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Chair: Mr. Peter Schiefke



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• (1105)

[*Translation*]

The Chair (Mr. Peter Schiefke (Vaudreuil—Soulanges, Lib.)): I call this meeting to order.

Welcome to meeting no. 67 of the House of Commons Standing Committee on Transport, Infrastructure and Communities.

Pursuant to Standing Order 108(2) and the motions adopted by the committee on Tuesday, February 14, 2023, and on Thursday, May 4, 2023, the committee is meeting to discuss its study on the role of McKinsey & Company in the creation and the beginnings of the Canada Infrastructure Bank.

Today's meeting is taking place in a hybrid format, pursuant to the House Order of Thursday, June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

[*English*]

I would like to begin by first informing all members and witnesses that the sound test has been done for everyone appearing in person and online, for the benefit of our interpreters.

Colleagues, before us today we have as witnesses, from the Canada Infrastructure Bank, Tamara Vrooman, chairperson, joining by video conference; and Ehren Cory, chief executive officer. We also have Aneil Jaswal, director, strategies sector, joining by video conference; Frédéric Duguay, general counsel and corporate secretary, joining us here in person; and Steven Robins, group head, strategy, joining by video conference.

I will now turn to Ms. Vrooman for the first of our opening remarks.

Oh, we'll switch to Mr. Cory to give time for Ms. Vrooman to join in.

Mr. Cory, I'll turn it over to you to begin. You have five minutes for your opening remarks.

[*Translation*]

Mr. Ehren Cory (Chief Executive Officer, Canada Infrastructure Bank): Mr. Chair, members of the committee, good morning.

My name is Ehren Cory and I am president and CEO of the Canada Infrastructure Bank, or CIB. Joining me are Mr. Duguay and my colleagues Mr. Robins, Mr. Jaswal and Ms. Vrooman, who will be with us in a few moments. We are pleased to be with you today and to have accepted the invitation to appear for the purposes of your study.

Today, my opening remarks will focus on three areas I feel are helpful.

[*English*]

First, I'd like to talk about the significant progress that the CIB has made since its launch in November, 2017.

Building an organization from the ground up, especially one with a unique role like ours, takes time. It requires appropriate governance capacity, resources and expertise, investment guardrails and management policies and practices.

Early on, at least from the outside, progress appeared slow as the team built relationships, developed a pipeline of investments and grew the organization, but we have now hit our stride. Two years ago, I appeared before this committee to talk about our progress, and at that time we had made investment commitments. That is, we had signed a detailed term sheet with a borrower outlining the terms of a loan on four projects, which represented about \$2 billion of investment by the CIB.

Today those same numbers are 46 investment commitments and \$9.7 billion in CIB capital, and these projects have a total investment value of over \$27 billion.

Each of these are real investments in real projects. They represent new homes connected to broadband in southern Manitoba and northern Alberta; new district energy solutions in Richmond, B.C., and Toronto and Markham, Ontario; new electric buses on the road in Edmonton and on order for Ottawa, Brampton, Calgary, Durham, York and school bus operators across Quebec. They include the largest renewable power project in Saskatchewan, the largest battery storage project in our country and one of the largest green hydrogen facilities in the world.

Each of these projects also represents innovative partnerships between public and private sectors, partners who can now speak to how the CIB has helped them to move their projects forward.

Second, I'd like to speak to the contracts between the CIB and McKinsey. In total, as we previously reported to Parliament in response to Order Paper questions and as I testified at OGGO, the value of contracts awarded by the CIB to McKinsey and Company was \$1.43 million across three projects. To put that in context, it represents about 5% of our cumulative expense on professional service fees. It represents about 1% of our total cumulative operating expenses, and it represents 0.01% of our committed capital. As previously outlined in my testimony, all three of these contracts pre-date my joining the CIB in November of 2020.

Mr. Duguay will speak more to how the contracts were procured, the scope and total value of each contract and the quality of the work. I will just say that, from my review of the output, the work provided by McKinsey in these three projects was specialized analysis that the CIB was not in a position to prepare on its own in those very early days of the bank's existence.

Third, I'd like to speak to the matter of personnel. As I testified at OGGO, I worked at McKinsey and Company more than a decade ago. However, since 2012 I've been a public servant, first for eight years at Infrastructure Ontario, and then beginning in late 2020, in my current role with the CIB.

There are three other CIB employees who also previously worked at McKinsey. Steve Robins was hired by me at the end of 2020. I worked with Steve at McKinsey before I left in 2012, and he subsequently worked with me at Infrastructure Ontario as well. A year later, in December of 2021, Aneil Jaswal was hired, having applied to a public online job posting through our HR department. There is also my executive assistant at the CIB, Lisa Burkitt, who previously worked with me at both McKinsey and IO.

The four of us are just a small portion of the CIB team, which now stands at 125 people. Our team at the CIB is highly diverse with nearly every person coming with some private sector experience, from the infrastructure development, banking, pension fund and advisory worlds. This experience is highly valuable as we work to leverage the private sector to get more infrastructure built in our country. All our employees share the desire to build the infrastructure we need to make Canada competitive in a rapidly changing world. None of us were hired for who we know or where we come from but rather for the skills, experience and expertise that we bring.

I appreciate your attention to the CIB, and I'm looking forward to our discussion.

The Chair: Thank you very much for your opening remarks, Mr. Cory.

Next we'll go with Monsieur Duguay.

Monsieur Duguay, the floor is yours. You have five minutes.

[*Translation*]

Mr. Frédéric Duguay (General Counsel and Corporate Secretary, Canada Infrastructure Bank): Mr. Chair, ladies and gentlemen members of the committee, good morning.

As Mr. Cory said, my name is Frédéric Duguay, and I am the general counsel and secretary of the Canada Infrastructure Bank, and I have been in this position since November 2018. I am pleased

to be here as a witness in your study of the role of McKinsey & Company in the creation and beginnings of the CIB. To contribute to the committee's study, my remarks will focus on the procurement process and policies in place during CIB's startup activities and the contracts awarded to McKinsey & Company.

As a Crown corporation, the CIB is not subject to Treasury Board policies and regulations governing procurement activities. Consistent with the approach taken by Crown corporations, the CIB establishes its own policies and procedures to make its procurement activities more efficient and responsive to its needs to ensure that the CIB obtains the goods and services required for its operations.

The CIB also aims to be transparent to Canadians about its operations and decision-making processes, while respecting confidential information. To this end, our procurement policy incorporates best practices in the public sector and is available on the CIB's website. Amounts spent on professional fees are disclosed in the audited financial statements and our executive compensation policies are disclosed in the CIB's annual report to Parliament.

As mentioned by Mr. Cory, and as disclosed to the Standing Committee on Government Operations and Estimates, the CIB has awarded three contracts to McKinsey since its creation in June 2017. The first two contracts were awarded in winter of 2018 under the interim procurement policy put in place for the CIB's startup activities. The principles of this policy took into account the timeline for hiring staff and receiving investment proposals, and the processes needed to make quick procurement decisions.

The first contract awarded in January 2018 was for investment consulting services to support the development of investment criteria. The value of this contract was \$390,000. In keeping with the flexibility provided by the interim policy, the CIB leadership also identified other consultants to provide their qualifications. McKinsey was selected based on its expertise in infrastructure and investment projects in Canada and abroad.

The second contract was awarded in March 2018 to develop the enterprise risk management function, and practices to ensure appropriate management of investments and other risks. The total professional fee for this contract was \$550,000. CIB executives also discussed the mandate with other consultants.

The final contract was awarded to McKinsey in May 2020 to provide consulting services to identify new strategic opportunities given the impact of the COVID-19 pandemic. Deliverables included research on the Canadian infrastructure market, case studies on infrastructure and economic impacts and interviews with industry experts. This work was used to develop the \$10 billion growth plan that was announced in October 2020 to invest in major infrastructure initiatives. The value of this contract was \$490,000 and the contract was awarded in accordance with the exceptions allowed under CIB policies in force and applicable free trade agreements.

Finally, the CIB's procurement policies follow best practices in public-sector corporate governance to ensure that purchases are made in a fair and transparent manner and the CIB receives the best value for goods and services.

I would be happy to answer any questions.

[English]

Thank you very much for inviting me today.

• (1110)

[Translation]

The Chair: Thank you very much, Mr. Duguay.

[English]

Next we will have Mr. Aneil Jaswal.

The floor is yours. You have five minutes for your opening remarks.

Mr. Aneil Jaswal (Director, Strategies Sector, Canada Infrastructure Bank): Thank you, Mr. Chair and committee members.

My name is Aneil Jaswal.

I am a director on the strategy team at the CIB, where I lead work on measuring the impact of our projects and developing strategies across our priority sectors.

I'm happy to be here today as a witness for this committee's study. It is important to note that I am a recent employee of the CIB, having joined the organization in December 2021.

I was not involved with, and do not have knowledge of, the beginnings of the CIB or any of the contracts awarded by the CIB to McKinsey. For those reasons, which were previously communicated to the committee, I was not initially put forward as a CIB witness to help inform the committee's study. Other CIB staff, who may have more relevant knowledge, including our CEO, Ehren Cory, are also here today to best support the study.

That being said, in light of the committee's interest in my appearing, I have joined today to support the committee to the best of my abilities. To assist the committee in identifying where I might be most helpful, I would like to share a bit about my career and areas of expertise.

I did my Ph.D. with a focus on health policy and economics. To further my interest in economics and grow my skills outside academia, I joined McKinsey & Company in August 2016, as an associate consultant in its Montreal office. I worked there for just under two years, until February 2018. While at McKinsey, I worked

on a variety of projects ranging from due diligence of large corporate investments to projects in the natural resources sector. I was not staffed on any federal government or CIB projects.

I left McKinsey over five years ago, seeking to work in the public service and get back to my policy interests. In March 2018, I joined the federal public service, working as a policy adviser at PCO, focused on mentoring and supporting the achievement of government results. In January 2020, I took on a new role as a policy adviser to the Minister of Finance, where I worked primarily on economic and health responses to COVID-19. While in government, I never worked with McKinsey or on the CIB.

I'd also like to share a bit about joining the CIB. I joined in December 2021, with an interest in using both my public policy and private sector experiences to support the CIB's goals of advancing infrastructure in the public interest. Having grown up in northern B.C., I've seen first-hand the challenges of a lack of infrastructure as well as the transformative, positive impact of getting critical infrastructure built, such as the port development in my north coast hometown.

