

HOUSE OF COMMONS CHAMBRE DES COMMUNES CANADA

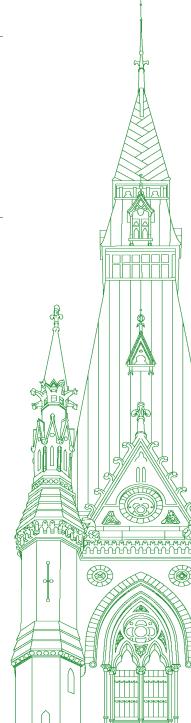
44th PARLIAMENT, 1st SESSION

Standing Committee on Public Accounts

EVIDENCE

NUMBER 151

Monday, November 18, 2024



Chair: Mr. John Williamson

Standing Committee on Public Accounts

Monday, November 18, 2024

• (1105)

[Translation]

The Chair (Mr. John Williamson (New Brunswick Southwest, CPC)): Good afternoon, everyone.

I call this meeting to order.

Welcome to meeting number 151 of the House of Commons Standing Committee on Public Accounts.

[English]

Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders. Members are attending in person in the room, as well as remotely by using the Zoom application.

Before we begin, I ask all in-person participants to read the guidelines written on the updated cards on the tables. These measures are in place to help prevent audio and feedback incidents and to protect the health and safety of all participants, including and especially the interpreters. I kindly remind all those in person and online that, for the safety of your interpreters, it is very important that your microphone is muted when you're not speaking.

[Translation]

Thank you all for your co-operation.

[English]

This is a reminder that all comments should be addressed through the chair.

[Translation]

Pursuant to Standing Order 108(3)(g), the committee is resuming consideration of report 6, Sustainable Development Technology Canada, of the 2024 reports 5 to 7 of the Auditor General of Canada.

[English]

I'd like to welcome our witness. Appearing as an individual is Mr. John Knubley, the principal of InnovAction Advisory Services Inc.

Welcome, Mr. Knubley. You're joining us virtually.

Mr. Knubley, you have time for an opening statement of up to five minutes, please. The floor is now yours.

Mr. John Knubley (Principal, InnovAction Advisory Services Inc., As an Individual): Thank you so much, and thank you to the committee. I would like to acknowledge that we are gathered on part of the unceded territory of the Algonquin Anishinabe.

I'm John Knubley. I was a deputy minister for 12 years in the federal government. I served as deputy minister of industry in the renamed Innovation, Science and Economic Development Canada, or ISED, from September 2012 to June 2019. I am now a senior adviser and board director.

A deputy minister, as you know, is the senior manager of the ministry and portfolio. The role is the highest level of public servant. At the time, the department had about 5,000 employees, and the portfolio had about 24,000. Expenditures were about \$7 billion annually. I supported several ministers—for industry, science, small business, tourism and broadband, including for appointments.

As I am no longer in the public service, I do rely on my memory for my testimony. I don't have access to my past agenda or basically to information from that time, so the following is what I remember.

There were 16 agencies in the portfolio. As the deputy minister, like those before me, I delegated authority for managing the interface between these agencies and the department to my senior executive, usually assistant deputy ministers. This is what was done for Sustainable Development Technology Canada, or SDTC.

SDTC serves a small economic sector with emerging areas of technology. Since its creation in 2001, it was designed to be independent of government, with business leaders from the clean-tech sector responsible for the work. It was not uncommon for business leaders involved to have experiences or linkages in the field. SDTC is uniquely defined by being a shared governance corporation with its own act.

When I began my role in the department, SDTC was not part of the portfolio. In 2015, SDTC was transferred to ISED from Natural Resources Canada and from Environment Canada. In 2016, the government gave ISED a broad mandate to promote clean technology and to lead this as a pillar in the pan-Canadian framework for climate change.

Canada was recognized for strong innovative capacity in this field, but it fell short in its ability to commercialize, which is a problem that remains today. New policy goals were developed to increase engagement with industry and to improve coordination across stakeholders in the clean-tech sector to help find new pathways to commercialization. In 2017 and 2018, ISED made clean technology one of six CEOled sector tables. This table made recommendations on how this sector could help boost Canada's GDP and exports. All of the initiatives were part of an innovation and skills agenda supporting talent, science and technology, access to capital, commercialization and streamlining.

The Auditor General's report of 2017 and the department's evaluation of 2018 guided the ministry's role in support of SDTC. The focus was on policy and on helping to improve its performance, its effective reporting and data on emission reductions, and its alignment with other departments and governments involved in the clean-tech sector.

At ISED, it was not typical for me to be involved in the many PCO-led processes for appointments to the portfolio agencies. In the case of SDTC, this role was delegated in 2018.

In terms of the milestones of the process, I was asked by PCO to have the department do outreach to stakeholders at the launch of the process and again in April. This was a common practice for the department to encourage a wide range of applicants. I do not remember ever talking about any SDTC candidates with former minister Bains or with his political staff.

• (1110)

I did talk to Annette Verschuren in late June, just before I retired. It was normal that, as a deputy minister, I would talk to her in the onboarding process. At the time, I was also reaching out to a series of key stakeholders to inform them that I was retiring on June 28. She and I had both been active members of the science, technology and innovation council created by Prime Minister Harper. We had also served as members of the CEO-led sector table on clean technology.

To be frank, I don't have strong recall of this particular telephone call. I was having lots of calls at the time, given my pending departure and retirement. In the call, I do remember talking to her about the go-forward modernization of SDTC. The aim was to move beyond just testing and piloting technologies. New activities were to be added to promote the start-up and scale-up of firms, as well as to focus on commercialization.

On the issue of conflict of interest, I was aware that she had engaged the Ethics Commissioner. I would also have expected that conflicts were fully addressed by the PCO appointment process. Moreover, on a go-forward basis, I generally expected, as a deputy minister, that all government departments and agencies, big or small, would regularly develop, refine and implement policies for real or perceived conflicts, including SDTC. Canadians do have a right to expect this.

Let me conclude by saying that SDTC has played a key role in supporting the clean-tech sector in Canada. I was struck then by how Canada had 11 of the top 100 global clean-tech companies, second only to the United States, and now there are 13. SDTC played a role in supporting many of them.

The Chair: Thank you, Mr. Knubley.

I'm going to stop you there, but I know you will probably be getting more of those questions from MPs. We'll come back to that, I'm sure.

We now begin our first round, which is four members with six minutes each.

Mr. Perkins, you have the lead.

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

Thank you, Mr. Knubley. Thank you for appearing on this important study.

You said in your opening statement that SDTC was transferred over to ISED in 2015. Jim Balsillie was the chair, I believe, at that time. I believe Leah Lawrence was appointed CEO in 2015.

Was that before or after it was transferred?

Mr. John Knubley: My understanding is that it was before, in August 2015.

Mr. Rick Perkins: We've had testimony that they were put in place to clean up some management challenges with SDTC before that. I believe you referenced the Auditor General report in 2017. We've had testimony on that, too.

Governance was part of that review, was it not?

Mr. John Knubley: No, I believe governance was only the subject of the evaluation in 2018.

Mr. Rick Perkins: It got a clean bill of health, I understand, from both Treasury Board and the Auditor General.

Is that correct?

• (1115)

Mr. John Knubley: Yes. Again, I have quotes from the Auditor General in 2017. One is, "We found that SDTC had measures in place to mitigate potential conflict of interest...in assessing and approving proposals."

Another is that SDTC "had a comprehensive process in place" to review proposals "against predetermined criteria."

Mr. Rick Perkins: Thank you for that.

During your time as deputy in the last Parliament, the government introduced a privacy bill, Bill C-11, and Minister Bains would have been the lead for that.

Do you recall that bill?

Mr. John Knubley: Are you referring to PIPEDA?

Mr. Rick Perkins: Yes.

Mr. John Knubley: I recall the bill. There was a great deal of emphasis on privacy issues related to digital matters.

Mr. Rick Perkins: Do you recall the chair of SDTC at the time, Jim Balsillie, going before parliamentary committees and commenting on that bill?

Mr. John Knubley: No, but what I can tell you is that I met Jim Balsillie many times from 2015 to 2019, talking about these digital issues and the need for an IP strategy in the department, which was announced in 2018. He was focused on the patent collective. I had him invited into the department to meet deputy ministers to talk about his experience at his former company and what kinds of challenges he faced with IP trolls.

I can go on about that, but I'll stop.

Mr. Rick Perkins: Were you aware that Minister Bains was not pleased, according to CEO Leah Lawrence, with the criticism that the chair, Mr. Balsillie, had of Bill C-11 and other privacy-related issues around Facebook and other data breaches?

Mr. John Knubley: No.

Mr. Rick Perkins: You weren't aware of that.

I'll read Ms. Lawrence's testimony. She said:

In particular, in the time period of 2018 and into early 2019, there were several moments when it was raised with me or with my team that there were concerns about public statements Mr. Balsillie was making as an individual. At the time, there was a consultation under way on data and digital legislation. Of course, this is an area he's an expert in. He would make critiques about legislation and provide input in his role as an individual. Often, in the aftermath of those statements, we would get calls asking why [a GIC appointment] was making [these] statements[.]

