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Standing Committee on Government Operations and Estimates

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• (1100)

[English]

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

Welcome to meeting number 118 of the House of Commons Standing Committee on Government Operations and Estimates, also known, of course, as the mighty OGGO.

Pursuant to Standing Order 108(3)(c) and the motion adopted by the committee on Wednesday, January 18, 2023, the committee is resuming its study on federal government consulting contracts awarded to McKinsey & Company.

We have new instructions, colleagues, regarding the feedback for our interpreters, so please listen carefully.

Before we begin, I'll remind all members and other meeting participants in the room of the following important preventative measures.

To prevent disruptive and potentially harmful feedback incidents that can cause injuries, all in-person participants are reminded to keep their earpieces away from the microphones at all times. As indicated in the communiqué from the Speaker to all members on Monday, April 29, the following measures have been taken to help prevent audio feedback incidents.

All earpieces have now been replaced by a model that greatly reduces the probability of audio feedback. The new earpieces are black. Please use only the approved black earpieces. All unused earpieces will be unplugged at the start of every meeting, so you'll have to plug them in.

When you're not using your microphone, please place it face down on the middle of the sticker that has been put on your desk in front of you. Please consult the cards on the table for guidelines to prevent audio feedback incidents.

The room layout, as you've noticed, has been adjusted to keep everyone a bit further apart, which will help with feedback incidents as well.

These measures are in place so that we can conduct our business without interruption and protect the health and safety of all participants, especially our valued interpreters, who are smiling at us but also threatening and menacing if we don't follow the rules.

Thanks, everyone, for your co-operation.

We'll start with our witness, our very valued procurement ombudsman.

Welcome back to OGGO. We appreciate you coming in on relatively short notice and we look forward to hearing from you.

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

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

[Translation]

Thank you, Mr. Chair and members of the committee, for inviting me here today.

My name is Alex Jeglic and I appreciate the opportunity to appear again before this committee to shed a light on the findings of my office's recent report on procurement practices of contracts awarded to McKinsey & Company.

[English]

With me today is Derek Mersereau, director of inquiries, quality assurance and risk management.

[Translation]

My office is independent of other federal organizations, including Public Services and Procurement Canada, or PSPC. I submit an annual report to the Minister of Public Services and Procurement, but the minister has no influence over the results of my reviews or reports, and all my activities are conducted at arm's length from PSPC and other federal organizations.

[English]

As a neutral and independent organization, our legislative mandate includes the review of procurement practices of federal departments in order to assess fairness, openness, transparency and consistency with laws, policies and guidelines, which is what we're here to discuss today.

On February 3, 2023, the Minister of Public Services and Procurement requested that I conduct a review looking into contracts awarded to McKinsey & Company. Once my office was able to establish reasonable grounds as per our regulatory requirements, the review was launched on March 16, 2023. As per our legislated deadline, my office completed the review of McKinsey contracts on March 15, 2024, and the report was published on our website on April 15, 2024.

My office examined the procurement files of 32 McKinsey contracts and one national master standing offer, or NMSO, issued to McKinsey through competitive and non-competitive procurement processes in order to assess their fairness, openness, transparency and compliance with legislation, regulation, policy and procedural requirements. PSPC was the contracting department for 23 contracts and the national master standing offer. The review did not include contracts awarded by federal organizations that are not in my mandate, such as contracts awarded to McKinsey by Crown corporations.

With regard to competitive procurement practices leading to the awarding of contracts, my office identified instances where procurement strategies were changed to allow for McKinsey's participation in the procurement process, creating a perception of favouritism towards McKinsey. We also observed deficiencies related to bid evaluations in multiple files, including missing or incomplete documentation, failure to conduct evaluations as per the planned approach, and the inappropriate re-evaluation of bids, leading to McKinsey being deemed the only compliant bid.

My office also identified shortfalls related to personnel security clearances, including lack of documentation to show that the security clearances of proposed resources were verified before they were authorized to work, or to confirm that contracts were sent to PSPC's contract security program when required.

With regard to non-competitive procurement practices leading to the awarding of contracts, my review found that the sole-source justification used by PSPC to establish the McKinsey benchmarking services NMSO did not contain the required information needed to justify this sole-source standing offer. Nineteen contracts known as "call-ups" with a total value of almost \$49 million were issued to McKinsey without competition against this standing offer. We also found that the vast majority of call-ups issued against the McKinsey benchmarking services NMSO were void of any description of the specific work to be carried out by McKinsey and, by extension, proper PSPC oversight.

In these files, there was no evidence that a statement of work had been developed in advance of determining the procurement strategy or contacting McKinsey with the requirement. In these cases, it was impossible for my office to determine the extent to which McKinsey defined the requirement for these departments, which is a serious threat to the fairness of the procurement process.

All call-ups issued against the McKinsey benchmarking services NMSO were non-competitive. The majority of these call-ups also lacked sole-source justifications. Sole-source justifications were never sought by PSPC in its capacity as the contracting department. In total, 18 of the 19 competitive call-ups were awarded by PSPC in the absence of justification on file.

We also noted conflicting information regarding the use of the McKinsey benchmarking services NMSO for call-ups with security requirements.

My office examined practices for issuing contract amendments and task authorizations for McKinsey. Overall, contract amendments were appropriate and in line with policy and guidelines, but several issues were noted, including an instance where the contract amendment was not on file, an instance where the contract amendment was not issued prior to contract expiry, and an instance where the call-up was amended to increase the value by nearly \$2 million without a clear description of the changes to the scope of work.

We also examined practices related to the disclosure of contract awards. In most instances, necessary disclosures were made on the proactive disclosure website. However, we noted issues with respect to the accuracy of information.

In total, there were five recommendations made by my office, which were all accepted by the implicated departments. It should also be noted that PSPC accepted most of the findings in the report but took issue with some observations.

• (1105)

I would be pleased to discuss all of these matters with you.

[*Translation*]

Thank you for your attention.

I would be pleased to answer your questions.

[*English*]

The Chair: Thank you very much.

We'll start now with Mrs. Kusie for six minutes.

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

Thank you very much, Mr. Jeglic and Mr. Mersereau, for being with us here again today.

I see four lines of enquiry, the first one being "Competitive procurement practices leading to contracts awarded to McKinsey". However, 78% of McKinsey contracts were sole-sourced and 59% of the contracts you reviewed were sole-sourced specifically under a benchmarking service deal catered towards McKinsey.

Is that correct?

• (1110)

Mr. Alexander Jeglic: I can't validate the statistics, but yes, it sounds accurate.

Mrs. Stephanie Kusie: Thank you.

This specific benchmarking solution was originally valued at \$47 million, but then it increased to \$48.8 million. Only one contract of the 19 provided any justification as to why McKinsey was the only company able to perform the necessary services. This means that \$43 million was paid to McKinsey without the proper documentation. This is a theme we've seen repeatedly, unfortunately, across this government.

Do you believe it's because the departments favour McKinsey as a company in comparison to others that perform similar services?

Mr. Alexander Jeglic: I think that in totality, we concluded that, in addition to the NMSO—which you well described—there were other instances of favouritism towards McKinsey.

The one counter to that is that in the NMSO creation, as we reported in the report, there were four other national master standing offers with other entities that were not McKinsey.

Mrs. Stephanie Kusie: Why, do you think, were departments changing their requirements to allow for McKinsey to bid on contracts that it was not originally eligible for?

Mr. Alexander Jeglic: Again, where there's a lack of documentation, we simply allege the facts. I don't know if you recall, but in my previous testimony, I started to talk about negative inferences. At what point do we make negative inferences associated with the lack of documentation?

This report starts that trend of negative inferences where we allege the facts, but we ultimately came to a conclusion that, in sum, there was favouritism toward McKinsey.

Mrs. Stephanie Kusie: What evidence did you find that encouraged this favouritism by government departments?

Mr. Alexander Jeglic: You've cited two examples. One was in the change of procurement strategy. We saw that there was a procurement strategy being contemplated. It was only through the realization, whether that was directly with McKinsey or through the contracting authority, that they would not be qualified to participate in the process that, therefore, there was a reconsideration of the process.

Could there have been additional factors in addition to that fact alone? Absolutely. We're not discounting that. We're simply saying that it did happen and the contracts were in fact awarded to McKinsey.

I will just say one more thing. In addition, we found a lack of documentation. Other ways that we could kind of walk back our findings would be if we saw documentation that would explain why some of these decisions were taken. You'll note from the report that there was a lack of information explaining why there was a change of these decisions or procurement strategies.

Mrs. Stephanie Kusie: That's interesting. It's very similar to the Auditor General's findings around ArriveCAN in that she was unable to determine the actual cost of ArriveCAN as a result of missing documentation.

The only contract that received a justification was challenged by PSPC. I believe the term they used specifically was "take issue". The words were "take issue" because it was not accurate and did not justify the exception.

Did ESDC respond with the proper justification or did they maintain their original justification?

Mr. Derek Mersereau (Director, Inquiries, Quality Assurance and Risk Management, Office of the Procurement Ombudsman): The justification cited in the report is the only one we saw. We didn't see a subsequent one. That might have been previously adjusted, but what we saw in the file is what's reflected in the report. It provided inadequate justification, in our view.

Mrs. Stephanie Kusie: Thank you.

To approve the contract, PSPC had the minister of procurement personally sign off on this \$5.7-million contract.

Is that correct?

Mr. Alexander Jeglic: Yes.

Mrs. Stephanie Kusie: Which minister signed off on this contract?

Mr. Alexander Jeglic: It was Minister Tassi.

Mrs. Stephanie Kusie: Thank you.

Is it standard practice for a minister to personally approve a contract that their own officials challenge?

Mr. Alexander Jeglic: In this circumstance, we did look for the rationale as to why the minister signed off on this specific contract. I believe there is an internal delegation instrument within the department that, based on the dollar value associated with the contract, required minister approval.

Mrs. Stephanie Kusie: What justification would a minister possibly use to sign off on a \$5.7-million contract?

Can you think of a justification that would be legitimate, where a minister could personally override their officials and sign off on a contract?

Have you seen this before? If yes, when? If not, what kind of justification could possibly be used for this type of authority?

• (1115)

Mr. Alexander Jeglic: I will say that the implication of any political actor in a procurement process is not ideal because it puts the political actor in a difficult position, whether it's the approval or rejection of the recommendation to ultimately enter into the contract.

That being said, the signature was provided based on the recommendation. It was in line with the required delegations within the department.

Beyond that, we have no additional insight as to specifically why that was done, other than the value of the contract.

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

Thank you, Mr. Chairman.

The Chair: Thank you very much, both of you.

I have Ms. Atwin for six minutes.

Go ahead, please.

Mrs. Jenica Atwin (Fredericton, Lib.): Thank you very much, Mr. Chair.

Thank you to our witness for being with us.

I'm new to this conversation and I have a lot of background questions, so please forgive me.

I'd like to start with the task and solutions professional services. TSPS consists of two supply arrangements, one for task-based requirements and the other for solution-based requirements.

Can you please explain the difference between the two?

Mr. Alexander Jeglic: Sure.

As you mentioned, they're both supply arrangements, and both of them are eligible for use. They're mandatory tools. The distinction between the two is ultimately in how the deliverables are stated in the statement of work. For the task-based, that's very deliverables focused, so typically there's a lot of precision associated with the scope of work. In the solutions-based, you're identifying a problem. Therefore, the contractor has much more leeway in terms of how they deliver the solution but they are, ultimately, accountable for delivering the solution. That's the predominant difference between the two.

Mrs. Jenica Atwin: Okay. Thank you.

Can you explain a situation in which a contracting authority might change from a solutions-based supply arrangement to a task-based one or vice versa? When would that happen?

Mr. Alexander Jeglic: Sometimes the issue is that the client may not be fully aware of their needs and how to actually portray them vis-à-vis the scope of work. There are certainly instances, as we've identified in the report, in which reconsideration of the procurement strategy is appropriate. We had an example in which an ACAN, or an advance contract award notice, was contemplated for one of the contracts. It went to an internal review committee. That committee challenged the use of an ACAN and said they would prefer a more competitive process. Ultimately the procurement strategy was changed in that circumstance from an ACAN to the TSPS task-based, and so documentation was prepared to demonstrate a movement away from an ACAN to a task-based service.

The problem on that specific file arose when, after that happened, it was learned that McKinsey was not qualified under the task-based approach. There was a change in documentation associated with the solutions-based approach, and there wasn't documentation really identifying why that change was made.

Mrs. Jenica Atwin: Okay. Thank you.

Can you also explain the relationship between the TSPS and the centralized professional services system, CPSS?

Mr. Alexander Jeglic: In the centralized system, you have a repository of all qualified bidders. The tool is meant to document,

in fact, how many prospective bidders are involved in the process. It's essentially a database. It's the number of specific suppliers that are included as part of the process, which depends on the value associated with the specific offering. The higher the dollar value is, the more open the competitive process.

Mrs. Jenica Atwin: What role does CPSS play then in protecting the integrity of government procurement?

Mr. Alexander Jeglic: It plays a significant role in terms of documentation. In order to document that you've complied with the business rules associated with the CPSS, you need to retain accuracy with respect to the number of bidders you ultimately sent the request to. Again, the number of bidders who should be the recipients of the opportunity is based on dollar value.

You also need to keep on file exactly who it was sent to in order to ensure that those individual suppliers were in fact qualified to bid. For some of the examples we saw, we weren't sure whether in fact all suppliers who should have been identified were identified.

Mrs. Jenica Atwin: Thank you.

The report identified several instances in which that documentation was missing or incomplete. In your experience, what obstacles do public servants face in terms of documenting their decisions? How common would this be?

• (1120)

Mr. Alexander Jeglic: This is a long-standing issue that we've seen in many of our procurement practice reviews. The one distinction that I would note specific to McKinsey had to do with the timing of these documentation lapses. Traditionally we saw a lack of documentation across the board, but in this instance, we saw it at sometimes discrete times within a process, such that we would have documentation present for certain steps of the process, and then at a seminal moment there would be a lack of documentation. That's the part that's concerning, and that brings me back to the negative inferences I was talking about.

Mrs. Jenica Atwin: Okay, thank you.

The report also found that the lack of a statement of work makes it difficult for departments to hold a contractor to account in the event of future contractual disputes surrounding the expectations regarding work to be completed. This lack of documentation regarding the specifics of the requirement also creates a risk that contract splitting could go unnoticed since the scope of the original requirement is not clearly documented.

Can you please expand on the risks associated with not having a statement of work?

Mr. Alexander Jeglic: I'll just situate the question.

It comes from the national master standing offer. There were three documents that were ultimately required as part of the call-up process, and none of them was a statement of work from the department. It was a proposal from the proponent, which in this situation was McKinsey, that ultimately drove the call-up process. Without the lack of a definitized statement of work, it's very difficult to say that the performance is either lacking or has been delivered. In those circumstances, ultimately the government is being led by the supplier, and the supplier provides the proposal, including the pricing, without the grounding of a statement of work, and that's why we found it so concerning.

Mrs. Jenica Atwin: Can you also explain that notion of contract splitting that I mentioned and what those consequences would be?

Mr. Alexander Jeglic: Right, so contract splitting is when—

The Chair: Mr. Jeglic, I'm sorry; we're basically down to three or four seconds. Perhaps we can get back to it on Ms. Atwin's next round.

Mrs. Vignola, go ahead, please.

[Translation]

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

Thank you for being with us, Mr. Jeglic and Mr. Mersereau.

I'd like to say that reading your report was edifying, but it was frightening, really. This is the second time we've seen a procurement process not followed. Also, in your report—I believe it's in paragraph 36—you say that this has been a regular occurrence over the past few years.

Is this a systemic problem? Is it related to the influence that some people may have, or perhaps even collusion?

Is there a lack of staff training?

Is the problem related to all those factors?

[English]

Mr. Alexander Jeglic: Thank you for the question, Mr. Chair. I think the answer is a big one, and I was hoping I'd have the opportunity to raise this.

We are seeing consistent problems across the federal procurement landscape. If you go back even as far as a decade and further, you'll see that many of these issues are repetitive in nature. It's not simply one issue, but what I will say—and this is what I believe the theme for this report is—that perhaps the system has lost confidence in delivering results for the project authority. As a result, people use the system in ways that it shouldn't be used. I don't like to present problems without solutions, so I will say that our office is currently working on potential solutions to these large-standing procurement issues. If given the opportunity, I'd like to talk about some of those potential solutions.

[Translation]

Mrs. Julie Vignola: Thank you very much.

I will certainly give you an opportunity to discuss it, but one question keeps coming to mind. I would like to ask it before we hear your proposed solutions.

McKinsey is important on a global scale, but in the world of consulting contracts in Canada, it's still a small player right now. It has grown in importance, but it's still small. Companies like Deloitte, KPMG and PricewaterhouseCoopers are much larger, and they get a lot more contracts.

If we reviewed a sample of the contracts—I realize that reviewing them all would take a lifetime, and it could be the subject of a post-doctoral thesis—would we run the risk of seeing the same issues as those described in your report?

[English]

Mr. Alexander Jeglic: Unfortunately, it wouldn't be fair for me to answer that. Not having done the review, I can't anticipate what I would see in other circumstances.

