation. The public is outraged at it, and rightly so. I don't think there are any hidden facts that we're unaware of that would make this all seem good. It looks to me just like what the public thinks it is.

With regard to the pay centre, I have some inside information there because I've been following Phoenix very closely and actually conducted my own investigation using whistle-blowers at one point. I'm just stunned that so much time, money and effort would have been spent looking at the pay centre when the fundamental problem in Phoenix is that the software does not work and has never worked.

I'll give you some statistics. For five years after the rollout, somewhere between 40% and 51% of all employees' pay slips were wrong in the course of a year. Finally, in the sixth year, there was some improvement. However, there were five years of zero improvement in the software, so clearly the government is working on the wrong things.

Focusing on the pay centre.... The pay centre has had two roles in this whole saga. One is as a dumping ground for problems. Anyone who would have spent time at the pay centre would have known years before the rollout that this project was doomed. The other role of the pay centre is being a scapegoat. We see all this focus on the backlog, which is actually a huge pile of rework caused by faulty software, and these poor people are struggling in trying to do all of this rework.

It's really insane to be putting up huge amounts of money, and I can guarantee you that McKinsey's involvement at the pay centre was highly disruptive to the operations and difficult for the staff. As to whether it produced any results, I'd be very skeptical.

Mr. Gord Johns: We heard from public servants about the impact on the morale, from the imposition of Phoenix to having highly paid consultants replacing them in their jobs to having people like the BDC give advice that countered what the others were saying.

A minister who was here, the Minister of Public Services and Procurement, talked about the morale being solid and not being impacted by any of these things. Do you have any inside feedback on the morale situation in the public service due to these decisions?

Mr. David Hutton: I would say that when a consulting contract is going wrong in this fashion, it affects the leadership structure and the engagement of employees. It's a real downer for employees, and people leave in droves. All kinds of bad things happen.

I would say that in terms of people like this committee being informed as to what's going on, there is the public sector employee survey. I think that should be very closely scrutinized and should actually be better used to identify where there are morale problems, because when there are morale problems, you have management problems and performance problems.

Mr. Gord Johns: When you say people leave in droves, I imagine that it leaves a gap, which leads to hiring more highly paid consultants to fill the gap.

Mr. David Hutton: It could be, yes.

Mr. Gord Johns: Now McKinsey—

The Chair: I'm afraid that's our time, Mr. Johns.

Mrs. Block, you have five minutes, please.

Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC): Thank you very much, Mr. Chair, and thank you to our witnesses for joining us today.

Mr. Hutton, I'm going to ask you my first question. Today, in response to what I'll call my colleague's badgering about whether or not your appearance at this committee is relevant, you stated that you thought a conversation around the strengthening of whistleblower protections was in fact very relevant to the conversation that we're having here today.

I just want to reiterate whether you think that if there were stronger whistle-blower protections, the out-of-control spending on high-priced consultants with dubious practices around the world would have come to light sooner, both with regard to the Phoenix pay system that you've spoken about publicly and also with regard

to the IRCC departmental staff who came forward to provide some insight as to what was happening with the McKinsey contract.

• (1630)

Mr. David Hutton: Here's the way to answer that: Whistle-blower protection would provide a tremendous amount of additional information about what is really going on. In the case of Phoenix, there's absolutely no question, in my mind, that Phoenix would not have been allowed to continue anywhere near the rollout date. It would have been canned long before that if senior leaders in the government had known what was going on. There were extraordinary efforts made to keep all of that information under wraps, and that was done successfully.

I would also observe that because we still don't have good whistle-blower protection, we don't know what's going on with Phoenix today. I am extremely skeptical about what I see going on. I have already explained the lack of progress in fixing basic functional problems. I'm skeptical about what I see going on with the pay centre. I don't think the government has learned lessons from Phoenix, and therefore it has not changed the management system. We have the same system that produces disasters. It is perfectly designed to produce more of them, because we don't know what's going on.

Mrs. Kelly Block: Thank you very much.

Mr. Thomas and Mr. Duguay, I'm assuming you're here because you're as concerned as we are in this committee about the influence of consultants on the current government, in particular McKinsey & Company.

I want to ask some broader questions. Do you think the use of external consultants has become an all too common practice under this current government? Do you think it is a waste of money to be paying for in-house expertise and outside, high-priced consultants at the same time?

I will give you both an opportunity to answer.

Dr. Paul Thomas: Yes, I am concerned about the growing use of consultants to do core functions of government, such as policy advisory work and, in particular, any application of policy. That belongs in the hands of the public service. Other countries, such as Australia and New Zealand, have embarked on programs to reduce their reliance on outside firms for core governing purposes.

I think the secrecy and confidentiality that surround contracting out the delivery of public services make it very difficult for parliamentarians and the public at large to know whether they are getting value for taxpayers' dollars. That's why I'm proposing that the knowledge and information derived from the contracting process be subject to the scope of the Access to Information Act. It's not a panacea, but it might help. I also think there need to be more opportunities for parliamentarians to see documents that are not totally redacted. I think we can trust parliamentarians to be more responsible in their behaviour.

The Chair: I'm afraid that's our time, Mrs. Block and Mr. Thomas.

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

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

Thank you to the witnesses joining us today.

My first question is for Monsieur Duguay.

The current integrity regime puts five- and 10-year bans on companies deemed to be in violation of the ineligibility and suspension policy. Are these appropriate penalties for unethical conduct?

• (1635)

Dr. Benoit Duguay: I'm sorry. I cannot say I fully understand your question.

Mr. Parm Bains: Is Canada's regime out of step with international peers when it comes to our five- and 10-year bans on companies deemed to be in violation of the ineligibility and suspension policy? Do you believe these penalties, these five- and ten-year bans, are appropriate?

Dr. Benoit Duguay: I understand you're asking if Canada is out of step in comparison to other countries.

I would say that Canada is doing pretty much the same thing that France has done. In terms of all other countries I know about or that are reported in the book that I showed earlier, Canada is doing exactly the same thing. If that is correct or isn't correct, I can't say, but they are doing exactly the same thing.

The recipe for McKinsey is to do the same all over, all the time, everywhere in the world, so they are doing the same thing in Canada as they have been doing for very many years. It's no different here from what it has been elsewhere. The French Senate said there can be such a thing as too much consulting, and there can be such a thing as too much consulting in Canada.

As an example, a journalist was talking to me the other day. He was saying that they asked McKinsey for consulting in the field of tourism. My colleague knows that in his university there's a school of tourism, and in my university there's a school of tourism, and there are God knows how many schools of tourism in Canada. Why do we ask McKinsey for consulting in the field of tourism? All they had to do was call those universities to ask for consulting, which would have cost a very small fraction of what they paid to McKinsey.

Mr. Parm Bains: That goes to my next question, then. Do you believe government doesn't have the capacity internally? I know you mentioned something about a shadow public service. Would you agree that in some instances it's necessary, as you just mentioned, to use outside consulting when there is no internal capacity?

Dr. Benoit Duguay: I'm not saying at all that the government does not have internal capacity. On the contrary, I think we have a very competent public service. I think that—and this is something that the French Senate also said—we are doing too much consulting, and it's a nuisance for the people working for the public service, and they're saying so. I've read so many reports about that. People inside the public service of Canada just...how should I say it?

[*Translation*]

They are not comfortable with that. It is encroaching on their prerogatives as government employees.

I apologize for switching to French, but I was unable to answer in English.

[*English*]

Mr. Parm Bains: That's okay, thank you.

Dr. Thomas, do you have a reason to believe anything was done incorrectly by awarding those contracts from a procurement process perspective? Some have suggested that government helped their friends. What evidence shows that?

