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• (1530)

[*English*]

The Chair (Mr. Kelly McCauley (Edmonton West, CPC)): Colleagues, we'll get started please. I call this meeting to order.

Welcome to meeting number 56 of the House of Commons Standing Committee on Government Operations and Estimates—as I like to call it, the mighty OGGO: the only committee that matters.

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

We have with us Minister Anand.

I understand that you have an opening five-minute statement. Welcome back, Minister.

Just before you start, I will say for colleagues that we are very short on time. I am going to be very rude in cutting people off exactly at their allotted time today so that we can get to our business and also to the PBO.

Minister, I'm sorry. Please go ahead.

[*Translation*]

Hon. Anita Anand (Minister of National Defence): Thank you very much, Mr. Chair.

Good afternoon, everyone.

[*English*]

The Department of National Defence is tasked with protecting Canadians, safeguarding our values and securing our interests at home and abroad. One of the ways we do this is by procuring the modern equipment and services our Canadian Armed Forces need to meet the threats of an increasingly dangerous world. This is, it goes without saying, a vitally important task.

I take my role as a steward of public funds very seriously. In particular, as minister, I understand that each dollar counts, especially when it comes to protecting Canadians and equipping our soldiers, sailors, aviators and special forces.

[*Translation*]

National Defence adheres to the policies laid out by the Treasury Board Secretariat, which require departments to have stringent procedures and financial controls in place to ensure the effective use and sound stewardship of public funds.

[*English*]

National Defence works closely with other federal departments, including PSPC, as well as with the defence industry. We look to assuring that we have in place best practices of our partners and allies, as well as a wide range of competencies within the defence team. Like many other departments, in specific cases we may seek third party expertise externally.

[*Translation*]

Third party experts may be important in three circumstances: when we need to acquire specialized expertise or experience that does not exist within the department; when we need to focus on achieving a particular outcome quickly, without interrupting the important work our internal teams are already doing; and when we need to fill a specific role.

As with all our financial practices, National Defence takes great care to be open and transparent, in adherence with Treasury Board policies.

[*English*]

Since 2011 and in the following 12 years thereafter, National Defence has awarded 15 contracts to McKinsey for a total value of approximately \$29.6 million. Just one of those contracts is still active.

Twelve of them have been call-ups against the national master standing offer, for which PSPC is the contracting authority. McKinsey was selected because they offered proprietary benchmarking and other tools that best met the department's needs. The contracts were for corporate services intended to complement National Defence's in-house expertise.

Let me give you an example.

As the Canadian Armed Forces undertakes massive systemic organizational change, the chief of professional conduct and culture used the firm's services to engage with more than 9,000 defence team members about their lived experiences to inform our efforts on institutional culture change. That included more than 280 engagement sessions across the country, from small group discussions to town halls. In fact, Lieutenant-General Carignan is here with me today as chief, professional conduct and culture, and can provide more detailed information.

• (1535)

[*Translation*]

Using an external firm was important to undertaking such a large effort in a short period of time, as well as to analyzing and reporting the findings of these critical conversations. When institutional change of this sort is needed, outside experts can play an important role.

[*English*]

To wrap up, as Minister Fortier explained before this committee, departments must maintain the integrity of process, define intended outcomes, get best value at a fair price and ensure the deliverable meets the quality expected. I have expectations for my department to maintain this integrity and to always seek to improve processes.

As elected officials and public servants, it is incumbent on all of us to ensure that we are using public funds responsibly and transparently. This is a priority for National Defence and for me personally.

I am now happy to take your questions.

The Chair: Thank you, Minister.

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

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

Thank you, Minister, for being here today.

Thank you, also, to your colleagues for being here today. Thank you very much for your service. On behalf of all Canadians, we are truly grateful.

Minister, you said in your opening statement that your department is here to protect Canadians and that your department is here in an increasingly dangerous world where, in fact, Xi and Putin are meeting as we speak.

You said, Minister, that your department is responsible for safeguarding the values of Canadians. They are values that include democracy, human rights and the rule of law. Why then, Minister, would you choose to work with a company that has a history of working with Rostec, a Russian state-owned enterprise that helps manufacture the missiles that are currently being used in Ukraine today? Why, Minister?

Hon. Anita Anand: First and foremost, thank you for the question.

You are exactly right. This is an increasingly dangerous world, where we see global threats in various theatres, including Ukraine and the Indo-Pacific.

In terms of your question, relating to the work of a third party expert, I want to first and foremost say that we take these concerns very seriously. I value the work of OGGO. I know the work that you do quite intimately, having been at this committee numerous times in my previous portfolio.

It is for that reason that the Prime Minister asked the minister of PSPC and the Treasury Board minister to review the matter and to take a close look at the circumstances and numbers.

I will say that the government will continue to maintain the highest standards of openness, transparency and fiscal responsibility. Looking to see how we can do better is extremely important. In terms of the actual contracts at issue, they related to operational aspects of the organization. They did not put in jeopardy in any way, shape or form the security, the privacy or the individuals' own necessity for maintaining the confidentiality that is required.

Mrs. Stephanie Kusie: Thank you, Minister.

Why would you and your department choose to work with a company that did work with VEB, a Russian state-owned company that is known to be intertwined with Russian intelligence and that is currently under U.S. sanctions? Why would your department choose to work with a company that also consulted for the China Communications Construction Company, which built and militarized islands in the South China Sea in violation of international law?

If you take these duties so seriously, which you say you do, why would you and your department choose to work with such a company, Minister?

• (1540)

Hon. Anita Anand: We have strong processes in place to ensure that security is maintained. Security screening, for example, is conducted for organizations and individuals who have taken on the role that is being discussed here. Steps are taken to protect government assets, as another example, including IT systems. Necessary security requirements are specified in the terms and conditions of all contracts.

Having said that, I want to reiterate that I agree with you. Integrity is crucially important, including the integrity regime that is maintained by Public Services and Procurement Canada. I do not have, at the current time, the oversight over that integrity regime, and I am here to discuss DND contracts. I have no reason to believe that those contracts have been unethical. They have been executed in large measure—all except one of them.

Mrs. Stephanie Kusie: How can you say that, Minister, when your Department of National Defence chose to work with a company that ousted Saudi dissidents, including one who fled to Canada and, as a result, his brother was imprisoned? How can you say that?

You spent millions on McKinsey to have them do work on, as you say, improving “culture”. How is having a company that works with Russia and that works with China—who are meeting today, by the way—that has corporate retreats next to internment camps and that ousts dissidents of dictatorship regimes producing recommendations positive for a culture that you're responsible for?

McKinsey was, in fact, the project lead for the Canadian joint operations command. Why would we want a company that has been working with our adversaries providing recommendations to the Canadian joint operations command? It's the organization and the leadership that has oversight for our entire armed forces, Minister.

Why would you and your department make these choices?

Hon. Anita Anand: The government agrees that we need to strengthen our policies. That's why my colleagues have been mandated, as I mentioned, to strengthen federal procurement policies and integrate human rights, environmental concerns, corporate governance principles and supply chain transparency. This work is under way.

In the meantime, we welcome any of the results that emerge from the important work of this committee.

What I can tell you, in the meantime, is that security measures are in place—including through contractual mechanisms—to protect the safety and security of our country and ensure that, going forward, we have the necessary expertise.

Mrs. Stephanie Kusie: Minister, you spent \$29.6 million on leadership that could have been provided by the people sitting beside you here today.

Thank you, Minister.

Thank you, Mr. Chair.

Hon. Anita Anand: I would actually disagree with that last statement, Mr. Chair.

The Chair: Thank you, Mrs. Kusie.

Thank you, Minister.

Our time is up.

Mr. Kusmierczyk, you have six minutes.

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

Thank you, Minister and General, for being here with us today. It is an honour to have you here at committee. I just want to thank you so much, on behalf of everyone here, for your leadership and service. I also thank all the men and women of our Canadian Armed Forces for their service, dedication and sacrifice.

Furthermore, thank you so much for your leadership and support of Ukraine in its time of need. As we speak, Canadian soldiers are in Poland training Ukrainians on how to use Leopard tanks. That makes me very proud, as a Polish Canadian. I just want to thank you very much for everything you are doing to support Ukrainians in their struggle.

Minister, Stephen Rosen, one of the leading thinkers on innovation and the modern military, summarized the problem well when he said, “Almost everything we know in theory about large bureaucracies suggests not only that they are hard to change, but that they are designed not to change.”

I want to ask you this: In seeking support and insight from McKinsey, what value does a tool like McKinsey's organizational health index, or OHI, provide to the Department of National Defence?

Hon. Anita Anand: Thank you so much for those comments. I couldn't agree with you more that the EU work we are doing internationally, including in Ukraine, is pivotal in terms of global security and the democracy that we hope will be restored there.

I would like to take a moment of my time to respond to the previous comment made at the very end of the previous intervention.

That comment was about why we would need a firm with third party expertise. Why do we need that? The insinuation was that it isn't necessary because the expertise rests in-house with the people right beside me.

That is simply untrue. It is not the case that the expertise for the items contracted for rested, in large measure, in-house. I want to give a few examples, if I could.

To begin, as you may all be well aware, the Canadian Armed Forces is undertaking massive systemic change, as you mentioned in your introduction, in order to ensure that it is an institution where all members who put on a uniform can do so in a protected and respected manner. When they are serving our country, they are not subject to discrimination, harassment, sexual harassment or sexual misconduct.

The Canadian Armed Forces has been criticised for decades because it has been too insular, and it has been unable to change. Why would we then choose to go inside to seek the expertise in terms of how to change a culture that has wrought discrimination, sexual misconduct and sexual harassment on its own members?

I believe, and it is truly the case, that the expertise that was sought from the outside third party was important. It was important to have that outside voice, that external expertise, in things like ensuring a complaints system that operates for victims and survivors and ensuring that the recommendations from other external judicial experts—over 500 of them—were able to be implemented in this extremely complex institution. Then, in the case of the Royal Canadian Navy, it was important to have the organizational expertise to be able to place individuals in the most efficient manner possible, through a digitized system, where that expertise to provide it did not exist in-house.