As I mentioned, for the national master standing offer specifically, McKinsey was one of five, so we would anticipate seeing many of the same issues associated with the formation of the NMSO in those other four occurrences, but I can't say with certainty because we didn't do those reviews, unfortunately.

• (1125)

[Translation]

Mrs. Julie Vignola: That's incredible.

You may not have gone into those specific details. However, when it comes to public servants, the people responsible for contracts, did you find the same names always associated with the same errors regarding the lack of documentation?

Is the problem more generalized?

[English]

Mr. Alexander Jeglic: The genesis for our review always looks at the practices of departments, so we're not typically looking to name individuals, but I think that recently we have started looking more closely at the names of individuals, departments, programs, etc. to see if we can see trends at that level as well. Here we did not see political influence, and we also didn't see many repetitive actors.

Obviously, in the formation of the national master standing offer, PSPC was the contracting authority in all of the call-ups, so there was a unified kind of analysis done by one group within PSPC for that national master standing offer. If you ask for community, that's one community of people that I would identify.

[Translation]

Mrs. Julie Vignola: Thank you.

Which group is it, then?

[English]

Mr. Alexander Jeglic: Maybe, Derek...

Mr. Derek Mersereau: PSPC has a group that handles these kinds of procurements that fall under the national master standing offer category. I believe it's referred to as the ZM group. Within the call-ups themselves, you would have noticed in the report of the 19 total call-ups or contracts that were issued under the national master standing offer that National Defence had the largest number. Among those, half them were from one unit, the chief professional conduct and culture unit. There was a concentration of call-ups from that particular unit, as well as for a digital navy program and the Canadian Joint Operations Command unit, so there was some concentration among the contracts.

[Translation]

Mrs. Julie Vignola: Thank you very much.

Will you eventually undertake a review of that group?

[English]

Mr. Alexander Jeglic: Yes. Again, the purpose of these reviews is to ensure that these practices don't continue, and that's the nature of the recommendations we make. As I've mentioned, the review isn't where it ends. We also conduct a follow-up. For each of the departments that were subjected to a recommendation, we will go back in and follow up with those departments to test whether, in fact, what has been implemented by the department is meant to address the actual issues that we saw. Once we do that process, we do issue a report card, and we transparently report out on what we see after the report is finalized.

The Chair: Thank you very much.

Mr. Bachrach, please go ahead, sir.

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair.

Thank you, Mr. Jeglic and Mr. Mersereau.

I'll pick up where my colleague left off. This issue of there being a systemic problem as opposed to a specific problem with one company is, I think, an important one. I'm curious. You mentioned that there were four other standing offers with a similar structure to the one that was awarded to McKinsey.

Which companies were awarded those other four standing offers? If you have the relative value of them, that would be helpful as well.

Mr. Alexander Jeglic: The four others were Forrester Research Limited, Gartner Canada Inc., CEB Inc. and Info-Tech Research Group Inc.

Before I give the values, I just want to caveat that we established these values through proactive disclosure. We know ourselves that there are issues with proactive disclosure, so we don't want to say that these numbers are absolutely accurate, but these are the best that we could identify based on our review. Gartner, by far, would be the most significant, coming in at approximately \$240 million. Next would be Info-Tech Research Group at \$20.8 million. Then you'd have Forrester Research Limited at \$12.5 million and CEB Inc. at \$6.4 million.

• (1130)

Mr. Taylor Bachrach: Given that you've looked into one company, have found these problems with procurement and have extrapolated from that and suggested that there's a systemic issue, what would need to be done to confirm your suspicion that there's a systemic issue with the way the procurement system is being used?

Mr. Alexander Jeglic: The difficulty in answering that question is that it's not a specific issue. It's multiple systemic issues, right? I've used this terminology internally, but I'll share it: I do think that now is the time to act. We really need to reconsider federal procurement in its totality. I know it seems like a pretty dramatic thing to say, but I've been in this role for over six years. We've done a great deal of foundational work in terms of what we've seen in the landscape, and I'm fearful that if I don't start acting in a more aggressive manner, significant changes will not come. I don't think band-aid solutions are the answer. I think there needs to be significant rethinking as to how federal procurement is done.

Mr. Taylor Bachrach: Does part of that rethinking involve looking at how to rebuild the public service so that we're not outsourcing hundreds and hundreds of millions of dollars of contracts to consulting firms that are likely overcharging us for their services?

Mr. Alexander Jeglic: We are developing a piece on the potential creation of a chief procurement officer. That role would have the mandate of looking into foundational changes, including the interplay of various organizations that are currently implicated in federal procurement.

I think if you asked all players or actors in the federal procurement sphere and they answered honestly, they would tell you that the system does not produce the results that they want in an efficient and timely manner, so I think—

Mr. Taylor Bachrach: They hack the system, essentially. They have a tool to do a job and the tool doesn't work, so they use the tool in a way that it's not designed for.

Mr. Alexander Jeglic: I think that's a fair characterization.

Mr. Taylor Bachrach: Okay.

What are the next steps from here? How can the committee contribute to this work of reforming the procurement system so it delivers better for the public?

Mr. Alexander Jeglic: One identifiable solution that I think is well known within the federal procurement space is the creation of a vendor performance management framework. What that would do is actually evaluate the performance, in the administration phase, of how suppliers are actually performing, because I do think a part of this is an avoidance of poor performers. Currently, there is no federal vendor performance management framework. PSPC is piloting an individualized policy within their department to implement vendor performance management, but like I said, I've been in my role for six years, and this is probably my number one priority. I repeat this ad nauseam. I think this is an immediate step that needs to be taken. I think this will help address the poor performers. It will legitimize the process.

Again, I would describe that as a medium-term solution. I'm not naive enough to say it's a short-term solution, and the creation of the chief procurement officer in and of itself is not a solution, but it is the first step towards what I would describe as “transformational change”.

Mr. Taylor Bachrach: One of my colleagues mentioned that some of these revelations are similar to the ones we received regarding the ArriveCAN procurement. I'm just wondering if you can do a very quick compare-and-contrast of what we saw in that case and what we see in this case.

Mr. Alexander Jeglic: In that case, we saw favouritism in a different way, through what I would describe as “transparent favouritism”, which was by having overly restrictive criteria so that anyone who looks at those criteria will be able to assess whether in fact there is a desired outcome.

Here, it's not happening at surface level. It happens below the surface, so the change of procurement strategy wouldn't be made transparent to suppliers, whereas in ArriveCAN I would argue the restrictions were made transparent to other suppliers and they were aware of the restrictive nature, and that may have caused a chill effect in terms of the number of bidders.

What I'll also say is in the seven competitive processes that McKinsey won they were either the sole bidder or the sole compliant bidder in every one of those processes. That also tells you that on the supplier community there's something not working, right? It's not just on the governmental side. It's also on the supplier community side, because if there's a known buyer that pays, why is the community not participating in greater volumes? There are legitimate questions to be asked across the board, and that's why I posit the idea that this is the time for action.

• (1135)

Mr. Taylor Bachrach: Thank you.

The Chair: Mr. Brock, go ahead, sir.

Mr. Larry Brock (Brantford—Brant, CPC): Thank you, Chair.

Thank you, gentlemen, for your attendance today.

I'm going to share some of the comments of my colleagues in terms of some of the overlap between McKinsey and Government of Canada Strategies, also known as GC Strategies, and in terms of the focus of the documentation, which in most cases, on both sides of the equation, was often missing, incomplete, altered after the

fact.... It really begs the question—and this is something that I get continuously and daily from constituents from all across the country—who is actually responsible for this?

It's one thing for us as parliamentarians to expose the rot and the corruption in this government and this broken procurement process, but where are the consequences? That's going to be the focus of my first round with you.

The consequences, in my view, ought to be criminal in nature, because you have a mandate, Ombudsman. I know you do. You mentioned that during your last appearance at OGGO. That is, you uncover elements of criminality, and I believe your threshold is a mere suspicion of criminality. Am I correct in that assessment?

Mr. Alexander Jeglic: There is nothing formal in either the legislation or regulation in regard to criminality. However, that being said, if we were to see something that would give rise to a suspicion of criminality, we would refer that to the RCMP.

Mr. Larry Brock: Sure, and your threshold is the lowest rung of the ladder, ultimately, until you get a conviction.

There's suspicion. Then there's reasonable and probable grounds by a police service. Then there's proof beyond a reasonable doubt by Crown attorneys and ultimately a conviction. A suspicion is a very low threshold.

I'm looking at literally the same sort of criminal charges as it relates to McKinsey as the Government of Canada Strategies, where the RCMP have confirmed they raided his house a couple of weeks ago. They're looking at two counts: fraud under section 380 of the Criminal Code and forgery under section 267 of the Criminal Code.

I know that you may not be comfortable in answering this question, but I'm going to put it to you in any event. Do you feel, given your review of McKinsey and the irregularities and the strong presumption against a favouritism towards McKinsey over any other contractor, that there is an element of fraud in relation to the Government of Canada? Yes or no, sir.

Mr. Alexander Jeglic: You always ask me these difficult questions with only yes and no options.

Mr. Larry Brock: If it's not a yes or no, I'll allow you to expand.

Mr. Alexander Jeglic: I would say no in this circumstance.

What we saw is a bunch of different reference points across different departments. That's why you see in our conclusion that we say, “in some”.

Within any given department, we didn't see 10 examples of favouritism. The only example of communal favouritism, I would say, was in the creation of the national master standing offer. It offered an opportunity to contract in an unsolicited way, whereby it's directed to McKinsey on a repetitive basis. That is what I would identify as the single most problematic aspect of this review.

Mr. Larry Brock: Are you familiar with the definition of fraud under the Criminal Code?

Mr. Alexander Jeglic: Yes.

Mr. Larry Brock: It's "Every one who, by deceit, falsehood or other fraudulent means...defrauds the public..."—in this case the taxpayer—"of any property, money,"—in this case, taxpayer funds—"or valuable security, or any service" if it's over \$5,000, proceeding by indictment and imprisonment for 14 years.

Favouring one particular company and allowing it to egregiously break the procurement rules in non-compliance with numerous statutes, numerous regulations and numerous policies.... In fact, PSPC published a document called "Doing Business with the Government of Canada", in which it highlighted openness, transparency and accountability.

In all of those circumstances, do you not see a low threshold case of making out that the Government of Canada, through the PSPC and other departments, is defrauding a taxpayer by favouring McKinsey over other legitimate vendors? Could an argument not be made, sir?

• (1140)

The Chair: Now I have to ask that it be a yes or no, because we're out of time.

Mr. Alexander Jeglic: Could an argument be made? Yes. Did we see it? No.

Mr. Larry Brock: Thank you.

The Chair: Mr. Bains.

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

Thank you to our ombudsman and Mr. Mersereau for joining us today.

You mentioned that in the procurement process, this has been going on for decades. Obviously, you'd like to provide solutions and recommendations. I want to give you that opportunity. However, even in previous committee meetings, when we've asked these questions around procurement, we've learned that the process has not changed in almost 20 years.

Over that time, we've seen people continue to work with departments and people within government departments who have been there for a long time—decades even—and relationships are built. Again, things are happening, so you know someone.... All the people who are getting procurement services know one another. They interchange. They'll do different jobs continually and simultaneously.

How much of that whole relationship building are you seeing? Maybe you can talk about some of the steps you want to take.

Mr. Alexander Jeglic: Yes, absolutely.

There are multiple layers to your question. How is federal procurement done? Is there a relationship component to federal procurement? The answer is absolutely yes, there is a relationship component to this, and that goes back to the point I was making about vendor performance management. How do you actively track this information about who the good performers and the poor performers are? You need to do that in a transparent way, and that's the problem. It's not being done.

Say you had a particularly bad experience with a particular supplier, and you never want to work with that supplier again. The system currently doesn't have a mechanism by which that could happen. Ultimately, what ends up happening is you use criteria as a methodology by which you create overly specific, restrictive criteria to ensure that the specific supplier cannot participate.

I saw the furrowed brows when I said there is no process to currently stop that from happening. Obviously, if someone is charged criminally, there are, in fact, ways to bar suppliers, but what I'm talking about is not of that nature. I'm talking about a supplier that just doesn't deliver in accordance with the terms and conditions of the contract. There's nothing criminal; it's just a poorly performing supplier.

At the end of the day, people want to deliver on their projects. When they are not given an opportunity to deliver on their project because the supplier that was hired using the process that was given ultimately doesn't deliver, it's frustrating for all people. It's not just frustrating for the taxpayer, but also for the government officials.

I can speak on their behalf for an instant. They're frustrated with the system as well. It's not just the contracting authority, but also the project authority. The project authority wants to deliver on the project and is being told what procurement tools to use. If those tools don't lead to the outcomes it wants, then you have to understand why it's looking at alternatives.

Mr. Parm Bains: Then what are some of the step-by-step changes you're thinking of?

Mr. Alexander Jeglic: I think I was identifying two of them, and those are the main two that we've identified, as an office, to say that these are both significant and would have a long-standing impact. The first piece is the transformational change. I can't sit before you today and tell you that I have all of the answers, but I will say that I think there needs to be an outside lens looking at what prospective changes need to take place—someone who is not an active participant in the process. That's why we're advocating for the creation of a chief procurement officer.

The second piece is this government-wide vendor performance management tool, because it will not only eliminate the problem of poor suppliers, but will also reward positive engagements with suppliers. So, good suppliers aren't necessarily treated better, but will be given consideration for their good performance on federal government contracts.

Mr. Parm Bains: What does that tool look like?

Mr. Alexander Jeglic: It's literally called a vendor performance management framework, and it's a transparent government-wide tool where anyone who delivers under a federal contract would be evaluated after completion of the project. A number of models already exist. If you look at other jurisdictions, they would have vendor performance management frameworks, so this isn't something unique that I've created on my own. It's being done in multiple jurisdictions, but it's just not being done at the federal level.

• (1145)

Mr. Parm Bains: What examples can you give?

Mr. Alexander Jeglic: You could look at the City of Ottawa as an example, but there are multiple examples. Again, I hate to sound like a salesman on this one, but on our website we've actually published an initial piece on vendor performance management where we have looked at other such frameworks specific to dispute resolution. However, we are writing another piece on the chief procurement officer that we hope to publish in the next several months, which I would encourage everyone on this committee to read.

Mr. Parm Bains: Thank you.

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

[*Translation*]

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

Mr. Jeglic, paragraphs 91 and 92 of your office's report more or less say—and I'm summarizing here—that statements of work, or SOWs, defining needs were generally missing in most cases and that the McKinsey & Company outline was the first document filed.

That is scary. I wonder if the departments know what they want, by when they want it and why they want it. When the vendor determines what the departments want, we have a problem.

Am I wrong?

[*English*]

Mr. Alexander Jeglic: I would agree with your concern with the lack of specific statements of work for call-ups. That was one of the notations that we had as well. I think part of the answer is that in a traditional master standing offer the good or service would be defined with precision. Therefore what we did see are references back to the generic scope and the creation of the national master standing offer, which, in some ways, is not wrong. It's actually right. It's just what happens next is the important part.

This wasn't a great fit, in our view, for a national master standing offer, because the services included the aspects of intellectual property, but the preponderance did not. You saw that 97.5% of the total value of these call-ups was not related to the proprietary tools, but was related to the expert advisory services associated with the tools. What we question is this. If you look at the chart early on in the report, you'll see a shift where McKinsey was winning competitive contracts, and then when the national master standing offer was established, all of a sudden everything becomes non-competitive. That means that not only were they winning benchmarking prior to the creation of the NMSO, they were winning other contracts asso-

ciated other than benchmarking. After the creation of the NMSO, everything was related to benchmarking.

[*Translation*]

Mrs. Julie Vignola: Thank you.

It astounds me. I also see that McKinsey & Company was intimately involved in the Century Initiative. However, that initiative suggested that we accept 500,000 immigrants a year without considering the social repercussions it would entail. Mr. Barton talked about this at committee.

The government seems to have turned a blind eye to this, as if McKinsey & Company always suggested how to proceed and we had to go along with it.

Did you also observe that tendency in your report?

[*English*]

The Chair: Give a brief answer, please.

Mr. Alexander Jeglic: Mr. Chair, I don't believe so, no.

[*Translation*]

Mrs. Julie Vignola: Thank you.

[*English*]

The Chair: Mr. Bachrach, go ahead, please.

Mr. Taylor Bachrach: Thanks, Mr. Chair.

Mr. Jeglic, you asked the question: Why are other companies not bidding? I want to dig into that a little bit. Is it because other companies know the system is being hacked to favour certain companies and they don't feel that it's worth the effort to participate in the process if the outcome is predetermined?

Mr. Alexander Jeglic: Part of our role in the office is to speak to all stakeholders. One of the stakeholder groups we do speak to is the supplier community. We capture all of the information they provide to us on a yearly basis, and I will say that we had a record number of cases this past fiscal year.

What we hear with clarity is that they do believe there is a restrictive nature in the requirements. Whether they be biased, unfair or overly restrictive are constant issues that are raised to our attention by the supplier community.