You don't recall any of that. Your department was calling-

Mr. John Knubley: No, I don't. What I observed-

Mr. Rick Perkins: —the CEO to comment on public statements by the chair of SDTC.

Mr. John Knubley: What I want to put on the record in relation to Leah Lawrence is that she never called me during my tenure as deputy minister.

Mr. Rick Perkins: I didn't ask you that question.

Do you recall any discussion between you, the minister, any of your ADMs or the minister's office staff about Mr. Balsillie's comments in public about the failures of the Liberal legislation at the time?

Mr. John Knubley: No. What I want to make clear is that we talked about the issues he had all the time. We were trying to establish a very effective IP strategy with our patent collective, as Mr. Balsillie proposed—

Mr. Rick Perkins: I understand. This is about-

Mr. John Knubley: —and we were taking education initiatives that Mr. Balsillie wanted to pursue.

Mr. Rick Perkins: Mr. Knubley, I'm sorry, but my question was about his criticism of the government, not about the ongoing consultation and his role as SDTC chair.

Mr. John Knubley: I had no conversation with the minister in that regard.

Mr. Rick Perkins: Was your ADM, ADM Noseworthy, conveying those concerns on his own?

Mr. John Knubley: I don't think Mr. Noseworthy would have conveyed anything on a digital charter. His responsibility was the oversight of SDTC.

Mr. Rick Perkins: Perhaps the headset is not working well. It wasn't about the digital charter. It was about the public comments by the chair of SDTC, being critical of the government, and ADM Noseworthy asking the CEO whether or not she could get him to keep quiet.

Mr. John Knubley: I am not aware of that. I've never.... I'm not aware of it.

Mr. Rick Perkins: Why would ADM Noseworthy do that on his own?

The Chair: Thank you, Mr. Perkins. That is your time, I'm afraid.

I will turn now to Ms. Bradford.

You have the floor for six minutes, please, Ms. Bradford.

Ms. Valerie Bradford (Kitchener South—Hespeler, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Knubley, for appearing today as a witness.

You're a former deputy minister of ISED. We've heard multiple witnesses state that it's customary for departments to send emails to stakeholders regarding appointment openings. Given that Ms. Verschuren served on the clean-tech strategy table and there was a working relationship with the department, would it have been customary to send Ms. Verschuren and other stakeholders an email notifying them of the opening or the appointment opportunity?

Mr. John Knubley: I think the short answer is yes, but let me explain. The way this works is that I would have asked—and I did ask—Andrew Noseworthy to reach out to the stakeholders in the clean-tech community. I understand that he had a list of about 250 stakeholders. Yes, Annette Verschuren would have been on that list.

Ms. Valerie Bradford: Just to get it on the record—I know it's been a few years—would you be able to confirm to this committee if the department did, in fact, send out a mass email to stakeholders in September or in the fall of 2018? You just said that probably around 200 went out at that time.

Do you remember if the clean-tech strategy table members were included in the list? Would Ms. Verschuren have been one of those email recipients?

Mr. John Knubley: I think the answer is yes to all of these, but again, you would need to specifically ask Mr. Noseworthy about this. I would fully expect that on this large list of stakeholders, there would have been the members of the CEO-led sector table, as well as Ms. Verschuren.

^{• (1120)}

The Privy Council Office has stated that the appointment process with regard to Ms. Verschuren was normal. It said there was nothing abnormal about the appointment process, and her name was provided to the minister via the habitual letter of advice.

Do you remember if there was anything abnormal, from your point of view, in the appointment process for the new SDTC chairperson in 2018-19?

Mr. John Knubley: I think what I should say on this is that my role in the appointment process, once I delegated it—and this is the normal deputy minister role—was to ensure that, from the department's perspective, the process was timely and taking place. That's my perspective and so, from that perspective, I am not aware of any unusual aspects of the process.

Ms. Valerie Bradford: [*Technical difficulty—Editor*] had been sent up to the minister a month or two before the second letter. The latter recommended Ms. Verschuren's name. There were two short-listed names for chairperson. From your recollection, was it strange for the PCO to send up a second letter of advice? Did the first two individuals fall short, in the minister's view?

Mr. John Knubley: I want to make it clear that, because I had delegated authority for this, I had no knowledge of the names of people involved in the process throughout.

In terms of a second round of reaching out to applicants, let me put it this way: It wasn't the first time, in an appointment process, that we had done a second round because there was, I presume, a consideration that the first set of names were not sufficient for the purpose of the minister making an appointment.

Ms. Valerie Bradford: To elaborate on that, then, can you speak to the department's recommendations to the minister with regard to the chairperson selection? In this process, did the department provide suggestions to the minister?

Mr. John Knubley: My understanding is that the department does not prepare notes on appointments. The appointment recommendation comes from PCO and the PCO-led person. In this case—again, I'm working on memory of five and a half years—I do not recall any memo coming from the department about this appointment.

Ms. Valerie Bradford: I believe that, in your opening statement, you mentioned that you did have conversations with Ms. Verschuren from time to time, often during the onboarding process, and then late in June, just before retiring. In any of these discussions, did any of her conflicts of interest come up in conversation?

Mr. John Knubley: Yes. I want to clarify that I had only one conversation with her in terms of this appointment. It was, I believe, in late June and, as I said in my testimony, I was in the process of retiring. I believe, although I'm not absolutely certain, that she did raise that she was working with the Ethics Commissioner, that she was addressing this issue and that the Ethics Commissioner's office had provided guidelines and indicated to her that she could proceed with the appointment.

• (1125)

Ms. Valerie Bradford: Just to clarify, that wasn't the only conversation you ever had with her. I think you testified that you often—

Mr. John Knubley: I often talked to her, particularly in the context of the CEO sector table and STIC, but I didn't talk to her about this appointment until the very end of the process.

The Chair: Thank you, Ms. Bradford. That is the time.

[Translation]

Ms. Sinclair-Desgagné, you have the floor.

Mr. Knubley, the next speaker is a Bloc Québécois member, and she's going to speak in French.

[English]

You said you might change your headset. I think you have on the set that's working perfectly well, but I just want to flag that for you.

Mr. John Knubley: I can hear you, but it's very faint.

The Chair: Well, let's begin with Madame Sinclair-Desgagné.

[Translation]

She has six minutes.

We may run into some technical difficulties, but let's begin.

Ms. Nathalie Sinclair-Desgagné (Terrebonne, BQ): I've got my fingers crossed that we won't have any problems, Mr. Chair.

Good morning, Mr. Knubley.

Can you hear me?

Mr. John Knubley: Hello.

Yes, I can hear you.

Ms. Nathalie Sinclair-Desgagné: Thank you for being here.

I'd like you to clarify everyone's role in your department.

When you were deputy minister, Mr. Noseworthy was part of your team as assistant deputy minister. He attended the Sustainable Development Technology Canada board meetings. However, we learned from the findings in the Auditor General's report that Mr. Noseworthy seemed unaware of his roles and responsibilities.

What can you tell us about that?

[English]

Mr. John Knubley: What I want to say here is that, again, I think there were two representatives, if you like, during my time playing the role of interfacing with SDTC. It wasn't Andrew Noseworthy the full time. I believe there was another person, who was the assistant deputy minister for the innovation programs.

• (1

In terms of their role, I do agree with the Auditor General's report, which says that there should be in place a stated description of what role that person is playing in the relationship between SDTC and the department. I agree with that. Having said that, in my experience.... This is partly why I pointed to the evaluation of 2018. If you look there, you will see that there's a detailed management action plan in response to the evaluation, which spells out in some detail what Andrew Noseworthy's role was.

[Translation]

Ms. Nathalie Sinclair-Desgagné: Okay.

Mr. Knubley, why-

[English]

Mr. John Knubley: By the way, I would like to table, Mr. Chair, perhaps after the meeting, this management action plan. I guess if I were still a deputy, I would have gotten organized in advance and tabled it in advance.

The Chair: Sure. You're welcome to send in anything.

I have stopped the clock.

[Translation]

Ms. Sinclair-Desgagné, you have three minutes and 40 seconds left.

Ms. Nathalie Sinclair-Desgagné: Mr. Knubley, why did Mr. Noseworthy attend the SDTC board meetings? I want a very simple answer.

[English]

Mr. John Knubley: As the deputy minister, I had a view which is not shared by all deputy ministers—that there is an advantage to having members of the department ex officio—they're not actually members of the board—participating in the board meetings. Why is that? It's because without the direct participation in the board meetings, it's very challenging for the department to have an eye on the SDTC. That was my view.

• (1130)

[Translation]

Ms. Nathalie Sinclair-Desgagné: Do you really think that Innovation, Science and Economic Development Canada had an eye on what was happening at SDTC? Do you really believe that the department saw and knew what was going on at SDTC?

That's more or less what you just said. You said that Andrew Noseworthy was responsible for informing the department about what was going on at SDTC, and, by "department", I mean the minister and you.

Do I have that right?

