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• (1105)

[*Translation*]

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

Welcome to meeting number 68 of the House of Commons Standing Committee on Transport, Infrastructure and Communities.

Pursuant to Standing Order 108(2), the motion adopted by the committee on Tuesday, February 14, 2023, and the motion adopted on Thursday, May 4, 2023, the committee is meeting to study the role of McKinsey & Company in the creation and commencement 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 wish to inform all members that all of the witnesses have been sound-tested for today's meeting for the benefit of our interpreters, and they've all passed the test.

Colleagues, appearing before us today, we have the Honourable Amarjeet Sohi, mayor of the City of Edmonton, by video conference. Joining us in person from McKinsey & Company, we have Mr. Robert Palter, senior partner, office managing partner for Canada; and Mr. Andrew Pickersgill, senior partner. We have, from the Council of Canadians, Mr. John Cartwright, chairperson, joining us by video conference. Finally, we have the Honourable Catherine McKenna, former minister of infrastructure and communities, joining us by video conference.

I want to welcome you all.

We will begin with opening remarks today. You each have five minutes.

We'll start off with you, Honourable Amarjeet Sohi, mayor of Edmonton. The floor is yours.

Hon. Amarjeet Sohi (Former Minister of Infrastructure and Communities, As an Individual): Thank you so much for having me and asking me to join this conversation. I'm very happy to spare time to answer any questions you may have to the best of my ability.

I am very proud of my time as minister of infrastructure and that we were able to set up the first ministry ever, in the history of this country, that focused solely on building infrastructure throughout the country. It was the first time we had a stand-alone federal min-

istry that worked very closely with the provinces, the municipalities, the private sector, the unions and the non-profit sector to really understand the needs of the community, focusing on and making sure that infrastructure needs were being met and that the federal government was a true partner in building stronger communities.

I'm very proud of the time I spent as the minister of infrastructure. We did some good work during those times, and we also wanted to mobilize the private sector to build more infrastructure that otherwise would not have been possible to be built solely by the public sector or the private sector. That was kind of the idea behind the Canada Infrastructure Bank.

I don't want to take all the five minutes because other speakers have, I'm pretty sure, other things to add. I look forward to this conversation.

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

Next we will go to Mr. Palter.

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

Mr. Robert Palter (Senior Partner, Office Managing Partner for Canada, McKinsey & Company): Thank you, Mr. Chair and members of the committee. Thank you for the opportunity to attend today's meeting.

I am a senior partner at McKinsey & Company in Toronto, and I have been with McKinsey for 28 years. I'm currently the managing partner of McKinsey Canada and responsible for all of our operations across our offices in Montreal, Toronto, Calgary and Vancouver. Prior to my current role, I was the global leader of McKinsey's infrastructure practice from 2010 to 2019.

On March 29 of this year, I testified before the Standing Committee on Government Operations and Estimates, which has a broad mandate related to the federal government's use of outside consultants. I'm happy to be back today to address the specific focus of this committee on the Canada Infrastructure Bank.

As I think you all know very well, the Canadian federal government and the taxpayers who fund it have limited financing capacity. It's not fiscally possible for the federal government to provide all the capital necessary in the form of grants to build all the infrastructure our country needs. As such, having an organization like the CIB, whose mandate is to attract private capital into the development of new Canadian infrastructure, was deemed by the government to be necessary to continue to build vital Canadian infrastructure.

The Canada Infrastructure Bank is not a novel idea. There are similar organizations in Australia, the U.K., Europe, Latin America, Asia and many American states. In those jurisdictions, the infrastructure banks have helped develop new infrastructure with private capital.

The Canada Infrastructure Bank was first proposed by the Liberal party in their 2015 election platform, well before McKinsey was involved. The idea of an infrastructure bank was the unanimous recommendation of the 14 members of the growth council, providing advice to the minister of finance in 2016. The high-level concept of the growth council was then taken by the government, which conferred it into legislation that was reviewed, debated, voted on by Parliament and assented to on June 22, 2017.

McKinsey's first engagement with the CIB started more than 18 months after the delivery of the growth council recommendations on infrastructure. We have completed three mandates with the CIB, all awarded through the procurement processes of the CIB.

Our work with the CIB helped in two fundamental areas. First, we reviewed case examples of similar organizations around the world to help translate the enabling legislation into a set of specific operational choices needed for the CIB to accept project proposals. For example, we developed options around such items as stage of project to target, return aspirations, position in the capital structure, risk transfer approaches and the share of capital the bank would consider. These design options were ultimately reviewed and approved by the board of the CIB.

Second, we considered best practices in risk management processes and organization design from other global infrastructure organizations to help design the organization and policies that were essential to the sound operations of a financial organization responsible for managing Canadian taxpayers' funds. We identified 47 different types of risk that the CIB could face and developed structures, systems and processes for managing them. Again, the outcome of our work was approved by the board of the CIB.

Both these efforts were necessary to stand up the CIB at a time when it had limited people to help do so. McKinsey never reviewed nor provided advice on any investment the CIB completed.