To answer your question directly, is that happening? Yes, there are concerns on the part of suppliers that there are defined results before a competition is let. As a result, it diminishes competition, but I also don't think that's the only factor; that's the piece where we do need to lift the hood and understand more.

Before committee I represented the statistic of over five years when we did an analysis of competitive procurements. In 34 of the instances, there was one sole bidder on competitive processes. That's a particularly high number, so our hope is that, in future, we're able to look at that number and unpackage, on the supplier side, why that's happening.

Certainly, I know that the focus of many of my remarks has been on the governmental side, but I do think that there also needs to be an engagement strategy with suppliers to understand why they are not participating in greater numbers, particularly in times of the economy perhaps not behaving as well as one would like.

• (1150)

Mr. Taylor Bachrach: I'd love to get into the decision-making or the mindset that leads the people who are responsible for procurement to repeatedly choose the same vendors and adjust the process in order to have an outcome that results in their working with the same people over and over again. I'm wondering about the perception of risk. Obviously, there are risks of working with the same underperforming vendor over and over again, which is that you don't get great results. There's also a risk of dealing with new entrants who you might not have relationships with.

On which side of that risk equation do you see the procurement managers leaning more heavily? Are they avoiding risk by favouring underperforming standing contracts versus a more competitive process where you might end up with a wild card that results in a really adverse result?

Mr. Alexander Jeglic: When you look at restrictive criteria, I believe that the correct answer in this circumstance is that there is a known supplier that would meet those characteristics. I don't think it's done in the abstract, hoping that an unknown entity can comply with those restrictive criteria. I think that there is a specific vendor in mind when restrictive criteria are created.

Mr. Taylor Bachrach: Thanks, Mr. Chair.

The Chair: Mr. Genuis, please go ahead.

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

It's great to be back at OGGO after an unusually long hiatus.

Mr. Jeglic, thank you for the incredible work you're doing on behalf of Canadians by bringing to light these various significant problems in our procurement system.

Your report talks about favouritism, favouritism in terms of the government's treatment of McKinsey, how they favoured McKinsey and how they structured systems in order to give contracts to this favourite consulting company of the Prime Minister. McKinsey benefited from this favouritism.

Based on the previous work of this committee, it's clear how this happened. Dominic Barton was brought in to chair the Prime Minister's Canada Growth Council at the same time as he was a managing partner at McKinsey. McKinsey analysts did so-called pro bono work for the growth council.

Andrew Pickersgill, who ran the Canadian operations, supplied the analysts to do the pro bono work, but while he was supplying McKinsey analysts to do supposedly helpful pro bono work for this growth council that was chaired by Dominic Barton, he was also selling to the government.

You have this process where Prime Minister Justin Trudeau and Dominic Barton are kind of making this connection at the top between McKinsey and the Government of Canada, and then that is clearly filtering out over time throughout the whole system where

the connection at the top was shaping and impacting the kind of procurement that was happening across government to work to the advantage of McKinsey. That led to the establishment of the national master standing offer.

In terms of the analysis you did about specific individuals involved and what roles they played in getting these things established, can you speak about Dominic Barton and Andrew Pickersgill, for example, and where they showed up along the way in terms of looking at how this favouritism manifests itself?

• (1155)

Mr. Alexander Jeglic: To my knowledge, in our review those names did not come up. I'll look to Derek just to confirm, but my belief is that those names did not come up.

Mr. Derek Mersereau: I can confirm that Dominic Barton's name did not appear. Andrew Pickersgill...I'd have to go back and review your documentation. I don't recall seeing that name, just off the top of my head, but I can come back to you with that information.

Mr. Garnett Genuis: Could you provide some follow-up information in writing about some of the specific individuals? I'm not at all surprised, in the sense of Dominic Barton, because I see that connection having been made at the top between the Prime Minister and him, but the selling process happened by Andrew Pickersgill bringing in these analysts. It was the relationship that happened at the top between the Prime Minister and the leadership at McKinsey that then allowed this favouritism to take place.

We know as well that there's been a lot of interplay among senior Liberal offices and McKinsey. There's a former member of Parliament in the government caucus who was a former manager at McKinsey. Former staff members of the government have gone to work for McKinsey. What kind of information were you able to identify around political involvement or decisions made by ministers or by ministerial staff who were part of this broader culture of favouritism for McKinsey?

Mr. Alexander Jeglic: In the report we found one example in which a minister approved a contract. It was an ESDC contract. I believe the question came up before you entered the room. Essentially, what happened in that circumstance was that, as a result of an internal delegation document within the department that required that contract, due to the value, to go to the minister for approval, it went to Minister Tassi for approval. However, that would be the only example in our report in which we saw any action on the part of a political actor.

Mr. Garnett Genuis: Other issues that frequently come up about McKinsey are questions of conflict of interest, how McKinsey works for governments and then also works with people who deal with governments. For instance, it works for health regulators. It also, famously and tragically, worked for certain manufacturers of opioids. In your work, did you see clear instances in which McKinsey was doing work, for instance, for Health Canada or for other entities in government, while also working for companies that the government regulates? Part of the difficulty is that it has not been willing to give this committee a client list when requested.

Were you able to identify instances of those kinds of conflicts?

Mr. Alexander Jeglic: I can answer no, but that's because we weren't looking for that specifically.

Mr. Garnett Genuis: In the time I have left, I just reiterate how important it is, and I think there hasn't been the agreement—which I would have hoped for in the past—about how important it is that this committee gets the documents that it had previously requested. Previously, there had been agreement to order, and we hadn't been able to get in the past...

The Chair: Thank you, sir.

Mr. Kusmierczyk, go ahead, please.

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

Thank you so much, Mr. Jeglic, for your testimony. Again, you always bring so much information, light and context to this critically important conversation that we are having.

McKinsey is a global company that has 40,000 employees around the world, in 60 countries. I see that its clients represent a broad swath of both private sector companies—some of the largest private sector companies in the world—but also governments. Recently the Alberta Conservative government hired McKinsey to do a review of its school policy, schools and education system. As well, recently we saw the provincial Conservative government hiring—I believe it was a sole-sourced contract—McKinsey to review or to provide direction in coordinating its pandemic response. We're seeing governments of all stripes at all levels—federal, provincial, municipal—hiring McKinsey. Can you provide us with some insight on why McKinsey is successful at receiving contracts at all levels of government and from governments of all political stripes?

• (1200)

Mr. Alexander Jeglic: Obviously, I could not comment on why other jurisdictions would be contracting with a specific supplier, but we did see examples in the documentation that it has a good reputation. That good reputation is ultimately what leads the starting point of the conversation.

One clarification I need to make, though, is that we're not reviewing the practices of McKinsey. We're reviewing the practices of the departments that ultimately contracted with McKinsey. I think it is an important distinction.

Where we talk about favouritism, it's favouritism on the part of department actions, not on the part of McKinsey.

Mr. Irek Kusmierczyk: Excellent. Thank you for that clarification.

Your report has been consistent with previous reports. You're finding weaknesses and gaps in terms of justification, as you mentioned, at critical, seminal points of when a decision is made to provide a contract. There's weakness in terms of written justification for a certain decision.

You highlighted the weaknesses in documentation during the process, which would provide us with confidence that the rules are being followed, that it is fair and that Canadians are getting value for money.

In your evaluation, did you find fraud?

Mr. Alexander Jeglic: No, we did not, to my knowledge.

Mr. Irek Kusmierczyk: In your evaluation, did you find corruption?

Mr. Alexander Jeglic: No, I don't believe we did.

Mr. Irek Kusmierczyk: In your evaluation, did you find political interference in those contracts?

Mr. Alexander Jeglic: No, we did not.

As I've mentioned before, there was only one instance in the review we did where there was intervention on the part of any political actor.

Mr. Irek Kusmierczyk: We talk about benchmarking. McKinsey was brought in for benchmarking.

Can you tell us what benchmarking is and what exactly we were benchmarking, typically, in terms of those contracts?

Mr. Alexander Jeglic: I'll ask Derek if he could speak to this one.

I know Derek is prepared to answer this one, but I can fill in some of the gaps.

Mr. Derek Mersereau: I won't claim to be the benchmarking expert, but I'll try to cut through a lot of the consultant-speak and describe it.

A company like McKinsey has clients all over the world. It runs surveys in these companies. It can ask a variety of questions. The ones we're speaking about here are mostly around information technology, such as the maturity of an organization's information technology processes and procedures, as well as its culture. In this context, it will select what it refers to as its "solutions". There are nine different solutions it offers to the Government of Canada.

It will administer a survey within the organization. It will receive the responses. It will do the analysis of those. It will compare those results against information within its proprietary database and then it will provide a report back to the government organization that issued the contract.

That's how it's supposed to work, in a nutshell. I think what we saw is that it ended up being a lot more than that.

The Chair: Perfect. That's our time.

We'll go to you, Mr. Brock.

Mr. Larry Brock: Do you want to take it?

Mrs. Stephanie Kusie: Yes, for sure.

The Chair: Go ahead, Mrs. Kusie.

Mrs. Stephanie Kusie: Thank you very much.

I wanted to go back to the non-competitive contracts your office reviewed that were missing conflict of interest declarations from those who reviewed the bid submissions. Something that we've really been focusing on at government operations, as well as at public accounts, is the aspect of the conflict of interest.

We learned a couple of weeks ago that 38% of public servants who declared a conflict of interest were determined to be in an actual conflict of interest.

How concerning is it that this number is already high, yet we seem to be missing multiple conflict of interest forms in many contracting instances?

Mr. Alexander Jeglic: Obviously, as the member rightfully points out, the conflict of interest declaration is a seminal document, particularly for evaluators. I believe the statistic you provided was in general, but this is specific to the evaluation of proposals, where I would argue it's even more important to have these declarations on file and also to bring awareness to the issue.

This is a conversation we had in previous reviews as to whether conflict of interest forms would need to be completed by all participants in an evaluation, including public servants. We strongly advocated that, yes, all participants in an evaluation should complete a conflict of interest declaration as a participant.

The fact that they're missing is problematic, absolutely.

• (1205)

Mrs. Stephanie Kusie: We saw that the Department of National Defence has contracted a total of \$29.1 million with McKinsey. I'm also noting that it had the greatest number of contracts, as well—a total of 12 out of the 19. That's a significant number. It's almost two-thirds.

We also learned over the past few months that another major contracting firm with defence, known as Dalian—this goes back to my original question—received millions of dollars from that department. The owner of Dalian started working for defence while continuing to sign contracts for the company. In this instance, there was no conflict of interest form signed.

Due to McKinsey's favoured nature, do you feel there are numerous connections that led McKinsey to make \$29 million from the defence department specifically?

Mr. Alexander Jeglic: Mr. Chair, unfortunately, I can't answer that question in terms of the connections. What we saw, we reported on in the report. I can't speak about any connections made behind the scenes.

Mrs. Stephanie Kusie: PSPC stated that it took issue—I used that phrase in my first round—with the assumptions and interpretations in your report, as they were not the same as the department's.

Do you think a department can simply state its own version of events if it has not bothered to provide any evidence to support its claims?

Mr. Alexander Jeglic: That was the nature of our discussions with the department. We certainly believe the version depicted in the report is accurate. Any assumptions made were only based on the facts that were provided. If there was a fact provided and no fact provided on the other side, I think we were safe to make the assumptions we did.

There were a number of instances where we had discussions with the department to understand its perspective because, at the end of the day, what we're trying to achieve here is factual accuracy. That is why we engage with the department. First of all, it's required by way of the regulation. Second of all, we want to make sure the report accurately reflects the facts. If there are facts that are wrong, we want those to be corrected before we finalize the report.

I think the issue the department was having was regarding any inferences made as a result—a conclusion based on what it saw as unrelated facts that we saw as related.

Mrs. Stephanie Kusie: Do you think it's respectful of your work to have a department push back on what you find?

Mr. Alexander Jeglic: I absolutely feel it's within the department's purview to put forward its view. However, I would implore the department to document its view in the future so that, when it comes forward with what actually happened, it's reflected in the documentation, as opposed to surmising what may have happened after the fact.

Mrs. Stephanie Kusie: I think that's my time.

Thank you very much, Chair.

The Chair: We'll give you eight seconds in your next round.

Mr. Jowhari.

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

Welcome back, Mr. Jeglic and colleague. It's good to have you back in the committee.

What I've heard so far is that our procurement process is quite complicated and outdated. The department goes around, at times, to make sure it gets the job it is trusted to do. I also heard there's no evidence of fraud. There's no evidence of criminal activities or political interference. There's no mention of the PM or Mr. Dominic Barton, which is good.

It comes down to this question: Why McKinsey?

The question I have is where my colleague Mr. Kusmierczyk started going: What does McKinsey do? I heard from Derek that it does technology and culture benchmarking activities. We then got into asking what “benchmarking activity” means. It means they look at where the department or organization is at. They look at best practices, figure out where the gap is and develop a road map.

If the Government of Canada is trying to develop a road map for updating its technology and changing the culture and processes, what type of organization should it reach out to at the outset to develop that road map?

• (1210)

Mr. Alexander Jeglic: It's a fair question. I think there are a number of approaches by which you can consult the supplier community in a transparent way to obtain information. I think the approach taken here was to establish multiple, non-competitive national master standing offers. As you heard me mention before, there are five in total, so that dilutes some of the favouritism that was seen towards McKinsey, because there was the creation of four other national master standing offers.

Mr. Majid Jowhari: Thank you for going there.

You mentioned Gartner. What does it do?

Mr. Alexander Jeglic: I don't believe I'm qualified to answer that. I don't have any specific knowledge, but Gartner is a multinational consultancy.

Mr. Majid Jowhari: Gartner actually is another arm of, let's say, an industry that provides a lot of data. It develops quadrants in which it says—as it relates to the topic—who the top performers are, how they are performing, what the best practices are, etc.

Do you know what Info-Tech does?

Mr. Alexander Jeglic: No, I do not.

Mr. Majid Jowhari: Okay, I'm going to stop going down that road. However, what consistency I see is the complementary role that those four and McKinsey played with each other. When you're trying to do benchmarking and trying to develop a road map for a transformation of an organization such as the Government of Canada, you really need industry best. I come from a consulting background. McKinsey is one of the best on developing strategy, specifically around IT and culture. The other four organizations that were highlighted here are the ones that can provide a complementary set of data and benchmarking to the work that McKinsey is doing. I think the approach that the Government of Canada has done by making sure that we get one of the best...and also making sure that we have other advisory...at that level to validate what McKinsey is telling us—actually having four other pairs of eyes—is a wise decision.

However, having said all of that, we see inconsistency. We see that inconsistency around different stages of the process—we've switched back and forth between following the procurement process and not following the procurement process. That's what I suggest we should probably focus on.

With 30 seconds to go, is there anything that you've seen among those activities that we have...that we have stepped out of the procurement process...that would shed some light on why something like that would happen?

Mr. Alexander Jeglic: I think what we saw that was concerning in the creation of the national master standing offer was the justification for the exception. There's nothing wrong with the government wanting the best solution, but it's the methodology used to create the pathway to achieve that best solution. Here I would argue that there are exceptions under the government contracting regulations cited. It's 6(d), where “only one person” can perform...which was cited to allow for the creation of the national master standing offer. However, the rationale was limited to the tools that McKinsey offers. It was the rationalization of why we need the McKinsey tools rather than the governmental objective. The governmental objective should have been the focus, and then saying only one supplier could meet that governmental objective would have been an appropriate understanding of the rationalization. However, that's not what we saw.

The Chair: Thank you very much.

We have Ms. Vignola, please.

[*Translation*]

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

I'm going to briefly circle back to the statements of work.

Do departments have to justify the needs implied in a statement of work?

• (1215)

[*English*]

Mr. Alexander Jeglic: I believe the answer is yes. The work needs to be justified.

[*Translation*]

Mrs. Julie Vignola: Thank you.

Are those justifications usually part of the record?

[*English*]

Mr. Alexander Jeglic: I think the answer is that that's really the issue we're seeing. The objective of the government wasn't absolutely clear, and the focus was more on the opportunity to use McKinsey tools, and why the McKinsey tools were so exceptional, rather than focusing on what the government objective was that needed to be met.

[*Translation*]

Mrs. Julie Vignola: Thank you very much.

This sheds a great deal of light on the almost blind trust that the government—and I'm not just talking about this government, by the way—seems to have had for years in outside services, instead of looking internally for strengths and skills that would be more representative of what we really need.

Thank you very much for responding so transparently to each of our questions.

Mr. Chair, I would like to move the following motion:

That the committee invite the Minister of Public Services and Procurement to appear on May 1, 2024, to answer the committee's questions regarding the study on the Consulting Contracts Awarded by the Federal Government to McKinsey & Company.

The motion has been sent to the clerk, who will also have the opportunity to send it to all my colleagues.

If you want to discuss it after the rounds of questions, I'm open to that as well.

Thank you.

[*English*]

The Chair: Are you just putting the motion on notice, or do you wish to have it put forward, tabled and debated right now?

[*Translation*]

Mrs. Julie Vignola: As I said, I am moving it today.

If my colleagues agree, we can discuss it once the rounds of questions are over, to respect everyone's speaking time.

[*English*]

The Chair: Thanks very much.