Wanting to support this area of public policy, I applied to a CIB job posting I saw on LinkedIn. The hiring process was competitive, and I understand there were multiple applicants. I had never met Steve Robins or Ehren Cory before applying to the CIB. Before leaving government, as recommended for all exempt staff, I confirmed compliance of post-employment obligations, including receiving confirmation from the office of the Ethics Commissioner.

Since joining the CIB, I have worked on a variety of topics, including having rolled out a rigorous new standard for how we estimate the greenhouse gas emissions reduction of our projects as well as supporting CIB's advancement into new sectors. This includes zero-emission vehicle charging infrastructure, for which I'm excited to say we recently announced our first project to almost double the number of public fast chargers in Canada. I'm also currently helping to develop our strategy to support the enabling infrastructure needed for critical minerals development across the country.

In closing, since I joined the CIB, it has not awarded any contracts to McKinsey. As I mentioned, others may be better placed to answer your questions in that respect. However, I'm happy to assist however I may.

Thank you.

• (1115)

The Chair: Thank you very much, Mr. Jaswal.

Next we have Mr. Steven Robins.

Mr. Robins, the floor is yours. You have five minutes for your opening remarks.

Mr. Steven Robins (Group Head, Strategy, Canada Infrastructure Bank): Thank you for having me, Mr. Chair and committee. My name is Steven Robins. I'm happy to be here today.

I'm the head of strategy at the Canada Infrastructure Bank, and I've held this role since December 2020.

I would like to start by speaking briefly about my career history. I began as a business analyst at McKinsey in 2011. My clients ranged from infrastructure to retail, banking and metals. In 2013, I joined Infrastructure Ontario as a manager in their transactions structuring group, where I worked in a variety of roles, including engaging with industry partners, organizational change initiatives and on PPP procurement.

In 2014, I left Infrastructure Ontario to pursue graduate studies at Harvard, obtaining a master's in business administration and a master's in public policy. The program was three years. While at graduate school, I accepted a role in the New Zealand Treasury department's PPP unit based in Wellington. On graduation, I returned to McKinsey, first as an associate and then as an engagement manager. I worked exclusively in the utilities sector in both Canada and the United States. I did not work on any projects with the CIB or with the federal government.

In 2019, I then rejoined Infrastructure Ontario as commercial lead for the GTA subway expansion. There I lead the significant, successful effort to bring four major subway projects to market simultaneously across the region.

I would now like to discuss my hiring at the CIB.

In late 2020, Mr. Cory and I discussed my joining the CIB as head of strategy. I had initially worked with Mr. Cory in 2011 when I was —

• (1120)

The Chair: Excuse me.

I'm sorry to interrupt you, Mr. Robins. There is a point of order.

[*Translation*]

Mr. Xavier Barsalou-Duval (Pierre-Boucher—Les Patriotes—Verchères, BQ): We no longer have interpretation, Mr. Chair.

[*English*]

The Chair: Okay.

We're going to have to hold on for one second, Mr. Robins, to ensure that translation continues. It looks like we're having an issue with translation.

[*Translation*]

Can we check to see if it's working?

Is everything okay? Great.

[*English*]

I'm sorry about that, Mr. Robins. Please continue. I'll make sure that your time is not affected by that interruption.

Mr. Steven Robins: I appreciate that.

In late 2020, Mr. Cory and I discussed my joining the CIB as head of strategy. I had initially worked with Mr. Cory in 2011, when I was a business analyst. I then worked with him at Infrastructure Ontario in 2013 and 2014, where I reported to several managers and delivered results on important projects for the organization. When I returned in 2019 as the commercial lead for subway expansion, I took on a significant leadership role and delivered results. All four Toronto subway projects are now under construction.

In this role, I worked closely with Ehren. When Mr. Cory and I discussed the role at CIB, it was clear how my skills and experiences could contribute to the success of the CIB. Since joining the CIB, I have led the development of our corporate plans, which outline our process for making investment decisions, and the development of our inaugural sustainability and impact report.

I work closely with our investment leads to develop approaches for new areas of investment. For example, there's our initiative in clean fuels, through which we have invested in the Varennes carbon recycling project, one of the world's first at-scale biorefineries that's producing biofuels with green hydrogen, creating jobs and reducing emissions. There's also our investment in the Darlington small modular reactor project.

I also lead our research partnerships, like our recent green retrofit economy study with the Canada Green Building Council.

Finally, I also led the hiring of Aneil Jaswal as he was hired directly into my department. My department has nine employees. Mr. Jaswal is the only employee with experience working at McKinsey. The remaining team came to the CIB from a mix of public and private sector backgrounds.

The hiring process was open and competitive. It arose through a public job posting. Several candidates applied and were considered, and candidates from many backgrounds, including those with consulting experience from a variety of firms, were interviewed.

I first met Mr. Jaswal through this interview process. He was the most qualified candidate. He has a doctorate from Oxford and past work experience in both the public and private sectors. He was hired based on his extensive skill set, his commitment to public service and his diverse prior work experience.

One of his core responsibilities is the development of the results framework in our corporate plan. His work at the Privy Council Office is particularly relevant to the role.

His experience as a consultant was not the driving force behind his hiring. His academic credentials, paired with his public and private work experience, were key. In this role, Mr. Jaswal needed to equally understand government and investment structuring. He has been a great hire.

Finally, I'd like to speak to the contracts awarded by the CIB to McKinsey. To be clear, since I joined the CIB, the corporation has not awarded any contracts to McKinsey. When I was at McKinsey, I was not involved in the CIB contracts or any other contracts with the federal government in any way. Since I had no involvement in any of the contracts awarded to McKinsey and was not here at the beginning, others may be better placed to answer specific questions about these topics.

I was not initially invited to appear before this committee and, accordingly, I was not put forward as a witness on behalf of the CIB. I am happy to participate in the study and answer any questions that the committee may have to the best of my ability.

Thank you, Mr. Chair.

The Chair: Thank you very much, Mr. Robins.

Next, and finally, we have Chairperson Vrooman.

The floor is yours. You have five minutes for your opening remarks.

Ms. Tamara Vrooman (Chairperson, Canada Infrastructure Bank): Thank you very much, Mr. Chair. I apologize for my delay in joining.

I'm Tamara Vrooman, chair of the Canada Infrastructure Bank, or CIB. I'm also president and CEO of the Vancouver Airport Authority. I'm joining you from my office in Vancouver on the traditional territory of the Musqueam people.

I also served for 13 years as president and CEO of Vancity, Canada's largest commercial credit union. Prior to that, I served as the deputy minister of finance for the Province of British Columbia, secretary to the Treasury Board, and CEO of the public sector employers' council.

I'm here today along with Ehren Cory, CEO of the CIB, and members of his team.

I appear today on behalf of the Canada Infrastructure Bank board, a board that brings a wealth of experience and diversity of perspectives. We have deep experience in such key areas of oversight as human resources, compensation and governance, and have industry-specific expertise in infrastructure, major project financing and public policy. Our responsibilities include approving the corporation's investments, investment portfolio and the corporate plans that set out the bank's strategic direction, as well as its compensation policies, which includes a review of the CEO's performance rating, salary and incentive program. We ensure that the highest standards of corporate governance and board effectiveness are respected.

Canada has an estimated infrastructure deficit of well over \$100 billion. In fact, the last period of significant infrastructure investment in our country dates to around World War II. Canadians need infrastructure now, whether it's investing in Canada's electrical grid

to support cleaner energy or building better transit in our communities, but our tax dollars are finite. The government cannot pay for all of the infrastructure itself, which is where the help of the private sector comes in. The CIB makes investing in infrastructure in the public interest more attractive to the private sector by using innovative financial tools to de-risk the investment and incentivize the private sector to spend on infrastructure. With impact as its bottom line, the CIB prioritizes consideration of sustainable outcomes that drive investment decisions.

The CIB has made very significant progress with an increase in both the pace and volume of its investments over the last two years. As at the end of this past fiscal year, the CIB has made a total of 46 investment commitments, 42 of which have reached financial close. From coast to coast to coast, the CIB is delivering public good outcomes for Canadians across five priority sectors—clean power, green infrastructure, broadband connectivity, trade and transportation, and public transit. The CIB's investments translate into such public interest outcomes as 5.1 million tonnes in reduced greenhouse gas emissions, 174,000 new daily transit riders, 340,000 more households connected to broadband and benefits to 27 indigenous communities.

The bank has built relationships in its key sectors and is being sought out earlier on potential partnerships. The market now has a better understanding of what CIB does and how to work with us. The Organisation for Economic Co-operation and Development, the OECD, has highlighted the CIB as a leading model for catalyzing private investment and aligning stakeholders to get projects built, particularly to support the post-pandemic recovery and facilitate energy transition.

Budget 2023 provided the CIB with greater focus and clarity on its role in supporting transition to a net zero economy with at least \$20 billion for clean energy and green infrastructure investments. The CIB has already been engaging with key project proponents to accelerate action in these areas. The CIB has set an ambitious objective to invest in projects that will achieve 10 million tonnes of annual greenhouse gas reductions by 2025-26.

Since I've been the chair of the Canada Infrastructure Bank, as of January 2021, we have not entered into any contracts with McKinsey consulting. All three contracts that the bank previously entered into predate my arrival. I believe Mr. Cory and Mr. Duguay will speak on the procurement processes in more detail.

Thank you very much to the committee for inviting us. I look forward to participating in these proceedings.

Thank you.

● (1125)

The Chair: Thank you very much, Chairperson Vrooman.

We'll begin our line of questioning today with Dr. Lewis.

Dr. Lewis, the floor is yours. You have six minutes.

Ms. Leslyn Lewis (Haldimand—Norfolk, CPC): Thank you, Chair.

I would like to thank the witnesses for coming today.

My first set of questions is for the CEO of McKinsey, Mr. Cory.

Mr. Cory, I just want to start by stating that it's been quite disappointing, the manner in which the Canada Infrastructure Bank employees have responded to our request for them to appear before committee. I'm actually very glad to see you here today. It's a pleasure to meet you in person. However, with all due respect, you were not around at the beginning, when the bank was created and the contracts were awarded. As a former McKinsey partner for 10 years, your answers will largely be limited to your time at the Infrastructure Bank, which was from November 2020.

Is that correct?

Mr. Ehren Cory: That's correct.

Ms. Leslyn Lewis: With all due respect, by virtue of the fact that you've been at the bank for only 2.5 years, you are really not the most informed person to speak to the earlier relationships between McKinsey and the bank. Is that correct?

Mr. Ehren Cory: Thank you for the question, Chair.

In my capacity as CEO, I can certainly speak to the outcomes of the work that was done, which I have reviewed. I can speak to the materials that have been submitted in previous committees, such as OGGO.