As I said in my testimony at OGGO, McKinsey is a proud Canadian company employing over 1,100 people in Canada, and we are also proud of our work helping to launch the CIB. It is an organization that has the potential to help build critical Canadian infrastructure to the benefit of all Canadians.

I look forward to your questions.

• (1110)

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

Next we'll go to Mr. Pickersgill.

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

Mr. Andrew Pickersgill (Senior Partner, McKinsey & Company): Mr. Chair and members of the committee, thank you for the invitation to be here today. I hope I can be helpful as you seek to better understand the role of McKinsey and the Canada Infrastructure Bank.

I'm a senior partner at McKinsey, where I have worked for the past 25 years. Prior to my current role as the leader of McKinsey's public sector practice, I was the managing partner for McKinsey in Canada between 2017 and 2022.

I understand the committee's focus is on the Canada Infrastructure Bank, which I will refer to as the CIB. While I was not a member of the core McKinsey team that worked with the CIB, I will do my best to answer the committee's questions.

I would also like to make a few observations about the genesis of the CIB. As my colleague, Mr. Palter, has noted, the CIB is not a novel idea. The concept of leveraging private capital to bridge public infrastructure gaps has been around for decades, and organizations similar to the CIB have been deployed in many jurisdictions around the world.

The CIB was part of the Liberal Party's platform in the 2015 federal election. It was unanimously recommended by the growth council, which was established to advise the minister of finance. The legislation that formally established the CIB was approved by Parliament. McKinsey did not create the CIB, nor did McKinsey invent the concept of the Canada Infrastructure Bank.

McKinsey was asked to assist the growth council by providing research and global case studies on a pro bono basis. McKinsey's role was to provide an objective fact base to help inform the council discussions. McKinsey does not make policy recommendations. That was the role of the 14 members of the council who recommended the idea of the CIB. The growth council had a broad mandate that went well beyond infrastructure and the concept of an infrastructure bank. It eventually included 10 recommendations across a broad set of drivers of economic growth. Those recommendations included bringing foreign investment to Canada, unlocking innovation to drive scale and growth, building a skilled and resilient workforce, positioning Canada as a global trading hub, increasing workforce participation, equipping Canada's workforce with skills for the future, and unleashing productivity through infrastructure.

The CIB first engaged McKinsey in 2018, more than 18 months after the growth council's work issued its recommendations on infrastructure. That engagement was based on a process that followed the procurement rules of the Government of Canada. Our work with the CIB ended in 2020, before Ehren Cory became the CEO. We have not done any work with the CIB since 2020, and we have done no work with former McKinsey colleagues who have worked at the CIB.

McKinsey's volunteer work for the growth council is consistent with our long-standing and deep commitment to social responsibility and improving the communities in which we work. I was honoured to lead the McKinsey team in our support for the growth council. It was an opportunity to bring to bear our firm's global research in support of the council's mandate to grow the economy and to improve the lives of Canadians.

Our firm strongly believes that pro bono work and giving back to the local community is the responsibility of every colleague at McKinsey. As a firm, we will have committed \$2 billion to social responsibility efforts by 2030. We have confidence in the capabilities and expertise of our people, who are our greatest resource. We engage our colleagues who are volunteering and support them in serving their local communities, and ensure our own actions align with our values. In Canada, we partner with numerous non-profits and a wide range of other organizations that are addressing some of the communities' most pressing challenges. This is true in every region in which we operate.

As I previously said, McKinsey's work with the CIB was important in helping the CIB operationalize its mandate from government at a time when it had very few resources of its own. While Mr. Palter is better positioned to speak to the specifics of that work, I would like to say that our goal, and the goal of McKinsey's public sector work in Canada, has always been to work with government to improve the lives and livelihoods of Canadians.

I'll be happy to answer any questions from the committee.

Thank you.

• (1115)

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

Next we have Mr. Cartwright.

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

Mr. John Cartwright (Chairperson, Council of Canadians): Thanks. My name is John Cartwright. I'm the chair of the Council of Canadians, which is one of the largest civil society organizations in the country dedicated to defending the public good.

Our opposition to infrastructure public-private partnerships is rooted in our experience fighting water privatization in all of its forms. I'm a carpenter by trade. I started my trade at the age of 18, and I've been at hundreds of job sites, so I know a little bit about infrastructure.

Our campaigner, Dylan Penner, appeared in front of your committee two years ago to say this:

The CIB's current structure promotes a flawed financing model of public-private partnerships, inviting and subsidizing private interests to take control of critical infrastructure and services that should be kept in public hands. P3s are a tool that poorly invests public funds to further corporate interests while failing to support communities. The CIB could play a critical role in supporting a just recovery from the pandemic and support the transition to a low-carbon economy, but not if it remains fixated on privatization and P3s.

He provided numerous examples of P3 failures, and there have been many more since, including the fiasco with Ottawa transit. Fortunately, the CIB's proposal for P3 for water in Mapleton did not proceed.