Mr. Bachrach, please go ahead.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

I wanted to go up to the 10,000-foot level for people who might be watching this committee and wondering what the impact of all of this is. We've talked a little bit about the impact on other companies that are seeking government contracts, but there's a public interest here. I wonder, Mr. Jeglic, if you could talk a little bit about having a broken procurement process across all of government. What is the result for the public and for average Canadians who are watching this and wondering what the impact on their lives is?

Mr. Alexander Jeglic: That's a good question, and I think it is a fair question as well. Could we achieve better value for money for the taxpayer if the system worked more efficiently? The answer is absolutely yes.

I think there are mechanisms in government procurement that need to be reconsidered and that ultimately lead to a much more efficient system. Something that we hear—and I hate to use this word because it sounds like a broken record—is “simplification.” Simplification is always used in the context of trying to simplify what exists, but you're taking a very burdensome system and trying to make the burdensome system simpler. I think there's a different way to approach this problem. The real costs are time and money. A lot of time is spent on crafting procurement solutions, and a lot of money is ultimately wasted where competitions lead to no competitive tension in the pricing. Yes, there's an evaluation of whether the price is fair and reasonable in many instances, but there is no price tension that would ultimately result in a lower price for the taxpayer.

Mr. Taylor Bachrach: Your investigation spanned the years 2011 to 2023, and we see the real spike in non-competitive procurement with McKinsey after 2019, in those years, which corresponds to the pandemic. I'm wondering to what extent the pandemic broke the procurement system, or whether the systemic issues that you are seeing already existed and were simply accentuated by the conditions of the pandemic.

• (1220)

Mr. Alexander Jeglic: If you look at reports dating back over a decade, you'll see that they still resonate today. That was the starting point when I started in this role; it was to look back before looking forward. One thing I noted was that where our office collects datasets from a number of stakeholders, the issues that we see are repetitive in nature.

We create what we call a “top 10 list”. That top 10 list is pretty static year over year. It was disappointing to learn that the same issues persist, so we said that we wanted to be part of the solution. That's why we started that five-year review plan. It was to look at those top 10 issues across the three lines of enquiry, or LOEs.

We plan to publish that five-year report shortly. I don't think you'll be surprised by any of the findings; many of them have been discussed. Again, it's indicative of these being the same issues that we're seeing.

I will say that we've seen significant changes in recent years in procurement, like the move towards e-procurement. What changes that will amount to have yet to be seen. In the early days I was very optimistic that it could produce very positive results. I wouldn't say I've lost that optimism, but I wouldn't say that I would put all of my optimism in e-procurement.

Mr. Taylor Bachrach: I'd just say that it's pretty troubling that the same issues have been coming up for a decade and the government hasn't managed to fix them. I think that's something that should worry all Canadians.

The Chair: That's a fair comment.

Mr. Brock, go ahead, please.

Mr. Larry Brock: Thanks, Chair.

Mr. Jeglic, we finished off my first round discussing fraud. I want to talk now about forgery under section 366 of the code, which is defined as anyone who “commits forgery” by making a “false document, knowing it to be false, with intent”. Upon conviction, they could be looking at a prison sentence of 10 years.

Making a false document is defined in the code to include “altering a genuine document in any material part...making a material addition to a genuine document or adding to it a false date” or “making a material alteration in a genuine document by erasure, obliteration, removal or in any other way.”

In paragraph 110 of your report, you talk about a number of observations that are creating a strong perception of favouritism towards McKinsey. Subparagraph 110(d) talks about “The inappropriate re-evaluation of bids resulting in McKinsey deemed the only compliant bidder and awarding the contract.”

As a parliamentarian with some legal background, I view this as taking an original contract that has so many different qualities and manipulating the contract so that McKinsey, in essence, becomes the successful bidder.

In my opinion, sir, as a former Crown attorney, a case could be made out for an element of forgery in relation to that practice.

Would you agree, sir, that this could be the subject of an RCMP investigation?

Mr. Alexander Jeglic: I can't definitively answer yes or no to the question because the fact set is a little bit more complicated than what's portrayed here.

Essentially, we made a negative inference in this specific circumstance because this specific file had documentation at all steps of the process except for the point in time that this is identified, which was where the decision of the evaluation committee was sent to the contracting authority. The contracting authority performed the financial evaluations. The results of the financial evaluations were then made known to all the evaluators.

It was at this point in time that one of the evaluators saw who the ultimate winning proposal should be. At that point in time, there's no further documentation as to what happened. Ultimately, it was indicated by that specific evaluator that there had been an error in the assessment of one of the criteria associated as part of the technical evaluation.

Mr. Larry Brock: That was their opinion.

Mr. Alexander Jeglic: Yes, it was in their opinion.

• (1225)

Mr. Larry Brock: That could, in essence, be a material alteration of that particular term.

I'm not asking you to agree with me. I'm just asking, sir, if a case could be made out for investigation, in much the same way you agree with me with respect to fraud.

Mr. Alexander Jeglic: Right.

Mr. Larry Brock: Okay, I'll move on.

I understand your office is also investigating the concept of bait and switch across all federal departments.

Is that correct?

Mr. Alexander Jeglic: Just to clarify, it was reported to the committee that it's something we found reasonable grounds for. As you'll remember, it is a funding issue for our office, so I have put forward a funding request to the department. Pending funding, yes, that is something that we intend to pursue.

Mr. Larry Brock: If you pursue it, if you undertake it, that in and of itself could reveal criminality, correct?

Mr. Alexander Jeglic: Potentially.

Mr. Larry Brock: Right.

If you do receive the funding and the approval to proceed, would the bait and switch investigation also include, in these circumstances, McKinsey, in much the same way you investigated Government of Canada Strategies?

Mr. Alexander Jeglic: I think it is possible that McKinsey contracts are captured by the bait and switch now.

Mr. Larry Brock: Thank you.

In your review of the McKinsey contracts with the Government of Canada, did you uncover any evidence of the destruction of documentation that was prevalent throughout the GC Strategies investigation?

Mr. Alexander Jeglic: We didn't see a prevalence of document destruction. We did see, as you noted, that same file where there was an offer to delete a document associated with the financial evaluation. However, that would be the only example that I could think of.

Mr. Larry Brock: You talk about a lack of oversight, particularly by PSPC.

Are you in a position to file at a later date all of the individuals who worked at PSPC and CBSA, in fact all the departments that you reviewed, who are responsible for their involvement with McKinsey in allowing this misuse of taxpayer funds to occur?

Can you give us all the names, sir, within those departments?

Mr. Alexander Jeglic: What I can do is I can provide you the names that were captured in the documentation that was provided to us.

Mr. Larry Brock: Thank you.

The Chair: Mr. Sousa, please go ahead.

Mr. Charles Sousa (Mississauga—Lakeshore, Lib.): Thank you, Mr. Chair.

Thank you, both, for being here.

It's very important work that you're doing. We all recognize that we have to do better. It's been decades. It's not just the Government of Canada; it's all levels of government. It's prevalent throughout industry and in other jurisdictions around the world.

I think you can speak to some of that and we would welcome your comparison as to what's happening here and what we are doing now to try to overcome those challenges, challenges that you have rightly stated. These are challenges, I think you have also noted, you're working collaboratively with government to try to resolve. It's in government's interest, it's in all our interests, to see resolution to these matters. I'm interested in the way that some of the questions are being posed to you. I've been very interested throughout these deliberations. One of them is really interesting.

It's like, can any one of our committee members commit a crime?

Is anybody in this room able to commit a crime?

What's your opinion on that? Yes or no?

Mr. Alexander Jeglic: Yes.

Mr. Charles Sousa: There you go.

Does that make it so?

Have there been any criminal activities under your investigation?

Mr. Alexander Jeglic: We did not see any.

Mr. Charles Sousa: Did you see elected officials in this government creating corruption in this process?

Mr. Alexander Jeglic: The only instance that we saw political actors' involvement was in that one instance.

Mr. Charles Sousa: Have there been any forgeries committed during your investigations?

Mr. Alexander Jeglic: Unfortunately, I would not be the adjudicator to determine that. We have not referenced anything to the RCMP.

Mr. Charles Sousa: That's my point exactly. We are not the judge. We are not the jury. We shouldn't be the executioner here. We need to go through the proper process to deliberate over these very issues, which you have done very effectively. You provided some great recommendations. Those recommendations have been applied and have been recognized by government.

Some of them that you've discussed are in respect to the vendor performance framework. I think we've tried to identify some of that issue.

When you look at all the work that McKinsey's been doing, and you look at the extensive work it does across other parts of the world, has it underperformed?

Mr. Alexander Jeglic: Again, I'm not able to evaluate McKinsey's performance, and I think it actually underscores the vendor performance management framework point. The point is that, yes, there have been notations made on files that indicate that it has a positive reputation, but certainly we didn't assess McKinsey's reputation.

• (1230)

Mr. Charles Sousa: I want to ensure that the government doesn't have repeat procurement of poor performers. I think that was what you said that today. You want to avoid poor performers. You want to ensure that we have evaluation systems that identify those strong performers and legitimate organizations with integrity.

Could you explain to me the lobbying efforts that happen everywhere with respect to trying to enable suppliers to come forward in regard to sourcing opportunities with government?

How does that work?

Mr. Alexander Jeglic: Again, I'm probably not best positioned to explain how lobbying works in procurement.

However, I do know that there is in fact lobbying. There is a Lobbying Act, whereby people are required to register interactions with senior-level government officials. I think there's a registry that one could consult, so you would be able to see exactly who is lobbying and when.

Mr. Charles Sousa: The reason I'm asking is that one of the things you've identified is, how can we help suppliers get in on these deals? How can we grow some of the Canadian small businesses and entrepreneurs especially to tap into the opportunities to bid on contracts?

With that comes the requirement to help with understanding, laying the groundwork and navigating through the complexity of government systems. Some of the recommendations being suggested here are, on the one hand, from some who are saying that government is way too big: cut staff, cut departments, stop hiring all these people. On the other hand, others are saying: "Hey, maybe we don't have enough. Maybe we need to have more internal individuals doing these contracts."

On the skill sets, on the degree of change that occurs in this business, explain to me how nimble government can be if it doesn't rely on some of these contractors.

Mr. Alexander Jeglic: I think that underscores a great point, which is the importance of training public service officials.

I will say that recently I've personally encountered two training programs that I think are particularly strong within PSPC and also within DND. They have a one-year program and a four-year program for procurement officials, whereby they can participate actively in experimental training. They get insight into a variety of different transactions early on in their career. I see that as a semi-important thing. Training of public servants in procurement is incredibly important.

The Chair: Thank you.

Mr. Genuis, please go ahead.

Mr. Garnett Genuis: Thank you, Chair.

We've established that this government had a structural favouritism for McKinsey in terms of its contracting. Now, that exists in a context of—we've discussed it at this committee—some of the real, horrific abuses that have happened at the hands of McKinsey: advice related to supercharging the opioid crisis; advice on how to identify influential dissidents of the Saudi regime; some of the state-owned companies in the PRC that McKinsey did work for; continuing work for the Government of Russia following the initial invasion of Ukraine in 2014; and advising employees about not participating in pro-democracy activities in Russia, for instance.

There are many of these different issues, so I'm grappling with this reality of deeply unethical behaviour by McKinsey and, at the same time, how it was favoured by the Government of Canada. Did you look at all at the relationship between ethical conduct and favouritism for a company? It's one thing for decisions to be made about a company being excluded or not. It's a whole other thing about a company that behaves in the way McKinsey does actually being favoured by the Government of Canada.

Mr. Alexander Jeglic: None of the lines of enquiry actually looked at the ethical behaviours of McKinsey.

Mr. Garnett Genuis: Okay. Could you comment, then, on the integrity regime system in particular?

Do you think there should be a blacklist? Do you think there could or should be a process where, in the context of procurement, officials are looking at the nature of the company they're dealing with and whether it has the kinds of values that we would actually want informing advice in government? Do you think that's something that could or should be built into a procurement process?

• (1235)

Mr. Alexander Jeglic: Absolutely, I support an integrity...and a strong integrity regime where that is something that's contemplated. I hate to sound like a broken record today, but it goes hand in hand with the vendor performance management framework as well, because the regime you refer to kind of speaks to criminal investigations and, ultimately, convictions, and what the implications would be to those suppliers.

What I'm talking about is even more broad. If, for example, a company promises to deliver something by a certain date and doesn't deliver, I would still argue that there's an ethical component to that, and, where it hasn't delivered, there should be a consequence to it. I support what you're suggesting.

Mr. Garnett Genuis: Thank you.

Of course, you're looking at the Government of Canada, not at McKinsey. You're not evaluating its ethical conduct. You're evaluating the government's approach to procurement.

Were people in government asking these kinds of questions about McKinsey? Was that part of the thought process or the deliberation that was happening, or was that not on the table or on the radar screen at all?

Mr. Alexander Jeglic: I will answer to the best of my knowledge, and I'll ask Derek as well. To my knowledge, we didn't see anything in the documentation speaking to the ethics of McKinsey and Co., but I'll let Derek confirm.

Mr. Derek Mersereau: I agree.

Mr. Garnett Genuis: Thank you, Chair.

I'm going to use the balance of my time now to move a motion that I put on notice with respect to EV battery manufacturing facilities. I believe that you have that as the first motion that I put on notice. If we're cleared to go, then I'll proceed to speaking to the motion.

The Chair: Go ahead for the first motion.

Mr. Garnett Genuis: Thank you very much.

Chair and colleagues, it is the firm conviction of Conservative members on this committee and beyond that the government should be transparent in its subsidy programs and that those subsidy programs should be aimed at opportunities, jobs and otherwise, for Canadians, yet we've repeatedly seen disserving revelations that this government's subsidy programs are directly resulting in the bringing in of foreign replacement workers. Canadian taxpayers are subsidizing foreign replacement workers because the government has not taken the steps to guarantee and protect jobs in Canada for Canadians.

With that in mind, Conservatives have put forward a clear and simple document production order. This is not about industrial operations or processes. This is about getting the contracts to allow us to see what the government did or did not do with respect to job guarantees. Do these contracts include real job guarantees? Do they include protection for Canadian jobs?

This is a simple document production motion allowing us to answer that basic question. Conservatives have been and will continue to be persistent in saying that the government should be protecting jobs for Canadians. We put forward this motion today to order the production of these contracts, so that we can see whether or not the government did anything and whether the government was concerned at all with the protection of jobs for Canadians. I hope that this motion will have the support of the committee.

Thank you.

The Chair: Thank you, Mr. Genuis.

The motion in both languages went out last week. Hopefully everyone has it in front of them.

I've started a speaking list. I have Mr. Perkins and then Mr. Bachrach.

Go ahead, Mr. Perkins.

Mr. Rick Perkins (South Shore—St. Margarets, CPC): Thank you, Mr. Chair.

I know members will be surprised to learn that I support this motion. The reason I support this motion is that we've been discussing this in the industry committee, here, and in the House, where commitments have been made.

Commitments were made by this government beginning with the announcements of these five EV battery plants. There were commitments by the government about how this would be all about creating Canadian jobs. We know of course that, in fact, that is not true, particularly in the construction phase.

Initially when we raised concerns about whether there were guarantees in the contracts that these jobs would have to be Canadian jobs, the government said that of course there were.

I'll preface the rest of my remarks by saying that I've actually read the Stellantis contract and the Volkswagen contract. I haven't yet had a chance to read the Honda ones, and I'm looking forward to reading those once the government makes them public. The government claimed that, as I said, all of these jobs—including in the construction phase, with the exception of a few specialty jobs—would be jobs for Canadians. In fact, that is not the case.

Canada's Building Trades Unions wrote the following letter to the Prime Minister on, I believe, April 10. This is what the executive director wrote to the Prime Minister:

We are writing to request your personal intervention to resolve the ongoing issue of international workers in the construction of Stellantis and LG's NextStar EV Battery Plant in Windsor, Ontario.

Over the last several months Canada's Building Trades Unions have diligently worked to secure an agreement to ensure Canadians are employed in the construction and installation phases of this project, through several months of fruitless meetings with Stellantis and LG.

Our efforts have so far failed due to LG and Stellantis' intransigence.

The executive director said, "Despite our best efforts at negotiating a resolution, without public or media commentary, LG and Stellantis continue to use international workers through subcontractors for work which our members are ready and able to perform—180 local skilled trades workers in Essex, Kent region, millwrights and ironworkers are unemployed and available to perform this work. In fact, Canadian workers are now being replaced by international workers at an increasing pace on work that was previously assigned to Canadian workers."

● (1240)

The Chair: Mr. Perkins, may I interrupt you for a moment?

Seeing that we have an extensive speaking list, I don't think we will get to it by one o'clock.

If it's fine with everyone, as much as I'm sure they'd like to sit around and listen, I'm going to suggest that perhaps we should dismiss our witnesses, with our thanks, as always, for the great report and their feedback and suggestions today.

Mr. Jeglic and Mr. Mersereau, we look forward to seeing you back in the future. Thanks very much.

Mr. Perkins, go ahead, sir.

Mr. Rick Perkins: Thank you, Mr. Chair.