[English]

Mr. John Knubley: Yes. Let me just say and explain that he had quite a detailed agenda with them. Overall, it was about policy and performance. If you look at the evaluation management action plan, it talks about data issues, particularly—and this was in the Auditor General's report of 2017—establishing sound evidence around the extent to which these projects were actually reducing emissions. There were also recommendations on partnerships and alignment—

[Translation]

Ms. Nathalie Sinclair-Desgagné: Okay. Thank you.

Mr. Knubley, I'm sorry to interrupt. I don't have much time, but I have a few more questions for you.

[English]

Mr. John Knubley: I would like to complete my answer, though.

[Translation]

Ms. Nathalie Sinclair-Desgagné: So, Mr. Noseworthy attended the board meetings. Did he tell you that there were several cases of conflict of interest at SDTC? The Auditor General identified a number of real conflicts of interest due to individuals not recusing themselves.

When you were deputy minister, did Mr. Noseworthy report to you that conflict of interest policies were not being followed? He was supposed to know them.

[English]

Mr. John Knubley: All these things happened after I retired on June 28, 2019.

[Translation]

Ms. Nathalie Sinclair-Desgagné: No, Mr. Knubley. In 2017-

[English]

Mr. John Knubley: However, what he reported to me on was-

[Translation]

Ms. Nathalie Sinclair-Desgagné: In 2017 and 2018-

[English]

Mr. John Knubley: —what was in the management action plan.

[Translation]

Ms. Nathalie Sinclair-Desgagné: According to the Auditor General's report, Andrée-Lise Méthot was in a conflict of interest on August 3, 2017 and May 1, 2018. You were the deputy minister at the time. Mr. Noseworthy was in the meeting room. I want to know if you were aware that the conflict of interest policies were not being followed.

[English]

Mr. John Knubley: What I was aware of was what was in the Auditor General's report of 2017 and the evaluation report of 2018, which said that there was a sound governance structure, that there were conflict of interest rules being pursued and that there were good processes around the implementation of the programming.

[Translation]

Ms. Nathalie Sinclair-Desgagné: Okay. So that's when you stopped working. If people are doing good work, you stop looking at conflict of interest policies, is that how it works? The Auditor General's report dates back to 2017. Her audit covers the period beginning on March 1, 2017. You were still deputy minister at the time. Her audit covers a time when you were deputy minister. In her report, the Auditor General says that not only were the conflict of interest policies at SDTC unclear, but also they were not being followed. She identified 90 instances of conflict of interest policies not being followed, starting in 2017 and continuing until after your departure. There were conflicts of interest while you were deputy minister. An assistant deputy minister, the person in the position directly under yours, was present in the meeting room—

The Chair: Ask your question, please.

Ms. Nathalie Sinclair-Desgagné: You're telling me that all the policies were followed, whereas the Auditor General says they weren't.

Are you refuting the Auditor General's findings?

[English]

Mr. John Knubley: No, I'm not refuting your findings, but what I'm telling you is that what I knew in 2019, and prior to that, was what is contained in the AG's report of 2017 and in the evaluation report. On governance, again, there was a clean bill of health. There was reference, I think, in the evaluation report to improving the note-taking around conflict of interest and informing ISED. I think I was aware of that.

In terms of the issues about the agreements actually meeting the eligibility requirement, I think it's important that members understand that the work that was being done for some years, including before it came to ISED, around performance measures.... You need to have strong performance measures, especially from a longer-term perspective, in terms of measuring emission reductions. These are key to eligibility requirements.

• (1135)

The Chair: Thank you, Mr. Knubley. I appreciate that answer.

Up next is Ms. Mathyssen.

You have the floor for six minutes, please. It's over to you.

Ms. Lindsay Mathyssen (London—Fanshawe, NDP): Thank you, Mr. Chair.

Thank you, Mr. Knubley, for appearing before us today.

I apologize, as a new member on this committee who is subbing in. I hope my questions aren't too repetitive.

I'll go back to what Madame Sinclair-Desgagné was talking about. You had put Mr. Noseworthy on the board to ensure that you had a good level of communication and a good route of communication. How long had you worked with ADM Noseworthy by this point?

Mr. John Knubley: With respect to Andrew Noseworthy, we have a long history of working together. In fact, we met first on the Meech Lake accord in the late 1980s or early 1990s. It was the late eighties, I think, to be precise. At that time, he was at Intergovern-

mental Affairs in Newfoundland. I then went on to work at the Atlantic Canada Opportunities Agency in Halifax. I was the vice-president there from 2002 to—

Ms. Lindsay Mathyssen: I'll have to cut you off, a little bit, just because I have a limited amount of time.

In terms of that relationship, then, you were fully trusting him to continue to do the good work, as you had assessed thus far, in his role as a liaison between you and SDTC.

Mr. John Knubley: Yes, I trusted my relationship with Andrew Noseworthy.

Again, just to clarify, the overall approach at this time, partly because of these earlier reports, was all about focusing on policy, commercialization, improving data and reporting on emissions. This was the focus.

Ms. Lindsay Mathyssen: Are all deputy ministers and assistant deputy ministers given full training for conflict of interest on the policies that are related to conflict of interest?

Mr. John Knubley: Yes. There is a training module on conflict of interest, which I think is offered by the Canada School of Public Service.

Ms. Lindsay Mathyssen: Is that comprehensive training?

Mr. John Knubley: Well, not training.... I think you can access it online. I forget what—

Ms. Lindsay Mathyssen: Is everybody mandated to take that at the levels of deputy minister and assistant deputy minister?

Mr. John Knubley: I believe the answer is yes, but I think you'd have to ask PCO that one.

Ms. Lindsay Mathyssen: Okay.

Do you remember taking it yourself?

Mr. John Knubley: Yes.

Ms. Lindsay Mathyssen: How many times did you have to take it? Was it once a year, or was it just once?

Mr. John Knubley: I was in government for a long time, so I probably did it twice.

Ms. Lindsay Mathyssen: Would Andrew Noseworthy have been required to take that as well?

Mr. John Knubley: I would think so, but again, you'd have to ask Andy.

Ms. Lindsay Mathyssen: Okay.

Part of your role as well was to ensure that in that liaisonship, he was to tell you not just about policy or procedures or how the specifics relating to this commercialization were supposed to go. He was supposed to tell you everything that went on.

Mr. John Knubley: I think I need to say here, and it's important for members to understand, that the relationship between ISED and SDTC needs to respect the full independence of the agency. In fact, that was part of the way we thought about the relationship. In this case—and really in the case of all agencies that are independent and close to not-for-profits, like SDTC—the expectation is that the board and the management are responsible for the conflict of interest policies, the management of finances and the contribution agreement.

Ms. Lindsay Mathyssen: Okay. However, one would assume that this independence is so that the government doesn't interfere in the not-for-profit. If you had somebody sitting ex officio on the board, that information is supposed to go up. Is that correct? The interference isn't supposed to go down, but the information is supposed to go up. Was that not the role of Andrew Noseworthy at the time, to relate it to you as the deputy minister?

• (1140)

Mr. John Knubley: I think if you asked Andrew Noseworthy, and you should do that, he would say that he was very careful in how he participated in relation to these kinds of issues. The reason for this—

Ms. Lindsay Mathyssen: Is that not what you expected of him, though? You were his boss.

Mr. John Knubley: Can I just finish this?

I happened to actually be the associate deputy minister of NRCan in 2007. There was an Auditor General's report in 2007 that actually sanctioned NRCan and Environment Canada for interfering too much in their operations and not respecting their independence. There's a very delicate balance in this case, and in all cases with agencies of this kind, in terms of the monitoring relationship.

Again, as I said, the responsibility for doing this fundamentally resides with the CEO and the chair of the board of SDTC.

Ms. Lindsay Mathyssen: Looking back at this entire situation, however, knowing that you specifically asked your assistant deputy minister to be that liaison, and knowing that it's not about interfering from the top down but in fact providing information from the bottom or from this organization up to you through that liaison agreement, are you not concerned, looking back now at what happened, that this was not occurring and that the information was not being shared upward—not interference downward, but information being shared upward?

Mr. John Knubley: I think what I can say is that I generally expected, as a deputy minister, that all agencies and departments I was responsible for would regularly develop, refine and implement policies for real or perceived conflicts. That was my job—to make it clear that this was their responsibility.

The Chair: Thank you very much. That is the time.

We'll now begin our second round of various times.

Mr. Nater, you're kicking us off. You have five minutes, please.

Mr. John Nater (Perth—Wellington, CPC): Thank you, Mr. Chair.

Thank you to our witness for joining us this morning.

Mr. Knubley, I want to go back to your testimony before this committee on a different matter. It was in June 2023 and it was on the Trudeau Foundation. You were asked at that time to explain why you had joined and why you had left McKinsey & Company back in September 2022. You didn't have time to actually complete your answer to that question. I want to start off by asking you that question.

Could you tell us exactly when you joined and when you left McKinsey, and the reasons you left that company?

Mr. John Knubley: I worked for two years with McKinsey as a senior adviser. I began in September 2021 and left in 2023. In taking that role, I did follow all the procedures required with the Ethics Commissioner.