This hearing looks at McKinsey & Company. It's on public record, the closed door meeting with top officials and McKinsey and BlackRock that helped shape some of the thinking around CIB. That's there. What we need to remember is that this was an attempt by the Liberal government to replace the discredited Public-Private Partnerships Canada established by Stephen Harper, which required any infrastructure project worth more than a \$100 million seeking federal money to be open to P3s.

That meeting, the other research and the other involvement is only one part of a continuum where key finance players have worked to shape a more acceptable practice of infrastructure than the crude privatizations of Maggie Thatcher, Brian Mulroney or Mike Harris that sparked so much public anger. This dynamic has been driven by all of the key global accounting and consultancy firms. Their goal was, frankly, to more elegantly shift ownership and control from public to private interests. That's what P3s are about, guaranteeing a return on investment of 10% to 15% to private companies from public revenue streams and essential services. They don't feel like they are doing anything wrong. Success is measured in billable hours and the complex deals that are trumpeted regularly.

In pages of Lexpert magazine, just look at page 30 of the most recent edition for the excellence awards to law firms structuring the complex Ontario Line transactions and so many others. P3s are negotiated behind the veil of corporate secrecy. The Ontario Line bidding saw the 25% Canadian content for vehicles mysteriously reduced to 10% so that Hitachi could win the contract. Now they will build all of those vehicles in the United States instead of here in Canada. How does that serve the public good?

I listened very carefully to the testimony yesterday from the CIB leadership. These are very talented people. Imagine if all of that talent were dedicated strictly to the public good instead of being distracted to serve what Chair Tamara Vrooman outlined as making “investing in infrastructure...more attractive for the private sector by using innovative...tools to de-risk investment”.

Wasn't one of the claims of P3s that private guys would take the risk?

In October 2022, the Canadian Union of Public Employees published a study by Thomas Marois entitled “A Public Bank for the Public Interest”. I would urge the committee to review that document and the example of various public banks in that study. They have four recommendations.

First is to change the mandate of the CIB. Second is to increase transparency. Third is to invest only in environmentally sustainable projects and, finally, fourth is to speed up projects by providing financing directly to municipalities and indigenous communities.

Relying on a P3 model distorts the focus of what could be a vital tool for investing in resilience and adaptation around the threats of climate change. Instead of funding private charging stations, why not support the vision of the Canadian Union of Postal Workers in putting solar charging on every single post office in every small town across this country, so that people can rely on electric vehicles while electrifying their own entire fleet? There's no need to bring private financiers in to take a share of the electrification of grids or transit vehicles. There's no need to have a high-frequency transit service on the Montreal-Toronto corridor be privatized to compete with the current Via service.

I've seen the alternative finance and procurement concept steadily expanded into the full design, build, finance, maintain and operate model. It's the 30-year contracts to maintain that are the real gravy train. Who can predict the actual cost of running a light rail car 29 years from now?

Like the series of change orders in big mega projects, this is where the money haemorrhages. The bids are padded to take risk into account. If they get the numbers wrong, they file lawsuits to jack up prices, as we've recently seen, or they simply go bankrupt and walk away, as we've seen in the U.K.

- (1120)

Yesterday, the chair of the CIB noted that tax dollars are finite. That's absolutely true, and every dollar diverted away from creating public assets and public infrastructure is a dollar misspent. It doesn't matter if the profit goes to a tax haven in Europe or a hedge fund speculator on Wall Street, for Canadians, privatization costs more and delivers less.

The CIB should either be reformed to focus solely on the public good, or as your committee recommended last year, it should be abolished and replaced with something truly fit for purpose. However, there is a lot of talent and skill needed to build a better world, and some of that is, right now, in the CIB. Doing it right is possible if we design the right tools for the job.

Thank you.

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

Finally, for opening remarks, we have Ms. McKenna.

Ms. McKenna, the floor is yours. You have five minutes.

Hon. Catherine McKenna (Former Minister of Infrastructure and Communities, As an Individual): Thank you, Mr. Chair, and hello to many of my former colleagues.

[*Translation*]

I'm very pleased to be here.

I was the Minister of Infrastructure and Communities from November 2019 to September 2021.

[*English*]

I was clear from the start that my focus in infrastructure was on getting more infrastructure built for Canadians more quickly. At the same time, we needed to demonstrate to Canadians that for every dollar spent we would receive triple benefits. Investments made in infrastructure would create jobs, economic growth and climate action, and build more inclusive communities.

Let's be clear. The investments the federal government is making in infrastructure with provinces and communities across the country are making a huge difference in the lives of Canadians. Talk to someone about their new community centre being finally hooked up to high-speed Internet or being able to access better public transit to get to school or work, and you realize that infrastructure is key.

I've often said that “infrastructure” is a made up bureaucratic word that totally undersells a final product. We need to think about infrastructure as the things we build for the future we want, and I was pretty pleased when John Baird, a former minister of infrastructure under former prime minister Stephen Harper, said that he completely agreed with me on the need for a rebrand.