The executive director of Canada's Building Trades Unions wrote his letter to the Prime Minister on April 10. The last paragraph says, "Fifty additional international workers are expected to arrive and begin work that was previously indicated would be performed by Canadian workers tomorrow."

The CBTU has also said:

Canadian workers are being sidelined without consequence. This is a slap in the face to Canadian workers and utterly unacceptable from LG and Stellantis, particularly when their shareholders stand to benefit from more than \$15 Billion in generous tax incentives from the Government of Canada.

This has never been a case of knowledge transfer or specialized knowledge.

This is a brazen displacement of Canadian workers in favour of international workers, by major international corporations thumbing their noses at both the Government of Canada, taxpayers, and our skilled trades workers.

For our...members in Essex-Kent, the current state of affairs is intolerable.

As such, the Canadian Executive Board has authorized all necessary measures required to remedy the situation. We require your personal intervention with the executives of these corporations.

Tell Stellantis and LG to cease and desist their use of sub-contractors who are employing international workers to displace Canadian workers on tasks which can be performed by local workers.

Instruct your Ministers to halt the flow of new international workers to the EV Battery Plant in Windsor. Require the companies to sign new agreements with labour conditionality on tax incentives. End this intolerable situation for Canadian workers.

Canadian building trades unions are united in our request and we require action.

That's a pretty condemning letter from the head of Canada's Building Trades Unions regarding what's going on in Windsor right now. It shines a light on the concern we've expressed about the validity of claims by the government that there are no foreign replacement workers who aren't specialized. In fact, there are workers being brought into Windsor from both South Korea and Mexico for the construction of this plant who are doing jobs like operating a forklift. Now, there's nothing specialized there, other than the Canadian skills and training needed for operating a forklift. Yet, these Liberals allowed this contract to go ahead.

Initially, when we asked questions in the House of Commons, the government claimed there was only one foreign worker permit. Now there are 72 and Canada's Building Trades Unions say there are another 50 coming in. It exposes the disconnect. I can tell you that it's a disconnect because I can tell you what's not in the contracts. At no point in the Stellantis contract and the VW contract does it say, "You have to hire Canadian workers." I would challenge the government there. If they think I'm wrong in my reading of it—it's pretty simple language and the VW contract is only 28 pages.... It would have been pretty simple to put in those contracts, "Hire Canadians only". Those words are not in the contract.

If the government is going to dispute what I'm saying as wrong—government members who haven't read the contracts—and dispute what's actually happening on the ground, they could put their money where their mouth is and release the contracts. Show us the money. Show us the commitment. Is the company breaching the contracts? I expect the government would be yelling bloody hell if it said, "Canadians only in both the construction and full-time equivalents", but they're not. They're defending the company and

saying, "Oh, it's only one or two. Oh, no. It's 10. Oh, it's 12. Oh, now it's only 72."

Well, what is the final number of allowable foreign replacement workers in this contract? How much are Canadians going to have to pay to employ these foreign replacement workers while 180 people are sitting unemployed in Windsor who are certified to do these jobs and are members of Canada's Building Trades Unions?

● (1245)

I would ask that all members, in all sincerity—and we've been through this a lot with various motions here—if they are sincere and want to defend this, please support this motion that calls for the release of all these contracts.

There is also a contract with Northvolt in Quebec, and that's the third. Now we have the Honda one. Release the information. Prove me wrong. I dare you. Prove me wrong. Release them.

Transparency, the Prime Minister used to say before he was elected in 2015, is the greatest thing that this new "sunny ways" government was going to do. It was a disinfectant, yes. Well, we need some disinfectant now. I wasn't in the House then, but we need some disinfectant now on the government on this, because clearly what's happening on the ground, what the union is saying is happening, is totally different from what the government claims and totally different from what it says is in the contract.

If it was in the contract, then, of course, they would.... If they had job guarantees, they'd be preventing forklift operators and others—which are not specialized skills that are required—from coming from Korea to do that work in Windsor.

What else do we not know that the government has claimed in these contracts that it's been unwilling to share with the public? What else is it hiding? It's not commercial sensitivity, since they're all on the gravy train. It was all, apparently, done on the basis of President Biden's Inflation Reduction Act, which, as we know—because that's public—says that between now and the end of 2029, 100% of the cost of every battery assembled will be subsidized by taxpayers. One hundred per cent is the public number in the IRA, so obviously that must be the number that's in these contracts if they mirror it. Then it's 75%, and then it's 50%, so it's some deal. If you're a foreign business, you're saying, "Yeah, sign me up."

The Government of Canada, taxpayers, are going to pay 100% of the cost of the assembly of these batteries. The government is bragging that somehow this is some great revelation. Well, I'm not sure that there are any foreign multinational companies that wouldn't come here if what they produced was 100% subsidized by taxpayers, so that they got essentially 100% profit from everything they could do. This includes the Volkswagen case, where the batteries will be assembled and shipped to Tennessee for cars sold in the United States.

I will leave it there, Mr. Chair. I'm sure some other members have something to say. However, I would encourage all of us to ensure that the now \$52 billion of Canadian taxpayer money committed to these contracts be made public, because I don't trust the government. What the union and others are saying is happening is not what the government is saying, so let's get some disinfectant and release the contracts.

Some hon. members: Hear, hear! Well done.

• (1250)

The Chair: Thank you.

Mr. Bachrach, go ahead, please.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

First of all, I take some issue with my colleague Mr. Perkins's use of the phrase “foreign replacement workers”. We saw this during the discussion of the recent legislation, which is going to ban the use of scabs—or “replacement workers”, as the euphemism is. During the entire debate the Conservatives tried to make it about the use of foreign workers at battery and EV plants, which is a totally different topic—an important one nonetheless—but I am worried that the conflation is not an accident and that they're intentionally trying to muddy the waters on two very important issues, one dealing with the use of scabs during strikes and lockouts and the other with the use of foreign workers at these battery plants and electric vehicle factories.

I understand that the industry committee is currently studying this. They have a motion, I believe—

Excuse me?

Mr. Rick Perkins: We're studying C-27. It's a motion we had to make.

Mr. Taylor Bachrach: We can talk later, Rick.

I understand that INDU is currently studying this matter and that there's a motion at INDU—and I believe Mr. Perkins was there today—to invite the minister to talk about these contracts. It feels to me this is a very reasonable line of enquiry. It seems to me it would be important, before this motion comes forward, that we hear from the minister and ask the minister questions, and that we hear from the Building Trades Unions and the other unions involved and understand specifically what their concerns are.

My impression of their concerns is somewhat different from what Mr. Perkins articulated. I agree that they're concerned about the use of foreign workers. My understanding is not that they want these contracts to be aired publicly, so I think that getting some clarity on that fact will be very helpful. Most of all, I think this is better discussed and this motion will be better placed at INDU, because they're currently embarking on a study—or rather, they're already studying this very topic. That's my understanding.

I'm going to make an amendment that we insert the following words at the beginning of the motion, “That the committee refer the following motion to the Standing Committee on Industry and Technology.” That would go right before “In regards”.

The Chair: Before I start....

Actually, I assume you're going to address what's going on in INDU, Mr. Perkins. Go ahead on the amendment, Mr. Perkins.

Mr. Chris Bittle (St. Catharines, Lib.): I have a point of order. I'm sorry, but what is the speaking order?

The Chair: We're on the amendment now. Mr. Perkins is the only person I see with a hand up.

Is that okay with you, Mr. Bittle?

Mr. Chris Bittle: I'm just asking. You're the chair. I'm just asking where we are.

The Chair: Go ahead, Mr. Perkins.

Mr. Rick Perkins: I won't be long on this point.

No, the industry—

The Chair: Hold on for two seconds.

Mr. Kusmierczyk, we have your hand up for the previous speaking order. Is this also on the amendment or is that from the previous speaking order, please, sir?

Mr. Irek Kusmierczyk: I am happy to speak to both that and the amendment.

The Chair: Okay. I have you down for the amendment, if you want to put your hand down. Thank you, sir.

Go ahead, Mr. Perkins.

• (1255)

Mr. Rick Perkins: Thank you, Mr. Chair.

Just to clarify, INDU is not studying Stellantis. We're in the middle of a very lengthy clause-by-clause discussion on Bill C-27. There was a motion proposed at the end of INDU—they're probably still discussing it now—to have the Minister of Industry appear, but the motion has nothing to do with the contract. They're very different.

The effort on Bill C-27 will probably take us well into the fall, so I don't imagine that there will be another study at industry on this. We had one meeting in camera with officials after we viewed the contract. That's it, and that's not a study. There's not going to be a report either, because it was in camera, just for clarification.

On this, lobbying it off to industry is lobbying it off to a committee that won't get to it until before Christmas. That's not timely when you're spending \$52 billion of Canadian money. This committee has the right to look into any spending and spending commitments—government operations is its name, the mighty OGGO, as I'm told—and actual expenditures of the Government of Canada. Some of these expenditures are actual now, particularly the construction ones. The government is already subsidizing half a billion dollars on the construction of the Stellantis plant and investing \$778 million dollars of subsidy on the construction of the Volkswagen plant before you even get to the production subsidies. Those are the contracts right now that are in dispute, and the money we're spending is for the construction contracts.

I appreciate not wanting to distract the committee and take time from its important work, but I think that this is the appropriate place to study it, as my friend MP Genuis put forward, because, one, it is a government expenditure, and two, industry can't look at this in the foreseeable future because of the extensive nature of Bill C-27, the privacy and artificial intelligence bill.

The Chair: Go ahead, Mr. Kusmierczyk.

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

I appreciate my colleague Mr. Bachrach's forward the amendment and looking at sending this to INDU, because INDU has been dealing with this issue for months. We've had spirited debate at the INDU committee on this very issue, but I have some grave concerns with this request, and I'll mention a couple of things just to set the context here.

I had a chance to speak with and I'm in regular contact with the ironworkers and the millwrights, with the people in the building trades in Windsor-Essex. We absolutely recognize and hear their concerns. They're important concerns, and I can tell you that Minister Champagne and I have both on different occasions spoken directly with Mr. Danies Lee, the CEO of NextStar—the joint venture that is building the battery plant in my hometown, in Windsor-Essex—and we've communicated our expectation that we want to maximize local Canadian workers at every turn and at every opportunity.

We've also pushed NextStar to establish a working committee between the employer and the building trades, so that information can be exchanged, best practices can be exchanged, any plans in terms of hiring can be exchanged moving forward, and any conflicts and concerns can be ironed out.

That has been our position from the very beginning. We want to see local workers, Canadian workers, maximized at every turn.

Right now, I drive past the battery plant every single day on my way to work when I am in Windsor. I see the battery plant being built right now, and it's incredible to see. I have never seen a project of this scale and this size, ever. It is incredible to see, and when you drive down Banwell Road, what you see is row upon row of pickup trucks and cars of Canadian workers, local workers, building the battery plant. It is incredible. It literally stretches for what feels like kilometres, and the parking lot is absolutely jam-packed with local workers, Canadian workers, building the battery plant.

Let's look at some facts here. There are 2,000 workers currently on site, building the battery plant, 2,000 workers who are local, who are Canadian, building the battery plant, and when that battery plant is completed there will be another 2,500 permanent workers building batteries for generations.

These are workers who are local, Canadian and unionized. That's 4,500 workers related to the battery plant in my hometown here in Windsor-Essex, Windsor—Tecumseh specifically.

Right now, there are about 70 to 72 workers who are from abroad, who are international. You have 2,000 Canadian workers building the plant and you have another 2,500 permanent workers coming who are Canadian and local. Compare that to 72 workers right now who are international, who are foreign workers. If you

just look at who's building the battery plant, that's four per cent. That's four per cent.

It is important to highlight that this is the very first battery plant in all of Canada, the very first battery plant to be built in all of Canada, and Canada does not have the expertise of building and running battery plants. This is new. We're trying to build a brand new industry here in Canada, so it stands to reason that there will be workers from Korea. Korea has been building batteries, and LG, which is a Korean company, has been building batteries for over 30 years. It has 30 years of experience in building battery plants and building batteries. It is the world leader in battery technology.

● (1300)

These workers are coming to Canada not only to help us kick-start and spark a brand new industry, which they are the world leader in, but to help provide Canadians with training, so that we will be able to build batteries for generations to come. The Korean workers who are coming here are coming not only to help install equipment and help us get the battery plant up and running in a timely fashion, so that 2,500 Canadian workers can start working there, but to help us transfer knowledge and give us a head start, so that we can catch up and get up and running to build batteries for generations to come.

Windsor is just the start. When you look at the last four years across southwestern Ontario, you see \$50 billion in automotive investment. This is incredible when you see the level of investment in the automotive industry, specifically in electric vehicles, battery manufacturing, vehicle assembly, electric vehicle assembly and building the necessary components that go into batteries.

The most recent announcement was the \$15-billion Honda investment in Alliston, Ontario. That was the latest investment in a string of investments that our federal government has delivered to Canada. We've delivered \$50 billion of investment. The Honda investment is the single largest auto investment in the history of this country. It's the largest battery investment in all of North America, and we delivered it here.

The world is coming here to Canada to build batteries, to build electric vehicles and to build the components that go into batteries. The world is coming here.

Look at Stellantis-LG, a Korean company, here in Windsor-Essex. That's creating 2,500 jobs.

You have Volkswagen coming to St. Thomas, just up the road, to build. That's a multi-billion dollar investment, creating 4,000 jobs in St. Thomas, Ontario. Volkswagen's a German company.

You have Northvolt coming to Quebec. Again, thousands of jobs will be created to build batteries. Northvolt is a Swedish company.

Now you have Honda making huge investments in Alliston, Ontario. Of course, you have Ford in Oakville, and General Motors as well.

It's the federal government that is stepping in to partner with these companies to bring those investments and those jobs here.

I can understand why the Conservatives want to do everything possible to create a circus around this success story in Canada, try to undermine it and try to diminish what we've accomplished here as a federal Liberal government by bringing \$50 billion of auto investment to Ontario. In the last four years, we've completely revitalized, rekindled and strengthened automotive manufacturing in southwestern Ontario.

The reason the Conservatives want to undermine this good-news story.... They oppose everything, but the reason they particularly want to oppose this progress and this momentum is simply that it highlights that the good news we're delivering here is in stark contrast to the misery the Conservatives delivered when they were in government eight years ago.

I can speak to that. Under the previous Conservative government, eight years ago, 300,000 manufacturing jobs were lost in Canada. The current Leader of the Opposition, Mr. Pierre Poilievre, was the employment minister at the time. He was the jobs minister at that time in Canada, when we lost 300,000 manufacturing jobs.

We felt that pain in Windsor. We felt that pain, because under the previous Conservative government, we had 11.2% unemployment in Windsor-Essex. I'll say it again: 11.2% unemployment.

• (1305)

Think about that. We had 30% unemployment for young people who didn't see a future in my community. Under the Conservative government, you saw my city contracting and my community getting smaller, because young people were leaving in droves. They didn't see a future, and you had people leaving Windsor-Essex to go work on the oil sands and send money back, because there were no jobs in Windsor-Essex. This was under the Conservatives.

We know what it feels like in our community when we see manufacturing suffer, when we see factories closing and when we see businesses closing and families leaving. We know that pain in Windsor-Essex. The Conservatives see the \$50-billion investment in automotive and manufacturing across Canada in the last four years. They see the revitalization of automotive across Canada, and they don't like how that looks, because, again, it makes their performance and their track record look even worse.

We've done it. From Windsor to St. Thomas to Oakville to Alliston to Quebec, we are revitalizing automotive and manufacturing. Not only that, but we are building the electric vehicle and battery heartland of North America right here in this community.

Again, it is important to listen to the ironworkers and the millwrights and the concerns that they have brought forward. We are communicating that, and we are pushing NextStar to maximize the local workforce as much as possible. We want to go even higher than the 96% right now, where we see that 96% of workers are Canadian and local. We want to up that, so we will continue to push NextStar to maximize wherever possible.

The solution that the Conservatives are bringing forward here to open up contracts to the public, the agreements that we have signed with these companies and these major investors, is absolutely wrong. It's the wrong path; it undermines all the agreements we've brought forward, and it undermines business confidence in Canada.

It also undermines future investment in Canada, and don't take my word for it.

I want to read a letter into the record here, because this is important. This is a letter that is signed by the president of the Automotive Parts Manufacturers' Association. This is a letter that is signed by the president and chief executive officer of the Canadian Chamber of Commerce, representing hundreds of thousands of businesses across Canada. This is a letter signed by the president and CEO of the Canadian Manufacturers and Exporters. This is a letter that is signed by the Canadian Vehicle Manufacturers' Association and the Global Automakers of Canada. The letter is addressed to committee members on behalf of Canada's largest manufacturers and employers, who wrote to share their deep concerns regarding the efforts of the Standing Committee on Government Operations and Estimates to release contracts between the federal government and private sector companies. The efforts of this committee to release confidential commercial contracts threaten, they said, to reverse Canada's recent progress in winning job-creating investment. Commercial contracts are negotiated in confidence with the federal government and contain proprietary information, competitive strategies and intellectual property. There is no other competitor jurisdiction that releases confidential commercial contracts. By making these contracts public, they said, the committee would bring into question Canada's adherence to the rules-based trade and investment system on which our economic prosperity depends. Doing so would inflict permanent damage on Canada's welcoming investment climate.