The member's comment is accurate. I was not here at the outset of the bank. That's part of why Mr. Duguay has joined me, Chair. He has been the general counsel at the organization for just over four years, so brings a bit more corporate history.

The reality is that we are a young organization. The first full-time employee was hired only five years ago. We've been ramping up since then.

• (1130)

Ms. Leslyn Lewis: Thank you.

In your annual reports, you list professional fees in your financial statement.

May I ask why the CIB's annual reports do not provide information on the contracts it has with external consultants?

Mr. Ehren Cory: I'm sorry. Could you repeat the question? I'm not sure I understood, Chair.

Ms. Leslyn Lewis: Your financial statements do not list your... There's nowhere that we can see which contracts you have with external consultants and who those external consultants are. Is that correct?

Mr. Ehren Cory: I understand.

Our financial statements do outline our expenditure on advisory services from external firms. It does not break them down by individual firm, if that's the member's question. It certainly does outline our expenditure, which I could, in general, break down into two categories, if it's helpful.

First, we spend money on third parties for deal-related stuff. This would be transaction advisers, power market advisers, legal advice and that sort of thing. We call that "investment-related external advice".

Then, separately, we have corporate external advice, like our auditors, for instance. We hired a firm last year to help us with our HR practices. It's that sort of corporate consulting—

Ms. Leslyn Lewis: Is that what the \$14 million includes. Is it those two categories?

Mr. Ehren Cory: Each year we break down our external expenditures. Yes, it is for those two categories.

Ms. Leslyn Lewis: You testified that you have.... Is it 25 employees?

Mr. Ehren Cory: It's 125 now.

Ms. Leslyn Lewis: It's 125 employees and you have highly diverse and qualified employees.

Why do you need so many outside consultants?

Mr. Ehren Cory: Thank you for the question.

In my breakdown, what's important to note is that the vast majority of our spend on external advisers is on those deal-related items. When we're doing an investment in, for instance, hydrogen, which is one of the important areas of exploration, we've engaged people on a transaction to help us assess what the market for hydrogen looks like for the next five to 10 years and what the delivered cost is going to be. We're getting a lot of technical advice. Those are investment-related costs.

As I say, there are also financial advisers, legal advisers, engineering services and support to help us cost the projects. It's those sorts of things.

The vast majority of our external expenditure is for those deal-related activities.

Ms. Leslyn Lewis: Does any of that include McKinsey consultation?

Mr. Ehren Cory: None of that has included McKinsey consultation.

Ms. Leslyn Lewis: If I can turn to a letter that you wrote to government operations and estimates, on page 2 you listed essentially three contracts, Mr. Cory.

Mr. Ehren Cory: That's correct.

Ms. Leslyn Lewis: The contracts totalled \$1.43 million. Is that correct?

Mr. Ehren Cory: That's correct.

Ms. Leslyn Lewis: Isn't it true that there were actually more than three contracts? There were actually five contracts.

Mr. Ehren Cory: I appreciate the chance to clarify.

Some of the work was done in two phases. When we say three contracts, there were three contracts, in point of fact. In two cases, there was a phase A and a phase B and two invoices were sent. The \$1.43 million covers all work done with McKinsey. We describe that as three contracts, but the member's question is fair.

Mr. Duguay can, perhaps, elaborate on the two phases of work.

Ms. Leslyn Lewis: Your letter was written February 22, 2023, to the government operations and estimates standing committee and it outlined three contracts. However, as you said, Mr. Duguay responded to an Order Paper question on March 9, 2021 and listed five contracts and five invoices. Today his testimony is very different.

Can you elaborate on why you only listed three contracts and why they were not broken down?

The Chair: Give a 20-second response, if you could, please.

Mr. Ehren Cory: Of course, Mr. Chair.

I'll just say there is no discrepancy. They represent the same scopes of work. There were three contracts—three stroked items of work. Two of them had a part A and a part B. In response to the Order Paper question, we listed them by invoice, so it showed up as five line items. It's the exact same scope of work, quantum and time frames.

Mr. Frédéric Duguay: If I may add, Mr. Chair, all of those materials were provided to OGGO. The materials provided to OGGO show the work that was provided under each of the statements of work for these contracts, as well as the invoices received. As Mr. Cory points out, and regarding the risk management work I alluded to earlier in my remarks, there were two invoices because there were two scopes of work with respect to that. In the last contract concluded in 2020.... There were also two invoices provided for that contract.

• (1135)

The Chair: Thank you very much, Mr. Duguay and Dr. Lewis.

Next, we have Mr. Badawey.

Mr. Badawey, the floor is yours.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Mr. Chair.

I want to preface my comments by saying thank you for being here today, and also that my questions are going to concentrate on the business of government versus the politics of government. I'm not here to cross-examine you. I'm here to contribute to the overall study.

With that said, to be productive in how we move forward on the business of government specifically.... As your website states, and you said earlier, CIB is “partnering with public, private and Indigenous groups to fill gaps—structural, economic and commercial risk—which will result in a more resilient, sustainable and prosperous” communities throughout the country.

I want to get a bit more granular on that, in terms of the innovative partnerships you've been able to accrue over time. The biggest

part is the leveraging you actually provide—and I underline in bold the word “leveraging”—to expedite needed infrastructure work and, secondly, to alleviate the financial burden, for example, on property taxpayers within communities and on water bills, based on the capital work you partner to do. Of course, with that leveraging, the funding you bring to the table, once again, takes that burden off the property taxpayer or waste-water ratepayer.

Can you comment a bit on that, in terms of the productivity the CIB offers those communities?

Mr. Ehren Cory: Thank you. I appreciate the question, Mr. Chair.

As Tamara outlined in her comments, you have to start from the deficit we face in our infrastructure across the country. The reality is that there is no one solution to that level of deficit. It's going to take all the tools in the tool kit. There's certainly a place for traditional publicly funded and publicly financed infrastructure. We need that and we have it across our country with our public schools, highway networks and health care system. That will continue to be true. However, there's a class of infrastructure, to the member's question, that has some economics to it—some commercial element—but the private sector can't and won't do it alone, often because of risk or uncertainty.

Let me pick one example we often talk about, and one Mr. Jaswal mentioned in his opening remarks: electric-vehicle charging. There are entrepreneurs across this country looking to build out EV-charging networks, and that's great. Those entrepreneurs also look at a very uncertain world. They look at uncertainty around how quickly adoption will take place, what the supply chains for EV will look like, and how quickly people will get over their range anxiety and make that conversion. If you started a business, Mr. Chair, and you were going to build out a network of EV chargers, you would have to be very cautious. You'd build out a few chargers next year and a few the year after that. You would slowly, in a commercial way, do that.

The leverage the member asked about.... What we're trying to do is accelerate that build-out by providing a loan to a private sector builder of EV charging that allows them to go much faster than they would otherwise. It says to them, “You will pay us back as your business performs.” If it takes longer for adoption to happen, our loan terms will actually defer. It's very different from what a bank would do, or from the kind of loan they would find in the market. That's what we can do with public moneys in a loan.

Just to be clear, everything the CIB does is a loan or an equity investment. We don't have a single dollar of granting. However, what we can do with taxpayers' money in a loan structure is be flexible—take on long time horizons and uncertainty.

That's how we're getting the leverage the member asked about.

Mr. Vance Badawey: Thank you.

To take it a step further, I'll concentrate my next question on community strategic planning.

Of course, the second part of that is dealing with our official or secondary plans. In Ontario, for example, they have the Public Services Accounting Board, or PSAB, and, with that, the encouragement the province puts on municipalities when it comes to asset management. That's wonderful. It's a discipline that all municipalities should abide by.

The challenge, however—to be disciplined under it and complete it—is, in fact, the financing of an asset management plan—

Mr. Ehren Cory: That's right.

Mr. Vance Badawey: —vis-à-vis the life cycle, repair maintenance and, of course—after 30 or 40 years—the replacement of that asset, which, ultimately, defaults to the property taxpayer or waste-water ratepayer through their water bills and capital fixed rate. That said, the challenge municipalities have on top of that is in trying to promote their economy with partners within the economics and niches within their jurisdiction.

Again, how does the bank add that leveraging within those strategic plans to move the desires of each jurisdiction forward, with respect to advancing their economy?

• (1140)

Mr. Ehren Cory: This is a really important question, Mr. Chair, and I appreciate it.

Infrastructure is truly an investment, and I think that word gets overused, but infrastructure truly is that. Spending money to upgrade water and waste-water treatment facilities, for instance—as the member asked about—is a classic example.

There is, over the long run, a way to bring down costs for a community, a community that may be on septic beds or a community that may be trucking their waste to a nearby community to get treated because they can't manage the upfront cost. Over the long run, there is a benefit to ratepayers and taxpayers.

By providing a loan up front and by spreading that out over a very long time frame, what we're able to do is help those communities deliver on—as the member correctly points out—asset management plans, which are great, but they're not great without financing. By providing low-cost, stable financing, letting that stretch over much longer time horizons and sharing in the risk, it really does take down the cost in our water example for ratepayers.

Mr. Vance Badawey: As well, your leveraging can be used as an incentive for communities to promote the economic development opportunities they have within their jurisdictions.

Mr. Ehren Cory: That's correct.

Mr. Vance Badawey: Thank you.

Thank you, Mr. Chair.

The Chair: Thank you very much, Mr. Badawey.

[*Translation*]

Mr. Barsalou-Duval, you have the floor for six minutes.

Mr. Xavier Barsalou-Duval: Thank you, Mr. Chair.

Let's come back to today's study, to the role McKinsey & Company played in the creation and beginnings of the Canada Infrastructure Bank.

I believe we need to go back a bit further and take note that after the 2015 election, the Trudeau Liberal government established the 14-member Economic Growth Advisory Council. Members included CEOs as well as academic and business leaders. It was this group that recommended that the Canada Infrastructure Bank be created. The same group was chaired by Dominic Barton, who was then the global managing partner at McKinsey & Company.

So it was this group, which was chaired by Dominic Barton and set up by the Prime Minister, that proposed that the infrastructure bank be created. At the time of its inception, that same bank contracted McKinsey to determine how it would operate. I, for one, find that peculiar. It's kind of like someone threw an idea out there, threw a hook in the water, then you took the bait and from then on they were going to make money off you.

Mr. Cory, don't you find that practice peculiar?

Mr. Ehren Cory: Thank you for the question.

[*English*]

Thank you.

I appreciate taking us back. I think that's the right context to start from. In fact, from my understanding, the concept of an Infrastructure Bank first appeared—and again, this is from the public record because I wasn't there at the time—even prior to the growth council. In the election of 2015, it was part of the campaign platform of the Liberal party, so this is an idea that existed.