Mr. Chair, calling on the third party was extremely important to complement the skills that existed in the defence team. It is not the case that those skills rested in-house.

At this point, I will ask Lieutenant-General Carignan if she would like to add anything to that particular intervention I made.

• (1545)

Lieutenant-General Jennie Carignan (Chief, Professional Conduct and Culture, Canadian Armed Forces, Department of National Defence): Thank you, Minister.

Thank you, Mr. Chair.

I just want to highlight that, as the CPCC was stood up at the end of April 2021, basically the team consisted of 11 people, and there was an urgency to act. I would qualify the work that we needed to do as open heart surgery on a running patient. There was no question that the patient needed to keep running, because we just can't put defence on pause while we are embarking on unprecedented change in terms of the organizational culture within defence.

This is the state we were in as of June 2021. As the minister mentioned, we needed to seek external help to figure this out.

The Chair: That would be our time.

Thank you, sir.

Mr. Irek Kusmierczyk: Thank you, Mr. Chair.

The Chair: Mrs. Vignola, you have six minutes, please.

[*Translation*]

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

Thank you, ladies and gentlemen, for being here with us today. I'd also like to thank you for your service and your dedication. Members of my family have served in the Canadian Forces and I know just how difficult it has been for them and their families.

Having been awarded contracts with Canada, McKinsey is closely involved in many of the Canadian government's most important decisions. That's also the case in other countries. When you were with Public Services and Procurement Canada, and in your time with National Defence, did you always feel that you had control over decisions, or did you feel pressure to adopt consultants' recommendations indiscriminately?

• (1550)

Hon. Anita Anand: There's no pressure at all. I have the responsibility, oversight and capacity to make the required decisions in my current department. That was also the case when I was the Minister of Public Services and Procurement. It's my role and my responsibility and I have to continue to fulfill them.

Mrs. Julie Vignola: When McKinsey was awarded contracts from your department, how did you go about working with them? Did you deal directly with the consultants?

Hon. Anita Anand: I understand the question, to be sure, but I wasn't the minister when the contracts were confirmed.

I'll turn this over to my deputy minister, Mr. Matthews.

Mr. Bill Matthews (Deputy Minister, Department of National Defence): Thank you for the question.

At Public Services and Procurement Canada, and at National Defence, I was never in contact with the McKinsey firm. To my knowledge, that was also the case for the deputy minister who preceded me. He never communicated with them.

Mrs. Julie Vignola: With whom did McKinsey mainly communicate when it was working under contract for a department?

Hon. Anita Anand: I'm going to ask General Carignan to answer this one, because she and her team were involved.

LGen Jennie Carignan: When the McKinsey consultants worked with us, it was strictly with the subject matter experts. In our case, they were specialists in diversity and inclusion, culture, and related matters such as handling complaints digitally. We were dealing directly with subject matter experts and continually interacting with them to ensure that they were doing what they were supposed to be doing for us.

Mrs. Julie Vignola: Thank you. I will now move on to a matter that you raised briefly a short while ago. McKinsey was hired to conduct an internal culture review of the Canadian Armed Forces and the Department of National Defence further to allegations and problems.

But a report had already been prepared on this matter in 2015, by Ms. Deschamps. Not only that, but a second report, the one prepared by Ms. Arbour, was already in progress at the same time as the McKinsey study. I'd like to know why it was decided to proceed with an internal culture review when a rather exhaustive report had already been prepared. Why weren't the recommendations of these two reports acted upon? Didn't this amount to a duplication of expenditures, given that the two studies were on the same subject?

Hon. Anita Anand: I understand your question. I was appointed Minister of National Defence at the end of 2021. The decision to hire three experts had already been made. My role was to implement these recommendations, and in December 2021, I presented a road map to this effect in the House of Commons.

That's why we confirmed the contracts with a third party. We have to continue to implement these recommendations. The decisions were made and we have to continue to work towards achieving this objective, completing this mandate and effecting these changes in culture.

• (1555)

[*English*]

The Chair: That's your time.

Mr. Johns, you have six minutes, please.

Mr. Gord Johns (Courtenay—Alberni, NDP): Thank you, Minister, for being here and for taking on this role in such a difficult time.

General Eyre, and all men and women in the military, thank you for your sacrifices. This is an incredibly challenging time for the military. Of course, I have to give a special shout-out to those at the CFB at Nanoose Bay and 19 Wing Comox right across the way. Thank you for the important work you're doing.

Shortly after General Eyre took over as the acting chief of the defence staff, the Department of National Defence announced the defence team conduct and culture consultation. The summary of the report said, "The effort was supported by an external contract partner, including a team of experts in the fields of diversity, equity, and inclusion, as well as in organizational transformation initiatives."

Was McKinsey the expert external contract partner?

LGen Jennie Carignan: Yes, that external expert was McKinsey.

In fact, we had support from experts in terms of how to organize consultations. There was also an area where members from diverse groups or marginalized groups were coming in via McKinsey to consult on our culture. The aim of these consultations was to address the question of what problem we were trying to solve.

I absolutely agree that the external reviews and recommendations are key to the work that we are doing, but they are not going to the source of the issue, which is understanding culture and understanding what informs our culture so that we can craft a strategy that will address the various pillars that inform our culture. Leadership, identity, service before self and teamwork are the four pillars we have crafted our strategy on.

Mr. Gord Johns: I appreciate that. Thank you for your service as well.

Did McKinsey employees conduct any interviews with military sexual trauma survivors directly? Did they have them relive their stories in interviews on behalf of the armed forces?

LGen Jennie Carignan: They have. They consulted with a variety of defence team members.

I have to add that the 280-plus listening sessions were conducted personally by me and my team. McKinsey was there to enable, via taking and consolidating notes and making sure this was professionally consolidated into actionable items.

Mr. Gord Johns: The Ottawa Citizen recently reported on an analysis provided for General Eyre on how to handle the sexual misconduct scandal.

General Eyre, I think you claimed that the situation “has become a battle over the narrative” and recommended the creation of avenues for survivors to be heard internally to prevent more public news stories.

Was the recommendation referring to the creation of the chief, professional conduct and culture? Was it the creation of the conduct and culture consultations, or was it both?

General Wayne D. Eyre (Chief of the Defence Staff, Canadian Armed Forces, Department of National Defence): Mr. Chair, at that period of time, I was receiving much advice. That particular article was one of many opinions that were offered over that time frame. It is important to hear as many voices as possible. That's the reason why CPCC embarked on this widespread consultation to hear those voices.

Mr. Gord Johns: We've seen so far that it seems McKinsey is more experienced in PR repair than in handling interpersonal and organizational issues of such great importance and sensitivity.

Why was McKinsey selected as an equity and organizational culture expert in this situation?

Hon. Anita Anand: Across the board, I want to first and foremost allude to a Treasury Board policy that encourages independent advice for large transformational projects. As I have indicated and, I think, as is generally well known, changing the culture of any organization is extremely difficult. The Canadian Armed Forces are no exception.

We recognize the massive change that is before us. We also believe that the moment is pivotal and that change must happen now for moral and operational reasons. The complementary expert advice we received from the third party enables us to embark on this systemic change with greater rapidity and efficiency.

● (1600)

Mr. Gord Johns: I would have really hoped that this review would be led by people with lived experience of sexual assault and trauma, and people who have inside experiences of the department's organizational culture.

How have people with those experiences been consulted in this process?

Hon. Anita Anand: I want to reiterate that these are targeted and this is by far not the only third party being consulted.

We consulted hundreds of victims and survivors. General Carignan can speak to this. The work with this third party expert is just one small part of the work we are doing overall to change the culture in the Canadian Armed Forces. We are using every mechanism we possibly can to ensure that this change happens.

The Chair: Thank you, Minister.

We'll continue with our five-minute rounds.

Go ahead, Mr. Genuis, please.

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

Thank you, Minister.

I will build on MP Kusie's questions.

There's a basic problem with McKinsey. Part of their business model—as we all know—is that they work for everybody. Some consulting companies say that they only do work for one client within a particular industry. The issue with McKinsey, and part of their selling proposition, is this: Within a particular industry, they are working for everybody and, perhaps, with the regulators, at the same time. They are gaining operational knowledge about how some companies operate, which informs how other companies operate.

That may be okay in certain cases, but it is a problem when we have issues of conflict of interest and security. In fact, aspects of operational culture and approaches in the Canadian military are not something we want learned by a third party that is then consulting with foreign militaries.

I want to ask you this, very specifically: Can you tell us which other countries have retained McKinsey to do work for their defence departments?

Hon. Anita Anand: I am focused, in this appearance and in my day job, on the Department of National Defence. I am here to comment on the contracts with this third party vis-à-vis the work of the Department of National Defence.

Mr. Garnett Genuis: Minister, you can see how this would be relevant. If McKinsey is working for your department and learning things about the operations of the Canadian military, while, at the same time, working for a foreign military with interests very much contrary to our own.... You could see how, if you have the same analysts or people learning things from Canada and applying those things while working with our adversaries, that would be a problem relevant to our security.

I'll ask the question again. Are you aware of which other countries have retained McKinsey to do work for their defence departments?

Hon. Anita Anand: The government expects all contractors to lawfully conduct their activities. We have policies relating to conflicts of interest. The vendor has to warrant that no real, apparent or perceived conflict of—

Mr. Garnett Genuis: Minister, respectfully, I'm asking for a specific answer to a specific question.

Do you have the names of those countries? Can you provide the names of those countries?

Hon. Anita Anand: I am speaking to the security processes we have in place.

Mr. Garnett Genuis: Is any other witness able to answer that question?

Again, which other countries have retained McKinsey to do work for their departments of defence? Does anybody on the panel know the answer to that question?

I'm sorry, General Eyre. Could you answer on the mike? I see that you're responding.

Gen Wayne D. Eyre: Mr. Chair, I shook my head to indicate no.

Mr. Garnett Genuis: Okay.