The reason for leaving was that I was very busy as a consultant with other organizations, but I was not busy with McKinsey.

Perhaps one more point, just to clarify, is that in no circumstance, with McKinsey, did I play the role of lobbyist. I did not engage with my former colleagues when I was at McKinsey. My role was as a senior adviser. I basically provided advice to McKinsey about the work it was doing.

Mr. John Nater: To confirm, then, you didn't have any dealings with the government in your time at McKinsey?

Mr. John Knubley: I did not.

Mr. John Nater: Thank you. I appreciate that clarification.

I want to talk a little more about SDTC and its move from its previous home to the umbrella of ISED in 2015.

Former minister Bains appeared at the industry committee in November 2017. You were with him at that time. I just find it interesting that Minister Bains notes that SDTC was at arm's length and independent when it's convenient for the narrative, but not when it's not convenient. At that time, he was taking credit for the move to ISED and taking credit for its clean bill of health. Then, all of a sudden, when things went wrong, it was no longer his responsibility.

I want to start out with this: Was moving SDTC to the umbrella of ISED the appropriate move at the time or, with the benefit of hindsight, should it have been left where it was?

• (1145)

Mr. John Knubley: That's a good question.

Here's my answer. What was really transferred to the minister was a mandate for clean technology. As I mentioned, part of that involved leading the pillar on clean technology in the pan-Canadian framework for climate change, which was led by the Minister of Environment. We were very active, and what we were trying to do as minister and deputy minister was promote a strong clean-tech sector that would actually be a leading part of global activity on clean technology. The sector would also contribute significantly to growth in Canada. Clean technology was definitely a very important part of our innovation and skills agenda. The role of SDTC, though, was but one tool among many in that regard. There was funding, as well, from the regional development agencies. There was funding from BDC and EDC.

One of the challenges was—and this is what we actually focused on—how we bring all these players together so that it's easy for companies to come forward and find out where they should go to in government, as well as what to do about the different requirements, which were quite onerous from time to time, from the different agencies, which were all using different data and data frameworks.

Mr. John Nater: I'm going to move on to a different point because I'm running out of time.

The Auditor General noted that there were 90 cases where conflict of interest policies were not followed. In your seven years as a deputy minister, were there other appointments, outside of SDTC, where it would have been acceptable...? Would you have seen it as acceptable to appoint people to boards or agencies within the purview of ISED, when you were deputy minister, if there were clear conflicts of interest upon their appointment? Would that have been acceptable outside of SDTC, at other organizations within the ISED portfolio?

Mr. John Knubley: I should say that there are conflicts of interest, in my experience, in many places in departments, agencies and appointments. I would have seen that there were appointments where there were conflicts of interest. The issue is whether they are being addressed and mitigated.

In the case of Ms. Verschuren, what I understood was that she had reached out to the Ethics Commissioner and had guidance. I expected that the work between her and the Ethics Commissioner would have continued. I think that kind of process is the same for any appointment.

The Chair: Than you very much.

We'll come back to that, I'm sure. The time is up.

Now we will go to Mr. Erskine-Smith.

Mr. Erskine-Smith, did a chicken roaster open up outside your home over the weekend? You are coming off as orange-red. I don't know if anyone gets the *Seinfeld* reference.

You're welcome to proceed. I'm sure we'll hear you clearly.

It's over to you for five minutes, please.

Mr. Nathaniel Erskine-Smith (Beaches—East York, Lib.): No, it did not. I don't know, perhaps it's a new camera. I'm not sure.

My first question is in relation to your relationship with Ms. Verschuren. You mentioned at the outset of your testimony that you had met her via some work, I think, where she had been appointed under the Harper government. How often did you see her? Would you consider yourself friends outside of that work context?

Mr. John Knubley: No, it was an entirely professional relationship. I did have a long history, as well as a long history with Jim Balsillie.

The first time I met her, I was vice-president of Atlantic Canada Opportunities Agency. She came to see the executive of ACOA to talk about how she was a leading Atlantic global business leader who had worked with Home Depot and with Michaels. I think I did work with her again when she was on the advisory committee for Jim Flaherty. There were several panels that I was on where we were both probably panellists. As I said, this organization created by former prime minister Harper was called STIC—the Science, Technology and Innovation Council. It met three or four times a year. For a three-year period, we would be at these same meetings. Subsequently, she was on this CEO-led sector table, which had six to eight meetings on the clean-tech sector and on making recommendations there.

That was the basis of my relationship with her.

• (1150)

Mr. Nathaniel Erskine-Smith: Just so I'm clear, how many years did you say you worked in the civil service before your retirement?

Mr. John Knubley: I've been trying to avoid that answer. It was close to 40 years.

Mr. Nathaniel Erskine-Smith: You have 40 years in the civil service. Ms. Verschuren is one of many people you worked with in a professional context over those 40 years.

You were answering Mr. Nater's question, and I think a more fulsome answer would be helpful because some confusion exists at this committee as to whether all conflicts are fatal or whether some conflicts can be managed. Obviously, there are some conflicts that are fatal and that are impossible to appropriately manage and to mitigate. This was a case, though, where Ms. Verschuren engaged with the Ethics Commissioner. We've obviously realized, unfortunately, in the end, that the conflict was mismanaged by Ms. Verschuren, pretty apparently.

At the outset of the appointment, did you think this was a conflict that could be managed, or did you think that it was fatal to the appointment?

Mr. John Knubley: I think I thought that it was a conflict that could be managed, but again, it's not for me to decide that as a deputy minister. What I was told, I think by Ms. Verschuren, was that she was engaging with and working with the Ethics Commissioner. She had received advice and was on track, and I would have expected that it would have continued.

The one thing I would say, because I noticed it in the testimony, is that there's reference to a clause in the act. It suggests that you cannot hire someone who has a conflict. I'm not a lawyer, but that's a pretty standard clause. My interpretation of that—but perhaps you should get legal advice—is that appointments can happen when there are conflicts, as long as they are being managed.

Mr. Nathaniel Erskine-Smith: With respect to the concerns raised at the time around the standing conflict with NRStor, were you part of discussions around the comfort level of yourself, of former minister Bains or of others, in terms of how this conflict could be managed?

Mr. John Knubley: Absolutely not.

Mr. Nathaniel Erskine-Smith: When did you retire?

Mr. John Knubley: It was June 28, 2019.

Mr. Nathaniel Erskine-Smith: Obviously, you weren't there when the specific instances of approvals were made at SDTC, which have been subject to the conflicts with respect to Ms. Verschuren in particular. However, did the mismanagement of conflicts of interest that has marked the board at SDTC never come to your attention?

Mr. John Knubley: No, as I said, there were these two reports that gave them a clean bill of health, and governance was part of the evaluation. They said there were some issues to be addressed, which included the note-taking and the reporting to ISED. There was a suggestion that they should streamline their committee structure. There was a suggestion in there, I think, that the skills and capacities of the board directors in all areas be examined and [*Technical Difficulty—Editor*].

The Chair: Thank you. That is the time.

[Translation]

Ms. Sinclair-Desgagné now has the floor for two and a half minutes.

Ms. Nathalie Sinclair-Desgagné: Thank you, Mr. Chair.

Mr. Knubley, when Ms. Lawrence appeared before the committee, she said that she repeatedly expressed reservations about Ms. Verschuren's appointment due to potential conflicts of interest.

When were you made aware of the SDTC CEO's reservations?

[English]

Mr. John Knubley: As far as I can recall, I was not informed of her reservations. What I was informed of by Andrew Noseworthy was that.... Sorry, I should be careful on this one because I'm not sure who said what. We discussed that she had gone to the Ethics Commissioner on this issue and that we both understood that the Ethics Commissioner had provided guidance. The only time this happened was at the time of appointment in late June, as far as I can remember. The call I had with her was in that late June period.

• (1155)

[Translation]

Ms. Nathalie Sinclair-Desgagné: I didn't hear your last sentence. There was noise. Can you repeat it, please?

[English]

Mr. John Knubley: Sure. I'll say two things. One is that it only happened at the end of the appointment process, so that was in late June. The second thing is that Leah Lawrence, as far as I know, because she rarely talked to me about other issues related to the SDTC, never tried to reach out to me about these issues.

[Translation]

Ms. Nathalie Sinclair-Desgagné: Ms. Verschuren was indeed appointed very quickly. We've heard that from a number of witnesses. That said, I want to emphasize that Ms. Lawrence told us repeatedly that she tried to warn of potential conflicts of interest with respect to Ms. Verschuren's candidacy.

You're telling me that you were not aware. It would seem Ms. Lawrence told other people in the department about it, but didn't tell you. That's what I'm getting here. She never told you she had concerns about Ms. Verschuren's candidacy for chair of the board of Sustainable Development Technology Canada.

[English]

Mr. John Knubley: Not as far as I can remember.

[Translation]

The Chair: Thank you very much.

[English]

Mr. John Knubley: As I said, I think I can count on my fingers the times I talked to her at SDTC, and they were actually around 2015-16.