Dr. Paul Thomas: I have no evidence to point to about whether there was favouritism involved.

One of the best arrangements for contracting is to leave it at the professional public service level to make those kinds of judgments so that there isn't micromanagement by ministers or direct involvement by ministers. We have to be careful about delineating the stages in the contracting process and ensuring the right decision-makers are in charge at the right point in time. As I said, when it comes to the tendering of policy advice, that has to end with the minister.

• (1640)

The Chair: I'm sorry to cut you off again, Dr. Thomas, but that's our time for that round. I apologize again.

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

[*Translation*]

Mr. Jean-Denis Garon: Thank you, Mr. Chair.

I'm going to turn to Mr. Hutton again. As I stated earlier, last week we learned that senior officials asked their subordinates to be careful what they put in writing. This leads me to ask an important question.

Do you think that whistleblowers are adequately protected in Canada?

[*English*]

Mr. David Hutton: I think it's strange that public servants would be counselled in that way. I think public servants are very reluctant to do anything or say anything that will end up in publicity. Whistle-blowers who are coming forward with serious problems that could even be life-threatening almost never go to the media; they go up the chain of command. They don't go outside the organization.

Research indicates that perhaps 1% or 2% of all whistle-blowers—

The Chair: I'm sorry. Is there a translation problem again?

[*Translation*]

Mr. Jean-Denis Garon: Yes.

Would it be possible to adjust the time? There has been no interpretation for a few seconds, make that about fifteen seconds. I did not understand anything.

[English]

The Chair: Madam Clerk, my French is not good enough to follow Mr. Garon.

Bear with us for one minute, please.

Go ahead, Mr. Garon. We'll try again. We'll see if there's less of a gap.

[Translation]

Mr. Jean-Denis Garon: You can continue, Mr. Hutton.

I was asking if our whistleblowers are adequately protected.

[English]

Mr. David Hutton: No. They are not adequately protected, and people in this committee are mostly very clear about that.

On your point about public servants being worried about bad publicity or saying anything that might get out into the media, we've seen some examples of that happening. Those are really desperate situations when people feel that they have to go that far. Even for people who are dealing with serious issues and whistleblowers are coming forward, research indicates—

[Translation]

Mr. Jean-Denis Garon: Please tell me in concise terms, because time is getting on, if changes could be made to the legislation to better protect public servants who make disclosures.

[English]

Mr. David Hutton: Absolutely, yes. Lots of other countries are doing this. We know what works and what doesn't. It's a simple matter, really, to change the legislation to make this system work better.

[Translation]

Mr. Jean-Denis Garon: Thank you.

Public servants who go on to work in the private sector are bound by strict ethical standards.

What should we think about firms that are doing *pro bono* work for the federal government and afterwards go on to do business with the government? Shouldn't some sort of arm's length be imposed? Should we accept this? Is this ethical?

[English]

Mr. David Hutton: That question is I think a really good one, and it's one I haven't thought about a lot, so I'm not sure I can give you a good answer.

I would say that it's a real issue and that you'd have to look at the situation. I'm sure the people around you can provide good answers as to what kinds of standards and limitations should be applied in that situation. It's not something you can ignore.

The Chair: Thank you, Mr. Garon.

Thanks, Mr. Hutton.

Dr. Thomas and Professor Duguay, maybe you could answer in writing if you have a written response to Mr. Garon's question.

Mr. Johns, I haven't forgotten about you. You have two and a half minutes, please.

Mr. Gord Johns: Mr. Hutton, maybe you can speak about how McKinsey maintains and exploits its prestigious status, which we've heard about from both of you. Maybe you could speak about whether this is typical of the bigger firms and the other consulting firms like Deloitte and PricewaterhouseCoopers. Should we be concerned about it?

Mr. David Hutton: All big consulting firms have to be very effective at marketing their services. They have thousands of people and need a constant revenue stream in keeping all these folks busy.

McKinsey kind of stands out as being extremely prestigious and having created this kind of top-dog situation that they're able to exploit to maintain that status. They have, as I've indicated, very close relationships with all kinds of senior people and decision-makers and with governments and corporations around the world. They have a very active and effective alumni system, whereby anyone who has ever been a McKinsey employee is now in this ecosystem, this massive network that's extraordinarily well connected, and who, because of that, is also on a kind of escalator towards other senior positions, because that network is used actively by headhunters and so on.

It's the kind of situation where the guy at the top of the hill is able to stand off everybody else and use their position to maintain that.

• (1645)

Mr. Gord Johns: You also talked at the opening about giving advice or suggestions you had for the committee regarding the direction of this study, and maybe some advice on how we can improve contracting oversight and reduce the government's use of outsourcing.

Mr. David Hutton: Yes, and I've partly answered that question already.

Obviously whistle-blowing is not the answer to everything, but it's a tool that can act as a last resort when everything else has failed to expose things that are going wrong. It's not necessarily to do with deliberate wrongdoing—it can be just incompetence or whatever—but if there's public harm, then the employees involved are often the last resource you have available, and research also indicates that it is by far the most effective way of uncovering these situations.

The other mechanisms we have—the audits, the external reviews and so on—just don't work nearly as well and are actually quite ineffective unless they're complemented by whistle-blower protection.

I think it is one of the tools that we really badly need, and we're really at the back of the bus in Canada and far behind the rest of the world.

The Chair: Thanks, Mr. Hutton. Thank you, Mr. Johns.

Colleagues, we're running a bit long, so the final two interventions will be three minutes.

We'll go to Mr. Barrett, and then there will be three minutes for Mr. Kusmierczyk.

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

Mr. Hutton, do you find it odd that McKinsey would have zero registrations or would appear zero times in the lobbyist registry?

Mr. David Hutton: I don't know enough about that registry and how it works to say whether they should be registering.

Mr. Michael Barrett: We've seen emails from McKinsey—it's a giant company—pitching their business to the government. I think that if you asked someone on the street if that sounded like a lobbying effort and if it looked like a lobbying effort, they would probably say that it's a lobbying effort.

Knowing that they are pitching their business to the Government of Canada—that's established—do you find that this creates a problematic circumstance?

Mr. David Hutton: I agree that it doesn't look good.

I would say that from the little I do know about lobbying systems, I think it's yet another weak system that's put in place supposedly to provide some limitations and control over lobbying but probably really doesn't work very well.

Mr. Michael Barrett: During a previous exchange with another member, there were questions about whistle-blowers and what that has to do with this particular company.

The issue of the massive contracts and the rapid expansion of those contracts with McKinsey, particularly at IRCC, came to light because public servants blew the whistle. They talked about the perceived lack of value for money that Canadians were getting. They were really unclear on what was being done in the department, but they were clear that in their view, McKinsey was shaping departmental policy.

Isn't that exactly what whistle-blowers do? They speak out about this.

Mr. David Hutton: Yes, it is.

The point I was trying to make earlier, perhaps not very eloquently, was that it's just the tip of the iceberg. Those people who went “external”, if you like, and went to the media are taking a tremendous risk. It's a last resort. Research indicates that only 1% or 2% of whistle-blowers resort to going out to the media, even when everything else has failed.

For every story you read in the media, you can say there are probably another 50 that are similar that we'll never hear anything about because the whistle-blowers get crushed into silence.

• (1650)

The Chair: Thanks, Mr. Barrett.

Mr. Kusmierczyk, you have three minutes.

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

Professor Duguay, we heard in previous testimony that McKinsey has over 10,000 clients and cases that they deal with in any one year around the world. Here in Canada, a very tiny fraction of their portfolio is actually the Government of Canada. Most of their work is private sector, not-for-profit and elsewhere.