Gen Wayne D. Eyre: I will say that, when something—

Mr. Garnett Genuis: You don't have that information.

Gen Wayne D. Eyre: No, I don't, but when these companies work with our allies, we can garner that sort of expertise to help us out, ourselves.

Mr. Garnett Genuis: Exactly, but these companies don't just work for our allies. That's the problem. We know from media reports that they're doing work with state-affiliated entities in Russia and China. In the case of Russia, they've been doing work with entities under sanctions.

Actually, Minister, I'll put the question to you.

Are you aware of McKinsey doing work for sanctioned entities in Russia or elsewhere, and do you have a problem with that?

• (1605)

Hon. Anita Anand: As I said, we have no reason to believe unethical conduct occurred in the execution of the contracts with the Department of National Defence, and—

Mr. Garnett Genuis: Do you accept that the work they do for other clients, and the information they learn from Canada and apply elsewhere, matters for our security?

Hon. Anita Anand: Information is provided to these companies on a need-to-know basis. It's limited. There are security screens in place, as well as conflict of interest mechanisms, and we have—

Mr. Garnett Genuis: Do those screens ensure that the same analysts who work for the Canadian defence department are not also working for foreign departments of defence? Do you know that? Can you tell us, for sure, that analysts who work for the Canadian department of defence aren't also working for the department of defence in Beijing or Moscow?

Hon. Anita Anand: As I said, we take the processes and screening for—

Mr. Garnett Genuis: That's a yes or no.

Hon. Anita Anand: —conflicts of interest very seriously. We will always work to improve our processes.

Mr. Garnett Genuis: Do you have a mechanism to ensure those individuals aren't working for Moscow or Beijing?

Mr. Bill Matthews: Mr. Chair, I'll try a different approach.

The nature of the work that McKinsey—

Mr. Garnett Genuis: It's just a yes or no. I'm not looking for a different approach.

Actually, I am looking for a different approach. That would be an answer.

Mr. Bill Matthews: I will give an answer if I can have 15 seconds.

Mr. Garnett Genuis: Is it yes or no, sir?

Mr. Bill Matthews: The nature of the work is not sensitive. It's HR, benchmarking and data. We're not talking about sophisticated, sensitive—

Mr. Garnett Genuis: I totally reject the idea that an organization coming in and doing operational work, one that is resisting providing unredacted documents to this committee, is somehow not sensitive. I don't know—

The Chair: Thank you, Mr. Genuis.

Mr. Jowhari, please go ahead.

Mr. Majid Jowhari (Richmond Hill, Lib.): I would like to welcome the minister and officials.

Once again, thank you to the women and men of the Canadian Armed Forces for doing amazing work keeping Canada and Canadians safe, and lending a hand in making sure the world is a safe place.

I want to focus on where we think there might be an opportunity for us to be able to demystify why McKinsey was here, and if McKinsey somehow, through whatever means, had access to any type of operational intelligence that is now going to be gathered and used against Canada by partnering with some sort of anti-Canadians. To demystify that and put it into perspective, I'm going to ask this of the minister, and probably Mr. Matthews, as I believe you're in the best position to answer this question.

When I looked at all the documents McKinsey and DND sent in, I personally categorized all the services around three main areas. One was conducting a cultural assessment. Another one was improving modern digital and agile practices, and the third one was around implementing an AI-driven fleet personnel management.

I cross-referenced that with the \$20 million that was spent by different departments. I know CJOC spent \$2.4 million, CPCC spent \$2.5 million, RCN spent about \$5 million, and VCDS spent about \$10 million.

Can you explain how benchmarking can be done by a consulting firm that only dedicates its services to one client, and how the data from that one client can somehow serve as a base for best practices? That boggles me. I've been in management consulting for 30 years, and I've never seen a management consulting firm do benchmarking when it only has one client. It basically limits the data.

Before I ask my next question, the floor is yours. Either the minister or Mr. Matthews, can you please explain?

Hon. Anita Anand: First of all, I want to build on the point that the deputy minister was trying to make. All of the subject matters of the contracts were in relation to corporate improvement, improvements in the way in which the institutions function. This was not a matter of state secrets being provided.

What types of activities were at the heart of these agreements? They were benchmarking data, HR and culture, and digitization of resources. In particular, I think this would be a useful moment to ask Admiral Topshee if he could explain. This might elucidate the point we're trying to make here: that this is in terms of improving the functionality of an organization that has been criticized for not functioning efficiently and for not functioning well.

The services that were contracted for were complementary in nature, where conflicts of interest screens were in place and where measures were being taken at all times to ensure the confidentiality of secret information.

• (1610)

Vice-Admiral Angus Topshee (Commander, Royal Canadian Navy, Department of National Defence): Thank you, Mr. Chair and Minister, for the question.

The navy's example is a good one to explain how we leveraged McKinsey's experience in this case. In 2019, one of my predecessors issued a digital navy strategy, explaining how the navy would embark with digital at the core of everything we do, because that was essential to our operational effectiveness.

We released a strategy that set the broad guidance for what we needed to do and how we wanted to do it, but operationalizing that was not something in which, in the navy, we had a lot of expertise. There were a total of four contracts with McKinsey. One was for less than \$25,000, so I won't touch on that one.

Effectively, the first contract was, how do we take this strategy and translate that into tangible, meaningful things that we can practically do that will deliver the best value for money? Once we settled on that, it was clear to us that, in HR management, a tool that would digitize our process for assigning sailors to the places where they were needed, maximizing their operational tempo, would help a lot.

We embarked on the second contract to establish that process. We realized the value of that—

The Chair: I'm sorry. I'm afraid that's our time. Perhaps you can provide the rest of your thoughts in writing to the committee.

We have Ms. Vignola for two and a half minutes, please.

[*Translation*]

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

Minister, my first question is about the French Senate's report on McKinsey and another consulting firm. It referred to the same problems we have here, which is to say that McKinsey uses the foot-in-the-door technique or, as we call it, pro bono work, to interfere in the workings of government.

Do you find it appropriate or ethical for a company that is not a registered lobbyist to be able to work within a department like National Defence?

Hon. Anita Anand: Thank you for the question.

That's not at all the case in our department under these contracts. As I previously explained, the provider rendered the services needed to achieve our goals as soon as possible.

Mrs. Julie Vignola: Thank you.

Is it usual for a company that is not a registered lobbyist to have access to the department and to various data, including those pertaining to its internal operations? I understand that the intent is to improve the situation, but is it customary for the company not to be registered?

[*English*]

Hon. Anita Anand: This is targeted and time-limited work that is being done in the provision of services.

In terms of the register, I would expect all companies to comply with their obligations under any statute. I would also expect all corporations to hold themselves to the highest ethical standards. That is one of the purposes of our integrity regime operating out of PSPC.

[*Translation*]

Mrs. Julie Vignola: So if the companies are not registered lobbyists, they ought to be. However, if they are not, couldn't they be penalized in some way, or simply rapped on the knuckles, before just being told to go and register?

[*English*]

Hon. Anita Anand: At the Department of National Defence, which is where I am currently located, the obligation is to ensure that we are receiving the services that were contracted for, using high ethical standards. The integrity regime itself and the management of that regime occurs at Public Services and Procurement Canada.

[*Translation*]

I believe you already discussed the situation with the minister, Helena Jaczek,

[English]

The Chair: Thank you, Minister.

We have Mr. Johns for two and a half minutes, please.

Mr. Gord Johns: Minister, DND entered into a contract with McKinsey related to the digital transformation of the Canadian joint operations command. That contract is to advise and assist in the development of a transformational staffing plan.

McKinsey was contracted to analyze each category of the CJOC personnel, including public servants and contracted employees, to develop recommendations to evolve the workforce. Roles and responsibilities included onboarding and orientation, skills and training, organizational changes and the list goes on.

Did McKinsey make any recommendations regarding the number of federal public servants versus the number of contract employees? Did they make any recommendations regarding the roles and responsibilities of either personnel category?

• (1615)

Hon. Anita Anand: That contract was to develop recommendations and proposals for CJOC headquarters' human resources strategy, so that the transformation necessary would occur over a 15-year period.

In terms of your specific question, I'll ask General Eyre if he could comment on it.

Gen Wayne D. Eyre: I also have a member of CJOC sitting behind us here. Perhaps in the second session, if there are more detailed questions, we can refer the questions to him.

Basically, over the term of these two contracts, there was assistance given to CJOC in developing a long-term human resources strategy that also helped to codify the terms of reference for each of the key positions, establishing clear roles and responsibilities for the headquarters. Understanding the pace of operations is pretty high, and we put that headquarters through a lot. Gaining greater efficiency and greater value from the staff we have there, that's where the focus was.

Mr. Gord Johns: Okay.

The same contract with McKinsey, they're making recommendations on which elements of CJOC headquarters service delivery are best suited for contractor delivery. One of my biggest concerns throughout this whole study has been that the government is letting consultants develop more and more work for themselves.

Minister, maybe McKinsey, an outside contractor, is developing plans for staffing and contract employees. Does that concern you and do you think there's a conflict of interest here? Do you think that the military and public service personnel, with their inside knowledge, loyalty and service, would be better suited to do this?

The Chair: I'm afraid that is our time. Perhaps you could get back to us in the next round for Mr. Johns.

We have Mr. Barrett for five minutes, please.

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

Thanks to you, Minister, and to the rest of the panellists for being here today. I'll echo the comments of my colleagues in thanking you and everyone under your command for their service to our country.

Minister, on your explanation that someone from outside the Canadian Armed Forces needed to be brought in because the Canadian Armed Forces as an organization wasn't credible on certain aspects of improving culture and had systemic issues on culture, I would submit to you that McKinsey isn't that credible party to do that and has demonstrated on the public record, as a matter of public record, their lack of credibility. An organization that advised Purdue Pharma to pay out bonuses to pharmacists who prescribed OxyContin, resulting in overdoses, or, as was mentioned by one of my colleagues, and that held a corporate retreat next to a concentration camp where Uighur Muslims were interned in China, is not the solution. McKinsey is not the solution to culture in our Canadian Forces.