Why is not surprising. Countries around the world have been exploring and are continuing to explore the idea of green banks or infrastructure banks, so this was not a new idea and was certainly on the official record even going into the election.

Now, as the member points out, I think the growth council—again, from the outside in, having not been part of it—certainly did make a number of recommendations, including endorsing the idea of an infrastructure bank, so it certainly built on.... It was not their idea, from what I can gather.

Now, to the member's question, I think what I can speak to is the hiring of McKinsey at the outset. It is important to note, so just picture the time. At that moment, the CIB had one acting employee who was a board member who had temporarily taken on the role of acting CIO, and their job was to get the place started.

They went out to get external help to do so, to write an investment policy, to develop risk management processes and to stand up the organization from scratch. From my review of the materials, they talked to a number of firms about doing that. I think McKinsey is not a surprising choice for that, given the range of their experience in infrastructure work and their global reach. I don't think there is a direct relationship between the growth council and the hiring of McKinsey.

[Translation]

Mr. Xavier Barsalou-Duval: Thank you. Let me put it another way for you.

Suppose that I'm volunteering my services, as an accountant by profession trained at the time, to a board of directors or as a consultant to a business and, in that context, I ask for a system to be put in place that will allow me to award contracts to myself. Do you feel that would be entirely in order?

I'm asking because that's what I'm getting from your comments. In other words, Mr. Barton recommended that the Canada Infrastructure Bank be created, and then that same bank awarded him contracts.

I, for one, would not be comfortable in a situation like that, but you seem to be quite comfortable. I'm trying to figure out why.

• (1145)

[English]

Mr. Ehren Cory: Thank you.

No, I don't think I agree with the premise of the question. From my understanding, first of all—and Mr. Barton is someone you can ask that question of directly—I don't think he would claim that the Infrastructure Bank was “his idea”. As I said, it's in fact an idea that's existed for many years across multiple governments, in fact, and around the world. Yes, the growth council, of which Mr. Barton was a member, endorsed that idea.

Then the CIB got started, and one of the first things that the board of the CIB.... As I mentioned, there was one employee. There was also a board chair at the time, Ms. Fukakusa, and together they went out to the market to get help to stand up the organization.

I'm not saying that.... I don't see anything untoward in that.

[Translation]

Mr. Xavier Barsalou-Duval: You may not have a problem with it because you yourself have navigated in an environment like that, the McKinsey firm, where sometimes the lines get blurred between public and private, and in terms of what is the McKinsey firm's responsibility and what is the government's responsibility.

Wouldn't the fact that you yourself held positions at McKinsey result in the lines being somewhat blurred and it being hard to distinguish between the two?

[English]

Mr. Ehren Cory: Thank you.

In my work at McKinsey, as the member mentioned, I was there for over a decade. I did work in infrastructure, minerals, mining and energy, and in the public sector. I worked for provinces, both Ontario and Saskatchewan. I did some consulting— even for the federal government. I can tell you that every project I ever did in my time at McKinsey, 15 years ago, was competitively bid in response to an RFP and was incredibly rigorous. The Government of Canada was a client, as were many provinces, and in all of that work, we bid competitively against others.

There was no relationship other than the expertise and global insights we bought that helped governments move forward.

The Chair: Thank you very much, Mr. Cory.

[Translation]

Thank you, Mr. Barsalou-Duval.

[English]

Next we have Mr. Bachrach.

The floor is yours, Mr. Bachrach. You have six minutes.

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

Picking up on my colleague's commentary, for members of the public watching this meeting and listening to the testimony, I think it paints a certain picture. You have Dominic Barton, the managing director of McKinsey, who is intimately involved in the conception of the bank. The bank then hires his company to stand up the bank, and now we have a meeting with three of the five witnesses before us who were former McKinsey employees. It doesn't take much to see a certain picture there.

I want to take us down a different path.

In April 2001, the CIB signed an agreement in principle to invest \$655 million in the Lake Erie Connector project, an underground transmission line that was going to deliver power from Ontario to Pennsylvania. ITC, the proponent of the project, is a massive company. In 2022, I think, it had \$48 billion in assets. It's about twice the size of the Infrastructure Bank.

Why did a company this big need the bank's help in getting this project to go, Mr. Cory?

Mr. Ehren Cory: Thank you, Member.

Thank you, Chair for the question. I think it is an important one to discuss.

As I was describing in one of my earlier answers, fundamentally, what we're trying to do with our lending—and it is, as I said, all in the form of loans—is to make projects happen that are stuck. The Lake Erie Connector project—quite a classic example—has been on the books for more than a decade and hasn't been getting built. The reason is that it's a costly line and one with really uncertain trade volumes. It depends on what happens with the shutdown or extension of nuclear plants in Ontario. It depends on growth in the renewable sector in Ontario, and it certainly depends on what happens in the market it connects to in Pennsylvania and Ohio.

The project rates of return that we saw when we engaged with the company were well below their investment criteria, and they weren't moving forward with the project. So the idea of our making a loan to a project like that is to invest money to help them to manage the risk of the project so that it moves forward. To be clear, they were putting more money than we were into the project. They have lots of skin in the game, and they had lots of investment themselves, but our loan—and it is a loan—was designed to help improve the economics just enough so that they could move forward with the project.

• (1150)

Mr. Taylor Bachrach: Did the bank approach ITC, or did ITC approach the bank?

Mr. Ehren Cory: I can't answer that question with certainty. That was right near the start of my time. My recollection is that they approached us first, but I would have to confirm that, if I may.

Mr. Taylor Bachrach: Mr. Corriveau, a spokesperson for the bank, was quoted as saying, "The private sector, in partnership with the CIB, can play a role in delivering important infrastructure. Without CIB acting as a catalyst for private sector investment, it could mean decades of waiting until the risk and economics are addressed."

We're talking about de-risking a project that the private sector isn't willing to move forward with, and this is really interesting because one of the primary arguments that proponents of public-private partnerships make when arguing for P3s is that they transfer risk off the public sector and onto the private sector. Here's a case where we're talking about transferring risk from the private sector onto the public sector.

Under what circumstances should the public sector, Canadian taxpayers, Canadian citizens, assume risk that the private sector isn't willing to bear?

Mr. Ehren Cory: That's an excellent question. Thank you for that and the chance to respond.

The infrastructure deficit in our country is such that if we want to build long-run assets, new transmission across our country, new forms of clean energy across our country, such as my electric vehicle charging example that I gave to the member opposite earlier, those projects all face uncertainty or risk gaps that stop the private sector from moving forward today. As Canadians, I think the exact purpose of an infrastructure bank is to help bridge that gap—not to provide an outsized benefit to the private sector in any way, shape, or form, but to help bridge the gap.

To use the Lake Erie example, that project was estimated to create significant public benefit in the form of GHG emission reductions on both sides of the border. The benefit therefore of advancing the project without having to do it under a purely public model and by having some private sector money beside ours was to move it forward faster and to get that public benefit. Infrastructure is—

Mr. Taylor Bachrach: I think what you're saying, Mr. Cory, is that the public good here was the emissions reductions, and the assumption was that there was going to be a surplus of clean energy from Ontario that we could sell to the Americans.

What analysis did the bank base that assumption on? By many people's read, there is no surplus of clean energy from Ontario. In fact, the province is going to meet most of the future demand by burning gas, which is a fossil fuel. Where was this clean energy going to come from, and was there any data the bank used to come to the assumption that this project was going to reduce emissions?

Mr. Ehren Cory: There are two things I would say about that. One, we would always start—and did in the case of the Lake Erie Connector line—with a discussion with the electricity system operator. In that case, it was the IESO in Ontario. The IESO approved the project and signed a contract to move forward. There is a regulator in the energy markets in each of them that is actually thinking about supply and demand. The IESO deemed the project necessary, so that's—

Mr. Taylor Bachrach: Necessary versus reducing emissions are two different things.

Mr. Ehren Cory: Agreed.

Mr. Taylor Bachrach: Did the IESO say that it would reduce emissions?

Mr. Ehren Cory: The IESO agreed with the analysis that it would reduce emissions, yes. To answer that part of the question—which goes back to Dr. Lewis' question from earlier—we hired an external adviser, a consulting firm, that understands power markets to do a modelling exercise for us of a whole range of scenarios of what might happen in both markets on both sides of the border.

Mr. Taylor Bachrach: Why did the bank not invest in the project?

The Chair: I'm sorry. Unfortunately, we have no time left for that line of questioning. You do have another line of questioning coming up, Mr. Bachrach.

Thank you, Mr. Cory.

Dr. Lewis, the next round of questioning is to you. You have five minutes.

Ms. Leslyn Lewis: Thank you, Chair.

My question is for Counsel Duguay.

You had testified earlier about transparency in the procurement policy, so I'd like to ask you some questions about that.

We have some incongruent information that I touched upon in the Order Paper of May 9, 2021, provided to the government operations committee. In that response, as I stated, you listed five contracts back in March 2021 that the Infrastructure Bank engaged in with McKinsey. The bank's submission later to the government operations committee says there were three contracts. Indeed, the document provided to us by you includes five invoices, not three.

As a lawyer, I know that you have both a fiduciary obligation to the CIB and a professional obligation as a lawyer, so is it fair for me to conclude that since you provided five invoices and you listed five contracts on your Order Paper disclosure that there were actually five contracts? You could internally divide them up the way that they were, but these invoices and these payments and these descriptions show five different engagements. Is that correct?

• (1155)

Mr. Frédéric Duguay: I disagree with the premise of the question. Let me explain why.

With respect to the responses to Order Paper questions, generally, when the CIB prepares responses to OPQs, we'll go back to our financial records to identify expenditures that are made to each of the consulting firms or any entity that is within the scope of an OPQ.

Those OPQs listed essentially five invoices, which may, as the member points out, lead you to reach the conclusion that we had entered into five separate contracts. Where I disagree with the question and where it's not the case is, when you go back to the record and when you go back to the source of the materials that were provided to OGGO and you look at the scope of work that was provided within each of the statements of work, in two cases, in particular in the second contract, where McKinsey was hired to provide advice on risk management practices, there were two scopes to that project.

The first scope, which was, I believe about \$390,000, really related to foundational advice with respect to the governance of enterprise risk management. A lot of that work—

Ms. Leslyn Lewis: My time is very limited.

I note that's not the one. I want to point you directly to the one that I'm speaking about, which you probably blurred, and that was the May 2018-19 one.