Does a company like McKinsey bring value to customers? Would they have such a large portfolio around the world if they did not bring value to their customers?

Dr. Benoit Duguay: They would certainly not be in the position they are if they did not provide value. However, providing value by working with two parties with opposing interests, for me, is not very ethical. They do provide value in every instance, or else they would not be in business.

There are such things as ethics, in my mind. I would not behave in such a manner.

Mr. Irek Kusmierczyk: Just to follow up on that, since 2011 there have been six large consulting companies that have done about \$1.5 billion in contracts with the Government of Canada. They are companies like Deloitte, Accenture and others. McKinsey only represents a very small fraction—less than 10%—of those budgets since 2021.

How many cases have you looked at or studied in terms of contracts with all of those consulting companies? Have you analyzed those contracts? Are you aware of any issues with those contracts?

Do you have evidence, for example, that Canadians have not received value in any of those contracts in the past 10 years?

Dr. Benoit Duguay: As I said to your colleague about half an hour ago, I have no direct knowledge except for the public knowledge that is in books, articles and such, but there is one thing that I can remember. In one instance, McKinsey got a contract with National Defence about harassment and sexual misconduct. They proposed a solution, and one person who I think is extremely credible, Judge Louise Arbour, said that what McKinsey was proposing would not work at all. In that instance, they were not providing value, and I'm not the one saying it. Judge Arbour is a very, very competent person, much more competent than I am.

That's the only instance I can provide, and I have not read that report. I am just reporting what Ms. Arbour said.

The Chair: That is our time.

Witnesses, thank you very much.

Mr. Hutton, it's always a pleasure to have you with OGGO.

Dr. Duguay, thanks very much for joining us.

Dr. Thomas, thank you as well.

We will suspend for about 15 or 20 seconds to bring in our new witness.

We're suspended.

• (1650)

(Pause)

• (1655)

The Chair: We welcome back our procurement ombudsman, Mr. Jeglic. It's a pleasure to have you with OGGO again. You have the floor for a five-minute opening statement.

Mr. Alexander Jeglic (Procurement Ombudsman, Office of the Procurement Ombudsman): Thank you, Mr. Chair.

I'd like to begin by acknowledging that the land on which we gather is the traditional unceded territory of the Algonquin Anishinabe people.

Thank you, Chair and members of the committee, for having me here again today.

[*Translation*]

Good day, everyone.

I am Alexander Jeglic. I am the procurement ombudsman.

[*English*]

I'd like to start by explaining my office's role in federal procurement, as some of you were not part of this committee when I was last here in February 2022.

The Office of the Procurement Ombudsman opened in 2008 with a focus on providing Canadian businesses, mostly small and medium-sized, an avenue of recourse for procurement and contracting issues. My office operates at arm's length from other federal organizations, including Public Service and Procurement Canada. While I report to the Minister of Public Services and Procurement, the minister has no involvement in my office's daily activities or the contents of my reports.

[*Translation*]

We are a neutral and independent federal organization with a government-wide mandate, with the exception of Crown corporations, the Senate, the House of Commons and certain federal security agencies.

[*English*]

Specifically, my legislative mandate is first to review complaints from Canadian suppliers about the award of a federal contract below \$30,300 for goods and \$121,200 for services. Second, it's to review complaints respecting the administration of a contract, regardless of dollar value. Third, it's to review the procurement practices of federal departments to assess fairness, openness, transparency and consistency with laws, policies and guidelines.

Unlike complaints, these larger systemic reviews examine the procurement practices of federal departments by reviewing multiple procurement files. As part of our five-year review, we have traditionally looked at a sample size of 40 files by reviewing documents and information provided by the reviewed department.

[*Translation*]

In terms of good practices to ensure fairness, openness and transparency in federal procurement, my office has identified these three highest-risk procurement elements.

[*English*]

We use them as lines of inquiry to assess the highest-risk procurement elements.

The first is the establishment of evaluation criteria and selection plans. The second is the bid solicitation process. The third is the evaluation of bids and the contract award.

While these systemic reviews point out good practices that can be emulated by other departments, they mainly identify areas where departments can take concrete steps to improve the overall fairness, openness and transparency of their procurement practices. Any recommendations made in these reviews are designed to improve these practices and do not focus on individual complainants or winning and losing bidders in the same way that reviews of specific complaints do.

Prior to launching a review, I must determine whether there are reasonable grounds to do so, taking into account several factors, such as consistency with the Financial Administration Act and the government's contracting regulations, the resources required by the department to respond to the review, observations of previous audits or assessments and the time elapsed since the previous review of the practices of that department.

Four, we also offer dispute resolution services, which we offer with our certified mediators from our office. Either a supplier or a department can request our mediation services; both parties have to voluntarily agree to participate in order for the mediation session to take place. This is a highly successful and effective service offered by my office. Unfortunately, it is underutilized by federal departments. There are no dollar threshold limitations associated with our mediation services. We can mediate contracts valued at \$5,000 or \$50 million, and we offer a quick, inexpensive and effective alternative to litigation.

Five, we also draft research studies on important issues in federal procurement.

Six, my office is also very involved in helping to diversify the federal supply chain. We've hosted a summit for the last four years in which we help to provide diverse and indigenous-owned businesses with access to the tools and information necessary to win federal contracts. Last year we had over 850 participants attend the summit online, and we hope to be able to continue to grow this important initiative in the future if our funding allows for it. The next summit is to be held virtually on April 4 and 5 this year, and I'd like to invite anyone interested to register with my office.

Now that I've shared more information about the nature of the work of my office, I'll turn my attention to why I'm here today.

On February 3, I received a letter from the Minister of Public Services and Procurement, the honourable Helena Jaczek, to conduct a procurement practice review to examine the procurement practices used by federal departments and agencies to acquire services through contracts awarded to McKinsey & Company. At this time, we have not yet launched a review, but we believe we have the mandate and reasonable grounds to do so, based on the request of the minister and the results of our previous reviews.

● (1700)

We look forward to discussing our role in this review with the committee. I would also like to thank the OGGO committee for its support of my office, which has helped increase visibility and awareness among Canadian suppliers and federal buyers.

[Translation]

Thank you for your attention. My office remains available to work with committee members as long as necessary.

[English]

I'd be pleased to answer your questions.

Thank you very much.

The Chair: Thank you, sir. We appreciate that.

Mr. Barrett, we'll start with you for six minutes, please.

Mr. Michael Barrett: Thanks, Chair.

Thank you, sir, for joining us today.

You mentioned the letter that you received from the minister. Would you be able to table that with the committee?

Mr. Alexander Jeglic: Yes, I believe I may.

Mr. Michael Barrett: Thanks very much.

When the the procurement minister was at this committee, we heard her speak about this review. She said she'll review your recommendations but didn't commit to implementing them. Do you have any thoughts on that?

Mr. Alexander Jeglic: I do. Ultimately, when we draft a report, it's on the understanding that when we see instances that require recommendations, it's on the basis that there is an issue with the procurement practice in place. It's our sincere hope that if we offer recommendations, they will in fact be implemented.

Mr. Michael Barrett: A scenario that seems to crop up quite often was an observation of some folks who are sometimes bidders on federal contracts. In the work that was done on ArriveCAN, the scenario or the conditions seemed to be that contracts are shaped so that only specific companies could possibly qualify. They require a very unique or narrow capability that other companies wouldn't have, though with a broader scope, they would be able to achieve the same outcome.

Is that something you've observed?

Mr. Alexander Jeglic: Yes, absolutely. That is what we term "restrictive criteria". When it's overly restrictive, we look at several criteria.

One of the obvious criteria is whether other suppliers that are involved in the process have identified the overly restrictive criteria. If the answer is yes, has the contracting authority done anything to modify the requirements?