I want to talk about culture and, as Lieutenant-General Carignan described it, the beating heart of our military. I look at the \$15 million that was spent on these contracts and I think of how else we could have improved culture in the Canadian Forces. I would use as an example my alma mater, the Canadian Forces School of Communications and Electronics in Kingston. I would like to ask you what you make of the state of accommodations for our troops at CFSCE in Kingston.

Hon. Anita Anand: We are always looking to ensure that we provide the equipment, the infrastructure and the resources needed for the Canadian Armed Forces to do their important work on behalf of our country.

In terms of the first part of your intervention, I will say that I agree: Integrity is extremely important. The role I am playing here is to speak to the contracts of McKinsey with the Department of National Defence. I am not here to defend their conduct in any other situation.

Mr. Michael Barrett: Okay.

On the state of CFSCE in Kingston, it's reported that the quarters currently comprise four-person rooms with poor HVAC, insufficient personal storage, frequently broken shared facilities, no privacy, no kitchenettes, no cable connections and no private bathrooms or access to bulk storage. Is there anything being done to remedy that, to your knowledge?

• (1620)

Hon. Anita Anand: We are very focused on ensuring that the Canadian Armed Forces' living arrangements, resources and equipment capabilities are improved, and we will continue to focus on that. I know that my deputy minister recently visited Kingston with this in mind so that we can continue to do our best for the men and women who serve our country so honourably.

Mr. Michael Barrett: Minister, do you know how many single rooms are required to house members who will be training at CFSCE for longer than six months? I can tell you the answer. It's 150. The number of rooms being offered by CFB Kingston is 47.

We were just talking about culture, and I wonder what it does to the culture of our Canadian Forces and to the morale of our members, our non-commissioned members, the beating heart of our military, when they don't have a place to lay their heads during their training. They are exposed to mould, to rodent infestations and to not having adequate bathroom facilities. My assessment of it is that it's egregious, and I just wonder how much effort and how quickly under your leadership you're prepared to remedy that.

Hon. Anita Anand: I appreciate the intervention. I think it is extremely important for us to focus on issues relating to housing and the cost of living in terms of the Canadian Armed Forces. I will ask my chief of the defence staff if he could speak to this issue, as it falls directly under his leadership as well.

The Chair: I am afraid that is our time. Perhaps you could come back to Mr. Barrett and the committee with a written submission, please.

Mr. Bains, you have five minutes, please.

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

Thank you, Minister, and to your colleagues for joining us today. I too have a long family history of military service and border service, so I truly appreciate the work you do.

Minister, can you expand on the security processes that ensure that any contractor or outside supplier that works with National Defence does not pose a security risk? We've heard that these contracts are HR and administration contracts. What is the recourse if there is anything untoward in fulfilling these contracts?

Hon. Anita Anand: Sure. Let me start with contracts. In them, there are standard clauses that include a number of clauses to protect against conflicts of interest.

Let me give you some examples. Suppliers are required to maintain the confidentiality of all information provided to them in connection with a contract. They can't disclose any such information without the written permission of the Government of Canada. They're also required to follow the applicable security measures in the contract.

Through our contracting process, we maintain the necessary protections in place for confidentiality of information, as well as for ensuring that conflicts of interest are not occurring. We are always looking to do better, and I hope the work of this committee is substantively present to enable us to do that. I'll be following that work with great interest.

Mr. Parm Bains: Thank you.

To Vice-Admiral Topshee, you were finishing a point. Maybe you can expand a little bit more on that.

VAdm Angus Topshee: Absolutely.

As I was saying, in the three contracts for McKinsey, the first was to just identify meaningful and tangible things we could do. The second was to begin delivering on what we call the digital parade state, which is operationalizing an HR management tool that is digital and more effective. We realized how useful that was, but we wanted that capability in-house. The third contract was about how

we build the teams to be able to keep doing these types of initiatives.

We've had no further contracts with McKinsey, because we now have an in-house app development and digitalization team that has learned a tremendous amount based on the quick start they got from the McKinsey contracts.

● (1625)

Mr. Parm Bains: Just expanding on that, was there a recruitment process that took place for the in-house...or how did you develop that?

VAdm Angus Topshee: Some of the work was done by McKinsey in assisting us to identify the right types of talents we needed. I was part of the first contract in my previous role as the assistant chief of naval staff for personnel and training. I did not know the components of a digital team. I did not know the role of a product owner, product manager or scrum master in a digital context, or the notion of sprints and how to go through an app development process.

Once we identified the skill sets that were required and saw the experience types and what sort of innovative approach needed to be done, we were able to identify those people within our organization. The challenge since then has been retaining them. We have some very talented people. Once they become known, they are hired by other companies—not necessarily by McKinsey but by others.

We have a robust team now. We've found that we can actually manage to find this digital talent with the very people who are coming into the Royal Canadian Navy and the Canadian Armed Forces.

Mr. Parm Bains: Thank you.

In regard to the benefit of the defence team looking outside the organization in certain incidences where significant modernization is needed quickly, is there any other area that you think we need to look at?

VAdm Angus Topshee: There are a host of areas where we can always improve. Most of that work we do in-house. We have a strong team of people in the navy who are constantly looking at our allies and adversaries around the world and identifying the practices we need to adopt in order to be the best possible maritime force for Canada.

Mr. Parm Bains: Thank you.

How much time do I have?

The Chair: You have 25 seconds.

Mr. Parm Bains: Thank you again for your service.

The Chair: Thank you.

Mrs. Block, you have five minutes, please.

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

I echo the comments of my colleagues in welcoming you here and thanking you very much for your service to our country.

Madam Minister, given your adamant defence of the need for and your choice of McKinsey, and given the insistence that the information you were sharing with McKinsey was not sensitive, that it was simply HR benchmarking or not sensitive subject matter in the contracts because it was not highly secretive, I want to show you one of the pages that we received as a committee. It's blank. That's because it's been redacted. This committee was very clear in its order for unredacted documents. However, many departments have made the decision and have taken it upon themselves to determine that they have the right to limit the powers of the House of Commons.

Minister, we received a letter from your department about the redactions made. I just showed you one page. I have more. They were made or done in the name of security, yet you have just stated here that these were not security matters. I'm wondering if you could explain why many of the redactions included the number of weeks McKinsey worked, their weekly pricing and descriptions of the services they offered. Who ordered these redactions? If it wasn't you, who was it and why?

Hon. Anita Anand: We have made every effort while respecting disclosure requirements. I will say that the contract is between McKinsey and the Government of Canada. We are both, as contracting parties, required to comply with the confidentiality provisions in that contract. On the other hand, we don't have that same contract with you or Parm or any other member on the committee. We are respecting the terms of the contract and complying with the disclosure requirements to the best of our ability.

Mrs. Kelly Block: In so doing, Minister, you are impeding the work of a standing committee of the Parliament of Canada and the work of the House of Commons. It may have served you better if you had confirmed your story with your cabinet colleagues. In the documents from PSPC, they did not redact these weekly breakdowns. Perhaps this is because DND was paying exorbitant prices, much higher than PSPC.

Again I will ask you why you felt that you could override the rights of Parliament and redact the weekly prices paid for services from McKinsey.

• (1630)

Hon. Anita Anand: As mentioned, I was not the minister at the time. I will ask my deputy minister if he can elaborate on that question.

Mr. Bill Matthews: Certainly. I'll be very quick on this.

The test we are using in terms of redactions is built around the same test used for access to information. That would include commercially confidential information. We are trying our best to align with other departments in terms of consistent approaches, but given the timelines and the volume of documents, there are a number of inconsistencies, I'm sure. We're doing our best to work through that process.

Specifically around the weeks and prices, etc., the answer is that it's commercially confidential information.

Mrs. Kelly Block: Yet it was provided through PSPC....

We heard from McKinsey that government clients asked them to make redactions from the documents they were providing to this

committee. Did you or any of your staff or those of your office or your department, or an organization under the supervision of your department, ask McKinsey to make these redactions?

Mr. Bill Matthews: I am not aware of and I certainly have not made any specific requests, but I am happy to take that back and check with the department to see if there have been such requests. The consistency in interpretation around the contract itself is important, but I will take that back and see if I can provide a better explanation.

Mrs. Kelly Block: Thank you very much.

I have one last question.

For the services provided by McKinsey, most of the descriptions have been redacted. This means that there has been millions of dollars of spending on outside consultants and we don't know why.

Madam Minister, you stated at the beginning of one of your interventions that you take the work of OGGO very seriously. I am sure you can understand that it is our duty to be monitoring the spending of government and to be asking these questions. I really believe that the redaction of this kind of information is egregious to this committee. I would ask that the information we've been calling for be provided to this committee.

The Chair: That is our time, Ms. Block.

We have Ms. Thompson for five minutes, please.

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

Welcome, Minister, to the committee, and certainly thank you to all of the witnesses for the work you do. We're very grateful for it.

Minister, I will begin with you. I realize that you've already spoken to this, but if there's anything in addition that you would like to add surrounding the challenges that resulted in the implementation of the McKinsey contract, and what a culture change that is and the extent of the culture change that you're trying to address within the military entails, please do. What benefits, if any, are you beginning to realize? I do know this is quite a long time frame in terms of turning this around. Are you starting to see any opportunities from the McKinsey work to really influence the shift in culture?

Hon. Anita Anand: First, I want to respond with regard to some of the previous questions. The value of the contracts awarded to McKinsey in 2021-22 of approximately \$17 million represented 0.07% of our overall expenditures that year. The idea embedded in this figure is that it's a very low amount of our overall expenditures.

In terms of your question, the third party expertise allows us to ensure that we have practices that are consistent with those of our allies in terms of our defence team, especially in the area of culture change, where we are embarking on urgent systemic change. The third party expertise serves as an enabling function to support our people. It constitutes a very small amount of our defence budget, as I mentioned.

I also want to focus on the importance of moving quickly in this era. Without that expertise that was done on a very rapid basis, we wouldn't have as many of the road maps in place that we currently do.