Maybe we'll have cross-party consensus on that.

The reality is that infrastructure is key to fighting climate change, delivering cleaner energy and promoting investment in our communities while creating well-paid jobs.

When I came into my position as minister of infrastructure and communities in November 2019, the Canada Infrastructure Bank had already been created. I saw the huge potential of the CIB to get more infrastructure built in the public interest by leveraging private sector investment in new infrastructure projects. This would increase economic growth, create jobs and support climate action.

I'll admit that I initially had concerns about the progress that the CIB was making in getting projects going. It needed to be improved and strengthened with new leadership and a new mandate, and it's great to see that the CIB is hitting its stride.

I was happy to hear from Ehren Cory, the CEO of the CIB, on Tuesday that the CIB now has 46 investment commitments for projects, and \$9.7 billion of investment capital with a total investment value of \$27 billion. All of these represent innovative partnerships between the public and private sector, and will get more infrastructure built in the public interest, building a cleaner and more prosperous future for Canadians.

Let's talk about some of these incredible projects.

[*Translation*]

First, there is the Réseau express métropolitain, a new transit line that will cross greater Montreal over 66 kilometres and will have 26 stations.

[*English*]

There's one of the largest purchases of electric buses in Canada, in Brampton. As then Brampton mayor, Patrick Brown, said, "I am proud to welcome the CIB's multi-million-dollar commitment in Brampton Transit. We are revolutionizing transit in Canada with our goal to purchase up to 450 zero-emission buses on Brampton's roads in the next six years."

Then there was a massive Alberta irrigation project, with Premier Jason Kenney saying, "This historic investment in irrigation infrastructure will create thousands of jobs and support Alberta's economic recovery, while strengthening our competitive advantage."

There was also the incredible 250-megawatt Oneida energy storage project, which is being developed in partnership with the Six Nations of the Grand River Development Corporation, Northland Power, NRStor and Aecon Group. As Premier Doug Ford said when it was announced, "I'm thrilled to see so many great partners come together to build this world-class project that will provide affordable, clean energy for generations to come".

The CIB is an important tool to leverage private sector investment to get the next generation of infrastructure built that Canada needs to meet its economic and climate goals, working in partnership with public, private and indigenous groups.

I also want to emphasize that the CIB is one of the key tools in Canada's tool box, as is carbon pricing, to stay competitive with the U.S. and the world in the race to net zero. Canada cannot get left behind. Climate action and economic policy go together, and the world's major economies know that investing in the clean economy

of the future is key to Canada's competitiveness—and boy, does Canada need to compete.

The U.S. Inflation Reduction Act, signed into law by President Biden last year, is the United States' most ambitious piece of climate legislation ever, offering over an estimated \$393 billion in spending, covering everything from renewable electricity generation to hydrogen production, to support the U.S. clean energy industry. Canada needs to work hard to attract and mobilize additional investment in clean growth projects across the country, and the CIB is an incredibly important tool to do that.

● (1125)

Thank you.

The Chair: Thank you very much, Ms. McKenna.

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

The floor is yours. You have six minutes.

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

I'd like to thank the witnesses for coming here today.

Mr. Pickersgill, you gave evidence that McKinsey has always been independent from the Infrastructure Bank. At any point in time did McKinsey share or lend staff to the Infrastructure Bank?

Mr. Andrew Pickersgill: Thank you for the question.

McKinsey did three focused engagements for the Infrastructure Bank. In 2018, two of them occurred and one was in 2020. Those were staffed with McKinsey colleagues and teams. To the best of my knowledge, that's the extent of our involvement.

Ms. Leslyn Lewis: Were they were staffed with McKinsey employees?

Mr. Andrew Pickersgill: To clarify—and Mr. Palter, who actually did the work, may want to comment—McKinsey employees were part of those engagements.

Ms. Leslyn Lewis: What year was that?

Mr. Andrew Pickersgill: It was 2018, shortly after the Infrastructure Bank was formed and passed into legislation. One was in 2020.

Ms. Leslyn Lewis: I'm going to refer you to an email dated 2018 from you to Janice Fukakusa and Bruno Guilmette. In it, you are actually recommending permanent staff to McKinsey.

It reads:

Thanks Janice on the below. Of course we understand on deferring. We've been thinking about ideas on names since you sent your note—two ideas below:

1. A former bank, pension or regulator exec:

a. John Walsh—former head of OCC (McKinsey Senior Advisor)

That's McKinsey staff. You continue:

b. John Lyons—also former OCC (McKinsey Senior Advisor)

c. (obvious) Mark Hughes....

2. We second a McKinsey Engagement Manager for 4-6 months—

That's different from the recommendation. You continue:

—to help you and Bruno role up sleeves and get things done—on risk but generally given how short staffed you are. Someone like the Engagement Manager on our mandate work who you met.... Lots of ways to do this including remaining on our books but loaned to you, paid direct by you and on your books, comes with occasional McKinsey bursts of support like we've contemplated in Risk and in Phase 2 Mandate work, or just comes stand alone.