If the answer is no and you end up with a sole compliant bidder, it leaves the question that perhaps the criteria were overly restrictive.

Mr. Michael Barrett: What was the top complaint you received in 2022?

Mr. Alexander Jeglic: In 2022, in our last annual report, the top complaint that was reported was that restrictive criteria were biased in nature. I can actually quote it exactly to make sure it's on the record, "The stakeholder felt the evaluation criteria were unfair, overly restrictive or biased." We had 61 total issues reported.

Mr. Michael Barrett: Do you have any insight on why someone drafting the scope of the RFP would do that?

Mr. Alexander Jeglic: I do. There are a few reasons one could think of.

One is that there's a lack of a vendor performance regime, so you're trying ultimately to find a result in outcome, which isn't something that is very positive in nature. That's the most dire characterization of why that might happen.

On the other side, there are also instances in which it's perhaps someone who doesn't necessarily have a skill in understanding how that criterion would be restrictive in nature. Without knowing that it's restrictive in nature, the person drafts it in the initial attempt, only to learn that it won't actually lead to many suppliers being able to comply.

Mr. Michael Barrett: How long have you been the procurement ombudsman?

Mr. Alexander Jeglic: I've been the procurement ombudsman for almost five years.

Mr. Michael Barrett: How many recommendations have you made to the government during your tenure?

● (1705)

Mr. Alexander Jeglic: I'll have to table that. I don't actually have that number offhand, but it's a combination, because it's both procurement practice reviews and reviews of complaint.

Mr. Michael Barrett: How many of your recommendations has the government implemented? Perhaps this is another number you might know offhand, and if not, I'd ask you to table that information as well.

Mr. Alexander Jeglic: Again, I'll segregate by the difference between reviews of complaint and procurement practice reviews. In procurement practice reviews, we've done a follow-up. There's only been one follow-up.

I need to take one second to explain the process. When we do a procurement practice review, we're looking at the practices of that specific federal department. When we make recommendations, we allow the department two years to implement those recommendations, and then we return with a follow-up examination.

In that follow-up examination, we've actually developed a report card. We're now almost there in terms of finishing the five-year review. After two years, upon the review of each systemic review, we'll be issuing a report card on overall compliance with all recommendations. The first review has found compliance with the recommendations.

Mr. Michael Barrett: Do you have any visibility on the procurement integrity regime?

Mr. Alexander Jeglic: I actually started thinking about that through watching some of the live OGGO committee proceedings.

Mr. Michael Barrett: It's recommended watching for all Canadians, yes.

Mr. Alexander Jeglic: It actually drew my attention to the fact that I wasn't sure if I had the jurisdiction, but it's a question that I'm going to ask our legal counsel. In the way we're structured, we have to be able to have jurisdiction over that specific policy in order to opine.

Mr. Michael Barrett: I would be interested if you'd be able to report the outcome of that advice back to OGGO. If you'd be willing to do that, that would be very helpful.

There are some real questions that have been raised. Looking back at 2015, we see that this was in place then. Looking at some of the media reporting on some of the contractors, like McKinsey now, I think that another set of eyes on that integrity regime would be very worthwhile.

Thanks, Chair.

Thank you, sir.

The Chair: Thank you, Mr. Barrett.

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

Ms. Joanne Thompson (St. John's East, Lib.): Thank you, Mr. Chair, and welcome back to committee.

Could you tell us how the Office of the Procurement Ombudsman, as a national organization, is independent of the Government of Canada?

Mr. Alexander Jeglic: I'd be glad to.

In essence, I operate independently of the minister. My interaction with the minister is that I report to the minister by formulating an annual report that is tabled in Parliament. The statute and the regulations dictate how I am to communicate with the minister, and whenever I operate in a regulatory capacity, that's absolutely how I communicate with the minister's office.

Ms. Joanne Thompson: Does this mean that you and your office are able to give an unbiased and completely independent assessment of the McKinsey contracts?

Mr. Alexander Jeglic: I would say so, yes.

Ms. Joanne Thompson: Does this also mean that you're a separate and independent entity and that the Minister of PSPC and the minister's staff in the PSPC department have no influence in the conclusions and recommendations of this review?

Mr. Alexander Jeglic: I would agree with that assessment, yes.

Ms. Joanne Thompson: Thank you.

Could you share the process that you and your team follow during a procurement practice review? Then could you share examples of how that process moves through your department and then back to the minister's office?

Mr. Alexander Jeglic: Sure. It's a pretty lengthy answer, but if you will bear with me, I will provide it.

We establish the criteria for the five-year review based on the issues brought to my office. One of the members of the committee identified the top issue. We looked at those issues, and they seemed to be repetitive in nature.

When I first joined the office I said that just reporting about these issues was insufficient. What more could we do as an office? As a result, we leveraged our mandate by converting those issues into lines of inquiry. We hoped to review the top 20 departments and agencies within the federal department in terms of value and volume by looking at those top 10 issues.

Unfortunately or fortunately, the Treasury Board contracting policy was sunsetted during that time frame, so the rules changed and it no longer made sense to pursue the final three. We have done 17 reviews now of these departments and agencies.

In terms of methodology, our scope is relatively clear, so it's competitive contracts that we have been looking at. There are exclusions: Any directed contract, acquisition card activity or activity in which the department is not the contracting authority would be immediately be out of our scope.

We looked at a sample of 40 files in those instances. In those 40 files, we took the top 10 in terms of value and we took the bottom 10 in terms of value. We took some that used PSPC methods of supply and then we had it randomized, so it was a judgmental sample. Once we finished with the judgmental sample, we would ask to receive documentation from the department. Then the sample would be identified from the documentation provided.

The next step would be that after we reviewed each file meticulously, we would offer preliminary observations to the departments themselves. The department would then have the opportunity to explain some of those preliminary observations and provide additional material if necessary, and then we would continue on with the review.

The next phase would be a 30-working-day period during which the department can comment on any recommendation. We often divide that 30-working-day period into two parts, with a 20-day review period and a 10-day review period to allow the working level to receive the first draft in the first 20 days. Then in the final 10-day period, it goes to the deputy for comment.

Once those comments are received, we then finalize the report. Once the report is finalized, it will be shared with the minister pursuant to the legislation and the regulations. Then we publish the report on our website and we push out the information in our reports on our social media account.

• (1710)

Ms. Joanne Thompson: Thank you. I appreciate your clarifying that process.

It's my understanding that the procurement ombudsman looks at the fairness of contracts. Can you share with us and provide clarity on what the focus is and what is being assessed when reviewing the McKinsey contracts?

Mr. Alexander Jeglic: It's a fair question, and I anticipated the question.

Obviously, we don't have a defined scope yet, but we have planned methodologies and some criteria. Some of the aspects we have discussed internally are a mixed methodology of document review and also meeting with departmental officials. We're going to look at both competitive and directed contracts.

On the sample size, again, I have been listening to the testimony. Our anticipated sample size is in line with what we have heard, but we're not going to rely on the information that's produced to that office; we're only going to rely on information that's provided to our office. If the sample size is larger, that's the sample size we will deal with. If it's not sufficient as a smaller sample, we will actually review all of the files.

In terms of the years, I know the OAG has been tasked with 2011 onward, but 2011 would be longer than the retention period of the documentation, so whether we would consider going back to 2011 is something we will look at.

Also, there are rules that apply. The rules shift during that period of time, and there are a number of rules that apply. Again, there are likely multiple departments that are implicated.