I will ask General Carignan if she would like to elaborate with the details.

• (1635)

LGen Jennie Carignan: Thank you, Madam Minister.

When we kick-started our culture change two years ago, there were three main things that we needed to address very quickly. These were informed by the consultations that we had with defence team members, with marginalized groups and with affected members. The consultations took place, and then we were immediately able to identify priorities.

One of them was on the complaint system, where the feedback we got from victims was that putting in a complaint was more harmful than the harm caused by the source of the complaint itself. We immediately set forward initiatives to address our complaint system, which is extremely complex. We needed to consult to get to the root cause of the issues and then, finally, we needed to consolidate the 500-plus recommendations we had within our system that were spread between 19 different reports so that we could track, consolidate and understand which ones were duplicates, which ones were repetitive and which ones were contradictions of another, in order to conduct all of that analysis. This is why we immediately set forth these three specific initiatives when we kick-started the culture change in 2021.

As we move into 2022-23, CPCC's reliance on contracts is already smaller than it was in the first year of CPCC's getting settled. Furthermore, we are not relying strictly on McKinsey, as we have five other firms with whom we are consulting on various other types of projects.

Ms. Joanne Thompson: Thank you.

I quickly want to follow up on that. I realize it's very early days in this—

The Chair: Thanks. That is our time.

Ms. Joanne Thompson: I'm sorry. Thank you.

The Chair: We'll go to Ms. Vignola for two and a half minutes, please.

[Translation]

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

Minister, in 2015, before the increase in the number of contracts awarded to McKinsey, the government had decided against Lockheed Martin's F-35 aircraft. However, that company's return to the good graces of the government corresponds with the increased number of contracts awarded to McKinsey, one of whose clients is Lockheed Martin.

What influence might McKinsey have had on the government's decision to return to Lockheed Martin? How can you be sure there was none?

Hon. Anita Anand: There is no link between the two suppliers. As you may be aware, the Lockheed Martin decision was the outcome of an independent process carried out by Public Services and Procurement Canada. It's a very important procurement for the Canadian Armed Forces, as well as for our country and its security.

Mrs. Julie Vignola: Thank you. In a document we received about a contract, McKinsey specified that its advice was not personalized, but rather based on its lengthy experience.

How can the Department of National Defence make sure that it is receiving advice based on Canada's requirements and the needs of Canadian Armed Forces members, rather than just generic advice that could be applicable to more than one country?

Hon. Anita Anand: That's dealt with in our supplier contracts. We make sure that our contracts specify the objectives to be met and the supplier cannot go beyond the scope of these objectives.

• (1640)

Mrs. Julie Vignola: I'd like to very briefly return to the two studies conducted by McKinsey, on the internal culture of your department, and Ms. Arbour's study. I'd like to know why it was essential to have a separate study performed by McKinsey as compared to Ms. Arbour's, and why it had to be done within approximately the same time span.

[English]

The Chair: I'm afraid that is our time. Perhaps you can get back to the committee with a response.

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

Mr. Gord Johns: Thank you again for being here.

I agree with Mrs. Block about the redaction concerns. We have invoices with only total charges. The quantities and unit prices are blocked out. It doesn't make any sense.

Minister, McKinsey was also awarded a contract for a workshop relating to the navy's digital transformation. I'm going to quote a letter from the document submissions that we received. The letter requests a sole-source requisition of this contract because, it says, McKinsey clearly indicated the cost of the one and a half day workshop would be less than \$25,000, including taxes. It then says that, as the estimated expenditure did not exceed the threshold laid out at reference C, a sole-source contract was being requested.

That contract was indeed awarded to McKinsey with no competition. The contract ended up costing \$24,999.98. That's two cents below the threshold that the letter appears to reference. My concern is that we have procurement regulations for a reason, and it's not the first time we've seen contracts built very close to the limit. This is two cents from the limit. As per the letter, McKinsey agreed to keep the contract below \$25,000.

Do you think they priced the contract that way so that they would not have to compete for it and that this represents a problem with integrity in procurement by evading the intention of the regulations?

Hon. Anita Anand: Thank you for the questions.

On the first point, relating to redactions, I understand the basis of the point, and I will offer to have my department take a second look to ensure consistency among departments.

Mr. Gord Johns: Thank you.

Hon. Anita Anand: I appreciate the point of Mrs. Block on this particular matter, so I will ask the department to do that for the redactions.

In terms of the spirit of the regulations and the issue you raised, I'm going to turn to Admiral Topsyhee, because he has direct jurisdiction over this particular matter.

The Chair: Give a very brief answer, Admiral.

Vadm Angus Topsyhee: The number I have is \$24,860, so I agree that it is just under \$25,000. To be perfectly honest, I don't know if that.... Most companies are aware of our contracting thresholds, but I have no specific knowledge of that contract. It was before my time.

The Chair: Thank you, gentlemen.

Mr. Genuis, you have five minutes, please.

Mr. Garnett Genuis: Thank you, Chair.

Just to summarize some of the things we've heard, we've asked you questions, Minister, about whether you're aware of McKinsey's contracts with other defence departments. You did not or weren't able to provide that information. You said that you're only here to answer questions about contracting with the Government of Canada, but of course contracts with other defence departments are, I think, highly relevant, and I would still appreciate it if you could provide any information you have in that regard in writing.

Even when we've asked questions about work for the Canadian defence department, there's been a great deal of information you have refused to provide, as my colleagues have highlighted in terms of the significant redactions. It's important to say that, when a parliamentary committee requests information, it's not the same standard as a citizen using ATIP. Parliamentary committees have the status of a court, and if a court requests documents, I believe you would provide them.

Speaker Rota has been very clear—and this is a convention that goes back a hundred years—that parliamentary committees have a right to unfettered access to documents, yet repeatedly your government, across departments, has not applied that standard, including in very basic, simple cases. We're not talking about a potential threat to national security. We're talking about commercial information that would be provided to the committee in camera so that we would be able to review it.

Very specifically on the issue of redactions, will you apply the standard of Speaker Rota's ruling?

• (1645)

Hon. Anita Anand: As I just mentioned, I'm here now asking my department to make sure that we take a second look to ensure consistency amongst departments—

Mr. Garnett Genuis: I'm not looking for consistency among departments. I'm looking for consistency with the law as articulated by the lawful authority, who, in this case, is the Speaker. Will you apply the standard of Speaker Rota's ruling?

Hon. Anita Anand: I will say that there are a wide variety of reasons that a redaction may be needed, and we are committed to balancing transparency with these needs overall.

Mr. Garnett Genuis: Minister, a redaction would be in violation of the Speaker's ruling. Are you telling us today that you are going to continue to defy the Speaker's ruling on this?

Hon. Anita Anand: What I am saying is that we are doing our very best to balance the need for transparency with the—

Mr. Garnett Genuis: Minister, it's a legal requirement. It's not for you to tell the Speaker, "I'm sorry. I'm going to strike a balance that's outside of the law." The Speaker has said that parliamentary committees have a right to order documents. I would submit to you that, if you went before another court, and the court said that you must hand over the documents, you would hand over the documents, yet you're treating a parliamentary committee that has the established constitutional right to order these documents in a different way. I would ask you to take that back and consider it, because you have a legal obligation.

Hon. Anita Anand: I will, and as I've previously indicated, I believe strongly in the important work of OGGO, and I know it—

Mr. Garnett Genuis: Thank you, and I hope we'll see it in the provision of the documents.

Hon. Anita Anand: —very well, and we will do our very best to respond to that.

Thank you.

Mr. Garnett Genuis: Minister, in the further time that I have, we have also asked you questions about the issue of culture, and you've talked about the need to go outside for information that's going to inform cultural change. That's, I think, potentially a valid argument in principle, but it comes down to where you're going for that information.

You've dismissed questions about the ethical conduct of McKinsey, but if you're relying on McKinsey for information about how to change and shape the culture of National Defence, don't you think that the culture of McKinsey, the ethical conduct of McKinsey and the advice they've given to, for instance, the Saudi government around the treatment of dissidents is relevant to the advice they're going to give you about shaping the culture of the Canadian Armed Forces?

Hon. Anita Anand: I want to clarify that justices Deschamps, Arbour and Fish have provided numerous recommendations over numerous years that the Department of National Defence is working diligently on to implement. That is part of the place where we are receiving advice on how to make change. As you mentioned—

Mr. Garnett Genuis: That's great, but we're talking about McKinsey. Is McKinsey advising you on culture change?

Hon. Anita Anand: McKinsey is not advising us on the substantive policies that we should be implementing regarding culture change—not at all. It is an operational source of advice, not a policy source of advice.

Mr. Garnett Genuis: You were using the challenges of culture as a justification for going outside. This is what you said earlier in your testimony. You said that you need to bring in third parties like McKinsey because we can't solve our own problems ourselves. Now, you're saying that we're actually not really going to McKinsey for that. We're going to them for something else.

Hon. Anita Anand: Actually, I'm not inconsistent in what I'm saying. I'm saying that, in terms of implementing the 500 recommendations of three previous justices, we benefited in a specific, targeted way from utilizing the resources of this third party expert, but this third party expert did not in any way inform our policy decisions.

The Chair: Thank you, Minister.

Mr. Housefather, go ahead please.

Mr. Anthony Housefather (Mount Royal, Lib.): Thank you, Mr. Chair. I'm last, but not least.

Minister and generals, thank you very much for being here today, and thank you for your service to our country. It is greatly appreciated.

Minister, I'm going to start with you.

You have one of the unique positions in this government as Minister of National Defence but also having served previously as minister of procurement. A lot of the questions that were flying at you today related to whether or not we should be doing business, as a government, with McKinsey. It's a legitimate question related to which companies should be excluded from doing business with the Government of Canada.

Currently, we have a policy related to who is excluded and who is not under our integrity regime. We may want to one day propose changes to that integrity regime. Again, that's something that this committee could look at. We could propose things, and I know that you would have your mind open to those changes. However, do you have the power in the defence department to exclude from bidding on contracts companies that are not excluded under the integrity regime?