However, counsel, it's not just me who is concluding that. You answered a March 9, 2021, Order Paper question. The question was, "With regard to contracts provided by the government to McKinsey & Company since November 4, 2015, broken down by department, agency", etc. You answered in providing the five different contracts.

I submit to you that when the number of contracts is reduced, it creates the impression that there was less connection between McKinsey and the Infrastructure Bank, but I'm going to move on, counsel.

Mr. Cory's letter references a May contract. For clarification, would this be the one that you labelled as being for June and July in the Order Paper disclosure, which is referenced on page 2? It's dated June 25, 2020 and July 20, 2020, for \$390,000 and \$100,000.

Is that the reference to the May contract in Mr. Cory's letter?

Mr. Frédéric Duguay: Mr. Chair, that would be correct. I believe the member is speaking about the third contract, which was signed in May 2020. The invoices with respect to that contract were paid in June and July 2020.

As I was explaining earlier, at the CIB, in terms of our information management systems and with respect to how financial records are kept, in responding to OPQs, we usually go back to those records as a source of truth, so I would disagree that there's a discrepancy with respect to the record between the signature of the statement of work and a contract, and when invoices are actually paid upon receipt of deliverables. In responding to OPQs, that's how we usually go back in our records and use that as a source of truth for our responses.

Ms. Leslyn Lewis: Thank you, Counsel. I want the record to show that—

The Chair: Thank you, Dr. Lewis. You're 20 seconds over your time.

Ms. Leslyn Lewis: Okay.

The Chair: We'll now turn to Ms. O'Connell. The floor is yours for five minutes.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thank you, Mr. Chair.

Thank you, witnesses, for appearing here again.

Let me summarize something—and correct me if I'm wrong—on this whole issue of contracts versus invoices. When I was in municipal government, we often contracted out for people who might have expertise if we were building a community centre. We didn't do that all the time, but the engineering might not be the engineering that we could do in-house.

However, even for a regular person who hires a contractor to do a renovation on their house, they sign a contract or they engage in a single contract, but you may be invoiced on that contract multiple times.

Is it fair to say that there were three contracts with McKinsey, with a total of five invoices among those contracts, totalling \$1.4 million?

• (1200)

Mr. Frédéric Duguay: That would be correct.

As indicated earlier—and the CIB provided a complete response to the motion for the production of documents with respect to contracts for McKinsey—CIB has produced contracts related to three separate contracts that were concluded, as I explained in my opening remarks. Within two of those contracts, there were two invoices that were issued—

Ms. Jennifer O'Connell: Right. That's fair enough.

Mr. Frédéric Duguay: —because there were two separate scopes of work within the statement of work.

Ms. Jennifer O'Connell: That's fair enough. I'm sorry. I'm just a little rushed for time.

It's not a scandal. You have three contracts and five invoices, all for \$1.4 million.

I want to also go back to some of the line of questioning that suggested that there was some connection between the growth council's recommendation for an infrastructure bank and McKinsey contracts.

First of all, part of that calculation is actually missing quite a bit. I was on the finance committee for four years during this. From the growth council's recommendations, the finance committee also conducted a study on economic growth—that was a theme for our budget process—where we actually met with groups like the Inter-American Development Bank. They talked to us a lot about how infrastructure banks are an incredible way to build infrastructure and also to achieve actual economic growth.

We met with investment firms in New York talking about how desperate they were to invest in things like infrastructure—things like broadband. I can assure you that Dominic Barton was not at any of those meetings, nor were any McKinsey staff. This was the role of the finance committee.

We then made recommendations to the minister. Sometimes they get accepted; sometimes they don't.

From the time of the growth council, as well as committee doing its own studies and reports and then from the time when the Canada Infrastructure Bank was proposed, we also had an introduction in the budget and then a BIA—a budget implementation act. That went to the House for a vote, then to the finance committee, then to the Senate, then to the Senate committee, then it comes back to the House for a final vote, and then it gets implemented.

For this mysterious scandal where McKinsey or Dominic Barton wanted to create an infrastructure bank, go through that entire legislative process, have the finance committee meeting with individuals about the benefits of infrastructure banks that were completely the finance committee's prerogative, all to receive three contracts and five invoices totalling \$1.4 million...

I just quickly googled McKinsey's revenues. It's a company of \$10 billion in 65 countries. They went through all of that legislative process and through all of this mind-reading, I guess, of the finance committee to know where we were going to study, where we were going to go and who we were going to meet with for three contracts.

I lay that out there, Mr. Chair, because it is like this weaving of a connection that really just doesn't exist when a lot of work done was actually done at the time on the finance committee about infrastructure banks all over the world.

With all of that laid out, my question for the witnesses then is this. It was mentioned that over 340,000 households are going to be connected to broadband through the Infrastructure Bank investments. If this committee had moved a motion that was not unanimous to cancel the Infrastructure Bank, what would happen to those 340,000 households where there is currently construction to

connect them to broadband? Would those projects fall apart? Would those households no longer be connected to broadband?

The Chair: Give a 20 second response, please.

Mr. Ehren Cory: Thank you, and I appreciate the question.

The only thing I'll add to the earlier part of the member's comments is, as I mentioned in my opening remarks, is that we know right now of 28 other versions of infrastructure banks around the world. I talked to colleagues in Scotland, in the U.K., in Germany, in Australia and all over the world. The idea is really ubiquitous.

To answer the question, those projects would not be happening. We ran competitive processes and often partnered with provinces and with ISED to run bidding competitions so that broadband providers would provide to those remote areas. Otherwise, those projects would not be occurring.

• (1205)

The Chair: Thank you very much, Mr. Cory. We'll have to end that there.

[*Translation*]

Mr. Barsalou-Duval, you have the floor for two and a half minutes.

Mr. Xavier Barsalou-Duval: Thank you, Mr. Chair.

I want to pick up on one point. After my questions, I was a little surprised to hear Mr. Cory say it was okay for Canada Infrastructure Bank to award contracts to McKinsey because, basically, that's its area of expertise.

I think we need to come back to the whole notion of ethics, but also to how we view volunteering.

Is the concept of for-profit volunteering widespread in the private sector? Does working at firms like McKinsey lead to a different conception of ethics?

I feel like if the average person knew that if they went out and volunteered, they would pick up \$1.4 million in contracts a few years later, for example, quite a few would want in on that.

Two other witnesses who are here also walked from the private sector to the public sector, from McKinsey to the CIB or other such organizations.

Mr. Jaswal and Mr. Robins, could you tell me the difference between the public sector and private sector view of ethics?

[*English*]

Mr. Steven Robins: Perhaps I can start. I can confirm for the committee that I didn't do any work with the federal government or with respect to the CIB during my time at McKinsey.

In my experience at McKinsey, I would occasionally do a pro bono engagement, and that would be the end of things.

As a public servant, the thing that I think we do across all of our projects is follow our procurement policy. When we need to engage external advisers, we engage with the various market participants. We reach out through an RFP or through some form of invitation, solicit feedback from the market and then select the best proposal that delivers the most value for Canadians.

Perhaps Mr. Cory could add something more to that.

[Translation]

Mr. Xavier Barsalou-Duval: I'd also like to hear your comments, Mr. Jaswal.

In your opinion, what's the difference between the way we think about ethics in the public sector and the way we think about it in the private sector? Is there a difference that might explain why we don't understand right now?

[English]

Mr. Aneil Jaswal: Thank you, Mr. Chair. I'm happy to comment.

I think it's an interesting question. It's a bit of a broad question. Commenting on the ethics of different sectors of the economy, I've been fortunate to work in a few of them. I think every place I've worked had its own ethics guidelines in policies and procedures, and I'm really excited to be in the public service, because I think you get to work on things that deliver impact for the public, for Canadians.

In the private sector, you are sometimes working on different objectives of helping a company sell more of its product or achieve growth.

The Chair: Thank you very much, Mr. Jaswal.

We'll have to leave that there for that line of questioning.

Next we have Mr. Bachrach.

Mr. Bachrach, the floor is yours. You have two and a half minutes.

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

Picking up where I left off, if I understood Mr. Cory's responses to my previous questions correctly, the CIB conducted some sort of analysis of the Lake Erie Connector and concluded that it would reduce emissions by exporting clean energy to the United States.

Mr. Cory, would you be willing to table with the committee that analysis so that we can better understand the assumptions behind it?

Mr. Ehren Cory: I'll maybe clarify this first. The reduction in greenhouse gas emissions actually occurred in both exports and imports. Let me talk about why.

In our modelling, the Ontario grid goes through a period, especially once the nuclear plants—which provide about half of the energy in Ontario right now—go through either shutdown or refurbishment, depending... There's quite a bit of import, or, if not import, there's a lot of increased gas production projected in Ontario's grid for the late 2020s and 2030s. That was the modelling at the time. This was a few years ago.

Of course, things have changed since then. There's a small modular reactor now under construction at Darlington, and there's the potential for life extension at Pickering.

To the member's question, at the time, two years ago, from my recollection of the analysis, the GHG benefits were significant on both sides of the border, and it depended on time. This is a 40-year project, so the electrons flow both ways.

• (1210)

Mr. Taylor Bachrach: Are you going to import clean energy from Pennsylvania? Was there a surplus of clean energy available?

Mr. Ehren Cory: In the medium term, we were going to be importing energy that would be less carbon intensive than using gas to fill baseload in Ontario. That was our analysis.

Mr. Taylor Bachrach: Back to my original question, would you be willing to table with the committee that analysis? I'm sure it's based on publicly available information. I think committee members would find it very instructive to have the analysis and understand the assumptions.

Mr. Ehren Cory: The analysis is proprietary. As I mentioned, we hired a third party firm to develop models with us—

Mr. Taylor Bachrach: Mr. Cory, it's a public bank. This is taxpayer money. Don't you think Canadian taxpayers deserve to understand some of the thinking behind how the bank makes investments?

Mr. Ehren Cory: For sure, and we try to be really transparent.

If you go to our website, for every investment, you would find the thesis for why we made the investment.

But to answer the member's question, Mr. Chair, we try to be as open as possible, so if it's the will of the committee, I'm happy to take it back and figure out what could be shared from our materials.

Mr. Taylor Bachrach: I'd appreciate that.

Why did the board of the CIB not approve the investment in the Lake Erie Connector?

Mr. Ehren Cory: The chair of my board's here, so I can turn it to her momentarily.

Just factually, the board did approve the investment initially, so the premise of what happened, just to reframe this... I'll pick up on where you ended your questioning the last time, when you asked why we didn't then invest.

The answer is that, subsequent to our investment commitment....

This is why we talk about “investment commitments”. We sign a term sheet, then we move through due diligence, and then we eventually get to a financial close, a credit agreement, a signed document.