Let me repeat that: They said that doing so would inflict permanent damage on Canada's welcoming investment climate. Furthermore, they said the committee risks doing irreparable harm to Canada's investment attraction negotiating positions, since such an action could result in previously negotiated agreements being reopened and competing jurisdictions using the information to undermine Canada's competitiveness for future investments. They urged the committee to protect the rule of law and uphold Canada's well-deserved reputation as a reliable jurisdiction for job-creating investment.

• (1310)

Folks, that is unequivocal. You have the automakers, the manufacturers and the Canadian Chamber of Commerce all saying that this is a bad move for Canada. This will undermine not just present investment; it will undermine future investment. It will undermine Canada's ability to attract investment and jobs, and it will hand our competitors—jurisdictions in the United States, China, Mexico and elsewhere in Europe—an advantage. This is what the Conservative Party wants to do.

At the end of the day, this impacts workers. This impacts the 2,000 workers building the battery plant in Windsor. It impacts the 2,500 Canadian workers who will be building batteries for generations to come in Windsor and the thousands of local Canadian workers who will be building batteries in the plants in St. Thomas, in Alliston and in Quebec.

This is a wrong path. This is a dead end for Canada.

I honestly cannot believe that the Conservatives are ignoring the letter signed by the Chamber of Commerce, the parts manufacturers and the car makers. They're willfully ignoring it, because they will do everything they can to diminish the good news story, which is \$50 billion of automotive investment in this country and literally within a few hours drive from Windsor.

I mean, what the Conservatives are proposing here is incredibly dangerous.

It's not just the business community. We had Lana Payne, president of Unifor, the largest union in Canada, saying that this is ridiculous, that this is nothing but a "circus" that the Conservatives are trying to drum up, and that this is trying to undermine confidence in these investments. We had the president of Unifor publicly stating that this is a wrong move.

You had Dave Cassidy, who's the president of Local 444, which represents 5,000 Stellantis workers in Windsor and 20,000 retirees in Windsor, coming in front of the mic in Ottawa and doing a national press conference. He stated that this is "nothing but political hay".

This is nothing but a circus. It undermines the real work that we're doing, which is bringing auto investment and jobs to communities like mine.

You have the business community saying this is wrong and dangerous. You have Unifor, the folks who represent the workers saying that this is wrong and dangerous.

No, I will not support this motion or where this is going.

I mean no offence, Mr. Perkins, but rather than listening to you, I'd listen to the folks representing the workers. I'd rather listen to the folks representing hundreds of thousands of businesses and manufacturers in Canada, who are saying that this is simply wrong and that this is egregious. That's where we stand on this motion.

I'll tell you, I had an opportunity to speak with businesses in Windsor-Essex on this very issue of the foreign workers coming here to help set up the battery plant. If you speak to manufacturers—any manufacturing company in Canada—and ask about installing equipment, they will say the same thing: They, themselves, send Canadian workers to Mexico to install Canadian-built machines. They will send Canadian workers to the United States to install Canadian-made machines. This is the way the manufacturing world works.

• (1315)

Also when we install CANDU reactors in other countries, and when we will be installing small modular nuclear reactors in other countries—Canadian machines and Canadian equipment—you can absolutely bet your bottom dollar that we will have Canadian workers travelling to Korea and installing CANDU reactors and equipment. You will have Canadian workers travelling to the United States to install Canadian equipment. You will have Canadian workers going to Germany to install Canadian-made machines and equipment.

That is what happens in manufacturing. This is standard operating procedure in manufacturing, especially when some of that

equipment is proprietary and especially when, for some of that equipment, if you don't have those specialized workers installing it, the warranty on that machinery is invalidated. This is so common. When you talk to every manufacturer, this is common practice.

The 72 folks who are coming here from Korea are doing so to install proprietary equipment. They are coming here to supervise. They are coming here because they have know-how and they're sharing 30 years of expertise with us. They're also training Canadian workers.

There are Canadian workers right now from Windsor who have travelled to Poland to be trained at the LG battery plant there in Wrocław. There are Canadian workers there, as we speak, being trained. There's also a knowledge transfer taking place.

Where there is misunderstanding, concerns or conflict, again, we absolutely are leaning on NextStar to make sure we maximize local workers and make sure NextStar is listening to CBTU, the ironworkers and the millwrights and pushing them to solve that issue internally. That's where this issue needs to be solved. We will continue to push, because we want to maximize at every opportunity and at every turn.

However, to go from this issue—

• (1320)

The Chair: I'm sorry. Let me interrupt you for a point of order.

Go ahead, Mr. Bachrach.

Mr. Taylor Bachrach: I'll give Mr. Kusmierczyk a chance to breathe and to take a drink of water.

With all due respect, I think we're debating the amendment, which is about referring this motion to INDU. While I appreciate that Mr. Kusmierczyk is passionately defending his government's approach on these contracts, I don't think it has anything to do with the very procedural amendment to refer this to another committee. I would just ask, Mr. Chair, that you rule on my point of order.

The Chair: Thank you, Mr. Bachrach. I was wondering when someone was going to bring that up.

Our colleague from northern British Columbia does have a point, Mr. Kusmierczyk. We are debating the amendment and not the motion itself. Could you get to the amendment? You had a good run there, sir.

Mr. Irek Kusmierczyk: I appreciate that, but again, I have an issue with the direction of this entire discussion. I have an issue with INDU, even in the debate that is taking place in INDU as we speak, because in INDU, they're studying the motion to basically open up the contracts. I have an issue with that. I have an objection. I have an objection to the amendment. I have an objection to the motion. I have an objection to where both the amendment and the original motion are leading. I'm trying to explain why.

Mr. Chair, this is serious for my community. This is playing around, as I see it and as we see it in my community—as Dave Cassidy sees it, as Lana Payne sees it, and as the manufacturers see it. This is dangerous territory. That is what I need to make clear as we discuss this. I have serious reservations. I object to the original motion. I reject it. I have serious concerns with the amendment as well. Again, I object to where both of those are leading. It's a fundamental principle.

Again, I just don't understand why you can have the president of Unifor, the largest union in Canada, saying that this is wrong and egregious; how you can have the president of our Unifor Local 444, who represents auto workers in Windsor, saying that this is political theatre, this is political hay, this is egregious and this is wrong; and how you can have the CEO and the president of the parts manufacturers, the auto makers and the Chamber of Commerce saying that this is egregious, this is wrong and this is dangerous, and still as a committee we're completely ignoring all those voices from labour and industry and we're listening to Mr. Perkins.

We choose to listen to Mr. Perkins and Mr. Genuis and entertain their dangerous motion. I don't understand how we could do that. I really don't understand how we could do that. This is a serious motion. This is a motion that undermines the very hard work of the last four years to beat out other jurisdictions that were going after these investments, that were leaving no stone unturned and that were fighting tooth and nail to land these battery plants. We won those investments. Those were hard-won investments. In a lot of those investments, they were photo finishes. It was very close with other jurisdictions.

I take serious issue with the fact that this is something that was brought up at industry committee before the Christmas break. Mr. Perkins tried as hard as he possibly could to get this through. It was dangerous then, and it is dangerous now.

It's a matter of principle. He failed at industry committee to get this through, so now he's knocking on another door and seeing if he can get it through this committee. He wants to try a different door, see if he can get this through another committee, and use this committee as well to basically try to undermine and diminish the Honda announcement and the \$50-billion announcement by trying to raise this issue.

It is absolutely important for us to reject that here, to put a stop to this here. An end to this circus here is what I want to see, because these are real jobs that are impacted in my community. I can tell you that this is something our Prime Minister has stated directly. He is meeting with the CBTU and is having those important conversations. We are having those conversations with NextStar. We are pushing to maximize local workers wherever possible.

The facts speak for themselves. In Windsor, 2,000 Canadian, local workers are building that battery plant as we speak. There are 70 Korean workers helping out to make sure we transfer that knowledge to train our workers, to make sure that the plant is up and running as quickly as possible so that two and a half thousand local, Canadian, unionized workers can begin building batteries for the North American market for generations to come.

This matters. This is serious.

I've lived in a community where we've seen 11.2% unemployment. You do not want to see 11.2% unemployment in your community. It is soul crushing. It is painful to watch when you see factories closing, when you see moms and dads out of work, when you see families ripped apart, broken apart because of that. When you see the mental health and the anguish, when you see families separated because mom or dad have to travel for 12 months of the year working in the oil sands, coming back from time to time on weekends, and the pressure that puts on families and on kids, when you see businesses in your downtown shuttered—a ghost town—when you see your population shrinking because young people are graduating and they're leaving in droves to find work elsewhere, you do not want to see that. I do not want to return to that. Our community has gone through hell.

To see a generational, historic investment like the battery plant, the thing we dreamt about—a \$5-billion investment, 2,500 permanent jobs, 2,000 temporary jobs right now—and to watch the Conservatives playing games with this investment, blowing the circus up on this investment, makes me sick, and it makes me angry, and it makes me frustrated, because we should not be playing games with people's jobs and we should not be playing games with the future of communities like ours, like mine, working-class communities that have gone through hell in the last eight years.

I would ask my Conservative colleagues to take that into consideration when they are playing games with what is a generational investment for my community.

That's all I have to say on that issue. I really hope that my colleague in the NDP, Mr. Bachrach, understands where I'm coming from. I hope that we can count on his support to put an end to this circus and get on with the business of building battery plants and building batteries and building jobs in working-class communities like mine.

Thank you.

• (1325)

The Chair: Thank you, Mr. Kusmierczyk.

Next on our list is Ms. Vignola, but I was going to stop at 1:30 for a washroom break. We're at 1:29, but we'll move up for one minute. We'll suspend for three or four minutes to allow everyone to make use of a quick rest.

• (1325)

(Pause)

• (1335)

The Chair: We are back in session. Thank you for allowing the break.

Mrs. Vignola, the floor is yours, please, on the amendment.

[*Translation*]

Mrs. Julie Vignola: Thank you very much. I'll be brief.

I agree with the amendment. I completely understand my colleague Mr. Perkins when he says that the Standing Committee on Industry and Technology already has a lot to do, including the study of a bill. That study should go on until December.

That said, the Standing Committee on Government Operations and Estimates also has a great deal to do. We have a number of studies on the table. Some of them have gone on for too long, and we should be presenting those reports as soon as possible.

As for the amendment, I agree because we would be letting the Standing Committee on Industry and Technology handle its business. In terms of time constraints, it's the same thing for us. Even if we did decide to do the study proposed in the main motion, it would be quite a while before we could start it.

Just before Christmas, in November and December, we discussed the subject of the main motion over four or five meetings. We're repeating ourselves. It's Groundhog Day, and unfortunately the groundhog isn't predicting an early spring.

So I'd like us to come to an agreement quickly and not take five meetings to do it. That would be too long.

Thank you.

• (1340)

[English]

The Chair: Thank you.

Mr. Bachrach.

Mr. Taylor Bachrach: Mr. Chair, we're still on the amendment. Is that correct?

You know, I think this is worthy of a study. To echo Mrs. Vignola's comments, OGGO is currently preoccupied with other topics.

I would love to see us get to a report on the rural postal delivery study that we're currently conducting. We're still waiting for the president of Canada Post to come to share some insights with the committee.

The intention here is to send it off to INDU and have them decide whether they want to conduct a study. In my view, the best way to go about it would be to invite the relevant ministers, the labour unions and the companies involved to find out whether there's a justification for making these contracts public.

I do think that comes with a degree of risk, as has been mentioned by my colleagues. At the same time, the questions about Canadian jobs are valid ones, and I think they deserve a thorough airing before the committee.

I would prefer that OGGO not become sort of a catch-all for these emerging issues where we sideline the rest of our work to take on stuff that other committees can't fit into their schedule, because, of course, we have a work plan of our own. In my view, it's better suited at INDU, which is why I made the amendment in the first place.

I'm happy to vote on it. I'm not going to speak at length like some of my colleagues have, but this is an important issue.

See? I was just filibustering until my colleague came into the room.

I'll leave it at that, Mr. Chair, in the hope that we can get to a vote on this amendment to refer it to the industry committee. With that, I'll welcome my colleague, Mr. Masse, who lives quite a bit closer to these investments than I do and who I know has been working very hard on this file at the industry committee, like Mr. Perkins, who I understand also migrated over from the industry committee to OGGO today. I'm sure they'll both have many sage words.

Thank you, Mr. Chair.

The Chair: Thanks, Mr. Bachrach. It's nice to see members from other committees being promoted to a more important committee.

I have Mr. Jowhari on the list, and then it's Mr. Perkins.

Go ahead, Mr. Jowhari.

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

In the spirit of being short and to the point, I support neither the amendment nor the original motion, for a number of reasons.

First of all, there were two versions of the original motion sent to us. I'd like at some point to get clarification on which one of those we're talking about, but the reason I'm not supporting either of them is the fact that we have two members of INDU sitting here, leaving their committee and coming here and trying to move this motion. That tells you that this motion does not have a place in OGGO. That's aside from the work we have.

My biggest concern is this. When we try to bring into public the content of contracts between the Government of Canada and companies that were drafted in confidence and then try to publicize that while the union, the government and the company are working on finalizing and clarifying some of those.... Publicizing this is nothing more than a media show.

As we saw, MP Perkins was out there three minutes before, during the break, and was already passing judgment. This is not about protecting jobs. This is not about getting clarification. This is about getting a two-minute clip, and I think the clip is done.

I think the Conservatives have been successful getting the clip after what happened on Thursday: a historic investment by another amazing auto manufacturer that decided to do that investment in Canada and decided to partner with all levels of government. When stories like that come, what do the Conservatives have to do? They have to create some type of diversion. This is another example of it.

Aside from all of that, fundamentally, publicizing and asking for documents and reviewing in public or in private—it doesn't matter—the content of a contract that was drafted and was signed is wrong. There are negotiations going on. All three parties are at the table. All three parties, especially the union, have said that they're working on resolving some of the potential areas that they need clarification on. It's ongoing. Publicizing this is not the right place. We don't do negotiations. We should never do negotiations in public, especially through the media and all of that. I'll be opposing the amendment as well as the main motion.

For clarification, Mr. Chair, could you tell us which one of the two versions of the motion Mr. Genuis has put forward that we're looking at? I would appreciate it.

Thank you.

• (1345)

The Chair: Sure. There's just one motion. It was sent out as two separate motions, emailed out to the committee.

Mr. Genuis stated that he was introducing the first one, which is the one that starts with, "In regards to recent announcements of EV battery", and ends with, "That information related to the above specific areas not available in the contract...". It was just the one that he tabled.

Next on the list is Mr. Perkins.

Mr. Rick Perkins: Thank you, Mr. Chair.

I'm pleased to speak on the amendment to Mr. Genuis's motion.

I was struck by some of the things MP Kusmierczyk said. He may not have thought we were listening, but we were. I was particularly struck by the fact that he said his community has been through hell in the last eight years. I can understand why, with this Liberal government, his community been through hell in the last eight years. I would just mention that most Canadians have—

Mr. Irek Kusmierczyk: I have a point of order, Mr. Chair.

I don't appreciate Mr. Perkins putting words in my mouth that I did not speak. If he could take that back, I'd appreciate it, especially on an issue as important as this.

Mr. Garnett Genuis: I have a point of order, Chair.

I don't appreciate Mr. Kusmierczyk not knowing that not appreciating something is not a point of order.

The Chair: Thank you.

Go ahead, Mr. Perkins.

Mr. Rick Perkins: Thank you.

Contrary to what MP Kusmierczyk said, INDU is not doing a study on this issue. I don't know why he keeps saying it. Perhaps he was having some challenges with the Internet connection when I was speaking earlier to it, when I said that INDU is in the middle of Bill C-27—the government's bill on privacy and artificial intelligence—and doing clause-by-clause to 256 amendments that have been proposed, all of them substantive, including the 55 amendments from the broken bill that the government proposed to its own

legislation. There is no ongoing study of this, and it's misleading to say that, even though he heard me say it earlier.

The reason we're here is because this isn't me, this is the union, the Canada's Building Trades Unions, saying that this is happening. Let me get into some specifics, since apparently the Liberals missed the point on the \$50-billion subsidy that they should be Canadian jobs if you're going to subsidize. Here's what the union is saying. They said LG has instructed Jeil and Daejin—they are sub-contractors on employment—to use eligible Korean nationals and Mexican nationals who could qualify for a certain work visa on the site, and even told them to seek out refugee claimants in Canada who could perform the work. This is apparently in an effort to keep their costs low. NextStar is increasingly tapping into two contractors that are using foreign workers to take work originally promised to local contractors. This includes work on multi-million dollar press lines and installing module lines. The CBTU has told folks that they have lots of proof that foreign workers are performing this unspecialized work, and they have unionized members who are unemployed that could be doing this. In fact, after the Prime Minister met with NextStar on March 14, the union actually amped up their hiring of foreign workers after talking to him. I'd be curious as to what was discussed in that meeting that they felt after meeting the Prime Minister they could actually hire more foreign workers for the construction.