Can you explain that email?

Mr. Andrew Pickersgill: I can. My colleague, Mr. Palter, knows many of those individuals, so he may want to add.

Senior advisers to McKinsey are not employees of our firm. They're often experienced industry veterans who provide contracted advice to our firm. They're not employees of our firm.

Mr. Robert Palter: I'll add to that the context of that email exchange. If we cast back to the launch of the CIB, in early 2018 there were virtually no employees there. The chair of the board at the time felt there was a need to stand up a risk management organization to protect Canadian taxpayers' interests. She was in the market looking for people, and she asked us if we had any relationships with qualified people who could potentially be hired into the CIB as staff.

As Mr. Pickersgill alluded to, should that come to pass, we would have asked those people to sever their relationship with McKinsey and become formal employees of the CIB. It did not come to pass.

• (1130)

Ms. Leslyn Lewis: In fact you actually suggested to the taxpayer-funded Infrastructure Bank to hire McKinsey employees. That's—

Mr. Robert Palter: No.

Ms. Leslyn Lewis: They were McKinsey employees at the time—executives.

Mr. Robert Palter: No, they were not.

Ms. Leslyn Lewis: You said McKinsey in the letter.

Mr. Robert Palter: They were McKinsey senior advisers, who, as Andrew alluded to, are contractors. They are not employees.

Ms. Leslyn Lewis: They are associated with McKinsey as senior advisers. You suggested that to the Infrastructure Bank. Is that correct?

Mr. Robert Palter: In the spirit of being helpful to the Infrastructure Bank, we offered a set of names, which, should they meet the criteria of the CIB and should the CIB choose to hire them, as they were doing a search for risk management leadership and talent, they would have severed their relationship with McKinsey.

But it did not come to pass.

Ms. Leslyn Lewis: Thank you.

Mr. Palter, you had said there were 14 members of the advisory council. Is that correct?

Mr. Robert Palter: That's correct.

Ms. Leslyn Lewis: How did those 14 members get paid?

Mr. Robert Palter: To the best of my knowledge, it was all pro bono. Nobody got paid anything.

Ms. Leslyn Lewis: Were any of them associated with McKinsey? Were there McKinsey advisers on that council?

Mr. Andrew Pickersgill: I can clarify that.

McKinsey provided pro bono support, as I suggested in my opening statement, to the growth council.

The 14 members were private individuals. One of them included our former managing partner, Dominic Barton.

Ms. Leslyn Lewis: That growth council is what informed the growth fund, the \$10-billion McKinsey growth fund. Is that correct?

Mr. Andrew Pickersgill: Mr. Chair, respectfully I don't think that's accurate.

Ms. Leslyn Lewis: You're saying that the letter of February 22 sent from the CEO Mr. Cory on page 3, where he says that the work informed the CIB's three-year, \$10-billion growth council is incorrect information?

Mr. Andrew Pickersgill: We may be confusing two events. I thought the question earlier was about the growth council, which was 14 individuals who made recommendations to the minister of finance. The government of course passed legislation for the Infrastructure Bank. We did do work in 2018 and in 2020. I think you're referring perhaps to some of the work in 2020 that my colleague Mr. Palter—

Ms. Leslyn Lewis: In 2020, it said that the work that McKinsey did informed the \$10-billion growth fund. Is that correct?

Mr. Robert Palter: That's not correct. Our work in 2020 was associated with the onset of COVID. At the time, if we cast our minds back, when COVID hit, the infrastructure industry, like just about every other industry in this country, was turned upside down. Projects were being stopped. Labour was not working. People couldn't get on job sites. Supply chains were interrupted. There was a question about how the CIB should respond to that given its mandate to try to support Canadian infrastructure.

The Chair: Thank you, Mr. Palter. Perhaps Dr. Lewis will ask a follow-up question in her next round.

Next we have Mr. Iacono.

[*Translation*]

Mr. Iacono, you have the floor for six minutes.

[*English*]

Mr. Angelo Iacono (Alfred-Pellan, Lib.): Thank you, Mr. Chair.

My first question is addressed to my honourable colleague Ms. McKenna and to Mr. Palter. Could you please comment on Canada's infrastructure gap in general, and on why attracting private investments and private-public partnerships are key to addressing these needs across Canada?

Mr. Robert Palter: I'm sorry, Mr. Chair. Should Minister McKenna answer that question?

I'm not quite sure what the protocol is when a question is asked of two people simultaneously.

The Chair: I believe Mr. Iacono was looking at you, so we'll go to you first, Mr. Palter, and then we'll go to Ms. McKenna.

Mr. Robert Palter: That's great.

This is an interesting question and a really important question.

Mr. Angelo Iacono: That's why I want to hear from you first.

Mr. Robert Palter: It's maybe why we're here discussing this. I think, as everybody on this committee recognizes, there's a pretty significant infrastructure gap in Canada, and I hope everybody on the committee also recognizes that there's a very direct link between the status of our infrastructure, the economic growth in Canada and the competitiveness of our country globally.