Mr. Taylor Bachrach: Sure.

Mr. Ehren Cory: In that time frame, one important thing happened, which is that the supply chains in our world went pretty haywire. Cost escalation in the project was quite significant, and the cost of the project.... Both we and the private sector operator, ITC, deemed that, given the cost increases, it was no longer good value for money.

The Chair: Thank you very much, Mr. Cory.

Mr. Taylor Bachrach: Mr. Chair, if I may, I have a point of order.

The Chair: Sure. We have a point of order.

Mr. Taylor Bachrach: Could I request that the committee formally ask for the analysis regarding the Lake Erie Connector and greenhouse gas reductions? Maybe we could deal with that at the end of the meeting, but I know there's a process by which we can formulate—

The Chair: Sure. I'll make sure we have time to deal with that. It looks like we will have, indeed, five minutes to do that.

Mr. Taylor Bachrach: Thank you very much.

The Chair: Thank you, Mr. Bachrach.

Next we have Dr. Lewis.

Dr. Lewis, the floor is yours. You have five minutes.

Ms. Leslyn Lewis: Thank you. My question is for Mr. Duguay.

Going back to the Order Paper response, in the first box of the document dated February 12, 2018, McKinsey provided advice to the Infrastructure Bank investment. Essentially, McKinsey advised the bank which types of projects were viable, and it also states that McKinsey was hired to define the CIB's mandates and objectives.

My question to you is this: If McKinsey defined these mandates and objectives, would that include defining a fair tender process? What did that look like?

Mr. Frédéric Duguay: Thank you for the question.

At the time, the first contract in 2018 was, as I said in my opening remarks, really tied to investment criteria. At the time, as Mr. Cory explained, there was one individual. The board had received direction from the minister in the form of a statement of priorities and accountabilities to inform the drafting of the corporate plan that really, then, would provide the CIB with the authorities necessary to start receiving investment proposals and make investment decisions. That contract was to help the board in working in the definition of “investment criteria” to then inform the drafting of that corporate plan.

McKinsey was never hired to provide advice on procurement policies generally. At the time, there was an interim procurement policy that was adopted, and it was formed, really, to provide the framework in place to make these initial decisions with respect to procurement activities, to help accelerate the bank as part of its start-up activities. That interim procurement policy was then updated

once the CIB was stood up, and there were more resources that had joined the organization.

I joined in November 2018—

Ms. Leslyn Lewis: Okay. Thank you for your response.

Mr. Frédéric Duguay: —and in January 2019, there was a revised procurement policy approved by the board.

Ms. Leslyn Lewis: Thank you.

My next question is for Mr. Cory.

I will turn back to your letter of the contracts. The CIB entered into a contract in April 2020 with McKinsey and on page 3 of your letter you say that “McKinsey & Company was retained in May 2020 to provide strategic advice to inform strategic planning in response to the coronavirus pandemic and”, to paraphrase this, the transition to net zero.

Further down in your letter, you also stated that strategic advisory services were provided and that these services informed the CIB's three-year, \$10-billion growth plan that was announced in 2020.

So, essentially, McKinsey gave the Infrastructure Bank the strategic advice for the creation of the \$10-billion growth plan. Is that correct?

• (1215)

Mr. Ehren Cory: Thank you for the question.

They certainly provided input to the growth plan. For context, in October 2020, the growth plan was CIB's effort to accelerate investment in light of the COVID-19 pandemic, in light of the increasing focus on green infrastructure, and in light of the fact that in the first few years of the CIB's existence there had not been a high enough volume of investment activity. The results of that growth plan are as Ms. Vrooman and I described in our testimony.

To the member's question, yes, McKinsey provided input into that process through market-sounding review of best practices in other jurisdictions, and a landscape analysis, which included meeting with stakeholders. They provided input to the development of the growth plan.

Ms. Leslyn Lewis: On the contracts that we are questioning, we don't know whether there are two or there is one. It states in your letter that you dealt with advice both for COVID-19 and for a net-zero economy. How do those two things form one contract?

Mr. Ehren Cory: As I was just outlining, the lens that the work was done through in the spring of 2020, was how could turbocharge its investment activity? I say “we” in the royal sense, as it predates me.

So, how could the CIB turbocharge its investment activity, and do that in light of the rapidly changing world it faced? The two main forces in the world at that time were (a) the increasing focus on green transition, and (b), the shutting down of infrastructure spending and construction activities in the spring of 2020.

So that's how they're tied together, if I understood the question.

The Chair: Thank you very much, Dr. Lewis.

Thank you, Mr. Cory.

Next we have Mr. Rogers.

The floor is yours. You have five minutes.

Mr. Churence Rogers (Bonavista—Burin—Trinity, Lib.): Thank you, Chair.

Welcome to our guests today.

Mr. Cory and Mr. Duguay, I have a couple of questions to direct to you. Either one of you might want to comment on them.

I've been sitting around this committee table for five years. That's as long as the bank's been around, for the most part.

We've heard many criticisms from the opposition members about the fact that even in the first and second year, the CIB had not completed any of its projects. You alluded to that in your remarks. I have to say, based on some of the numbers I've seen and hearing what you passed on to the committee, we seem to have made some significant progress in that short period.

For the benefit of the committee and for Canadians who might be watching, can you explain why large-scale infrastructure projects, in fact, consume and require a fair amount of time to be completed?

Mr. Ehren Cory: I appreciate the question.

If it's all right, I'll start and then maybe Ms. Vrooman will have comments. I think she has a unique view of this as our chair.

I'll just say that infrastructure is the stuff. It's a funny word, isn't it? It's a pretty amorphous word. It's the stuff that drives our economy and our society for the next 100 years.

Think of your interactions with infrastructure today. You got here. You used some infrastructure. You're listening to me right now while we're speaking in the same language, but if we were doing translation, you'd be using the Wi-Fi systems in our buildings. It's the transit systems and the electricity. We live on infrastructure.

They are really long-life assets. As I say, they often last 50, 75 or 100 years. They are massive projects. Many of the infrastructure projects we invest in—to the member's question—are billions of dollars, and they are five-plus-year construction projects.

Based on the numbers I've given, we've invested in 46 projects. Those are real projects that are happening. There is money flowing to build those, but it takes time. Over the next three to four years, you'll see more and more of those projects come into the service of Canadians.

Ms. Vrooman, maybe you would add to that.

• (1220)

Ms. Tamara Vrooman: Thanks very much, Ehren.

Very briefly, your question is a good one. The bank's role is to get infrastructure built more quickly than it would be otherwise. The measure of our success will ultimately be that the infrastructure is in use for the benefit of Canadians. Getting it started, getting the money out the door and the projects started are very important parts of the work of the bank. Our focus, as a board, has been on increasing the deal flow.

I'm sorry. That's a piece of infrastructure with an aircraft running right outside making that noise. I apologize.

It's been to get the money out the door. Those 46 projects really have signalled a significant increase in the pace and scope. Virtually every province and region in our country has been benefiting from the work of the bank over the past 24 months.

Mr. Churence Rogers: Mr. Cory or Mr. Duguay, can you explain to the committee how the Infrastructure Bank measures the success of a project, and CIB in general?

Mr. Ehren Cory: Thank you for the question.

There are two basic ways. Ms. Vrooman was hinting toward this in her comments and her opening remarks.

There are two simple ways. One is getting more infrastructure under way in our country and closing that deficit. We measure it in our flow of dollars. In the multiplier effect I mentioned in my remarks, we've now committed \$9.7 billion. That's \$27 billion worth of projects. Now, the rest of that money is coming from other levels of government. It's coming from the private sector and indigenous communities. They're putting their skin in the game too. That's measure number one. It's more stuff getting built.

Measure number two is what outcomes that infrastructure delivers. That can be—as I mentioned, and it came up in Member O'Connell's question—new homes connected to broadband, new people able to access transit, new people able to access charging infrastructure and new people able to use low-cost electricity to get off diesel and other forms of electricity. We measure it on outcomes.

It's hectares of irrigated land in Alberta that we've been able to provide new irrigation services to and increase the productivity of crops. We call those our outcome measures. We report on them every year.

Mr. Churence Rogers: The benefit to Canadians is immense.

Mr. Ehren Cory: The impact of those things is where you really... That's where infrastructure goes from concrete and steel to a benefit to Canadians.

That's correct.

Mr. Churence Rogers: Thank you very much.

The Chair: Thank you very much, Mr. Rogers.

Next we have Dr. Lewis.

The floor is yours. You have five minutes.

Ms. Leslyn Lewis: Thank you.

With respect to the \$10 billion growth fund project, is it fair to assume that McKinsey basically provided the strategic advice for its creation, and that basically that advice informed the creation of the \$10 billion growth fund project?

Mr. Ehren Cory: No, to be very clear, the growth plan was very much a plan of the CIB's board and its management team, developed over the course of April until September 2020.

From my review of the records, McKinsey provided important insight into that, but it is not theirs to develop—that's management's—and it was developed by management and the board jointly and tabled in October 2020, just before I joined the CIB in November.

Ms. Leslyn Lewis: Right, but you said that your consultation informed that project—

Mr. Ehren Cory: That's correct.

Ms. Leslyn Lewis: —so if you look at what you were hired to do, you were consulted to provide advice on strategic-related matters to advance that particular mandate. You set out two particular mandates there of a COVID response and also net-zero policies. It informed that \$10 billion growth fund, essentially.

Mr. Ehren Cory: Yes, I'm sorry.

Just to be clear, Chair, the member's question said, “you were hired to”. I just want to be extremely clear—

Ms. Leslyn Lewis: I'm sorry, no, not you. I—

Mr. Ehren Cory: I was at Infrastructure Ontario—

Ms. Leslyn Lewis: Sorry, I meant McKinsey. You worked at McKinsey and it's so hard to distinguish McKinsey from the Infrastructure Bank because there are so many people at the Infrastructure Bank who worked at McKinsey. My apologies for that.

You also stated that you believed that the broadband projects would not be created without the infrastructure project.

Isn't that an exaggeration? There are viable, competent private sector corporations that are actually invested in broadband creation, so that's an exaggeration, isn't it, Mr. Cory?

Mr. Ehren Cory: This is an important question.

To be clear, those exact ISPs are our partners in our infrastructure projects. I absolutely agree that those projects would not happen without our partner, large and small ISP operators, that we're investing in, because we're making loans. We're not building the broadband.

To the member's question, I don't think it's an exaggeration at all to say that the reason the remote communities in our country don't have broadband is that, on their own, the ISPs do the math and say, it is not economical for us to go all the way down this road to get to this small number of houses, so we're going to put that off. Every year they have a scarce amount of capital that they're willing to put in.