And there is no pause going on, as was claimed. That's the reason the union wrote this letter—there is no pause. In fact, they've got to the point where they're frustrated. Even after the threat of going to the media, the union had yet another meeting with management to try to get an MOU, an understanding, on not having foreign replacement workers. These are jobs, just to be clear, that Canadians can be hired for; workers who are available for work but are being replaced by people not from Canada. They're generally known as a foreign person coming in to replace workers in Canada—a foreign replacement worker—and that is what's happening at this plant.

The contract says they can only hire Canadians, or a limited number. I can tell you at one point NextStar said they were going to hire 600 full-time foreign replacement workers in the running of the plant. They also said they would have up to 1,000 foreign replacement workers. That was in the media. They changed their tune once they started to get public pressure by this committee and others.

This is a real issue. It's not something the government says Conservatives are making up. This is the letter from the union. Perhaps they didn't hear it. I could read it again, Mr. Chair, just in case some of the members' earpieces weren't working. I'll leave that.

However, if you don't know this, this is on the Government of Canada's website: material handler for the plant, languages needed, Korean. This is the Government of Canada's own website, and it says who can apply: candidates with or without a valid Canadian work permit. That's on the Government of Canada's website. Do you recognize the logo of NextStar Energy? A general affairs specialist is hardly some specialized worker from Korea who needs to come here. Let's see, it says that as a general affairs specialist, you will be responsible for various aspects of the company's operations, providing administrative and organizational support. Your tasks will be related to the efficient functioning of the office and ensuring smooth daily operations of the company. It also says here, "Responsibilities: office management and organization, correspondence handling and mail management, coordination of meetings and events, administrative support for various departments, document management and archiving, managing office supplies and inventory".

• (1350)

These are really specialized tools that only Koreans have: "Supporting HR in recruitment and training"; "Building and maintaining positive relationships with vendors and clients"; "Assisting with travel arrangements for employees"; and "Ensuring compliance with safety and company policies". Requirements include "Experience in a similar role or related field"; "Strong organizational and multitasking skills" and "Excellent verbal and written [skills]".

They sound like very specialized, unique things that you can only find in South Korea, plus "Fluency in Korean".

However, that's not all, Mr. Chair.

Here is another general affairs specialist with similar types of things, including more office management, in a separate posting by NextStar. It says that Korean is preferred. For the position of material handler, Korean is an asset. The position of general affairs specialist requires fluency in Korean. The position of electrode quality engineer is bilingual in English and Korean. A module production planner position requires English and Korean proficiency. In quality management systems, global experience is preferred. For a module production technician, the language requirement is reading and writing in English. Hey, we found one! A listing for a cell/electrode quality engineer says, "Bilingual in English [and] Korean".

It goes on and on and on.

MP Kusmierczyk clearly isn't looking at the job sites when he is making this defence of his government, and I understand why he's doing this. He's embarrassed by the fact that his government didn't think to use the words "employ Canadians" when they made this commitment. He's embarrassed by the fact that the company has said it is going to hire up to 1,000 construction workers who are outside specialists.

Therefore, there will be 600 Canadians and 1,000 foreign workers. I guess it takes 1,000 specialized people to oversee 600 general construction workers. Also, there will be 500 to 600 permanent workers from Korea out of 2,500.

This is not one or two here or there. This is a serious issue. This is \$15 billion in taxpayer production subsidies in this plant. This is

half a billion dollars in construction costs being paid by the taxpayer. If you're going to do business with the Government of Canada, and you're going to suck all this government taxpayer money—Volkswagen, Stellantis, Northvolt, Honda—you had better be prepared for some public scrutiny. You had better be prepared to prove that you're hiring Canadians.

It's beyond me why the NDP does not want clarity on this. The motion at the industry committee, by the way, for those of you who don't watch the clock, ended an hour ago. That's why people are here. That motion was only to have the ministers appear. It wasn't to actually have the contract—

An hon. member: Oh, oh!

• (1355)

The Chair: Order, please.

Mr. Perkins, please continue.

Mr. Rick Perkins: It wasn't there to have the contract released. I'd love to have the union come.

Mr. Brian Masse: You voted against that. I think you blocked the union from coming. You voted against the province. I've got an amendment.

Mr. Rick Perkins: Let's have them here.

I have the floor.

The Chair: Mr. Perkins, please continue.

Mr. Rick Perkins: Why won't you release the contracts? What's wrong with them? Why are you afraid to release the job conditions in the contracts? It is because there is no requirement for Canadian jobs in those contracts. Again, I look around the table, and only one person here at this table has read the contracts, and it isn't anyone on the government side or Mr. Kusmierczyk, who's sitting wherever he's sitting attending this committee.

Colleagues, I've read the contract, and there is no government commitment or requirement in that contract. I can't tell you what's in it, but I can tell you what's not in it: a commitment that the jobs have to be Canadian. That's why we need to have this done. This is the union saying this stuff is happening. I don't understand why the NDP-Liberals don't want to get clarity on the contracts. Why don't they want to get clarity on the contracts and release them?

The Chair: Colleagues, Mr. Perkins, I'm going to interrupt. We're running out of resources because of the continual interruptions, so I'm going to suspend for question period. The clerk is going to contact everyone for the continuation of this meeting after that.

We are suspended.

• (1355)

(Pause)

• (1540)

The Chair: I call the meeting back to order.

Before we go back to Mr. Perkins, I want to go through the new, additional requirements for our microphones to avoid feedback.

I would remind meeting participants in the room of the following important measures to prevent disruptive and potentially harmful audio feedback incidents that can cause injuries.

All in-person participants are reminded to keep their earpieces away from the microphones at all times, which I haven't been doing.

As indicated in the communiqué from the Speaker to all members on Monday, April 29, the following measures have been taken to help prevent audio feedback incidents.

All earpieces have been replaced by a model that greatly reduces the probability of audio feedback. The new earpieces, replacing the old grey ones, are black. Please make sure that you only have the approved black earpiece.

All unused earpieces will be unplugged at the start of each meeting.

When you are not using your earpiece, please place it face-down in the middle of the sticker for this purpose, which you will find on the table.

Please consult the cards on the table for guidelines to prevent audio feedback incidents.

The room layout has been adjusted, as everyone can see, to increase the distance between the microphones and reduce the chance of feedback from an ambient earpiece.

These measures are being taken to prevent injury to our very valued and very important interpreters.

We are resuming debate on the amendment.

Mr. Perkins, go ahead, please.

Mr. Rick Perkins: Thank you, Mr. Chair.

Welcome back, everyone.

I would just remind those who are tuning in for perhaps the first time that what we're discussing here is that the Conservatives put forward a motion this morning to release the contracts with the main players, for which the government has signed large taxpayer subsidies for EV battery assembly plants, mainly for the assembly of parts that are made in China for Volkswagen, Stellantis and Northvolt. The latest one is with Honda, although I understand that it is an MOU; it's not a formal contract the way the others are.

For a while, we've had a number of players, both from within the company and from the Korean government, stating that there are two phases. There's the construction phase for the Stellantis contract in Windsor and for the Volkswagen contract in St. Thomas, Ontario. Then there is what's called a production subsidy contract, a separate contract that subsidizes the production of every battery produced in those plants. For the production subsidy, for every battery, the taxpayer will pay a certain percentage of the cost.

As we know, in the public statements the Liberal government has made over the last year or so on some of these contracts, they've claimed that both the construction jobs and the jobs that will be permanent in the plants will be held by Canadians. This process around the Stellantis plant actually started in the fall when the

South Korean ambassador went to Windsor and said they were trying to make sure there was room to house 1,600 workers involved in either the construction of the facility or the permanent running of it. Those are jobs for workers from South Korea, not Canada. That's out of a total of about 2,300 construction jobs and supposedly 2,500 jobs at the Stellantis plant once it opens. The cost of those plants is quite high. An estimated \$15 billion of taxpayer money will be going into production subsidies for the Stellantis plant in Windsor once it starts producing batteries. Half a billion dollars of taxpayer money is going to go into the construction of that particular facility. In the case of Volkswagen, \$778 million is going into the construction.

Members of the government have accused us at various times, whether in the House of Commons or in this committee, of making this stuff up, but this all started with the South Korean ambassador saying that they needed a place to put 1,600 people. This isn't something we made up; it's indeed what he said. On November 16, 2023—and this is a quote from a newspaper article—“Chief Bellaire and members of the Windsor Police Service were honoured to be visited by His Excellence, Ambassador Woongsoon Lim and his colleagues from the Republic of Korea,” who said, “With the new [LG Energy] Solutions battery plant being built, we expect approximately 1,600 South Koreans traveling to work and live in our community in 2024.” So this isn't one, as was claimed initially by the government, or just a few, as some of the Liberal MPs have claimed.

• (1545)

I'll give you this quote from one of the local business development people that goes back as far as August 18, 2023:

LG asked us to put together a group of local developers and investors to present their needs for the next one to three years, said Invest WindsorEssex vice president of investment attraction and strategic initiative, Joe Goncalves.

I quote Joe Goncalves:

They're expecting from 600 to 1,000 workers will be coming to set up equipment. Another 300 to 500 people will be coming from LG to run the facility here.

The specialized workforce was needed to set up the half-dozen buildings on the NextStar battery plant site and they will come from South Korea.

There will be a lot of need for housing. They wanted to let the community know early what the numbers would be and the types of housing and workers.

I don't know about you, but over the years, off and on in my interaction with governments—and I did serve for a few years in the dark ages for the foreign minister of Canada in the Mulroney government—I never met, or rarely met, a diplomat who freelanced who went out on his own making stuff up. They usually went at the behest of the government and businesses.

For those who said that this is nothing, you say that more than \$15 billion of taxpayer money is going into an auto plant where, of the 2,300 construction workers and a similar number of supposedly permanent workers once it's open, 1,600 of them are going to be coming from South Korea. That's what started this whole controversy last year.

The government disputed that, and we began a process in December in this committee, which examines government expenditures, to ask for the release of those contracts. The reason we asked for it is that construction had already started. The money had already started being spent in the Stellantis case on construction, so half a billion dollars of taxpayer money was already going into that. Officials from the Korean government were saying something different from what the government was saying publicly.

The head of NextStar at one point verified that those were sort of the numbers. It would be up to 600 people to 1,000 people coming in from Korea to oversee 600 local construction workers. Again, in the House, one of the Liberal ministers said that there would only be one work permit issued. Subsequently, we learned that, in addition to what the ambassador had said, on the ground things were clearly much different from what was being said by the Liberal government about what was happening in the Stellantis construction.

The letter dated April 10, not that long ago, to the Prime Minister from Sean Strickland, the executive director of the Canada's Building Trades Unions, condemned the Prime Minister for the lax contract that was allowing this to happen.

In fact, in his letter, he wrote, "We are writing to request your personal intervention". Prior to this letter, the Prime Minister had had a visit there. "We are writing to ask for your personal intervention to resolve the ongoing use of international workers in the construction of the Stellantis NextStar EV Battery Plant in Windsor."

They went on to say that they have been negotiating, talking and trying to work with Stellantis to get an MOU to ensure that good, local Canadian tradespeople were being hired for the construction. Their responsibility is the construction phase, but their best efforts had not borne any fruit.

● (1550)

In fact, he said, "Despite our best efforts at negotiating a resolution, without public or media commentary". In other words, the union went to Stellantis in good conscience, and all due respect, and said they should have a private conversation to make sure that what they were seeing didn't continue in the hiring of workers who were doing non-specialty jobs and coming in from abroad when, according to the union, 180 tradespeople in their union who are unemployed and looking for work could qualify for these jobs. They said they were not going to the media. They were just going to try to have a legitimate, good business discussion.

In spite of that goodwill, "LG and Stellantis continue to use international workers through subcontractors for work which our members are ready and able to perform". It went on to say that, as I mentioned, "180 local skilled trades workers in Essex, Kent region, millwrights and ironworkers are underemployed, and in some cases unemployed, and available to perform this work. In fact, Canadian workers are being replaced by international workers at an increasing pace on work that had previously been assigned to Canadian workers."

What the union is saying here is that there were actually Canadian tradespeople working on the site, but they've been replaced by people from outside the country, otherwise known as foreign re-

placement workers displacing Canadian unionized trade skills people in helping to build this plant.

They say that, as of April 10, "Fifty additional international workers are expected to arrive and begin work that was previously indicated would be performed by Canadian workers." That's right in the letter to the Prime Minister. Apparently, what the government is saying publicly is not what's happening on the ground. The union went on to say, "Canadian workers are being sidelined without consequence." There's no penalty. Government's putting half a billion dollars of taxpayer money into this construction. It's okay if you take Canadian tradespeople out of the construction of this and replace them with people from South Korea. I'm even told, through sources through the union, that some of them who are actually on the ground are coming from Mexico and not South Korea and replacing in not specialty jobs. These jobs are for forklift operators or general construction. They're replacing them.

In fact, the union went on to make the accusation that, "This is a slap in the face to Canadian workers and utterly unacceptable". This is particularly, as they recognize, when "shareholders stand to benefit from more than \$15 billion" of tax incentives from the Canadian government.

Just so the people watching understand what that tax incentive is, it's in response to a bill that President Biden passed through the U.S. Congress called the Inflation Reduction Act, which actually spends a lot of money. Spending money doesn't actually reduce inflation. It increases it. The misnomer of the bill aside, it sets out the subsidy that the U.S. taxpayer would pay for battery assembly of EV batteries in the United States. It sets out that any batteries made between now, when a contract is signed, last year...

I shouldn't say "made". They're not made. They're assembled. Over 90% of the parts for EV batteries currently come from China, helping out that economy. They get assembled here, in Ontario, and then are subsidized between now and the end of 2029. Can you guess by how much? How much do you think it would be reasonable for the taxpayer to pay companies that have more revenue than the Government of Canada and subsidize the assembly of Chinese battery parts in an EV battery in Canada? I can tell you. I'm seeing puzzled faces around the committee table. The answer is 100%, if you can believe it.

● (1555)

That's between now and the end of 2029.

Some things in life... Occasionally, somebody asks me a question and I say, twist my rubber arm. I think, twist my rubber arm, why don't you come here and set up a battery assembly plant where you can bring in foreign replacement workers, and the Canadian taxpayer will pay 100% of the cost of that assembly. That's a tough business decision to make when that means that the battery—and I don't know if people watching understand this—in an EV takes up 30% to 40% of the manufacturing cost of any EV. In other words, between now and the end of 2029, the great negotiating skills of this Liberal government see 100% of those costs being borne by the taxpayer, meaning 100% profit for these auto companies that are larger in revenue than the Government of Canada.

Now, if that's not enough, I know in the Volkswagen case, for example—I'm not sure that this is the case in Stellantis—Volkswagen doesn't assemble any cars in Canada and has no plan to. So Volkswagen's going to put all those batteries on a truck and ship them to their plant in Tennessee, assemble them there, and sell the cars in the United States.

Let's put it another way. The Canadian taxpayers are making sure that Volkswagen gets a clear 40% profit on the sale of their EVs, paid for by the taxpayer in Canada, for cars that will be assembled in the United States and sold in the United States. That's a hundred per cent. Now, not to be outdone, of course, they didn't want to take it too far, so in 2030 the contracts in the IRA, which these mirror, makes that 30%, down to 75%. So there's a bargain. Volkswagen and Stellantis only have to cough up 25% of the cost after five or six years of manufacturing batteries. After all of that, they then do 25% of the cost and then wait for it in 2030, 2031, when it's 50%.

We're shortly getting to a parity thing here, and in 2032, finally, they're paying 75%, but the Canadian taxpayer is still paying 25% of the cost of those batteries. And somehow the Liberal Minister of Innovation, Science and Industry thinks that he negotiated a great deal. He thinks that, if it wasn't for his efforts, Volkswagen and Stellantis wouldn't have been willing to come here to have the Government of Canada pay 100% of the cost of assembling the batteries. They must have been asking for 110% of the cost, and he got them down to 100%. Way to go. That is the basis of this so, even in that extreme, we've got the union writing and saying, even in that extreme you don't have to employ Canadians. So they say, on the ground, the real experience—not as some of the local MPs have claimed—the union is putting in this letter is that these are not about knowledge transfer, these construction jobs, or specialized knowledge. The union says, "It's a brazen displacement of Canadian workers in favour of international workers by major international corporations thumbing their noses at both the Government of Canada, taxpayers, and our skills trade workers. For our members in Essex-Kent, the current state of affairs is intolerable. As such, the Canadian Executive Board has authorized us to use all necessary measures required to remedy the situation."

So what happened after this letter went to the Prime Minister and they started to kick up a fuss and threatened to go to the media? LG and Stellantis said, let's sit down. Maybe we could have another chat. My understanding is they did and it resulted in what kind of MOU between Stellantis and the Building Trades Unions? My understanding is none. Zero. So the issue continues because the gov-

ernment's now claiming that the one job is now 72 jobs only, so it's okay.

• (1600)

As it escalates, maybe the government can explain what the acceptable level of foreign replacement workers would be that would justify this. It was one. Apparently, when that didn't turn out to be true, they decided it would be 72. However, the union says in their letter that there are another 50 coming.