The issue we face in resolving that is a very complicated one. Financing is part of the answer to that problem. It is not exclusively the answer to that problem. Infrastructure projects come in all shapes, colours and sizes, and they require very different solutions in terms of how you finance them, how you construct them, how you deliver them and how you operate them.

Private capital is one of the ways in which to address that. It is part of a solution set. It's not the only answer. It is part of a solution set, which applied in the right situation for the right project can be incredibly powerful and produce wonderful results. In certain circumstances, projects should be funded by the government. In others, there's probably a case to be made that the private sector should do it. The case for it, as I alluded to in my opening remarks, is that government has finite financing capacity. The government has finite funding capacity, and the government has a choice. It's a policy choice that the government has to make as to where it puts its limited capital to get the most benefit for the country.

There's an interesting question, which is this: Should the government use its financing and funding capital to support nation-building projects that can't be financed in the private markets, and let the private markets finance projects that can be funded in the private markets?

• (1135)

Mr. Angelo Iacono: Thank you.

Honourable Ms. McKenna, go ahead, please.

Hon. Catherine McKenna: That's a great question. I'm going to take it down a notch and talk about what I saw as infrastructure minister.

I would meet with mayors and premiers across the country, and I would meet with folks who were in the private sector and the public sector. Everyone talked about more infrastructure. They always wanted more infrastructure built, and the reality is that there are limited taxpayer dollars. There was a huge amount of money invested in infrastructure through the investing in Canada infrastructure program. A huge shout-out goes to my former colleague, Minister LeBlanc, who recently announced that all of that money had been allocated.

There are projects going ahead across the country. Money was invested in infrastructure. They did the gas tax fund. However, the reality is that there are just not enough public dollars to build the infrastructure that we need. That means clean water, that means the clean energy future that we need, that means electric buses, that means green infrastructure and that means adapting to the impacts of climate change. There is a model that can work, not for all projects but for specific projects, in which the Canada Infrastructure Bank has a role to play and whereby we can get more infrastructure built in the public interest.

That's the whole point. It's about being mindful of taxpayer dollars. I'm someone who really believes one dollar has to be stretched as far as it can.

The model here is.... You heard on Tuesday from Ehren Cory that \$9.7 billion of investment capital from the Canada Infrastructure Bank delivered an investment value of \$27 billion. I think we'd be hard-pressed to find Canadians who would think that it's a bad thing to get more electric buses. In fact, we should be extremely proud that Canada is probably one of the world leaders in getting electric buses to municipalities across the country through a partnership with the Canada Infrastructure Bank. It's a smart model. It's not for everything, but there's a limited amount of money so we need to figure out how to stretch it.

By the way, there's a huge race on, and we've seen that with the Inflation Reduction Act. We need all hands on deck and every tool possible, and the Canada Infrastructure Bank is one of those tools.

Mr. Angelo Iacono: Thank you.

Mr. Palter, I have a follow-up question. By attracting private investments and private-public partnerships, how does that affect Canadian taxpayers?

Give a quick answer, please.

Mr. Robert Palter: I will reflect Minister McKenna's remarks that it allows the financing capacity of the government to be spread further. That's point number one.

Point number two is, at times, private capital can incent innovation. There are fascinating stories of how in private-public partnerships, private capital incented changes in construction approaches and operational approaches that have actually lowered the costs of projects and improved their overall performance. It can change the outcome of infrastructure positively when done well.

Mr. Angelo Iacono: You're a Canadian taxpayer.

Mr. Robert Palter: I am.

Mr. Angelo Iacono: How do you feel about that personally?

Mr. Robert Palter: From a personal perspective, public-private partnerships are helpful to fill the infrastructure gap, which is significant and growing.

Mr. Angelo Iacono: Thank you.

I have no further questions.

[*Translation*]

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

[*English*]

Thank you, Mr. Palter.

[*Translation*]

Up next is Mr. Barsalou-Duval.

Mr. Barsalou-Duval, the floor is yours for six minutes.

Mr. Xavier Barsalou-Duval (Pierre-Boucher—Les Patriotes—Verchères, BQ): Thank you, Mr. Chair.

At the last committee meeting, Mr. Cory of the Canada Infrastructure Bank, CIB, confirmed to us that McKinsey played an important role in the CIB's founding and that contracts had been awarded to McKinsey without a call for tenders, while there were barely one or two employees at the CIB, according to what we were told. So McKinsey's role was fundamental at that time.

Since 2020, or roughly since the arrival of Mr. Cory, a former McKinsey employee, at the head of the CIB, no contracts have been awarded to McKinsey. However, the CIB ended up operating quietly and starting to make investments. I'm going to ask you a question, and you may be able to answer it.

McKinsey sometimes provides advice to the governments of Quebec and Ontario, for example, but it has also done projects with the Canada Infrastructure Bank, including irrigation projects in Alberta.

Did McKinsey advise the Government of Alberta or the Government of Quebec on projects for which it received funding from the Canada Infrastructure Bank?