Then there is the aspect of resources as well. That's a significant issue, and it's something I highlighted to the minister in my response after she wrote to me on February 3. I responded on February 8, identifying the existing cadre of files we're currently working on, including four systemic reviews, three reviews of complaints and multiple follow-up exams. I identified that resources are an issue and that we wouldn't be able to provide a comprehensive review unless additional resources were provided, and the minister assured us that those resources would be provided. We have met with departmental officials who have assured us that those resources will be forthcoming.

Ms. Joanne Thompson: Thank you.

Am I out of time?

The Chair: You are.

Ms. Joanne Thompson: Thank you so much.

The Chair: Thank you, Ms. Thompson.

Go ahead for six minutes, please, Mr. Garon.

[*Translation*]

Mr. Jean-Denis Garon: Thank you, Mr. Chair.

Welcome, Mr. Jeglic.

If I understood correctly, your mandate is usually limited to contracts for goods valued at \$30,300 or less, and service contracts valued at \$121,000 or less.

Is that correct?

Mr. Alexander Jeglic: Yes, indeed.

Mr. Jean-Denis Garon: Therefore, contracts the size of those awarded to McKinsey do not, generally speaking, come under your office's mandate.

[*English*]

Mr. Alexander Jeglic: I'll answer it twofold.

In procurement practice reviews, there are no dollar value limitations. The limitations you mentioned are only when we're reviewing complaints. The reason is that there's a complementary organization by the name of the Canadian International Trade Tribunal, which has jurisdiction over values at or greater than those dollar values. That's where we have to be somewhat careful with the procurement practice review and not turn it into a review of a complaint in an area where we don't have jurisdiction.

[*Translation*]

Mr. Jean-Denis Garon: Right.

If I understood correctly, the minister contacted you to review the entire procurement process for contracts awarded to the McKinsey firm.

What is the total worth of the contracts that you will be reviewing?

Mr. Alexander Jeglic: I'm sorry, but I didn't understand the last part of your question.

• (1715)

Mr. Jean-Denis Garon: What is the total worth of the contracts that fall under the special mandate given to you by the minister?

[*English*]

Mr. Alexander Jeglic: Are you asking how much money the minister is going to give us to do the review?

Mr. Jean-Denis Garon: No.

Mr. Alexander Jeglic: I'm sorry. Perhaps I'll listen to the translation. I apologize.

Mr. Jean-Denis Garon: Yes, you should.

[*Translation*]

The minister has asked you to review the procurement process for contracts awarded to the McKinsey firm.

What is the total value of the contracts that you will be reviewing?

[*English*]

Mr. Alexander Jeglic: My understanding is that they're all different values. There is no one specific value, and we won't scope by value. It's our anticipation that we might look at all the contracts awarded to McKinsey.

[Translation]

Mr. Jean-Denis Garon: As has been already stated, the government will not be disclosing the contracts to parliamentarians.

According to what has been published in the media, it is estimated that all the contracts awarded over a period of seven to eight years could be worth more than \$100 million.

Does your office have the necessary resources to conduct such an in-depth review of the procurement process for all these contracts in such a short period of time?

Do you have the resources needed?

[English]

Mr. Alexander Jeglic: That's the point I made to the minister in response, in my letter dated February 8. We have an existing cadre of procurement practice reviews already under way. Without additional financial resources, we would not be able to undertake the review.

[Translation]

Mr. Jean-Denis Garon: More than \$100 million worth of contracts have been awarded to a firm over a period of seven years. We are now going through a big public relations crisis because of the lack of transparency within the government. You are now being asked to do an in-depth analysis of these contracts and you don't have the necessary resources.

Have I understood correctly?

[English]

Mr. Alexander Jeglic: I'll also clarify this.

In response to what I said about our letter, the minister indicated that we would receive the resources necessary to undertake the review. We've been in touch with the CFO of PSPC, who has assured us we will get those resources. Now the ball is in our court to identify how much financial resource we need to complete the review.

[Translation]

Mr. Jean-Denis Garon: When do you think your review of the procurement process could be completed?

You know the process well. Realistically, are you looking at three months, six months, two years or five years to review \$100 million worth of contracts? What sort of timeline are you projecting?

[English]

Mr. Alexander Jeglic: The procurement ombudsman regulations, which govern my activity, indicate that these reviews have to be performed within a year. Obviously, I understand it's the will of the committee to expedite the review as quickly as possible, so it's certainly a priority file for us.

I don't want to commit to a time frame. I know others have committed to a time frame. However, until we see the full scope of the volume of contracts that came in, I think it would be inappropriate for me to identify a time frame.

[Translation]

Mr. Jean-Denis Garon: You will obviously look at the processes that were followed and make sure that the rules were adhered to.

Earlier today, a witness mentioned that certain government decisions should never be outsourced, such as overarching government policy decisions.

Are you qualified to take a critical look at this kind of mandate, or will your work simply consist of making sure that the procurement rules were followed?

[English]

Mr. Alexander Jeglic: Again, the statute in the regulations indicates what we may look at. We can look at compliance with multi-departmental policy and the Financial Administration Act, which offers fair, open and transparent language that is pretty broad in nature. Then there are other considerations as well, but those are our predominant guideposts in terms of what we're looking at: compliance and consistency with those rules and regulations.

[Translation]

Mr. Jean-Denis Garon: McKinsey does not put its logo on documents; instead, we see the Government of Canada logo. But from what I understand, if the government has outsourced its overarching government policy decisions, such as immigration policies, which are very important, your own guidelines, which are general in nature, would mean that your office would not be able to undertake a critical analysis of the types of invitations to tender that were issued or the work that was done.

[English]

The Chair: Give a very brief answer, please.

Mr. Alexander Jeglic: That's correct. The policy decision as to whether to engage McKinsey or not would be beyond the scope of our review.

[Translation]

Mr. Jean-Denis Garon: Thank you.

[English]

The Chair: Mr. Johns, you have six minutes. Go ahead, please.

Mr. Gord Johns: Thank you.

Thank you so much for being here and for your work.

I wrote you on November 10, just after this committee supported my motion, the NDP's motion, recommending that the Auditor General conduct and prioritize a performance audit for all aspects regarding the ArriveCAN app.

I wrote to you asking that you consider doing an analysis of any contracts regarding ArriveCAN and that you look at whether they were awarded on a non-competitive basis and were issued in compliance with the Financial Administration Act and its regulations and applicable policies and procedures.

Are you looking at all of those components when it comes to McKinsey? You talked about resources and looking to the CFO. Will you be looking for all of those components when you do your review?

• (1720)

Mr. Alexander Jeglic: It's a bit premature for me to indicate whether I would be doing that for McKinsey or not, since we have not yet set the scope, but it's anticipated that it's one of those situations in which we don't normally, in a practice review, identify the supplier. This has only happened once before in our office's history, when we looked at the WE Charity file. We looked at it from a supplier perspective.

Again, the purpose of these practice reviews is to look at the practices of the department.

Mr. Gord Johns: Would that encompass Deloitte, PricewaterhouseCoopers, etc.—all of the big \$600-million-plus highly paid procurement consultant club?

Mr. Alexander Jeglic: For McKinsey, obviously we'd be limited in scope to McKinsey only.

Mr. Gord Johns: In your recent review, you flagged something that I find really concerning, and that's "a risk of perceived contract splitting with several cases of multiple, same-day call-ups made to the same supplier".

Can you talk a bit about contract splitting and trends you're noticing there, and maybe, in a case like this when contract splitting has potentially happened, what sorts of investigations are being done and how you determine whether it occurred? If it did happen, this is a pretty serious evasion of regulations. What does the enforcement look like?

Those are a lot of questions in one.

Mr. Alexander Jeglic: In terms of contract splitting, just to be clear, it's the practice by which the scope is artificially split into two to avoid a governance. If it's a free trade agreement obligation that would apply, you would let two or multiple contracts apply, as opposed to allowing one.