The Chair: Thank you, Mr. Knubley.

We turn again to Ms. Mathyssen.

You have the floor for two and a half minutes, please.

Mr. John Knubley: I'm not hearing you, Chair.

The Chair: Could you not hear me again? I'm glad you hear at least the members here, so that's all that matters.

Mr. John Knubley: Okay, I'm glad to hear that, too.

The Chair: Yes, so you're hearing the right people.

Ms. Mathyssen, you have the floor for two and a half minutes.

Ms. Lindsay Mathyssen: Thank you.

Just to be clear, from the questions just asked, you didn't hear directly from CEO Leah Lawrence about her concerns around the conflict of interest. However, Leah Lawrence said that she spoke to the assistant deputy minister, Andrew Noseworthy, and informed him about the specific issues. You didn't hear from Andrew Noseworthy about her concerns. That information did not go up the chain to you.

Mr. John Knubley: I think the answer is yes. I think what I also need to say, though, is that Andrew Noseworthy and I discussed the fact that Ms. Verschuren had gone to the Ethics Commissioner.

Ms. Lindsay Mathyssen: Wouldn't you have expected...? You said before that often ADMs were not put in these positions, but you ran things a bit differently and you decided to put ADMs on all of these boards just so you knew what was going on. Wasn't it your expectation that they would report anything going on up the chain, including CEO Lawrence's reservations or concerns about the appointment of Ms. Verschuren?

Mr. John Knubley: I'll say two things, and I will try to keep it brief.

The reason I put people on the boards—and I don't think I was the only deputy minister to do this—was so there were eyes and ears of the department in the activities of the board. The role was to focus more on policy, performance and alignment with other departments. That was the focus.

In terms of Andrew Noseworthy reporting to me on this issue, I think you need to look at his testimony, which, I believe, says that he was informed by her when he was in the process of informing her that Annette was being appointed. It was very late in the process.

I'm reluctant to say more. Honestly, I don't remember, so I think it's a question you should ask Andrew Noseworthy.

• (1200)

The Chair: Do you have a brief question?

Ms. Lindsay Mathyssen: This seems to contradict the testimony of Ms. Lawrence, or what she has said. I guess I'll leave it at that, if I don't have time.

Thank you, Mr. Chair.

The Chair: Thank you.

Next is Mr. McCauley.

You have the floor for five minutes, please.

Mr. Kelly McCauley (Edmonton West, CPC): Mr. Knubley, thanks for being with us today. You mentioned earlier that you were aware of conflicts of Ms. Verschuren because of your work together with the Science, Technology and Innovation Council and another council.

I assume that's correct.

Mr. John Knubley: No, that's not correct.

Mr. Kelly McCauley: You weren't aware of any conflict that she had with...?

Mr. John Knubley: I was aware of two things. Let me be clear. **Mr. Kelly McCauley:** What are the two things, please? **Mr. John Knubley:** One is that, as she was appointed and being onboarded, I was aware that she had reached out to the Ethics Commissioner and had guidance. The second thing is that I was aware that NRStor had received a grant from SDTC 18 months earlier. As a deputy minister, I was aware that grant had happened.

Those are the two things I knew.

Mr. Kelly McCauley: Did PCO address the conflict?

Mr. John Knubley: What I understand.... I had participated in some of these interviews—

Mr. Kelly McCauley: But you did state earlier today.... The comment was that you expected the Privy Council Office to address the conflict.

Mr. John Knubley: No, no, no, no. I said that when you go through a merit-based PCO process, there's a whole significant activity around conflict of interest. It's actually a form; it's about 40 pages about conflict of interest. A number of the candidates I know actually complained about the form.

Mr. Kelly McCauley: Thanks, sir. I'm going to interrupt because I'm short of time.

It sounds like you were not aware.... This is not like one case of conflict of interest, or two, or 10, or 15. This was 90. It seems like the majority of the grant contributions were conflicted, and you're saying you were not aware of these.

I've been at committees for nine years—the government operations committee, this committee and other committees—and one thing that seems above all is that the bureaucracy, deputy ministers and ADMs are extremely risk-averse, and all have a CYA attitude. I'm trying to comprehend how there was such rampant conflict that your ADM, who would be going out of his way to ensure that he was covering himself, did not inform you of these and that you did not inform the minister.

How was all this kept secret, this rampant conflict of interest, hundreds of millions of taxpayers' dollars being possibly defrauded?

Mr. John Knubley: Let me tell you several things.

Mr. Kelly McCauley: Sure.

Mr. John Knubley: First of all, I was not a deputy minister during the period of COVID, when there were these blanket exemptions. Number two—

Mr. Kelly McCauley: No, I'm sorry to interrupt, but these are not all just COVID-related, sir. These are not all COVID-related.

Mr. John Knubley: I'm aware of that, but having said that, as I've already testified, there was a clean bill of health—

Mr. Kelly McCauley: In 2017, not—

Mr. John Knubley: —in 2018 and 2017. How would I, as a deputy minister, necessarily be aware of the—

Mr. Kelly McCauley: Are you saying that none of these conflicts happened between 2017 and your departure midway through 2019?

Mr. John Knubley: No, I understand that the Auditor General has identified these issues.

Mr. Kelly McCauley: Right.

Let me just ask you-

Mr. John Knubley: To be clear, in terms of the overall number—

Mr. Kelly McCauley: Let me move on to something else, sir, just quickly, because I'm almost out of time.

The contribution agreement between ISED and SDTC states, under section 20.03, that the foundation shall disclose to the minister within a month of the foundation first becoming aware of any actual or potential situations that may be reasonably interpreted as a conflict of interest or potential conflict.

Were any of these reported to you to report to the minister?

Mr. John Knubley: No. What I would say is that if you look at the evaluation of 2018, there is a reference to how, in the governance, there needed to be improved note-taking as well as improved reporting—

• (1205)

Mr. Kelly McCauley: Right, but I'm not talking about that. I'm talking specifically about the contribution agreement between—

Mr. John Knubley: Can I finish, please?

Mr. Kelly McCauley: No. Sir, this is my time, and I asked a specific question.

Mr. John Knubley: Well, it's my time too.

Mr. Kelly McCauley: I'm not asking about 2017. I'm asking specifically about the contribution agreement.

At no time—90 conflicts and \$400 million—was any conflict reported from the foundation. Is that what you're saying? As part of the contribution agreement, it's required, and yet no conflicts were ever reported.

Mr. John Knubley: Sorry, let me clarify. There is a process between SDTC and the department to report conflicts. This would go to the ADM of administration as well as the ADM of clean tech. That's a process.

There was one comment, when I was deputy minister, when there were suggestions or recommendations that the note-taking be improved relating to this, and that SDTC ensure that it passes on information to the department. I believe the Auditor General found that the information was not always flowing.

The Chair: Thank you, Mr. Knubley.

Our next member is Ms. Khalid.

You have the floor for five minutes, please.

Ms. Iqra Khalid (Mississauga—Erin Mills, Lib.): Thank you very much, Chair.

Thank you, Mr. Knubley, for appearing here today.

I just want to follow down the line of questioning of Mr. Mc-Cauley and try to put some context into exactly what is happening here.

When we talk about context, I appreciate that you have 40 years of context to provide us, which I think is really helpful. Back in 2014, I believe, Prime Minister Harper and his ministers were personally guiding some of the SDTC work. This was toward energy projects in the north, Arctic sovereignty, etc. The PM was really big on that at the time. It was PM Stephen Harper at that time.

Now, these projects unfortunately ended on a really sour note. I'm wondering if perhaps you can speak to the SDTC work early in your tenure as the deputy minister versus in your last year. Can you compare and contrast for us how ministers get involved in the work they do and what SDTC did back then and how it is now?

Mr. John Knubley: I'll do my best to answer that question.

For one year, I was the associate deputy minister of Natural Resources Canada. I believe it was 2007. Gary Lunn was my minister. As you say—and it's reported in the Auditor General's report of 2017—there was activity related to carbon sequestration and storage and projects there that were examined. There were the ecoEN-ERGY initiatives that were part of the department, and then there was SDTC.

What I can say is that Minister Lunn, like Minister Bains, was very eager to make progress on improving clean technology. There was also a biofuels program. You've asked about my history. I was also deputy minister of agriculture with Minister Ritz. We were very interested, minister and deputy, in this biofuels fund.

All of that is to say that what I observed as a deputy was that there was lots of commitment and activity under both governments, whatever their stripe. There was a different orientation. You described well Prime Minister Harper's orientation. I think what I'd say in terms of the new Liberal government's orientation is that it was about building clean-tech companies to really promote growth and to commercialize their activities.

Ms. Iqra Khalid: Thank you very much for that.

I just realized that ex-minister Gary Lunn was named to this fund as well.

I have a list of the board directors from this organization's inception. From 2007 to 2015, the majority of them were Conservative donors. Do you think that where they decided to spend their dollars on political donations impacted the work they did? I would love to know, because I know the Conservatives love to know how, who, where, what and why, so I would also like to know.