• (1650)

Hon. Anita Anand: We have the ability to ensure, through our contracting process, that the interests of the Government of Canada and the Department of National Defence are protected. That's exactly what we do through provisions like confidentiality and through provisions relating to conflicts of interest.

We believe in the usefulness of an integrity regime to ensure that suppliers are held accountable for misconduct. By the same token, we have been very careful to ensure that our contracts contain the provisions necessary to protect the interests of the Government of Canada and, ultimately, the people of our great country.

I will say that the singling out of companies is not necessarily the role of the Department of National Defence. That falls within Public Services and Procurement Canada. I welcome suggestions as to what threshold is appropriate should that inform part of the work of this committee.

Mr. Anthony Housefather: Thank you so much, Minister.

I have another question for you. When Dominic Barton was here, he told the committee that McKinsey never provides policy advice. It's executing what the government wants it to do. Do you agree with this statement?

Hon. Anita Anand: I did not hear the statement in its full context, but I will say that it is consistent with the point I made previ-

ously, which is that McKinsey provided no substantive policy advice to the Government of Canada. That rests with the ministry at issue. Here, in terms of national defence, the policy decisions and the direction that we are taking—whether it be on culture change or with respect to the Royal Canadian Navy—rests with me, as minister, and the other leaders of the organizations with which I work: the Canadian Armed Forces, as well as the Department of National Defence.

Mr. Anthony Housefather: From your experience, Minister, with regard to the issue of outsourcing, when there's a decision to outsource, it doesn't come from the political level—does it?

Hon. Anita Anand: I had no contact whatsoever regarding any contracts related to third party expertise.

Mr. Anthony Housefather: Thanks.

Now I have a question for General Eyre if that's okay.

I'd like to ask about the impact that McKinsey's work could have on subsequent procurement decisions in the defence department. Given that some of McKinsey's clients also do business with the Department of National Defence in the equipment procurement and IT space, there have been those who have made the allegation that McKinsey's advice could influence subsequent procurement decisions by national defence in a way that would benefit its other clients.

Could you reassure people that would not be the case?

Gen Wayne D. Eyre: Procurement is the responsibility of my colleague, the deputy minister. I'll pass that to him.

Mr. Anthony Housefather: Please refer it to the deputy minister—no problem.

Mr. Bill Matthews: Certainly. There are a couple of points here.

Number one, we do have rules in place to make sure that these types of conflicts don't occur, but I want to come back to the nature of the work McKinsey's doing here. It's mostly benchmarking HR-related.... It's not related to capability. I think when you're theorizing about future procurements, etc., nothing I've seen would compromise any of that. We're not talking about capability here.

I do have the real expert to my right if there are detailed questions in terms of how procurement works.

Mr. Anthony Housefather: Again, I have heard this concern voiced and it doesn't make sense to me in light of our procurement policies. I think it's helpful that you would reiterate that.

What is the time, Mr. Chair?

The Chair: You have 14 seconds.

• (1655)

Mr. Anthony Housefather: Thank you very much for being here today. It's very much appreciated.

The Chair: Thank you, Mr. Housefather.

I will use your 14 seconds.

Witnesses, thanks for being with us today. There were several questions that you were not able to finish. There were also several times when the committee asked if you could provide information back. I hope you will do so as soon as possible.

Before you go, I want to follow up on one of the comments. You're probably aware of what I'm going to talk about. The green book by Bosc and Gagnon is very clear. I want to quote quickly from it. It says, "The Standing Orders do not delimit the power to order the production of papers and records. The result is a broad, absolute power that on the surface appears to be without restriction."

I have to express my extreme disappointment that this department is one of several from this government that has refused to recognize the supremacy of Parliament and a very clear directive from this committee to provide unredacted documents. I hope you will provide those to us as soon as possible.

That being said, thank you for joining us. I will dismiss the witnesses.

Colleagues, before we suspend, we have a couple of housekeeping points. I need your approval on the following. The first is that, pursuant to Standing Order 108(2), the committee undertake a study of the subject matter of supplementary estimates (C), 2022-23.

Some hon. members: Agreed.

The Chair: I also need your approval that the proposed budget in the amount of \$2,500 for the study of the subject matter of supplementary estimates (C), 2022-23, be adopted. I don't believe we will actually spend any of that money, but we have to approve that before we can move forward.

Some hon. members: Agreed.

The Chair: Colleagues, thank you very much.

We will suspend very briefly. We will try to get back as soon as possible so that we have as much time with the PBO as possible.

Thank you.

• (1655) _____ (Pause) _____

• (1655)

The Chair: Colleagues, we are back in session.

I would like to welcome our guests from the parliamentary budget office.

I understand you have an opening statement for us, Mr. Giroux.

The floor is yours for five minutes, please.

Mr. Yves Giroux (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Good afternoon, Mr. Chair and members of the committee. Thank you for the invitation to appear before you today.

We are pleased to be here to discuss our report on the supplementary estimates (C), 2022-23, which was published on February 23, 2023.

With me today is our lead analyst on the report, Kaitlyn Vanderwees.

The government's supplementary estimates (C) outline an additional \$10.3 billion in spending, which brings the total proposed year-to-date budgetary authorities to \$443.3 billion, which is a \$29.4 billion or 7.1% increase over the preceding fiscal year.

Voted authorities, which require approval by Parliament, total \$4.7 billion. Statutory authorities for which the government already has Parliament's permission to spend total \$5.6 billion. Given that there are only weeks remaining in the fiscal year—I should say days—this means the money will need to be spent by March 31.

Including these estimates, 90% of the total money that was earmarked in budget 2022 for this fiscal year will be available for departments to spend in supporting 114 initiatives. The single largest component requiring Parliament's approval is almost \$1 billion for National Defence. Over half of this is to support the Ukraine war.

• (1700)

[*Translation*]

The government is also asking for an additional \$81 million for professional and special services, which includes spending on external consultants. This brings total planned spending in this category for the current year to \$21.4 billion. As of November 2022, nearly \$10 billion have been spent on professional and special services this year, a record level compared to previous years over the same period. The 2023-24 main estimates indicate that planned expenditures on professional and special services will remain steady at \$19.5 billion in 2023-24.

Frozen allotments refer to money that has been approved by Parliament, but for which access by departments is restricted by the government, for example, until some specific conditions are met. These supplementary estimates indicate that \$7.7 billion in money already approved by Parliament is now administratively frozen by the Treasury Board. This represents a \$2.2 billion increase from the final supplementary estimates presented last year.

Both frozen allotments and total overall unspent budgets reached record levels in 2020-21 and 2021-22. This is principally attributable to the federal pandemic response, which saw an unprecedented increase in approved spending and considerable uncertainty regarding whether all the approved funding would be required. Our internal monitoring suggests that lapse amounts in 2022-23 will remain higher than pre-pandemic levels.

My colleague and I will be pleased to respond to any questions you may have regarding our analysis of the government's estimates or other Parliamentary Budget Officer work.

Thank you.

[English]

The Chair: I appreciate your being with us, as always.

Mrs. Block, you have five minutes.

Colleagues, quickly, the first round will be for five minutes, and then we'll try to do three minutes and two and a half minutes for the Bloc and NDP.

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

Thank you for joining us, Mr. Giroux.

In your report on the supplementary estimates (C), you wrote, "Over \$800 million in new cash is intended to pay for professional and special services, which includes spending on external consultants."

As you are more than likely aware, this committee has undertaken a study of the government's contracts with McKinsey and will be following that, we hope, with a broader look at outsourcing by this government.

Does your office know approximately how much of the \$800 million is going towards management consultants?

Mr. Yves Giroux: No, we don't have that level of detail. We only know the overall amount going to consultants.

Mrs. Kelly Block: Okay.

Is the \$21.4 billion the total spent by the government on external consultants?

Mr. Yves Giroux: Yes, it is, to the best of our knowledge, although some of it could lapse, which we will only know several months after the fiscal year.

Mrs. Kelly Block: Thank you.

In your report, you also mention that one of the primary reasons for the increase in statutory authorities in the supplementary estimates is "due to higher interest costs on unmatured debt".

In your view, is the government taking steps to reduce this debt in order to lower the interest costs, or have interest costs just continued to rise?

Mr. Yves Giroux: Interest costs have continued to rise for two main reasons. The first is the increase in interest rates and the effective rate the government has to pay on its stock of debt. The other reason is the increase in the size of the debt itself. Whenever there is a deficit incurred in a fiscal year, it generally adds to the debt.

To the extent that the deficit is lower than it used to be during the pandemic, one could say that the government has taken steps to reduce not the debt but the speed at which it increases. Conversely, one could say that, given there are still deficits, the government is not reducing the size of the debt.

There's no clear answer to your question without getting into a political debate.

Mrs. Kelly Block: Thank you very much.

Do you have any recommendations for the government on how to reduce costs by lowering the debt and interest payments?

• (1705)

Mr. Yves Giroux: There are two main ways to do that.

One would be to reduce the debt, which is imminently a political decision that will have to be made, and when the Minister of Finance tables her budget next week, we may have indications as to whether there is a plan to reduce the overall level of debt.

The other way to minimize or to try to control as much as possible the debt-servicing costs is by having sound debt management, which is, to my knowledge and to my best capacity, to my judgment, something that the government does a reasonably good job of doing. It manages the debt as effectively as it can to minimize the interest costs, given the stock of debt.

Mrs. Kelly Block: Thank you.

In your report, you also noted that the supplementary estimates are for spending announcements on which the government needs more time to figure out how it is going to implement its plans.

Given that the supplementary estimates continue to increase, are you concerned that the government is making spending announcements without the plans developed for how to implement them?

Mr. Yves Giroux: The concern I have with the number of supplementary estimates that we see, and the fact that you, as parliamentarians, have to debate and vote on supplementary estimates (C) on March 20, is that it leaves you with very little time to scrutinize billions of dollars of spending.