• (1140)

[*English*]

Mr. Robert Palter: In response to the question, McKinsey's work with the CIB was only on the three contracts, which you have become familiar with: on the investment criteria, the risk management and the strategic refresh in 2020. We have done no work on any investments for either the CIB or any counterparty approaching the CIB.

[*Translation*]

Mr. Xavier Barsalou-Duval: I understand. So you did not work for the Government of Quebec or the Government of Alberta on files that could have enabled those governments to seek funding from the Canada Infrastructure Bank. Is that correct?

[*English*]

Mr. Robert Palter: To the best of my knowledge, that is correct.

[*Translation*]

Mr. Xavier Barsalou-Duval: Okay, perfect.

Three contracts signed between 2018 and 2020 are between McKinsey and Innovation, Science and Economic Development Canada, or ISED. It then signed a contract worth more than \$1 billion, including for the deployment of high-speed Internet, with the Canada Infrastructure Bank, the CIB.

Has McKinsey provided policy advice to ISED to enable the signing of those contracts?

[*English*]

Mr. Robert Palter: To the best of my knowledge, McKinsey had no involvement whatsoever in that.

[*Translation*]

Mr. Xavier Barsalou-Duval: Okay.

Other contracts are related to the Markham District Energy project in partnership with CIBC, which is also a McKinsey client. We are talking about an investment of \$135 million, provided by the CIB.

Before I ask my question, I would like to mention some other cases: Johnson Controls, also a client of McKinsey's, received \$100 million from the Canada Infrastructure Bank for its energy retrofit project; Shell and Suncor, also McKinsey clients, received \$227 million from the Canada Infrastructure Bank for the carbon recycling project; the Toronto Western Hospital, which in a way is a client of McKinsey's, through the University of Health Network, received \$20 million from the Canada Infrastructure Bank for its energy retrofit project; the Port Hawkesbury Paper plant in Nova Scotia, a client of McKinsey's, also received funding from the Canada Infrastructure Bank for its Pirate Harbour wind project.

How is it that all these McKinsey clients are getting funding from the Canada Infrastructure Bank?

[*English*]

Mr. Robert Palter: In response to the question, McKinsey's work with the Canada Infrastructure Bank was three contracts. We were involved in helping set up the investment criteria in 2018, the risk management later in 2018 and then a strategic refresh in 2020. McKinsey has not been involved in any investments that the CIB has seen or with any potential proponents bringing investments to the CIB since its inception.

[*Translation*]

Mr. Xavier Barsalou-Duval: You say that McKinsey did not play a role with its clients for any of the investments made by the Canada Infrastructure Bank and that McKinsey received no money from its clients for any of those contracts. All of these companies are among McKinsey clients that received money from the Canada Infrastructure Bank.

The fact that so many McKinsey clients are receiving money from the Canada Infrastructure Bank seems to me to be a strange coincidence, especially considering that the CEO and the head of strategy of the Canada Infrastructure Bank are former McKinsey employees, that it was McKinsey that came up with the idea of the Canada Infrastructure Bank, and that it was McKinsey that worked on all kinds of policies and strategies when the Canada Infrastructure Bank was created. I feel like McKinsey has a long arm.

• (1145)

[English]

Mr. Robert Palter: McKinsey's work for its clients covers a variety of topics, including strategy and organization. As I testified at OGGO, we do a lot of digital and digital transformation work. We have done no work supporting any proponents from Canada approaching the CIB on any of their potential infrastructure projects.

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

[Translation]

Thank you, Mr. Barsalou-Duval.

[English]

Next we have Mr. Bachrach.

Mr. Bachrach, the floor is yours for six minutes.

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

Thanks to all of our witnesses.

I'd like to start with you, Mr. Cartwright. There have been a lot of claims made about the value of the P3 model. I note that the auditor general in Ontario evaluated 74 public-private partnerships and found that they cost the province \$8 billion more than they would have if they'd been procured publicly. British Columbia's auditor general conducted a similar assessment of 16 P3 projects in B.C. and found that they cost nearly twice as much as if they'd been publicly procured.

Those numbers seem to stand out in stark contrast to the claims being made by some of the witnesses today. Is the value of the P3 model more an article of faith than an article of fact? How are we to understand the claims that are being made about this model?

Mr. John Cartwright: You're absolutely right. Independent audit studies that have looked at the P3 experiences have almost universally said this actually costs more and delivers less, whether they're cutting corners, whether they're reducing the wages of workers or whether it's the precarity of workers. What we do know is that we used to have a huge pool of capital to support infrastructure investment. It was called the Canada pension plan. That money was available at cost. Government bonds are lower than the normal prime interest rate. That's what supported municipalities, regions and provinces in the past.

However, the same mentality that said we have to commercialize every aspect of human interaction, said, well, you could get a better return on investment if you took the pension money and allowed it to swirl around the globe seeking a higher return on investment. Then you could say that we don't have enough money here, so we need to attract private investment. The return on investments are

10% to 15%. Last year, statistics show that profits were 18% of the entire gross domestic product of Canada.