The purpose of contract splitting is an intent question. If there isn't an intent to evade the obligation, then it's not, in fact, contract splitting if there is a justifiable reason or rationale for the splitting, but if the intent is to evade a governance structure, then that, in fact, is contract splitting.

The enforcement mechanism is essentially that now, if you're talking about free trade obligations, you're offside on a free trade obligation rule.

Mr. Gord Johns: What other concerns would you have in terms of contract splitting, outside of trade?

Mr. Alexander Jeglic: The practice means, again, that you're subverting the intent.

I'm not sure if I understand the question.

Mr. Gord Johns: How could you use it to subcontract out and to avoid certain regulations that are embedded in the contract?

Mr. Alexander Jeglic: It's not really a risk that we've identified for contract splitting, to be honest.

Mr. Gord Johns: In your annual report, you identified that an alarming 53% of competitive solicitation processes that you reviewed resulted in only one bidder. I'm concerned that trends like this will directly result in the government's not offering a competi-

tive process in the future or designing procurement offers in such a way that they will only go to the one bidder that has completed similar contracts.

Do you want to speak a little bit about that?

Mr. Alexander Jeglic: Yes, absolutely.

Just to be clear, that number has been reduced to 36%, but nonetheless, that 36% is still an alarming figure. If you're running a competitive process and you're allocating resources to do so, and you receive only one bidder, ultimately it's not much of a competitive process.

We have concerns—and we raised concerns—around some of the issues that were raised for our attention, such as the restrictive nature, perhaps, of some of the mandatory and rated criteria.

Also, one of the things that's been brought to our attention is that often suppliers are unwilling to bid when they know there's an incumbent. The rationale is that they believe the incumbent has an inherent advantage to succeed, and they therefore do not participate in those processes.

Mr. Gord Johns: I'm going to talk about some other major problems with contract reporting data. Experts like Sean Boots, who testified here at this committee, talked about this as a widespread issue.

We can look at your most recent review of the contracting policies of the Canadian Food Inspection Agency as an example. Were you able to conclude that contracts issued against standing offers had been executed according to the specific contracting procedures? If not, does that concern you?

• (1725)

Mr. Alexander Jeglic: In the follow-up review, we actually saw the implementation of our recommendation, so we were very satisfied in terms of the implementation of the recommendation.

Mr. Gord Johns: In terms of your recommendations to resolve the insufficient data you just talked about, what effect will that have on management oversight?

Mr. Alexander Jeglic: That's probably my number one concern. It's the lack of documentation, right?

Again, when performing the McKinsey review, that is also a concern, in that I have raised a number of times a request to potentially consider giving my office the authority to compel documentation. Currently, we don't even have the same authorities that one would have under the Access to Information Act. As a result, periodically I do question whether I would be better served to make a request under the Access to Information Act rather than requests pursuant to my own legislation and regulations.

The Chair: Thank you, sir.

As someone who files hundreds of ATIPs every year and then waits years and years, I'm not sure if that's possible.

Colleagues, before we start with the five-minute rounds, we're running a bit late. We started late, so we're going to run to 5:47 p.m. We'll do five minutes with the Conservatives and five with the Liberals and then finish up with two and a half and two and half, and then I need two or three minutes for some hopefully quick house-keeping items.

Ms. Kusie, go ahead, please, for five minutes.

Mrs. Stephanie Kusie: Thank you, Chair. Thank you, Mr. Jeglic, for being here today.

Do you believe there are reasonable grounds to launch a review into the government contracts awarded to McKinsey?

Mr. Alexander Jeglic: Yes. As I mentioned in my opening statements, it's a combination of existing files that we've reviewed, plus the letter from the minister herself. We haven't yet performed our reasonable grounds analysis, but that's why I included the caveat of "I believe". We have reviewed two McKinsey files as part of the 600-plus files we've reviewed, and those files have raised some concerns.

Mrs. Stephanie Kusie: What concerns are those, please?

Mr. Alexander Jeglic: That's an excellent question. I will specifically mention those concerns because it's important that exact information be provided.

The contract was awarded on June 3, 2020, for a value of \$452,000, by Innovation, Science and Economic Development, ISED. I'll just read the concerns as we reported them in our report, if you don't mind.

Under "Bid evaluation process", and this is again general,

A significant numbers of files had issues with the bid evaluation procedures resulting in contracts being wrongly awarded or bidders incorrectly being found non-compliant.

and then,

In one file, for economic analysis services, the solicitation had 5 mandatory and 5 point rated criteria and a basis of selection of highest combined rating of technical merit and price. Two bids were received. A 3-person bid evaluation team conducted the technical evaluation and determined that both bids met all mandatory criteria and exceeded the minimum points requirement for point rated criteria. The contracting authority then completed the evaluation process by conducting the financial evaluation which determined the lower [ranking] technical [bidder] was ranked 1st overall based on its lower price and superior financial score. After the results were shared with the bid evaluation team, the technical authority said he was concerned that they may have overlooked something in the mandatory criteria and wanted to re-evaluate the 1st overall ranked bid. The contracting authority initially told the evaluators 'unfortunately, since the financial evaluation has been completed and we had already come to a consensus on the technical evaluation we cannot go back now.' The response from one of the evaluators stated he would be 'happy to delete the financial evaluation email.' Ultimately, ISED did revise its evaluation of the 1st ranked [bidder] and deemed it non-compliant for not meeting all mandatory criteria. While some aspects of the procurement process were well documented, there was a significant shortcoming with respect to documentation [on] the decision to allow the evaluators to change their evaluation of the 1st ranked bid after they learned the results of the process. The actions taken and ultimate results of this evaluation process leave ISED open to the perception that this contract was not awarded in a fair [open] and transparent manner.

We made an associated recommendation that ISED

should update its procurement guidance and training and implement an oversight process and review mechanisms to ensure that evaluations are carried out in accordance with the planned approach specified in the solicitation, and that contracts are not awarded to non-compliant bidders.

As you can imagine, the context is slightly different. We were not focused on suppliers when doing these reviews; we were focused exclusively on the practices of the department.

I can provide the second example if you'd like.

The second example is for a contract with IRCC, Immigration, Refugees and Citizenship Canada. This was a contract worth \$1,593,000 awarded pursuant to the TSPS supply arrangement. It was for a service transformation strategy road map. The issue here is,

Mandatory criteria were inadequately defined, and were not limited to the essential qualifications.

In I file for expert advice [relating] to a transformation strategy that was subject to the North American Free Trade Agreement...and the World Trade Organization...on Government Procurement...a mandatory criteria required bidders to demonstrate experience in 4 transformation studies 'where the Bidder was not involved with the implementation of the solution.' Both NAFTA and the WTO-AGP require that the conditions for participation by suppliers in tendering procedures are 'limited to those that are essential to ensure the fulfilment of the contract in question.' In this case, it is unclear why a bidder's involvement in the 'implementation of the solution' would be considered a necessary exclusion. IRCC received numerous comments from interested suppliers regarding the restrictive nature of [this] criteria. The criteria was not changed and the solicitation process resulted in only 1 compliant bid with the bidder receiving a perfect score in the technical evaluation.

• (1730)

Mrs. Stephanie Kusie: Thank you for those valuable examples.

What is the—?

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

Mr. Garon, you have two and half minutes, please.

Oh, I'm sorry. I apologize.

Mr. Majid Jowhari (Richmond Hill, Lib.): That's okay. Thank you, Mr. Chair.

Welcome back to the committee. It's good to see you. Thank you for all the times I've reached out to your office and you've made yourself and the team available to respond to my inquiries.