It's understandable that the government in any given year will need to have supplementary estimates, but the fact that you are asked to vote on billions of dollars that late in the fiscal year when there is virtually no time left is a bit concerning, because I think it affects your capacity as parliamentarians to scrutinize this proposed government spending.

Mrs. Kelly Block: I agree with you. Thank you very much.

The Chair: Thank you, Mrs. Block.

We'll now have Mr. Bains for five minutes, please.

Mr. Parm Bains: Thank you, Mr. Chair.

Thank you, Mr. Giroux, for joining us again today.

The supplementary estimates include a significant portion of funding for professional services. Do you believe that IT professionals are essential to ensuring legacy IT systems are functioning properly for Canadians?

Mr. Yves Giroux: I'm not an IT specialist—some would say fortunately, but I would say unfortunately—but I certainly believe that IT is an essential component of any organization these days. Whether or not it's essential to use IT outsourcing to the extent that the government is doing is not for me to say. I don't have that expertise.

Mr. Parm Bains: Okay. While outsourcing has grown, it has kept pace with the growth of the federal public service, with the public service at the same size as it was in 2010 comparative to total population. Does this not indicate a normal level of growth?

Mr. Yves Giroux: It could. That's one way of seeing it, that the public service is growing commensurately with the size of the Canadian population.

Alternatively, one could say that, given that more services are being automated, there could be an expectation that the size of the public service could be growing at a slightly slower pace than the average growth in the population, but I think this boils down to policy choices, especially when the government decides to make interventions, investments or spending in specific areas.

Mr. Parm Bains: Okay.

The Auditor General, the procurement ombudsman and the government are conducting a review of McKinsey, which we've heard.

Do you believe that these studies will provide useful insight into government outsourcing and procurement practices?

Mr. Yves Giroux: I'm confident that my colleague, the Auditor General, will provide insight, full information, to this committee and to all parliamentarians on McKinsey.

Mr. Parm Bains: Okay. Thank you.

You previously stated in committee that departmental targets are too easy to hit, but then your report on the estimates said that too few targets are met.

Can you clarify what your position is on these targets? Are they too easy or too ambitious?

Mr. Yves Giroux: I'd say it's probably that they tend to be too easy, and I speak from my own experience, having been in the public service for more than two decades.

Generally speaking, targets are set so that they seem to be reasonably ambitious, but they are always deemed to be attainable, barring unforeseen events, so they generally tend to be not overly ambitious, which leads to a surprise when you see that close to half are either not met or have no target date for meeting them.

• (1710)

Mr. Parm Bains: In 2022-23, the Government of Canada requested \$443.3 billion in authorities. It was an increase of 6.8% over the previous period but a decrease of 6.6% compared with 2020-21.

In your view, is this level of spending consistent with Canada's fiscal anchor to reduce the debt-to-gross-domestic-product ratio?

Mr. Yves Giroux: It is. It seems to be. If you compare main estimates with main estimates, it is consistent. However, in our March economic and fiscal outlook, we expect the debt-to-GDP ratio to in-

crease next year rather than decrease, due to a slowing economy and increases in expenditures.

There is expected to be a one-year anomaly in the fiscal anchor, which instead of going down consistently is expected to go up for a year. However, the budget to be tabled next week could introduce measures to ensure that the debt-to-GDP ratio continues to go down year after year. Based on what we know so far, it is slated for an increase in the next fiscal year, the one that will start in April.

Mr. Parm Bains: Thank you.

The Chair: Next, we have Mrs. Vignola, for five minutes, please.

[*Translation*]

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

Thank you for being here today, Mr. Giroux and Ms. Vanderwees.

Mr. Giroux, in your analysis, you say that the government expects additional expenditures of \$10.3 billion. Time flies, but I remember, not so long ago, that you had told the committee that the Department of National defence was having trouble spending the funds allocated to it, even those included in the supplementary estimates.

We are 11 days away from the deadline by which all authorities are to have been spent. To your knowledge, will they be spent?

Mr. Yves Giroux: We won't know for sure until the Public Accounts of Canada have been published, which is usually in the fall, sometimes the very late fall.

However, we can get a few hints from the administratively frozen allotments that I mentioned in my address. For the time being, these allotments that have been frozen for all kinds of reasons by the Treasury Board have reached a rarely seen level. This would appear to indicate that unspent funds by the end of the fiscal year, in 11 days, will be at least as high as in the previous years.

Unfortunately, we can't say with certainty which departments will fall into this category. However, given the size of the Department of National Defence, we can reasonably assume that it will once again this year not spend all funds allocated to it. But we will only know for sure once the fiscal year has ended.

Mrs. Julie Vignola: I also recall committee discussions about National Defence inventories, which were rather low, and about how difficult it was to properly equip our Canadian Armed Forces.

And yet we are sending \$500 million to Ukraine, in addition to equipment. I'm not against that, but my question is what impact this assistance might have on Canada's inventories?

Are we robbing Peter to pay Paul? Will this increase defence-related costs in future estimates?

Mr. Yves Giroux: That's a good question, but unfortunately, those who testified before me have a lot more information than I do about National Defence inventories and the impact of assistance to Ukraine on the department's ability to fulfill its core mandate.

• (1715)

Mrs. Julie Vignola: On page 6 of your report, which I won't read out word for word, because I only took down some brief notes, it says that you were worried that the funds allocated for the Strong, Secure, Engaged policy would be inadequate.

Are these concerns proving to be correct? Are you even more worried? What are your misgivings about this?

Mr. Yves Giroux: I'm worried because the budget for the national defence policy includes capital expenditures established over a period of several years, while the costs involved in national defence procurement projects, including warships, are continually increasing. I am therefore worried that the funds will be inadequate to allow the government to fulfill the mission set out in this policy. If so, then either the budget would have to be increased, or some projects would have to be abandoned, which will probably be inevitable if we don't want to exceed the total established for the budget and for financing projects whose costs are increasing, like the warships project I just mentioned.

We are also going to carry out a study on the acquisition of F-35 fighter aircraft. This would give us a better idea of the estimated cost for this acquisition project. If it turns out that costs of the fighter aircraft acquisition are also increasing, as is the case for the warships, then that will restrict what can be done and something will have to be set aside.

Mrs. Julie Vignola: I have a brief question for which which you could just give a yes or no answer.

Am I to understand that potential cost increases owing to inflation and other factors were not taken into account when the amount of the envelope was established?

Mr. Yves Giroux: That's quite possible.

Mrs. Julie Vignola: Thank you.

[English]

The Chair: Thank you.

We have Mr. Johns for five minutes.

Mr. Gord Johns: Thank you for all the important work that you do and for being here again.

Mr. Giroux, we talked earlier about the \$800 million in new cash for professional and special services, and that includes spending on external consultants. What concerns do you have, if any, about the level of spending on consulting services in Canada, looking at our OECD partners and where their levels of spending are on external consultants? Have you looked at that? Do you have any comparables that you can give us?

To add to that, the President of the Treasury Board was here saying, "Compared to spending on the public service, the use of professional services has also remained relatively consistent since

2011." However, in the numbers that we have for the public service it has grown by 11.8%, I would say, since 2020, but IT outsourcing has grown 45.8% in that period. It contradicts what the President of the Treasury Board says.

Maybe you could speak to both.

Mr. Yves Giroux: Sure. I haven't looked at what other countries do. I've been very busy looking at what Canada does, so unfortunately I don't have international comparisons.

The fact that consultant services and the recourse to those services has increased is concerning when compared or when put together with the increase in the size of the public service. The reason I'm saying that is that, when you have a growing public service, you'd expect that growth to happen in areas of need. The fact that this is happening, but the use of consultants is also increasing... Services are not always keeping pace with expectations. That is the part of the equation that is concerning to me.

For example, if the use of consultants for health care services is increasing, it's obviously to meet needs. When it's for IT services, it's also to meet needs. Each and every one of them may well be justified, but then, why are we outsourcing many of these services at the same time as we have a public service that is growing? Are we hiring the wrong types of public servants, or should we be hiring even more public servants, which we can't, because obviously we need to use consultants? It leads to all kinds of questions for which the answers are not obvious, at least not to me.

• (1720)

Mr. Gord Johns: In addition to the transparency and accountability issues that we've been raising here at committee, the government's increasing reliance on outsourcing raises concerns around equity issues that warrant conversations, discussion and research.

In 2018 actually, the UN special rapporteur on extreme poverty and human rights discussed privatization as a cause of poverty even while privatization costs governments more. We've seen it here—the subbing out of contracts. As one example, we looked to GC Strategies during the ArriveCAN app study, which was charging between 15% and 30%, which I guess is the industry standard. They don't know anything about tech. They just know whom to contract to. You have these big, highly paid consultant companies, six of which are over \$100 million, that are doing business with Canada—the big six. A lot of their work is subbing out.

Have you looked at how much money is going just to the commissions for subbing out, because that seems to be a huge economic leakage right now in our country, money that could otherwise provide services from pharmacare to expanding dental care and making sure that everybody's got a safe, secure place to live in our country. It seems absolutely ludicrous the skyrocketing highly paid consultants trend that we're seeing and these commissions that are going out in the range of 15% to 30%. I imagine they're all near 30%, because every time I ask if it's 15% or 30%, they answer, "It's the industry standard." They would tell us it's 15% if it were 15%, so it's more than likely that it's 30% in most cases.

Mr. Yves Giroux: I haven't looked at the commissions or the breakdowns of the fees that consultants charge the government. That would require going through thousands of contracts. We looked at the overall numbers and, unfortunately, I don't have an answer for you.

Mr. Gord Johns: That's something that's there. Again, I appreciate it.

There's money here—\$227 million for unrecoverable debts around student loans. In your view, why has the value of unrecoverable debts increased by \$57 million since last year? Is that the norm? How do you project the elimination of student loan interest effective this April will affect Canada's ability to deal with student loan debt? Obviously, we're very happy to see that happen as New Democrats. It's something we've been looking for.

The Chair: I'm afraid, Mr. Giroux, that we're going to have to ask you to get back to the committee in writing or, actually, to Mr. Johns in his next round of questions.