By our providing a loan to them with long terms and with low interest rates—lower than they would get from a bank, and longer term than they would get from any other bank—it improves their economics enough that they can serve those customers—

• (1225)

Ms. Leslyn Lewis: I understand the mechanics of it, but you're not the only player in the game. Taxpayers are not the only entity that is funding this development, so it is an exaggeration, Mr. Cory, to say that those projects probably would not have been developed.

Anyway, I am going to move on.

The CIB was created by Dominic Barton, who was the CEO of McKinsey. Then McKinsey engaged in pro bono work to get the CIB started. Correct? They engaged in some pro bono advisory work. Did that not happen?

Mr. Ehren Cory: They did not provide any pro bono work for the CIB, no.

Ms. Leslyn Lewis: Not at all, at the beginning...?

Okay.

But the McKinsey staff at the Infrastructure Bank, essentially there are a number.... How many employees from McKinsey did you say there are currently at the Infrastructure Bank, or who have been at the Infrastructure Bank?

Mr. Ehren Cory: There are four of us, the three of us here today and my executive assistant.

Ms. Leslyn Lewis: That is throughout the whole history of the Infrastructure Bank?

Mr. Ehren Cory: Yes, to the very best of my knowledge.

Ms. Leslyn Lewis: Then it informed them on a \$10 billion growth fund, providing strategic advice that would inform the types of contracts and risk assessment that it would take, and then McKinsey gained a \$1.6 million contract from the Infrastructure Bank.

Mr. Cory, do you want taxpayers to believe that there is no connection between McKinsey and the Infrastructure Bank after all of that history?

Mr. Ehren Cory: I appreciate the question.

I am not sure that's exactly my testimony. I worked at McKinsey 10 years ago and so did my colleagues. They provided three consulting contracts to the CIB, so we have worked with them in a professional way back in the time when the CIB was getting started and needed some consulting advice and hired them. They talked to other firms and chose McKinsey to do the work—as Mr. Duguay outlined—in a reasonable way, following the procurement policy that existed at the time.

I don't purport to say that there are no connections. There are connections in the form of my employment history and my colleagues'. There are connections in the form of the advice they gave the CIB back in the day. I think that's all natural.

Ms. Leslyn Lewis: Thank you.

Thank you, Mr. Cory.

The Chair: Thank you, Dr. Lewis and Mr. Cory.

Next we have Mr. Chahal.

The floor is yours. You have five minutes.

Mr. George Chahal (Calgary Skyview, Lib.): Thank you for your testimony today, Mr. Cory and everybody else who's joined you.

I want to start off a little bit on where you ended. You said you worked for McKinsey 10 years ago.

Mr. Ehren Cory: It was just over that, yes.

Mr. George Chahal: How long did you work at McKinsey?

Mr. Ehren Cory: I was there from 2001 until 2012, so about 11 years.

Mr. George Chahal: It was during the period of 2006 to 2015...or 2012.

Mr. Ehren Cory: It was until 2012, yes.

Mr. George Chahal: You worked at McKinsey and you also did a lot of work, or some work, with the federal government at the time. You had some interactions.

Mr. Ehren Cory: They were a client of mine, yes.

Mr. George Chahal: I believe that in that period, the Conservative government was the government under Stephen Harper.

Mr. Ehren Cory: That's correct.

Mr. George Chahal: It's a time I want to forget because a lot of damage was done by the Conservative government during the 2006 to 2015 period.

The Chair: We have a point of order.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): I would think that Mr. Chahal would know better than to make those types of comments at that particular [*Inaudible—Editor*], so I thought I would—

Ms. Jennifer O'Connell: That's not a point of order; that's debate.

The Chair: That's not a point of order, unfortunately. That is indeed debate.

Ms. Jennifer O'Connell: He can make whatever comment he wants.

The Chair: We will turn the floor back over to Mr. Chahal and I will make sure that it does not interrupt his time.

Mr. George Chahal: Thank you, Chair.

I want to go back to some questioning that ties into where I was headed after asking that question.

Mr. Cory, when it was announced that you would be leaving Infrastructure Ontario, Laurie Scott, Ontario's minister of infrastructure at that time said, "I would like to thank Ehren for his outstanding service to the people of Ontario...Ehren has been critical to ensuring that IO is well positioned to succeed on the next generation of infrastructure projects, including the hospitals, roads, courthouses and subway projects on the P3 Pipeline."

Could you please tell us how you worked with not only different levels of government, but governments of different political stripes as well?

• (1230)

Mr. Ehren Cory: Thank you, I appreciate the question.

I think the important context for this discussion is why I ended up at the CIB or at Infrastructure Ontario.

I never pretend to speak for others, but I know both Mr. Jaswal and Mr. Robins would echo this. All three of us are people who have an interest in both business and commercial enterprise, and also a really big interest in public service and in our country. I went to university and started in poli-sci when I was 18, and then I went into business. I spent 15 years or so working all over the world for energy companies, doing solar developments in the U.S. and building new nuclear in Finland.

At the heart of it, I was still a Canadian who cared about the stuff we built in our country, so in 2012, I decided to join the public service in Ontario. That was under a Liberal administration, but I'm just a public servant. I'm pretty agnostic. I want to get stuff built in our country and make it a better place. I served from 2012 when I joined IO until.... There was a change in government in 2018 in Ontario. I spent two more years working with the then-Conservative government.

By the way, what that shows to me is that infrastructure—and I really appreciate the member's question—cuts across every level of government in Canada. It cuts across every colour or political affiliation. I talk to mayors, premiers, indigenous leaders and federal politicians of all stripes. This is actually one of the few things we have consensus on as a country, isn't it? It's that we need to build more stuff if we want our goods to move faster, if we want to make the green transition and if we want to connect our country in a better way.

Infrastructure actually isn't very political, so I'm not either. I think all of our team members share that view of trying to get more stuff built in a pretty apolitical way.

Yes, I've worked with governments of all forms.

Mr. George Chahal: Thank you for that.

Conservative Party members' opposition to the Infrastructure Bank has been quite clear. Their former leader a few leaders ago, Mr. Scheer, was here last year attacking the bank as well, I remember.

That's quite surprising when we've seen substantial investment. You talked about irrigation investments you've made in my province of Alberta and how it's helped thousands of farmers produce better yields. You talked about the investments in Saskatchewan with renewable power.

Recently, you were on a podcast with the former minister under Stephen Harper, the Honourable Lisa Raitt, who's had a very positive relationship with the CIB.

Could you please tell the committee about any projects you or the CIB have worked on with Ms. Raitt and CIBC and how you feel it's important for all political parties to get infrastructure built for Canadians?

The Chair: Give a 20-second response, please, Mr. Cory.

Mr. Ehren Cory: I'll do it fast. I'll give one example, and this goes back to an earlier question about leverage. A simple example is that Markham District Energy Inc., a municipally owned utility, came to us and said that they really wanted to build out—triple, I believe it was—the size of their district energy system and get a bunch of buildings off natural gas. They asked us if they could borrow money. We said, “Possibly, but isn't there an opportunity for private capital to also be involved in this?” If it was just us and the City of Markham, that would still be public.

We ran a debt competition with Markham where we invited commercial lenders to come. CIBC bid in that process, competitively bid with others, and won. That was the first project that I met Ms. Raitt about. I think that's just an example of a number of projects where we've engaged the private sector to bring financing to public problems.

The Chair: Thank you very much, Mr. Cory.

Thank you, Mr. Chahal.

Mr. George Chahal: Mr. Chair, for full disclosure, I worked for CIBC many, many years ago. I just want to put that on the record.

The Chair: Thank you, Mr. Chahal.

Next,

[*Translation*]

Mr. Barsalou-Duval, you have the floor for two and a half minutes.

Mr. Xavier Barsalou-Duval: Thank you, Mr. Chair.

Mr. Cory, on February 6, 2023, you were called to testify before the Standing Committee on Government Operations and Estimates, where you stated that the Canada Infrastructure Bank awarded three contracts to McKinsey, totalling \$1.43 million.

Were the contracts between McKinsey and the Canada Infrastructure Bank subject to a call for tenders?

• (1235)

Mr. Ehren Cory: Thank you for the question.

I will start answering it, and then turn it over to Mr. Duguay.

[*English*]

The first two contracts were both procured at a time when the CIB was, as I mentioned earlier, one employee. I say that only as context. They were both procured under the procurement rules of the time, which allowed for invitational procurement. The acting CIO at the time and the board chair, in my understanding—again, not from being involved but only from the documents that have been submitted to OGGO—I see that they—

[*Translation*]

Mr. Xavier Barsalou-Duval: I would just like a clarification. You said that when the first two contracts were awarded, the bank had the equivalent of one employee.

Is that correct?

[*English*]

Mr. Ehren Cory: That's exactly my understanding. Frédéric can clarify.

[*Translation*]

Mr. Frédéric Duguay: I'd like to clarify what Mr. Cory said.

At the time, essentially, the chair of the board of directors was serving in both that role and the role of interim president and CEO, because the first president and CEO of the infrastructure bank didn't take up his duties until June 2018. In December 2017, one of the board members stepped down voluntarily to implement the bank's startup activities.

Mr. Ehren Cory: So you could say that there were one or two employees.

Mr. Xavier Barsalou-Duval: That said, there was no call for tenders.

[*English*]

Mr. Ehren Cory: There was an invitational process where they went out and spoke to a number of consulting firms. That is my understanding of the materials. You may have a chance to speak with them at some point, I understand, and talk to them about this. From what I understand, to the member's question, they spoke to a number of firms about their credentials, about how they would approach the work, and they hired McKinsey.

There was not an RFP process, and a formal bidding process. It was invitational, and it was based on discussions with a few different firms.

[*Translation*]

The Chair: Your time is unfortunately up, Mr. Barsalou-Duval.

[*English*]

Next we have Mr. Bachrach.

Mr. Bachrach, the floor is yours. You have two and a half minutes.

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

I'd like to ask a couple of questions about conflict of interest.

I wonder, Mr. Cory, if it would be reasonable for the public to perceive there being a conflict if a person was on the advisory council responsible for informing the development of the Canada Infrastructure Bank and heading up a proponent that was coming to the bank looking for an investment in, say, a public transit project. Is it reasonable for the public? Do you understand why the public might perceive a conflict there?

Mr. Ehren Cory: Being in public institution—and as I mentioned in response to a previous question, I've now spent more than a decade in and leading public sector institutions—procurement fairness and diligence in procurement are always fairness, both actual and perceived. Both are incredibly important. We take that super seriously.