You said that in general there are two sets of activities that your office and your team conduct: One is procurement practices review and the other one is complaints.

Is that a fair statement of my understanding of what you do generally?

Mr. Alexander Jeglic: There are still other facets, but those are certainly two aspects of the mandate.

Mr. Majid Jowhari: Okay. Perfect.

Can you give the committee an understanding of what triggers a complaint review or what triggers an outreach to your office to be categorized under a procurement practice or complaint review?

Mr. Alexander Jeglic: I can answer both of those questions.

For a practice review, as I mentioned, when we structured the five-year review, we took the information that was already being provided to our office. Perhaps a person might not be within the mandate to file a review of complaint because a year or 60 days had gone by and they were no longer able to bring a complaint, or they didn't want to file with the International Trade Tribunal. Nonetheless, we take the complaint and try to resolve it informally.

However, we also categorize it based on the issue. Feeling that you were unfairly overlooked, not being provided with a debrief, or feeling that questions were unclear are examples of issues that were brought to our attention. We categorize those, and each year we identify the top 10 in a list. When we created that top-10 list, as I mentioned, we brought it to the attention of parliamentarians by way of our annual report.

When I became ombudsman, it felt very unsatisfying to simply leave it as identifying these issues. That's why we developed these three lines of inquiry to focus on addressing and validating some of these concerns. As I mentioned, we're not through all 17 of the reviews, but we have some preliminary data that I could share with the committee on how valuable and valid some of those complaints to our offices are.

Mr. Majid Jowhari: Does that cover the trigger for the complaint?

Mr. Alexander Jeglic: We use that information to justify whether we had reasonable grounds to launch. Again, that was the question previously raised. Do you have reasonable grounds to launch? There are criteria that we need to look at.

Mr. Majid Jowhari: When a complaint is made, who is making that complaint?

Mr. Alexander Jeglic: Unfortunately, for our purposes, “complaint” has a technical meaning. Do you mean that someone brings something to the attention of our office, and what do we do with that information?

Mr. Majid Jowhari: What is the nature of the stakeholder that brings a complaint to you? Is it another vendor that may come to you to raise that complaint?

Mr. Alexander Jeglic: It's predominantly suppliers, but there are—

Mr. Majid Jowhari: Thank you.

Suppliers will predominantly come to you and say, “Hey, look, there is a belief that there were unfair practices.” You would then look at the trend over the last five years and say, “Let's look at these top 10 procurement practice reviews. Let's do those, and then the recommendation.” I have it.

Over the last five years, how many complaints have you had from other consulting firms that have come to you, specifically as it relates to McKinsey? I think you brought two of them up.

In general, how many cases have you had, and how many were focused on McKinsey?

• (1735)

Mr. Alexander Jeglic: In terms of overall intake numbers, we've only had one in addition to the two I just raised. That one was very recent. It was in February of this year. It was as a result of informa-

tion in the media that the minister had tasked my office to look at McKinsey. It wasn't really a complaint, but rather a question about the process.

Mr. Majid Jowhari: There were two in general within the last five years. Great.

You also talked about the planned methodology. I want to go back to this. It looks like the methodology that your department is developing soon differs fundamentally from the methodology that you so eloquently and clearly stated.

Can you share some ideas around how you're going to develop that methodology? You clearly stated that you don't have the methodology and you're not comfortable on the timeline yet, and you're not even sure about the scope.

With 20 seconds to go, can you share with me how you're going to develop that methodology?

Mr. Alexander Jeglic: There are additional components that we'd like to look at in the McKinsey review. They involve the procurement planning phase and contract amendments. Those were two issues that didn't make their way into the top 10 that we think would be highly relevant in the McKinsey review.

Mr. Majid Jowhari: Thank you.

The Chair: Thank you.

I apologize for trying to skip over you, Mr. Jowhari. I think I've heard enough of you in committee over the years, so I apologize.

Mr. Garon, you have two and a half minutes.

[Translation]

Mr. Jean-Denis Garon: Thank you, Mr. Chair.

Our public service is competent; it is able to do all of the work that the government is charged with. However, thanks to public servants who have come forward, we have learned that some work has been outsourced to firms such as McKinsey, even though staff was available to do the work.

When your office reviews the procurement process, will it look at the fact that work that could have been done in-house by public servants was outsourced, or will you only look at the process that led to this situation, which meant that Canadians paid twice for the same work? Will you only be checking that the rules were followed?

[English]

Mr. Alexander Jeglic: I'm not sure if the translation was accurate for the question, only because you asked, “Was it done in accordance with the rules?” Is that the last...?

No. I didn't think that was what you asked me.

[Translation]

Mr. Jean-Denis Garon: Mr. Chair, I want you to know that I am losing time because of the interpretation.

If the government were to outsource work that public servants can do, is it incumbent upon your office to look into this, or does your work solely consist of checking that the process was followed correctly?

[English]

Mr. Alexander Jeglic: Exactly.

We don't have the mandate to look at the policy behind decisions on whether in fact to proceed with outsourcing or not.

[Translation]

Mr. Jean-Denis Garon: I am almost out of time.

This means that a minister or a department, having all the necessary staff but not wishing to use it, can take Canadians' money and pay twice for the same work. Then your office will check if Canadians have paid twice according to the rules.

Have I understood correctly?

[English]

Mr. Alexander Jeglic: Ultimately, I have to deliver my services in accordance with the legislation and regulations that govern my activity, and they are clear in terms of the scope of what I can and can't look at.

To answer your question directly, I will be limited in scope in terms of following the regulations and the statute.

[Translation]

Mr. Jean-Denis Garon: Would another commissioner or watchdog within the federal government be able to reassure us, as elected officials, as well as our citizens, that taxpayers' money is not being spent to outsource work that public servants are already capable of doing?

This is a slap in the face to taxpayers and our highly skilled public service.

Is someone monitoring this, or can the government do as it pleases?

[English]

Mr. Alexander Jeglic: Again, I don't want to overstep my bounds, but I think the Office of the Auditor General has a broader mandate, obviously, and could look at issues that are beyond the mandate of our office.

We do have a positive working relationship with the Office of the Auditor General and do collaborate very positively, so rest assured that if that's an aspect of what they choose to look at, we will look at comparing scopes to ensure that we're not providing redundancy.

• (1740)

The Chair: Thank you very much.

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

Mr. Gord Johns: We know that government outsourcing really should be the last call, not the first call, in terms of delivering services. We keep hearing that temporary expertise through outsourcing is needed to deal with surge capacity. However, those things are always happening, so if we never build capacity to solve them in-house, I'm worried that 10 years from now we're going to keep going down this trend.

Right now, it seems like we're always in surge. The outsourcing just to the big six doubled between 2011 and 2015; it's gone up

fourfold since 2015. It's gone up tenfold overall just for these six companies.

Is there any end in sight, from what you see?

Mr. Alexander Jeglic: I can only speak in relation to our office. Obviously, we invest heavily in training our staff, so we don't outsource services to contractors. I can't really speak to the thrust of your question beyond what we do within our office.

Mr. Gord Johns: Okay.

We know that in 2015 the Liberals made a promise to cut back on outsourcing. The Prime Minister pledged to free up \$3 billion through a spending review that he cited would reduce the use of external consultants.

When you're evaluating the outsourced contracts and making your recommendations, are you at all guided by this campaign promise or consider it?

Mr. Alexander Jeglic: Not at all. It's actually very important to my neutrality and independence that I don't consider those external factors.

Mr. Gord Johns: Okay.

Does your office have any capacity to ensure that there's fairness in terms of how government procurement contracts are awarded against the ability of unionized public servants who also do that work?