For context, do you think any of these Conservative donors used their positions at SDTC in any way other than what was appropriate? • (1210)

Mr. John Knubley: No. Honestly, with the board I saw from 2017, which had some former Conservative members on it, and the boards that subsequently followed, this was not a political issue. It was really about how we build clean tech in the country, because it really matters, and how we help clean-tech companies become global companies. How do we help clean tech be a leader?

Honestly, what I saw-

Ms. Iqra Khalid: Sir, I think you're having a nosebleed.

Mr. John Knubley: I know. I'm sorry.

Do you see what you're doing to me, guys?

Ms. Iqra Khalid: Chair, is it okay if we pause my time for a bit? **The Chair:** Yes. We can suspend.

Mr. John Knubley: I'm okay. Just carry on. I'm good. It's not going to stop quickly.

The Chair: You have about 30 seconds, Ms. Khalid.

Ms. Iqra Khalid: Thanks very much.

To our witness today, in terms of context, between 2007 and 2015, we saw a whole bunch of people who were appointed who were also card-carrying Conservatives donating to the Conservative Party. We saw former prime minister Stephen Harper personally getting involved in SDTC and how this money was spent. I'd like to believe that this is not because somebody has a political agenda to fulfill; it is ultimately to help the clean-tech sector.

Would you agree with that, sir?

Mr. John Knubley: Yes. As a deputy minister, I did not observe [*Technical difficulty—Editor*]. I observed that everyone was committed to improving the clean-tech sector and growing Canada's economy.

The Chair: Thank you. That is the time.

Mr. Knubley, I'm going to suspend the meeting for just five minutes. Your sound is good, but it's not great, so I'm going to suspend the meeting. Please stay online. I think someone from the IT team is going to call you, so have your phone handy. Do not disconnect. Someone will call you. Thank you.

I will suspend right now for five minutes, please. Thank you.

(Pause)

• (1210)

• (1225)

The Chair: I call this meeting back into session.

It is my intention to finish up for one o'clock, and I've spoken to members about that.

Mr. Knubley, thank you for that. I understand that it's still a bit shaky, so we're going to see how it goes. I should maybe check to make sure you can hear me this time.

Can you hear me, Mr. Knubley?

Mr. John Knubley: Mr. Chair, I can hear you much better.

The Chair: Okay, that's good. As I said, they weren't able to fix the sound ideally, so we're going to see how it goes.

It is my intention to finish up by one o'clock, so without further ado we turn things back over to Mr. Perkins.

You have the floor for five minutes, please.

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

Thank you, Mr. Knubley, for your patience.

I'm a little confused. I'm going to follow up on some of the questions that were asked earlier.

Assistant deputy minister Noseworthy reported to you. Is that correct?

• (1230)

Mr. John Knubley: Yes.

Mr. Rick Perkins: Did you do regular quarterly reviews or performance reviews of Mr. Noseworthy?

Mr. John Knubley: We spoke regularly. I mean, in the case of Andrew Noseworthy, as you likely know, he resides in Newfoundland, and so—

Mr. Rick Perkins: He resided in Newfoundland while he was-

Mr. John Knubley: I was just going to say that it was usually by telephone. That's all.

I'm sorry. Go ahead.

Mr. Rick Perkins: Was he residing in Newfoundland for all of the time while he was sitting in the board meetings of SDTC?

Mr. John Knubley: Well, I think that, prior to COVID, he would go to the meetings.

Mr. Rick Perkins: Okay.

Mr. John Knubley: As you know, once we went into COVID, it was more virtual. Again, I wasn't around then. You'd have to ask Mr. Noseworthy.

Mr. Rick Perkins: Yes, we asked him. He had similar memory lapses to what we're hearing here. You have a great insight into Ms. Verschuren's résumé, but you don't seem to remember a lot of things around SDTC. For example, Andrée-Lise Méthot, who was appointed in 2016, by her own admission had almost \$20 million of conflicts while you were still the deputy.

Did Mr. Noseworthy never tell you that was going on?

Mr. John Knubley: No. The only thing that I knew about Lise Méthot was that she was also a member of the CEO sector table. She was an active member in that regard, talking about the issues of risk and venture capital relating to clean technology.

Mr. Rick Perkins: They would declare at the beginning of every meeting who had conflicts in what projects. For the audit period from 2017 to 2023, the Auditor General found there were 186 of 226 instances where directors were conflicted—that's 82% of the time. I find it unbelievable that ADM Noseworthy would sit there, watching board members, 82% of the time, having to recuse themselves from the meeting, and that it would never be reported up.

Mr. John Knubley: Again, I think you will have to talk to Andrew Noseworthy on that one aspect of this, but—

Mr. Rick Perkins: What kind of management did you have?

Mr. John Knubley: —one thing that I do understand, Mr. Perkins, is that not all the conflicts—

Mr. Rick Perkins: He was your "eyes and ears", you said, in the board meeting, but it doesn't appear that the mouth worked in reporting back to you what he saw, according to you.

When ADM Noseworthy told the CEO, Leah Lawrence, that it's okay and that the government was going to appoint Ms. Verschuren anyway and manage the conflict, did that come from you or from somebody else?

Mr. John Knubley: It didn't come from me. I mean, the issue.... It did not come from me.

Mr. Rick Perkins: Who else was he taking orders from, then? If it wasn't from you, was he taking orders from the minister's office or the Prime Minister's Office? Who would have told him to tell the CEO, "We'll manage the conflicts"—the first and only chair of the board of SDTC, in its whole history, to have done business with it before being appointed?

Mr. John Knubley: I think he would have known what I reported I knew, which is that she had gone to the Ethics Commissioner and that she had also gone through the PCO process, which, as was told to you by Donnalyn McClymont, is an extensive conflict of interest process.

Mr. Rick Perkins: Your minister, Minister Bains, had amnesia as well. Ms. Verschuren, in her appearance before a parliamentary committee, said she didn't apply. A week later, her lawyers wrote to correct her statement, but usually the first statement is the correct one, where she said she never applied for anything in her life and that Minister Bains, your minister, called her twice to ask her to be the board chair.

Would Minister Bains have made those calls without your knowledge?

Mr. John Knubley: Yes. I was not involved in the appointment process.

Mr. Rick Perkins: It doesn't seem like you were actually very involved in anything in the department. When you have conflicts going on 82% of the time, it seems convenient to say, "Oh, it wasn't me. My ADM, who reported to me, must have been getting orders from somebody else."

Who else would he get orders from to do this, if not from you or the minister?

Mr. John Knubley: One of the points that I'd like to make is that SDTC was probably the smallest of 16 agencies that were in the portfolio.

Mr. Rick Perkins: I don't need a briefing on what SDTC is.

Mr. John Knubley: There were many appointments. I had to do them, not only for former minister Bains, but the ministers of—

Mr. Rick Perkins: Was he freelancing? You've known him your whole life, it seems you said. Was he freelancing? Was that his nature, to make things up on his own without somebody else telling him to do it?

Mr. John Knubley: I'm sorry, but I don't know what you're asking.

Mr. Rick Perkins: I'm asking you this. You said you didn't know who told him to say, "We'll manage the conflict." You have, in your testimony today, said you've known him for 40 years. In that 40 years of knowledge, do you know him to have been a freelancer who would go on his own, or would he be taking orders from somebody else?

• (1235)

Mr. John Knubley: I'm sorry, but I never said I talked to former minister Bains on this issue. I never, in my 40 years of service in the public service, where I was proud to represent both the Conservative Party and the Liberal Party—

Mr. Rick Perkins: No. I'm sorry, but you said you've known Mr. Noseworthy—

Ms. Iqra Khalid: I have a point of order, Mr. Chair.

Mr. Rick Perkins: —since Meech Lake. Was he a freelancer?

The Chair: Mr. Perkins, your time is up. We're going to come back to you on this.

Mr. John Knubley: Oh, I see you're talking about.... I apologize, Mr. Chairman.

The Chair: Do you want to try to answer, Mr. Knubley?

Mr. Perkins, your time is up.

Mr. John Knubley: I'll just clarify that I thought Mr. Perkins was talking about my relationship with the minister, not Andrew. I'll leave it at that for now. I apologize.

The Chair: Mr. Perkins, we're going to come back to you, and you can take it from the top again.

Ms. Yip, you have the floor, please, for five minutes.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thank you.

Do you need to take a moment?

Mr. John Knubley: Who, me?

Ms. Jean Yip: Yes.

Mr. John Knubley: No, I'm fine.

Ms. Jean Yip: Okay. I just wanted to make sure.

Mr. John Knubley: Carry on. I can say I'm looking forward to one o'clock.

Voices: Oh, oh!

Ms. Jean Yip: Certainly.

Is there anything you'd like to clarify before we go on?

Mr. John Knubley: I wasn't sure exactly what Mr. Perkins was asking about Mr. Noseworthy, but I did, I believe, have a trusted relationship with him. I did speak to him regularly.

As I tried to explain earlier, our focus was on performance and policy and alignment related to SDTC. It was one of 12 departments that offered clean-tech programs, so this is what we focused on.