Now, let me understand what's going on in terms of this. If you don't think the union is right and you think that, for some reason, the union has an agenda that's different from the Liberal government, there are these job postings all over the place.

These are not specialized jobs. Material handler, Korean—

Mr. Brian Masse: I have a point of order.

The Chair: I'm sorry, Mr. Perkins.

Mr. Masse, go ahead.

Mr. Brian Masse: I'm sorry, Mr. Perkins. It will be really quick.

The Building Trades Unions have issued a statement in a letter to me and they've also put it up on their social media, I believe, saying that they do not want the motion to proceed.

I wanted the member to be aware of that, but I do appreciate his intervention. I just wanted to make sure that's on the record. I'll read that into the record at the appropriate time.

Thank you.

The Chair: Thank you.

That's not a point of order, but I always appreciate an intervention.

Mr. Perkins, go ahead.

Mr. Rick Perkins: I appreciate MP Masse's intervention. I know that he's worked hard on these issues, but I'm just quoting from their letter, unless they're denying that they sent the letter.

I'm citing Government of Canada job postings. There's a Government of Canada Job Bank. These are on the Government of Canada site for Windsor. It says that there may be some overtime for this material handling by Jeil Special Canada Inc. They're one of the recruiting companies being used by NextStar.

It says here: "Who can apply for this job? Other candidates with or without a valid Canadian work permit." You don't even need to have a valid Canadian work permit. I can tell you, having read the Stellantis contract, that you don't even have to be a Canadian to get the jobs. There is no clause in the contract that requires that.

On NextStar here, I went through it this morning. I said that about “general affairs”. This is from NextStar. That's their logo. A general affairs specialist is basically an office management/administrative position. It says that it requires “Fluency in Korean”. I don't know how many—and perhaps I should know this—fluent Korean unemployed people there are in Windsor, but apparently that's what's required to work at the plant. There's another one for a general affairs specialist on the website by one of the job things. Jeil says for this one again, material handler, Korean is needed.

In order to speed things up and not read all the jobs that were listed, here are some highlighted ones. As I said, a general affairs specialist requires fluency in Korean; for electrode quality engineer, bilingual in English and Korean; for module production planner, English and Korean proficiency; and it goes on, process quality engineer.... These are not specialist jobs. We have office managers in Canada. We have office managers in Windsor.

If I gave the benefit of the doubt to the government, which I tend not to do, because they seem to have been either not reading it or... When I asked the minister months ago in committee if he had read the VW contract, basically he said no. When you sign a \$15-billion subsidy contract I think you would, especially if you're a corporate lawyer like he is. I wouldn't imagine that he would give any client advice that says, “Don't read the contract you're about to sign.” I don't think that's legitimate legal advice that I've ever heard a lawyer give. I don't know.... Maybe the government says otherwise.

This is why we're here having this discussion. When you look at it, there is page after page of NextStar in the media saying one thing and changing their expectations on the other. I talked about some of the quotes from the Windsor Star. There are quotes from NextStar, where they said, no, there are no foreign workers...well, maybe there are a few, maybe there are 600 in the construction, maybe there are 600 in the permanent jobs, maybe there are none in the permanent....

If the company is confused, no wonder Canadians are confused. If the contract were not confused and said in the contract “Canadian workers only”, or maybe even “Canadian union workers only”.... I know that doesn't apply to the MOU with Honda that's been signed because they're not a unionized auto business, but Stellantis is. It seemed like a pretty obvious thing to put in the contract both for the construction and for the permanent jobs, “Canadian union jobs only”. Not Canadian residents, because anybody could be a resident... Anybody can come here from Korea, come here from Mexico... “now I'm a resident”.

Now, some have claimed that's what may or may not be there, and that it says, “Canadian resident”. “Canadian resident” isn't Canadian citizen or permanent resident, and it doesn't say “Canadian job”. Clearly, the company and the ambassador are thinking something very different, because this issue has been out there quite a bit and we had the famous announcement on Honda recently—last week—where Honda was asked, “Why didn't you get a production subsidy?”, and they said it was because the government said they had run out of money.

• (1605)

I think that's the first time I'd heard the federal Liberals say that they had run out of money. It didn't look like it in the budget, with a \$40-billion deficit and no sign of balancing it.

They said that they had run out of money, but they said that between them and the Ontario government, they would give \$5 billion of input tax credits.

A plant that Honda is proposing, which I understand is much bigger and producing more batteries than what these two plants do combined, will actually cost a lot less than the subsidy that is in the contracts for Stellantis and Volkswagen.

If they are out of money now, why weren't they out of money when Volkswagen came knocking or when Stellantis came knocking for Volkswagen's deal? Why didn't they say, “Sorry, we don't have that kind of money. We can do some input tax credits, but we're not going to do that kind of thing. If you want to come here and get access to our critical minerals, to our excellent workforce, to our well-educated and well-trained workers, and eventually create a supply chain for EV battery manufacturing parts, come on down. We'll give you some input tax credits.”

That's a tax credit for actually making something—for building it. It wouldn't cost anywhere near this 100% battery subsidy.

I guess when the political pressure came along after the first two on the foreign replacement workers, the government finally said that they have to do this differently. I don't know what the Minister of Finance said. Maybe it was that she could only borrow \$40 billion this year, so she can't add any more; she's only added \$800 billion to the national debt, so she can't borrow more to subsidize companies that are larger than the Government of Canada, so she'll only do input tax credits.

It looks to me to be about half or maybe even less than half of that. Now, I'm sure they'll still get the accelerated capital cost allowances that the Liberals put in previous budgets to pile on top of the 10% tax credits for this.

In question period today, when I asked the minister the question, he energetically defended bad deal after bad deal and said that somehow I was “spreading disinformation”. I had actually read the contract. He admitted that he hadn't, but I was spreading disinformation.

If he had read the contract... I ask him to just release the clauses from all the contracts that deal with jobs. Let's see the clauses that prohibit foreign replacement workers in those contracts. Release those. I challenge the minister and I challenge Liberals as I did in the House today. If I'm wrong...release the contracts. Release the clauses. Prove me wrong. I'll admit I'm wrong if they release the contracts or the clauses and show me that it guarantees that only Canadians will be working at both the construction and at the permanent jobs in this.

The Liberal Party ran holier-than-thou-ish in 2015 by saying that disinfectant is the best sunshine to show what's going on in government, but time after time in this committee and other committees, the Liberals have refused to even admit that what the ambassador from Korea was saying is right. They refuse to acknowledge that what the union is saying is right. They have refused to say, "I'm sorry, you're right. We should have provided more specific language in the contracts, but we'll work on it. We'll set up. Maybe we'll go back and do an amendment."

Of course, the company writes to committees here in Parliament claiming that they want to hire Canadian workers, but then they turn around publicly and allow foreign replacement workers in.

• (1610)

I don't know if that's misleading Parliament or not—when they submit letters to this committee and others claiming that they're hiring nothing but Canadian workers and then do the opposite in reality. Perhaps they don't know the consequences of misleading Parliament. We might ask the owners of GC Strategies how that feels.

On this issue, I would love to be proved wrong. I would love the Liberal members to prove me wrong. Release the clauses and the contracts. Show Canadians that you negotiated contracts that require Canadian workers only. Show those to us. That's all. Show us the money, from that famous movie. Put your money where your mouth is if you're saying they say this. Release those clauses.

However, they haven't been willing to. Again, I'll remind people—even if I hadn't read the contracts—that they haven't been willing to do that, which tells you, in itself, that they're hiding something. Since I have read the contracts, I know that those clauses are not there. I can't talk about what's in the contracts, but I can talk about what's not there, and what's not there is a Canadian job guarantee.

Mr. Chair, I think that there is ample evidence that we continue to require these contracts—I personally would like to have officials come—that we release these contracts or any element of the job clauses that are in them. If you're afraid that somehow the contracts list the number of batteries that some house...or that there's some sort of proprietary technology that's covered in these contracts and that Stellantis or Volkswagen doesn't want their proprietary battery technology displayed, you could redact it. However, I can tell you, having read the contracts, that there are no proprietary technology clauses in the contracts. There is nothing to that end in the contracts.

In fact, when we got to look at the Volkswagen contract, the only thing they redacted was the number of batteries that they thought they might produce every year, but it took a grade 12 student about

five minutes to figure it out from the other numbers. They also redacted the construction schedule for some strange reason. It was odd. They redacted the construction contract, but everything else was there.

As you would expect in any contract that the government signs that is supposedly commercially sensitive, the signatory—the private sector company—would have the ability, you would think, to have a clause in there that says that before they release any contract publicly or any part of the contract, somehow they get a shot at deciding which parts of that contract get released to politicians and the public and which don't. They're dealing with the government, so they know that some things have to be made public if they're going to take taxpayer money. I would expect that those clauses are there. I don't think this committee would ask that the government abrogate those provisions in the contract that allow the company to protect commercially sensitive....

I think that's why MP Masse, in his motion before this committee before Christmas, was suggesting a third party of some sort to arbitrate that and figure out what should be in. It's not that we don't trust the government, but some third party, like the law clerk of the House of Commons—or I think MP Masse suggested the Information Commissioner—should arbitrate. If the company says that these things are commercially sensitive, there should be a fact check, a reality check, from a neutral body, like the law clerk of the Information Commissioner, to see whether those are truly commercially sensitive or whether it's just playing politics because somebody negotiated a bad contract and didn't want the job clauses released because they're vulnerable.

We all expect that those terms, if they exist in the contract, would be respected, but we want them.... Trust but verify, I think, was the intent of MP Masse's motion that we do that. However, the government hasn't even been willing to do that. The government has not even been willing to ask Volkswagen and Stellantis to tell it which clauses they don't want released to Canadian taxpayers so that it can have a third party look at them to make sure that the government isn't playing politics.

• (1615)

The government hasn't even been willing to do that. I think that's a reasonable request, too, but it's been rejected.

We keep getting these issues in spite of this. This could have all been solved in December, when these motions were being discussed, by doing as MP Masse suggested. We didn't, so here we are again, where we have foreign replacement workers coming into Windsor. We have gotten to that obscene position where they're taking Canadian workers off the job site who are not specialized Korean secret sauce. "Our battery is this, therefore we have to have special technicians."

When you take your car to your corner garage rather than the dealership—if you have a relatively new car—they say, “Rick, I’d like to repair that, but you have to take that into Volkswagen because there’s a special tool to undo that part.”

A voice: Right to repair....

Mr. Rick Perkins: The right to repair legislation.... You have that person and that interest. It’s a bit of a monopolistic game that car companies play, because nobody can buy that tool unless they’re a dealer. It forces you to pay twice the labour rate at a dealership than you would pay at your local garage.

It’s that type of thing. It’s saying, “There’s a guy with the specialized tool for the specialized machine in Stellantis who needs to be installing this, because they have a special training.” That’s not what the union is complaining about. The union recognizes that. I still don’t know why you would need 1,000 of them out of 1,600 construction workers. That’s not what the union is complaining about. The union is complaining about forklift drivers. The government is doing other ones here on the permanent jobs—as they get ready for these plants to open—that have absolutely nothing to do with specialized requirements and skills. There is no special requirement, other than the experience somebody has in Canada, to be an office manager. Yet, that’s what they’re advertising for.

I’ve probably gone on as much as MP Kusmierczyk did, so I will conclude here. I may come back on the issue that we need to have that disinfected sunshine by releasing these contracts—which the Liberals knocked on doors saying we needed in the government.

Thank you.

● (1620)

The Chair: Thank you, Mr. Perkins.

Mr. Sousa.

Mr. Charles Sousa: Thank you, Mr. Chair.

It’s shocking to hear, yet again, a repeat of what we went through only a few months ago when we were talking about the sensitivity, competitive nature and proprietary information at hand, in terms of releasing some of this information. The member opposite just admitted to having reviewed one of the contracts, notwithstanding the duty of confidentiality he’s obliged to. He’s yapping on about stuff that’s not in the contract, inferring what should be in the contract.

Recognizing, of course, that there are other competitors in play and other matters of confidentiality—

Mr. Rick Perkins: I have a point of order.

The Chair: Go ahead, Mr. Perkins.

Mr. Rick Perkins: I would never refer to the former Ontario finance minister’s dissertation as “yapping”—even though he delivered poor budgets—so I would ask him to use more respectful language.

Thank you.

Mr. Charles Sousa: Point well taken, and there were actually six budgets, one that I did twice, I have to say. I balanced the budget, and the one that I did twice was actually the one that gave us a majority government going forward.

With regard to the matter that the member has mentioned, I do apologize for using that term, but the gums were going so much and you didn’t take a drink and I was just a bit concerned about you. I’m glad that you’re relaxing a little bit now and allowing yourself to take a bit of a rest.

I’m not going to go on too much more here, Mr. Chair. We have already discussed the sensitivities of these contracts. It’s essential that we do not breach some of the confidential aspects that enable us to compete against other jurisdictions around the world. It’s also a matter of reputation for Canada, to allow us to be known as a secure partner in these endeavours.

When it comes to jobs, I’m going to allow our colleague from the NDP to elaborate upon some of the very discussions he’s been having with members of the union, who only days ago were tweeting out that they appreciate and support the work that’s being done and look forward to enabling that contract to take fulfillment. Then we can then elaborate more clearly on what’s involved and dissertate on some of the issues that have been raised by chambers of commerce and others. They are cautious and very distressed by the engagement that was taken in OGGO and by some of the members in this committee who are trying to advocate for open and transparent aspects of the contract that then put at risk the deals as we go forward.

We all want to safeguard jobs. We all want to ensure that Canada succeeds. We all want to create innovation and investment in industry, and that’s exactly what we’re doing. It’s unfortunate that the member opposite doesn’t appreciate that, or the members of the Conservative Party, for that matter, don’t seem to appreciate the necessity of us being at the forefront of these issues.

I’ll stop there, Mr. Chair. I do look forward to getting a better understanding of what the union is actually saying in regard to this contract and these investments that are being made in Canada.

● (1625)

The Chair: Mr. Masse.

Mr. Brian Masse: Thank you, Mr. Chair, and thank you to my colleagues.

Thank you, Mr. Chair, as a guest back at committee here.

The Chair: I apologize. Welcome back to OGGO.

Mr. Brian Masse: Thank you, there’s unfinished business, and I’m not too terribly surprised that we’re back here.

Mr. Perkins has been on this file for a long time, not only just at this committee, but also at industry, and he raises a lot of valid concerns and points. I think that comes because we don't have a national auto policy that's transparent, something I've been after for a long period of time. We have had, in the past, some of that structure, and that's missing, and so inasmuch as these deals are different, that creates questions and concerns, and obviously the Building Trades Unions have had some discomfort recently and issued a letter to the Prime Minister.

I did reach out to them today, because that's why we're here. We have this motion in front of us and with their interest in mind, and currently this doesn't happen with their support because they feel things are sensitive at the moment and they do appreciate it. I'm going to read the statement they sent to me so it's on the record.

Canada's Building Trades Unions is aware of the ongoing discussions at OGGO. While we are pleased that all parties are concerned with Canadian unionized jobs, we do not believe it is in the interest of our ongoing discussions in pursuit of MoUs with global automakers for a such an expansive production order to be proceeded with at the current time, while sensitive negotiations are being undertaken. At minimum, we believe such disclosures should be limited to only jobs forecasts, and only then with Nextstar. Our preference would be to revisit this issue in one month and allow all parties to conclude negotiations.

That's from Sean Strickland, CBTU.

I've also been on the phone with them as well as Nathan Carr to get an idea. They have their convention going on as well, and they've had to advocate for their workers in a strong sense. I think it's been very frustrating, not only for the elected officials, but of course for the workers who have lost hours of employment as they've tried to negotiate and sometimes it hasn't gone as well as it should have.

Keeping that in mind, they have said that they would revisit this issue at the industry committee by issuing a letter to the chair at an appropriate time when negotiations are concluded or if there's a problem in the future that requires our attention.

So with that I want to withdraw the amendment from the NDP with regard to this. We don't need that. We don't need it to go to committee right now. We don't need the motion right now.

For me, I hope we can get to a vote because their convention is going on right now and this is another distraction for them at the moment. They've had to advocate strongly for their workers, and you know, they don't back down. You've seen the letters to the Prime Minister. You've seen the letters and their members have been reaching out to us. I want to thank them for advocating strongly because public dollars are very important, especially when we have to renew our sector the way that we have to now. Accountability is everything.

I trust them with this and I take my advice from them. They're at the table right now. As members of Parliament, we all need to be supportive of them and allow them to actually exercise their strength at negotiations and not undermine them in one way or the other.

With that, I won't be supporting the amendment that we have. I can ask for unanimous consent to withdraw the amendment and then we won't be supporting the main motion either.

The Chair: You're taking away the work of the bargaining unit by doing my work and asking for UC. Shame on you, Mr. Masse.

I assume we have UC to withdraw the amendment.

Some hon. members: Agreed.

(Amendment withdrawn)

(Motion negated: nays 6; yeas 4 [*See Minutes of Proceedings*])

The Chair: Thank you, everyone.

I appreciated everyone's politeness as we debated. If there's nothing else, we are adjourned.

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