Mr. Alexander Jeglic: Again, that's more wading into the policy realm, so I would suggest that perhaps—again, not to overstep my bounds—this issue might be something you would want to raise with the Office of the Auditor General.

Mr. Gord Johns: Do you have any recommendations to reduce the government's reliance on outsourcing and to build in-house capacity?

Mr. Alexander Jeglic: Unfortunately, again, that's outside of my mandate.

Mr. Gord Johns: Do you consider the current rate and continued increase of outsourcing to be a widespread contracting issue? If so, are you concerned with the concentration of contracts with a handful of companies like McKinsey and Deloitte?

Mr. Alexander Jeglic: I'm sorry to sound repetitive, but again, it's outside of my mandate.

Mr. Gord Johns: I really appreciate the work that you do and I hope that you get all the resources to continue the important work and get to the bottom of this.

Thank you.

The Chair: Thank you, Mr. Johns.

Mr. Jeglic, thank you again for being with us.

You mentioned a couple of times that you haven't received the full scope yet of your study for McKinsey.

Mr. Alexander Jeglic: We have received the request from the minister, but it's still incumbent on us to make a reasonable-grounds analysis and determine what the scope actually is.

The Chair: Would you let us know when you've finished that and provide it to us?

Mr. Alexander Jeglic: Absolutely.

The Chair: Great.

We'll let you go, but thank you again for all of your work. I do consider you a friend of OGGO and I appreciate your time today.

Colleagues, really quickly, we have a couple of things.

On the travel expenditure report for the Governor General, I have a motion here. It is, "That members submit their draft recommendations for the report on travel expenditures related to the Office of the Governor General's Secretary since 2014, to the clerk of the committee by 4:00 p.m. on Tuesday, February 28, 2023."

If we can have agreement on that, we can get our recommendations in and actually write a report.

On the other issue, you would have seen that several letters have come from McKinsey pushing back on our motion. Recently, they were asking to submit redacted items at the request of the government.

I am going to suggest, but I will seek the committee's will, that we write back. I think this is the fourth time they've written to try to push back on the motion that was passed. I would request the committee's permission that we write back in accordance with the motion that the chair of the committee, in conjunction with the clerk and the analysts, send a letter to McKinsey & Company insisting on the production of the unredacted documents sent for in the motion adopted by the committee on January 18, 2023.

They've written to try to push back on this. We've written saying that the committee would like this. This is their fourth time, so I'm just suggesting we write one final time to say that we'd like to have the motion followed.

Go ahead, Mr. Housefather.

Mr. Anthony Housefather: I just wanted to ask a question. They presented the production log along with the letter, and we haven't received the documents yet. We haven't seen the documents to review along with the production log thing that they sent.

The production log list of the redactions by McKinsey is very short. If the document is really 45,000 pages and it's only that production log that says there are redactions, maybe we want to look at what they've done, because it doesn't look like very much for 45,000 pages.

I want to understand if that list of their redactions in that production log is all-encompassing, because it is very limited, or is it just one part of one piece of their production that they're not doing?

• (1745)

The Chair: This specific request is, I think, the fourth request we've had to redact or not submit documents. They've added this, but I believe this is the fourth time they've asked.

What I'm saying is that they've asked the committee and we've said no. They've asked and we said no. Now there's another request.

Mr. Anthony Housefather: I understand and support that, but I want to always look at what's reasonable. That's what I want to understand, Mr. Chair. Maybe you or the clerk would know.

That list they sent today doesn't have that many redactions for that many pages, and they provided their reasons, which don't seem to be things that would fall into what we absolutely needed to know. That's what I wanted to understand: Is that the universe of documents and is this all they're redacting, or is this one tiny piece of what they plan to redact from a small number of documents?

That's what I want to understand, because we don't have any context. We don't have the documents.

The Chair: Is there anyone else for debate?

Go ahead, Mrs. Block.

Mrs. Kelly Block: Thank you very much, Mr. Chair.

I just want to confirm what I thought I heard you say, which is that these redactions have been made at the encouragement of the government.

The Chair: That is correct.

Mrs. Kelly Block: Is that not somewhat concerning?

The Chair: The letter was sent—

Mr. Anthony Housefather: Where does it say it was at the request of the government?

The Chair: It says, "we included a small number of redactions in the documents made at the request of our government clients".

This letter was shared earlier today.

Mr. Anthony Housefather: Is this a list of the ones that have been made at the request of the government? I'm trying to understand.

The Chair: This letter was shared with committee earlier today. It said, "We proactively raised in our letter accompanying the February 8, 2023 production that we included a small number of redactions in the documents made at the request of our government clients, in light of the fact they were confidential work product", etc.

It's up to the committee, obviously. My commentary is that this is another request from them to not follow what the motion has stated.

Mr. Barrett is next.

Mr. Michael Barrett: The documents were ordered to be produced unredacted. The committee agreed to review them in camera and then follow the practice that we have used in the past to ensure that redactions that the committee agrees on are made before they are published.

It's possible that some things they're redacting are things on which we'll agree, such as personal information or people's phone numbers or names. Things that aren't germane to the public interest may end up being redacted, but that's not what the committee ordered. It was not for McKinsey to redact them or for their clients to say what's going to be redacted. They need to produce the documents.

I would just say the least aggressive response is for the committee—the chair or the clerk—to send the instruction that you've indicated you would be prepared to send. It doesn't require a further motion. It's not an admonishment. It's not a question of privilege. It is just saying that this is what's expected of you because this is what's required of you. I think that's a pretty low bar.

The Chair: We will send the letter as I mentioned, which is rather tame, for lack of better words. We expect the documents that the motion called for and we will treat them like we treated them in the case of GC Strategies. In my understanding, nothing is released until we look at it first.

Are we comfortable with that, colleagues?

Some hon. members: Agreed.

The Chair: Thank you. I'll ask you to just bear with me for one last issue, and we'll try to get out really fast.

I am asking our committee's permission or approval to send a letter to the Information Commissioner to ask her to investigate the actions of the comptroller general, as we saw from our last meeting, where he admitted what I believe is advice to the CFOs to circumvent the Access to Information Act. I'm simply asking her to follow up.

• (1750)

Mr. Anthony Housefather: Could you please just clarify, Mr. Chair, what you're suggesting?

The Chair: It's a letter from the committee asking the Information Commissioner to investigate the actions of the comptroller general in reference to what came up in the last committee meeting. He had advice to the chief financial officers of the departments on circumventing the Access to Information Act in relation to the McKinsey study, purposely saying not to write issues down or not to write notes down in case they found their way into an ATIP.

Ms. Joanne Thompson: I didn't hear it said that way. I thought he said that his staff needed to be mindful of what they wrote, but didn't script them as to what to write.

The Chair: If you read through the blues.... I read the exact quote, and he said that this was what he said. If you want to read through the blues, we can revisit this matter in a couple of days. You'll see that it's very clear.

Mr. Anthony Housefather: Can we get the transcript, then, of what he said from the blues, and we'll look at it?

The Chair: It's very clear in the blues.

We'll revisit this in a couple of days, then, if you're not ready.

Mr. Anthony Housefather: Sure.

An hon. member: Yes, okay.

The Chair: Perfect.

If there's nothing else, thank you for staying late, everyone. Thank you, interpreters.

I'm sorry; go ahead, Mr. Garon.

[*Translation*]

Mr. Jean-Denis Garon: Mr. Chair, my colleague, Ms. Vignola who is not here today, was adamant that I wish everyone a happy Valentine's Day a few hours in advance.

Consider it done.

[*English*]

The Chair: She's in Paris or somewhere.

Thank you, colleagues. We are adjourned.

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