In terms of conflict of interest and the financial audit types of issues, what I mentioned is that it's a very delicate relationship between a department and an agency that is independent. As Auditor General reports have demonstrated, there is a requirement that the CEO, the executive and the board are the ones that lead in terms of conflict of interest and the eligibility criteria of contribution agreements.

I think that's the way Mr. Noseworthy thought about the job—but again, I would encourage you to clarify that. It was about policy, alignment and performance.

Ms. Jean Yip: Since we're talking about the Auditor General's findings, did you have any further thoughts about those findings and her recommendations to share with this committee?

Mr. John Knubley: Well, I have two thoughts. One I mentioned earlier, which is that I do agree with her that the relationship between the department and SDTC would benefit from an MOU or something that spells out clearly what the relationship is and how it's managed.

The second thing, and I noticed it in her testimony, is that she raised how the 2001 act needs to be modernized. Specifically, there are issues related to membership that are reported in some of the 2017 and 2018 documents. However, the real issue for me is that the SDTC Act actually requires the directors and the chair of the board to approve projects. In my experience—especially now that I've gone to the the private sector and been on boards—most of the boards like SDTC, in fact, do exactly the opposite. They ensure that the role of the board is to provide strategy and oversight of operations, but in terms of approval of projects, this is not their job.

I personally believe that one of the lessons from all of this is that perhaps I should have taken seriously the need to modernize the act and change it. All I knew at the time was that there was this issue around members, so I didn't see that that could go throughout the House in any successful way. Now I know that I really should have focused on how we needed to change the requirement that the directors of the board approve projects.

Ms. Jean Yip: Now, knowing what you know, what other changes would you recommend?

Mr. John Knubley: In terms of lessons, as I said, I would recommend modernization of the act and specifying more clearly the role of the departmental liaison. Then I'll add a third. We were working on this, but I just want the committee to fully understand how important it is. It's all about the data and the framework that you use to judge the data. You need strong data and strong frameworks to actually assess eligibility requirements and to actually report on the way these are leading to emissions reductions.

I think we were doing the right thing working on this, but I would say that, again—and this is true of all other sectors that are trying to measure climate change impacts—you have to have a baseline set of numbers in order to be able to rigorously assess eligibility requirements and performance.

I have one last point. The other area of weakness that I recognized as I looked at all the testimony had to do with the surveys of the businesses. There was this issue of the businesses not completing the surveys at the end of their technology demonstration. What I knew was that these are very small businesses. They don't have a lot of capacity. One of the surveys—I think it's in the evaluation remarks that they heard from all the businesses about how onerous this process is. At any rate, how do you address that? I think the department or an agency somewhere in the government could have provided some support to the businesses to help them, again, do their reporting, do this owner's reporting related to the projects.

• (1240)

The Chair: Thank you.

[Translation]

Ms. Sinclair-Desgagné, you have the floor for two and a half minutes.

Ms. Nathalie Sinclair-Desgagné: Thank you, Mr. Chair.

Ms. Lawrence said she spoke to Mr. Noseworthy twice. The first time was when she learned that Ms. Verschuren's name was on the short list of candidates. The second was when she was told that Ms. Verschuren was going to be the chair.

So, one of the times Ms. Lawrence apparently spoke to Mr. Noseworthy was before Ms. Verschuren was made chair. At that time, during her conversation with Mr. Noseworthy, she said she had concerns.

Were you made aware of that conversation between Ms. Lawrence and Mr. Noseworthy?

[English]

Mr. John Knubley: As I replied earlier, the answer is no.

I do think I should say one thing about Ms. Lawrence. I am speculating here, but she must have known that I was retiring. I actually announced my retirement in the middle of May.

[Translation]

Ms. Nathalie Sinclair-Desgagné: Excuse me, sir.

That has nothing to do with the question I asked you. I'm going to continue with my questions.

[English]

Mr. John Knubley: My answer was no.

[Translation]

Ms. Nathalie Sinclair-Desgagné: Okay. Thank you.

Mr. Knubley, just to recap, Mr. Noseworthy was on the board when the conflict of interest policy was violated.

I gave examples that the Auditor General picked up during your time as deputy minister. Mr. Noseworthy received calls from the CEO, who shared Ms. Lawrence's doubts and concerns about Ms. Verschuren's appointment. However, he didn't talk to you about it.

There were several things that you were not aware of, even though a deputy minister is supposed to have this kind of information, especially when he's appointing assistant deputy ministers to the boards of foundations. It would appear that the information was not shared with you.

When you learned of the findings in the Auditor General's report, did you realize that you were unaware of a number of things that were going on at Sustainable Development Technology Canada?

[English]

Mr. John Knubley: Well, I took very seriously the Auditor General's report, and I do believe in the mission of SDTC. I hope that my former colleagues who are now managing the transition are successful in making that transition.

On the issue of reporting to me, I feel that I'm repeating myself, but there are two things. One is that there were these two reports that I had just seen in 2017 and 2018 that gave it a clean bill of health, and the second thing is the job that Andy Noseworthy was mandated to do about policy—

• (1245)

[Translation]

Ms. Nathalie Sinclair-Desgagné: Mr. Knubley, I'm sorry to interrupt. I have another question for you.

The Chair: Please keep it brief.

Ms. Nathalie Sinclair-Desgagné: Mr. Chair, you were supposed to be a little generous with my time.

Mr. Knubley, is the report you're referring to report 3 of the Commissioner of the Environment and Sustainable Development?

If so, it was certainly not the role of the Commissioner of the Environment and Sustainable Development to examine how conflict of interest policies were working.

I've looked at the report a few times. The point was to ensure that sustainable development projects complied with the contribution agreement. It didn't look at conflicts of interest or management policies. It didn't look at the same things as the Auditor General at all.

How can people pat themselves on the back and say that everything is fine with the other issues, when a report has a very specific objective?

After that report came out, conflict of interest policies were violated 90 times, and that's just in the sample that the Auditor General had. Something was clearly not working, and that information was not shared with you.

[English]

Mr. John Knubley: Let me be clear: I agree with you. The Auditor General's report of 2017 was a performance report, so you're right in that regard. I will, however, read this, which is in the report,

because I scribbled it last night: "We found that SDTC had measures in place to mitigate potential conflict of interest...in assessing and approving proposals."

The Chair: Thank you very much.

Now it's over to Ms. Mathyssen again for her last question round.

It's over to you, please.

Ms. Lindsay Mathyssen: I think a lot can be said about hindsight in terms of seeing where there were holes and maybe where you would have done things differently.

Mr. Knubley, if you had been given some clear indication from Mr. Noseworthy about this conflict of interest—and I'm not saying that you had or you hadn't—would you have reported that to the minister very clearly? Please answer yes or no.

Mr. John Knubley: No. In the case of these appointments, it's not my job as deputy minister to report to him on that. In fact, the testimony of Donnalyn McClymont would have demonstrated that. The work that the minister does is primarily done on these appointments through his staff and through the PMO as the process is unfolding.

Again, it's a long time ago, but I would not normally discuss and I don't think I ever did discuss—these kind of matters with the minister. My primary role as a deputy is to ensure that the process is taking place and is timely.

Ms. Lindsay Mathyssen: Do you not think, though, considering what we've seen now, that this may be a problem? With your 40 years of experience, having seen what's happened now.... SDTC is moving into another reiteration with the same rules that exist in terms of conflict of interest that existed before. Do you think those changes need to be made, in addition to all the other changes you were talking to Ms. Yip about? Do you see that as a potential change that needs to be made?

Mr. John Knubley: My experience tells me that there are conflicts of interest everywhere. The issue isn't that there is a conflict of interest. The issue is whether these conflicts of interest are being managed.

In this new agency, which I'm hopeful will be very effective and helpful to the clean-tech sector, I expect that they, like SDTC before them in its previous incarnation, will be diligent and responsible in terms of applying, on an ongoing basis, the management of conflicts of interest.

Ms. Lindsay Mathyssen: That's fine.

Thank you, Mr. Chair.

The Chair: Thank you very much.

We have two last members remaining, Mr. Perkins and Mr. Drouin.

Mr. Perkins, you have five minutes, please.

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

I'll come at it another way. As a career public servant, Mr. Knubley, you're aware that the Conflict of Interest Act for public office holders says that the public office holder, particularly a GIC appointment, cannot personally benefit from that appointment, and neither can his or her family. You're aware of that.

• (1250)

Mr. John Knubley: Yes. There is this issue of profitability and benefit specifically to the person concerned.

Mr. Rick Perkins: That's in the Conflict of Interest Act of Parliament, but the SDTC Act is also very clear. It says that board members of SDTC, whether they're GIC or not, cannot personally benefit, and neither can their family, from being on that board and from the decisions of that board. Is that not correct? You just said that you thought the act needed lots of changes, so you must be familiar with the act.

Mr. John Knubley: I'm not terribly familiar with the act, and I'm not a lawyer, but what I do know.... First of all, it's not my job—

Mr. Rick Perkins: You can't have it both ways.