Mr. Taylor Bachrach: To be clear, was Michael Sabia on both the advisory council and heading up the pension fund that was seeking an investment in the REM project in Montreal at the same time? Was it subsequent to that? In 2017, was he still on the advisory council?

Mr. Ehren Cory: I actually don't know—

Mr. Taylor Bachrach: Maybe we can ask him, he's going to arrive here.

I understand that council members were required to sign a document pledging to act only in the public interest. From the document it says that “members are reminded that they should avoid any real, apparent or perceived conflict of interest.”

Would Michael Sabia, as a member of the advisory council, have signed that document?

Mr. Ehren Cory: I'm sorry, to answer the member's question, I have no knowledge of that.

Mr. Taylor Bachrach: Okay. I look forward to asking him that question.

What policies does the CIB currently have to avoid perceived conflict between the advisory council, the bank's board, and proponents who come to the bank looking for investments? What firewalls are in place?

Mr. Ehren Cory: I'll ask Mr. Duguay to speak to this.

I will only say that, one, board members are all Governor in Council appointments and are all governed by the Government of Canada's conflict of interest policy. Moreover, all of our employees sign a code of conduct, which includes conflict of interest policies, both real and perceived. They attest to it annually, and we take that very seriously.

Maybe Mr. Duguay can add a few words.

Mr. Frédéric Duguay: The only thing I would say, Mr. Chair, as stated by Mr. Cory, is that all of our directors are subject to the Conflict of Interest Act, so they are subject to those duties.

At the CIB we take the management of conflicts with respect to any personal relationships or professional affiliations any director may have very seriously. We provide a project list in advance of every board meeting for directors to proactively identify any projects or any counterparties they are associated with in respect to any project so that they can declare a conflict. If a conflict is declared, no materials are provided to directors—

● (1240)

The Chair: Thank you.

Mr. Frédéric Duguay: —and they recuse themselves from discussion and voting.

The Chair: Thank you very much, Mr. Duguay.

Thank you, Mr. Bachrach.

Next we have Mr. Muys.

Mr. Muys, the floor is yours. You have five minutes.

Mr. Dan Muys (Flamborough—Glanbrook, CPC): Thank you, Mr. Chair.

Thank you to the witnesses and feel free for those who are working virtually to chime into any of these questions because it seems most discussions are happening in the room.

Can you describe the internal audit processes that you have at the CIB for these sorts of contracts?

Mr. Ehren Cory: Sure.

We do have an internal audit function, which Mr. Duguay leads on our behalf, so I will definitely have him comment in a moment.

To answer your question, there are two things. One, we have financial auditors. So our financial statements are audited and we have third party review of all of our financials. Two, we also have an internal audit function, a third party that conduct audits of our practices, including our procurement policy, just to give one example. They would come in and conduct an audit and make sure that it has all of the appropriate controls, and make sure that it addresses the question of the previous member about conflict of interest and that it meets generally accepted best practices.

Mr. Frédéric Duguay: The only thing I would add to what Mr. Cory said is that the internal auditors on an annual basis develop a risk-based audit plan that is informed and approved by the finance and audit committee of the board. That risk-based audit plan is informed by the highest areas of risk with respect to not only governance but also compliance. Compliance with policies, including procurement, is included as part of that annual audit plan.

Mr. Dan Muys: You referenced third party audits. Are there any additional external audits that are done?

Mr. Frédéric Duguay: As a federal Crown corporation, the CIB is subject to annual audits by the Auditor General of Canada. We also have a joint external auditor, who is recommended by the board and deployed by the Governor in Council. Jointly with the Office of the Auditor General they audit our annual financial statements. We're also subject to a special examination requirement every 10 years, and this will come up shortly in the bank. As we said earlier, it was founded in 2017 and usually a special exam is done once every 10 years. Definitely by 2027 there will be a special examination completed.

Mr. Dan Muys: Are you satisfied that the CIB and, by extension, the taxpayers are getting good value for money in these contracts?

Mr. Ehren Cory: I'm sorry, Mr. Chair, just one clarification. What do you mean by "in these contracts"?

Mr. Dan Muys: The McKinsey contracts that were [*Inaudible—Editor*]

Mr. Ehren Cory: Okay. Thank you for clarifying.

As Mr. Duguay outlined in some of his responses, and I would say briefly, we are satisfied.

I think that in the early work around investment criteria and getting a place started, as Mr. Duguay said, it was incredibly important to create some guardrails around which investments the CIB would and wouldn't do. The risk management framework was also created, and they both created a really good foundation. We're five years on and we've refined and improved both those pieces of work, but they were really important at the time.

Mr. Dan Muys: To elaborate on that, you talked in your opening about hitting the stride, but it's six years on. Are you satisfied with that pace? If it was six years on in the private sector, the business would be dead.

Mr. Ehren Cory: Thank you. I appreciate the question. I think it ties back to an earlier discussion we were having about infrastructure and its time frame. Many of our projects that we've invested in are four- and five-year construction cycles.

The other thing worth noting is, when the CIB was created, it was explicitly created not to finance shovel-ready projects, which is such a buzz word in infrastructure, but truly shovel-worthy but stuck projects. I say that only to provide the context of those first few years of identifying challenging projects in our country that would not happen—not the broadband that's getting built, because that's happening, but the broadband that isn't getting built.

The electricity transmission project that is stuck—and some of them have been for truly decades—meant that the early work of the CIB was very much in cultivating and nurturing those projects to a place where they were investable.

I think the progress certainly has accelerated. Right now, we're really excited about where we are, and we're looking forward to getting lots more built.

• (1245)

The Chair: You have 30 seconds.

Mr. Dan Muys: Were the three or five contracts that we're talking about, whether under the old procurement processes or the new

revised processes, sole-sourced? What changed between the old processes and the new processes on those?

Mr. Ehren Cory: Of the three of them, the first two were not. They were done under invitation, but the third was single-sourced.

As we started to outline in our response, I think the reason why is fairly apparent. It was in April and May 2020. It was immediately in the aftermath of the shutdown of the infrastructure world. Given their global expertise in infrastructure, and given the first two studies they had done in 2018 and their understanding of the investment approach the CIB was taking, they were deemed a natural partner to that work, so that work was single-sourced.

The Chair: Thank you very much, Mr. Cory.

Thank you, Mr. Muys.

Finally for today, we have Ms. O'Connell.

The floor is yours. You have five minutes.

Ms. Jennifer O'Connell: Thank you, Mr. Chair.

I want to pick up on some areas of questioning. The first being the suggestion that so many former McKinsey employees work at the Infrastructure Bank. You said it's a total of four out of 125.

Mr. Cory, you said at OGGO when you testified previously... You are one of the former McKinsey connections, although I should note that, even in the opening statements of witnesses today, speaking about their employment as well as their education history, it wasn't direct. It wasn't a case of working for McKinsey and then going to the Canada Infrastructure Bank. You all had very successful, long careers in this field.

With that, when it came to the actual issuing of McKinsey contracts, were any of you who had any former employment with McKinsey there at that time?

Mr. Ehren Cory: None of us were there, and none of us, in the time we've been here, have engaged McKinsey for any work.

Ms. Jennifer O'Connell: No one with previous employment at McKinsey ever engaged the McKinsey contracts then or now.

Mr. Ehren Cory: That is correct.

As you point out, none of us came directly from there. If you listened to Mr. Robins' opening statement, you'll note that he can't get rid of me. He joined McKinsey in 2011. I interviewed him at the time. We worked together. When I went in for Infrastructure Ontario, I knew he cared about public policy in the same way I did, and I convinced him to come and join me twice—

Ms. Jennifer O'Connell: I think that's.... I'm sorry. I don't mean to cut you off.

I think that's pretty fair. When I was at the city, I stole the employees I thought were excellent and offered them jobs, too, because they delivered and had great experience.

You mentioned that \$9.7 billion of public funding, so to speak, has turned into \$27 billion of actual project money. It's safe to assume that without the Canada Infrastructure Bank and leveraging the institutional sectors...instead of \$9.7 billion of investments from Canadian taxpayers, it would be \$27 billion from Canadian taxpayers.

It's not only that. The question was asked by Dr. Lewis about why these other private sector companies and telecoms aren't building broadband. I can tell you. Anyone who lives in rural communities.... I'm semi-rural, next to the city of Toronto, but these companies refuse to build and invest in rural Pickering and in Uxbridge. Anybody who comes from rural areas or understands rural areas at all knows that there isn't the business case for these private companies.

It would have been \$27 billion of taxpayers' money to build infrastructure, and there still wouldn't be that private sector investment if the infrastructure hadn't worked the way it did, if it hadn't attracted the capital and hadn't gone to those very places which the private sector just refused to touch. We're at 2023 and my community still has to rely on satellite or some sort of dial-up system.

Mr. Ehren Cory: Exactly. I would only add this to say it's always worth remembering that, as a loan, we are also getting paid back. Even the \$9.7 billion is repaid with interest now. The benefit that we're providing, to be clear, and why we're a public institution is that we're taking longer terms or providing lower interest rates or sharing in the risk in appropriate ways to get the projects done. That's the benefit. However, it's not a grant, and by the end of the project, that \$27 billion will all have come.... As we get replaced,

we get paid back. That's coming from users of the infrastructure, from other private capital, and it will go away.

• (1250)

Ms. Jennifer O'Connell: When it comes to contracts, you spoke about their being really specific to the project. If you have a energy project, you might have a contract dealing specifically in that space. If you didn't do that, you would have to hire probably hundreds of employees who might sit there and don't engage in every single potential project, and instead of doing it on a contract-by-contract basis for some of this expertise, actually more money would go to salaries and employees instead of dollars to infrastructure.

Mr. Ehren Cory: That's right.

Mr. Chair, as a firm doing investments across the country, and across transit, transportation, ports, transmission lines and clean power, we wouldn't possibly be able to have all of the expertise across all of our geographies, across all of the sectors in this country. We might see an investment every few years, and next month it might be about port and trade access in our north. We don't have someone on staff to do that, but we would want to get some help to understand, as the Northwest Passage opens, how trade is going to change. These are trends that would help drive investment activity. Yes, external expertise would be the right place to go.

Ms. Jennifer O'Connell: Thank you.

The Chair: Thank you, Ms. O'Connell.

Thank you, Mr. Cory.

On behalf of all members of this committee, I'd like to thank all of our witnesses for appearing before us today.

I promised Mr. Bachrach that I would ensure that we formally request the report, the documents that he had requested on behalf of the committee, and a written response.

With that, this meeting is adjourned.

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