Colleagues, in the second round, because we're out of time, we're going to do turns of four and four minutes, and then two and a half and two and a half minutes.

We have Mrs. Kusie for four minutes, please.

Mrs. Stephanie Kusie: Thank you, Chair.

[*Translation*]

Thank you for being here today, Mr. Giroux.

[*English*]

This will be the first year that the overall budgetary spending detailed in the main estimates has risen above the \$400-billion threshold. The government crossed the \$300-billion threshold in the 2020-21 fiscal year.

Monsieur Giroux, your predecessor Mr. Page said that the current government has been "rightly criticized for running relatively loose fiscal policy" while resisting calls to implement stricter fiscal anchors. That's just a quote I will use relative to the budget next week.

You are quoted in one of my favourite publications, The Hill Times, as stating, "It makes sense from that perspective, but it's clearly an indication that the government is not shy about spending". The Hill Times said your office released an analysis of the supplementary estimates on February 23, and you stated, "It's not every year that there are three supplementary estimates: A, B, and C."

Do you want to expand on your comments in The Hill Times, Mr. Giroux?

Mr. Yves Giroux: I can expand on the fact that three supplementary estimates do not happen every year. That's true. Usually—well, not usually, because it depends on the year—having supplementary estimates (A) and (B) in a year used to be quite normal, years and years ago. Having three supplementary estimates doesn't specifically indicate a deeper inclination to spend. It's the amounts that matter.

The quotes you just read are my words, and I stand by them. I don't have anything else to add. I can't deny that I said that. The Hill Times is a reputable publication. They did not misquote me.

• (1725)

Mrs. Stephanie Kusie: I agree.

The only edit I might make is that whereas as you said "A, B, and C," I would say the government would be "A, B, and S", as in "Always be spending".

Some hon. members: Oh, oh!

Mrs. Stephanie Kusie: I'll move now to the significant increase in statutory authorities. Can you elaborate on the role that you believe inflation has played in these increases in statutory authorities, please?

Mr. Yves Giroux: Inflation is playing an important role in the increases in statutory authorities because the main items in statutory authorities or statutory spending are old age security, which is indexed to inflation and also is driven by the population growth of those aged 65 and above, and transfers to provinces, which are indexed to inflation or have a minimum level of increase. Inflation plays an important role in statutory expenditures.

Mrs. Stephanie Kusie: Would you say that the massive amount of government spending has played a role in the increase in statutory authorities?

Mr. Yves Giroux: Very indirectly. To the extent that someone would say that government intervention has contributed to inflation, then there could be a feedback loop. Due to the inflation, statutory authorities need to increase, so yes, it's a possibility.

Mrs. Stephanie Kusie: Finally, do you think the cost of living crisis has played a role in the increased spending on statutory authorities?

Mr. Yves Giroux: Not directly. I think it's driven by inflation and population growth.

Mrs. Stephanie Kusie: Thank you very much.

Thank you, Chair.

The Chair: Thank you.

We have Ms. Thompson for four minutes, please.

Ms. Joanne Thompson: Thank you.

Welcome back to the committee.

During Minister Fortier's appearance, it was indicated that the frozen allotments are due to the need to hold funds over for settlements and projects that require funding but are impacted by climate and weather issues. We've certainly seen indications of that across the country in the past year. Are these types of frozen allotments important to ensuring good government operations?

Mr. Yves Giroux: In fact, they usually are done for very solid, very good management reasons, in my experience at least. I can't speak specifically to each and every one of them included in the supplementaries.

They're done because conditions for the release of funds have not yet been met. It's to ensure that funding is released to departments only when the specific conditions have been met. For example, certain triggers have been met, the department is ready or it has fulfilled its obligations as stated in the Treasury Board submission, for example, or in a memorandum to cabinet. It is usually a good financial management practice to have frozen allotments to ensure the funding is released only when it's appropriate to do so.

Ms. Joanne Thompson: Thank you.

I'll switch now to executive performance pay for public servants. Some have remarked on the use of this executive performance pay for public servants and have criticized its use despite not hitting departmental targets. However, executive performance pay is part of executive compensation packages and has no link to organizational goals outlined in departmental targets.

Do you believe it's important to use such market-based incentives to motivate leadership to achieve results?

Mr. Yves Giroux: I think it's important to have at-risk pay as an incentive to enhance performance among executives but also to reward high performers and distinguish them from average performers or poor performers, which there are in any organization.

Ms. Joanne Thompson: Thank you.

In 2022-23, the Government of Canada requested \$443.3 billion in authorities: an increase of 6.8% over 2021-22, but a decrease of 6.6% compared with 2020-21. In your view, is this level of spending consistent with Canada's fiscal anchor, that is, to reduce the debt-to-gross domestic-product ratio?

Mr. Yves Giroux: It is consistent except for next year, the year that will start April 1, where we expect to see an increase in the debt-to-GDP ratio, which would be, based on what we know so far, a blip or an anomaly in an otherwise downward trend at a moderate pace in the debt-to-GDP ratio. However, that's based on information we have right now, which may change when the Minister of Finance tables her budget next week.

• (1730)

Ms. Joanne Thompson: Thank you.

I have a very general question. You mentioned in a previous round that the government does a reasonably good job around sound debt management, and I'm really curious. For the pandemic that we're technically coming out of, we're still seeing the side effects across government departments and certainly within society. Also, obviously, there are the very real geopolitical realities and climate change realities that none of us could ever have predicted.

On the balance of trying to manage these in-the-moment crises, I'll reference one on the southwest coast of my province of Labrador—

The Chair: I'm afraid you're out of time. Would you be able to provide a quick question?

Ms. Joanne Thompson: Basically, how do you manage those unforeseen crises and then still also manage the work of the country and the—

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

Mr. Giroux, you'll have to get back to us if you have an answer for that.

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

[Translation]

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

Mr. Giroux, your report states the following:

As of November 2022, nearly \$10 billion dollars have been spent on professional and special services this year - a record level compared to previous years over the same period. The 2023-24 Main Estimates indicate that planned expenditures on professional and special services will remain steady at \$19.5 billion in 2023-24.

That number sets a record. In addition to the \$10 billion spent in this fiscal year to November 2022, the government has 320,000 public servants, which is also a record in absolute numbers. However, it represents just under 1% of the population, which could be considered more or less reasonable or normal.

How can you explain the combination of record spending on external services and a public service that represents approximately 1% of the population? Do you have any concerns about these combined figures?

Mr. Yves Giroux: I have concerns about these two factors when they are accompanied by perceived service shortcomings in several sectors in which the government has an important responsibility.

Increasing the size of the public service is something that is dependent on government decisions. Increased use of consultants is also a decision of the government and its senior officials or deputy ministers. Both decisions make sense if services are greatly improved, but I think that all of you, as members of Parliament, probably find that every day in your riding offices that these services are not always meeting the expectations of citizens. That's where my misgivings lie.

If the decision to increase spending on counselling services, while also increasing the number of public servants, results in improved service delivery and more informed advice to ministers, that's one thing. But if the expenditures increase in both categories, while services do not appear to be improving, that's when I have concerns.

Mrs. Julie Vignola: We have the same concerns.

Thank you very much for your time.

[English]

The Chair: Thank you very much, Madame.

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

Mr. Gord Johns: When Canadians didn't have enough PPE when the pandemic started, the government called upon Canadian small and medium-sized enterprises to establish a domestic PPE supply.

I think of Wayward Distillery in my riding. They pivoted their distillery to provide hand sanitizer for public safety workers, health care workers and people on the front lines. They certainly stepped up, and they invested in making sure that they had that. They were called upon by the government and they delivered, but we didn't honour our commitment to them.

The government started ordering foreign PPE and flooded the market, driving the price down. We know the government and the minister have made commitments to buy Canadian PPE, but it's not flowing to the small suppliers.

Have you done an analysis on the impact on the Canadian economy of buying foreign PPE and on the multiplier effect when it's produced domestically?

Lastly, in terms of security for Canadians, to ensure that, if there is another PPE shortage in the future, we've strengthened and supported our domestic PPE industry so that they're ready to respond should there be a crisis.... I would imagine, right now, they're going to be pretty reluctant.

I know, like I said, that Wayward Distillery in my riding got saddled with sitting on almost a million dollars' worth of product, and they paid a hefty price dumping that at a loss.

• (1735)

Mr. Yves Giroux: It's an issue that certainly is important. It was even more important a year or two ago, and it could become important again. Unfortunately, we have not looked at the economic impact of procuring PPE from abroad, or at the national security aspect of relying mostly on foreign suppliers.

Mr. Gord Johns: Okay.

How much time do I have?

The Chair: You have 20 seconds.

Mr. Gord Johns: Going back to the question on student loans, do you project that the elimination of student loan interest in April 2023 will affect Canadians' ability to pay their student loan debt? Do you see that it would drop from what you're forecasting right now?

Mr. Yves Giroux: The government decision to reduce effectively to zero the interest on student loans should result, in future years, in the student loan debt writeoff to decrease progressively. Given that it's a seven-year process between the time the debt becomes questionable until it's written off, it will take several years to be reflected in student debt writeoff. It should have a marked impact on the number of student loans in default.

Mr. Gord Johns: Super. Thank you again.

The Chair: Mr. Johns, thank you.

Mr. Giroux, thank you very much.

Ms. Vanderwees, I'm sorry you didn't get a chance to interact with us, but it is always a pleasure to have our honoree OGGO member from PBO join us. Thank you very much.

Colleagues, I have two very small housekeeping announcements.

The committee is going to be considering the recommendations for the report on travel expenditures related to the office of the Governor General's secretary since 2014 for the second hour on March 27. I do encourage everyone, because we had so many recommendations and so many overlapping.... We agreed to pare them down to discuss among each other.

The second item is that the committee will receive a brief presentation from the legislative clerk at the start of the second hour on March 27 on Bill C-290, an act to amend the Public Servants Disclosure Protection Act. If you recall, we were going to have them in, but it got bumped.

If there's nothing else, colleagues, we will adjourn. Thank you, everyone.

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