Mr. John Knubley: —to make assessments on conflict of interest. That is the job of the Ethics Commissioner.

Mr. Rick Perkins: In response to Ms. Yip, you said that the act needed to be revised, and that's a regret of yours, so you must be familiar with it. I'm not buying—

Mr. John Knubley: Okay, as deputy minister—

Mr. Rick Perkins: —that you're not familiar with the act.

Mr. John Knubley: —of ISED, I was responsible for introducing legislation relating to SDTC. When I was the deputy minister, for maybe three years, the SDTC legislation was on my to-do list, but I was never convinced and I was never advised that there were significant enough changes required with that act to actually introduce it to Parliament. The only issue I was aware of was the membership issue.

Mr. Rick Perkins: I'll try another way.

By her own admission in this committee, Andrée-Lise Méthot had four companies, while you were deputy minister, that got funded while she was on the board. She was appointed in 2016. The total for the four companies is \$21 million.

Do you believe, whether they go in or out of the room, that when a board member receives \$21 million from the foundation she's on the board of, appointed by the government, it's a personal benefit to her when the values of those companies go up as a result of that government investment? Is that not a breach of the act?

Mr. John Knubley: Even as a long-standing deputy minister, that is not my role to judge. That is the Ethics Commissioner's role to judge.

Mr. Rick Perkins: What you're saying here is that you have no responsibility for anything that went on. You're saying that you knew nothing and that you had an ADM who was your eyes and ears, but he never actually told you anything. You're saying that you saw that the act should be revised, but you didn't know what it should be revised on, when now five minutes later you said you had some ideas of how it should be revised. You're saying that when

board members were voting for themselves 82% of the time, in contravention of the SDTC Act, which you were responsible to Parliament for as a deputy minister, you don't believe it was your responsibility to know what was going on there.

Who are you covering up for? Why are you saying that it's not your role as a deputy minister to inform the minister when this kind of taxpayer abuse...? I'll remind you that the Auditor General found it to be \$390 million. This is not a trivial matter. You were deputy minister while this was happening.

Mr. John Knubley: When I was deputy minister, I received two reports that gave SDTC a clean bill of health—

Mr. Rick Perkins: In 2016, Andrée-Lise Méthot's company received—

Mr. John Knubley: There was no demonstration, as far as I knew, of a conflict of interest.

Ms. Iqra Khalid: I have a point of order, Mr. Chair.

Mr. Rick Perkins: My time is limited and he's not answering the question.

The Chair: Mr. Perkins, I've stopped the clock.

There is a point to order.

Ms. Iqra Khalid: Chair, I'm not sure how we're expecting answers if we don't let the witness answer the question. I think Mr. Perkins is asking some great questions, but I would also really appreciate hearing the answers from the witness as well.

The Chair: Thank you for that clarification.

Mr. Knubley, this is coming late and I apologize for that. The time is primarily owned by the members, but the way it works around the committee table is that, should you be cut off and you have a point to make, frequently, almost always, another member will allow time for you to finish your thoughts.

Mr. Perkins, you have just over a minute left. Can you wrap things up, please?

Mr. Rick Perkins: In 2016, one of her companies received \$12 million. In 2017, another one received \$2.5 million from the green slush fund and another one \$2.2 million, and another one received almost \$7 million.

This is a lot of money. I'm having trouble balancing your statement that you had an ADM there, that you believe it was the job of the ADM—and not every deputy minister believes in this—to tell you what was going on there, yet you sit here at the committee and tell me that your ADM told you nothing about the 82% of the time that these directors were in a conflict. It's just not believable. • (1255)

Mr. John Knubley: What I can tell you is that the expectation that I had on these issues was that SDTC—its chair, its board and its executive—would manage its conflict of interest issues. They were fundamentally independent and that was their requirement.

In terms of Andrew Noseworthy, his responsibility to me was about performance, policy and alignment. That was our focus at the time, and I hope I've explained—

Mr. Rick Perkins: Does the department have no responsibility for a billion dollars of taxpayer money that he was sitting and watching these directors funnel to companies—\$390 million—that they own? I've worked in government. I don't believe for a second that the deputy minister was so detached from what was going on. You had a direct report and you had asked him to tell you what was going on, yet the person never told you and you never told the minister. It's not believable.

Mr. John Knubley: Mr. Perkins, I respect your point of view, but I don't agree with it.

The one point of clarification I would make is that when I was deputy minister, the actual allocation to SDTC, which happened in 2007, was \$400 million. It was only in 2021 when they received \$700 million. The issues at play when I was there were, in fact, related to \$400 million. I was not there, actually, for all the allocation of that money.

The Chair: Thank you very much.

Mr. Drouin, you have the last question slot to round us out. It's over to you, please.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thanks, Mr. Chair.

Mr. Knubley, I'm sure this is not the first time that you have appeared before a parliamentary committee. As you have rightly pointed out, you have been a public servant—

Mr. John Knubley: I hope it's my last.

Mr. Francis Drouin: Me too. I'm just kidding.

Obviously, you have served as a senior public servant under the red team and the blue team. You've served honourably under multiple governments. Your style of management, I assume, did not change while you were serving, whether it was for the Liberals or the Conservatives. Whoever was in power, your style of management has not changed in the last 40 years. Is that correct?

Mr. John Knubley: Thanks for asking that question.

I prided myself in my ability as a public servant to work with governments of whatever stripe and with all ministers of whatever personality and approach. I honestly felt I had good relationships with all the ministers I worked with, whether at Agriculture, Natural Resources Canada, the Atlantic Canada Opportunities Agency, Transport and Infrastructure or, as we've been talking about, Industry, whether it was Minister Paradis, Minister Bains or Minister Moore.

I really do want to tell the committee that it's the job of a public servant to be a loyal, neutral public servant who gives the best advice on the issues they're responsible for. **Mr. Francis Drouin:** I think you have alluded to this before: SDTC was only one of 16 agencies under ISED. Is that correct?

Mr. John Knubley: Yes, and it's actually not as straightforward as it sounds, because there are independent agencies and then there are others. For example, I had the responsibility at the time for overseeing the regional agencies, partly because I had experience there.

The number is 16, but the number of agencies and activities is higher. It's probably more like 30.

Mr. Francis Drouin: You see that a lot of members are making reference to specific payments that are not necessarily related to the contribution agreement that you or the department had signed, but they are asking you questions on the day-to-day operations of SDTC.

How much time would you spend on the day-to-day operations of SDTC as deputy minister?

Mr. John Knubley: I'm not sure I should answer that. I mean, it was one of the smallest agencies. Again, I had the signal from these documents, the AG's 2017 report and the evaluation, that it had a clean bill of health. My focus was on BDC. My focus was on developing not just a clean technology sector but also the manufacturing sector and the tourism sector. At the time when I was leaving, there was quite a bit of activity on developing a strategy on tourism.

As we talked about before with Jim Balsillie, we were working very hard on launching a digital charter, a digital trust approach and an IP strategy. That was probably one of the highest priorities of the department as I was leaving.

• (1300)

Mr. Francis Drouin: Just how many people work at...? When you left, do you know what the budget was for Innovation, Science and Economic Development?

Mr. John Knubley: When I left, the budget was about \$7 billion a year. That's for the portfolio and the department. There are 5,000 people in the department and 25,000 people in the portfolio. If SDTC is, say, 200 people, they are 200 of the 20,000 who are in agencies in the portfolio.

Mr. Francis Drouin: We're talking about a few million dollars. I don't want to degrade what the Auditor General has said, but the expectations that the deputy minister would be spending his day thinking about what happens on a day-to-day basis with a small arm's-length organization, understanding that you had somebody else looking at this.... Any reasonable person would say that it's absolutely normal that a deputy minister would not be involved in the day-to-day operations while you have much bigger budgets to worry about and other priorities at the same time.

Am I correct to assume that?

Mr. John Knubley: I'll say three things. Number one, it was not my number one priority. Number two, from the perspective of the role I played on appointments, I did have a to-do list. On that to-do list—not at the top, but probably in the middle—was the need to appoint someone as SDTC chair. I did hope that the process would be completed before I retired on June 28.

The third thing is a personal thing, which is that I actually had double hip surgery on December 18. I continued to work in January, February and March, but I did not really come back to work in the office until March. Why did I not participate in the process? I don't think I ever would have, but the fact is that from a physical perspective, I could not do so.

The Chair: Thank you.

Mr. Drouin, do you have a last question?

Okay, very good. Thank you. We are done, then.

Mr. Knubley, I want to thank you for coming in today and for your testimony and participation in relation to our study. You mentioned in the first part of the meeting that you had some documents to submit. We're happy to receive those. You can send those to the clerk.

Members, I think you've received notice now that the Auditor General is tabling her fall reports on December 2, so just be aware of that. There'll be an especially long day with a lock-up and then a briefing with the Auditor General, both in camera and before committee.

On that, I will adjourn just a few minutes after one o'clock.

Thank you very much.

Published under the authority of the Speaker of the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: https://www.ourcommons.ca

Publié en conformité de l'autorité du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante : https://www.noscommunes.ca