If you're a private investor and you're looking to get 10% to 15%, instead of what you could have borrowed at 2% to 3% before the recent spike in inflation, that's a huge gap, and that money doesn't come out of nowhere. There is only one taxpayer. If you have to find a bunch more money to provide return on investment to shareholders and speculators, that's what happens. That's why the public is losing out in this P3 model, particularly when you add the maintenance and operation. We lose public control over public transit and so many other vital public utilities through this model.

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

We've heard from several witnesses as well that there is some infrastructure that should be properly funded by the government, and other infrastructure that lends itself to the P3 model. We don't hear as much about the criteria that separate those two groups of projects. Based on your knowledge of projects that have been funded using both models, what is the criteria that tends to distinguish between these two groups of projects?

Mr. John Cartwright: The criteria is changing. My view is that there's been a mission creep from the very crude privatization things that were happening before—Highway 407, and other things that people just see as a complete outreach—and the original P3 model, which was design-build finance. Design-build is only one way of doing construction as compared to the traditional, and there are pros and cons, but it's the creep of adding “maintain an operation” that strips public accountability and public control. People can't find out what the facts are on these projects that move forward. People are unable to find out and hold politicians accountable.

For the finance houses, for the big people who run consultancies, whether it's direct accounting firms or others, or the law firms that I mentioned, this is a bonanza in terms of return on investment. There was a study done in Europe some years ago that looked at how manufacturing was no longer a big return on investment, and land, at that point, wasn't. It looked at public services as the next place for global finance to focus on by privatizing public services through public-private partnerships.

• (1150)

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

Perhaps I'll turn to Ms. McKenna.

Ms. McKenna, welcome back to the committee. I'm sure you miss this very much.

You talked about this electric bus project in Brampton, which is indeed an excellent project. It's great to see more of the transit fleet being electrified. Interestingly, this project that you talked about today didn't involve a private sector partner. Why not? This was a more conventional infrastructure investment.

There are certainly public transit projects that pursue the P3 model. I think of the LRT project here in Ottawa, which has been very problematic, to say the least. Why didn't the bank push Brampton to privatize its bus fleet and turn a profit so that this P3 model could really start to deliver benefits for the Canadian taxpayer?

Hon. Catherine McKenna: Thank you. I would say it's a great pleasure to be back—maybe not every day.

Obviously, that's a question that's really properly for the Canada Infrastructure Bank. I think what that demonstrates, though, is that the CIB can take different approaches, and I think that's really important. We're going to have to figure out how we're going to get a ton of infrastructure built. It's estimated that \$3 trillion is the cost to transition to a clean energy future globally. That's a huge cost, and we need to figure out the different models to do that.

If you look at the program that the Canada Infrastructure Bank has for electric buses, it's actually managing to electrify buses across the country at a rate that would not be possible without the Canada Infrastructure Bank. However, as you point out, this isn't like a traditional public-private partnership. The bank clearly is looking at different opportunities in its flexibility.

One thing I want to point out is that the bank should look at doing investments in indigenous infrastructure in partnership with indigenous peoples, where indigenous peoples have an equity stake. This is a real opportunity for Canada to think outside the box. I think it's extremely important, and it was certainly important to me when I was minister.

It's interesting. I just want to point out that other countries are looking at this model. If you look at the U.K., they have created an infrastructure bank based on Canada's model, because they see it as a huge opportunity to get more infrastructure built too.

The Chair: Thank you very much, Ms. McKenna.

Next we will go to Dr. Lewis.

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

Ms. Leslyn Lewis: Thank you, Mr. Chair.

My question is for Mr. Palter again.

When Mr. Cory was here, he testified that the 2020 contract went beyond COVID. I'm going to turn to his letter of February 22, 2023. In it he stated, "McKinsey & Company was retained in May 2020 to provide strategic advice to inform strategic planning in response to the coronavirus pandemic and the CIB's role in supporting Canada's economic recovery by investing in infrastructure projects that promote economic growth and the transition to a net-zero economy. This work informed the CIB's three-year \$10 billion growth plan that was announced in October 2020."

Was Mr. Cory incorrect when he wrote that in 2023?

Mr. Robert Palter: McKinsey's work in 2020 was initially started to help formulate the response on COVID, energy transition and sustainability. The work didn't complete. It was intended to go across three different phases of work. We only finished the first phase of work.

Ms. Leslyn Lewis: Did it inform the growth fund? Did McKinsey's work inform the \$10-billion growth fund that Mr. Cory alluded to in this letter?

Mr. Robert Palter: I am not in a position to answer that question, because we didn't finish the work. I don't know what happened between our first phase, which we did complete and, ultimately, that submission.

• (1155)

Ms. Leslyn Lewis: How did Mr. Cory say that it informed the growth fund? Are you saying that there's no way for you to confirm that?

Mr. Robert Palter: That is what I'm saying.

Ms. Leslyn Lewis: All right.

You stated that McKinsey's senior executives are independent contractors. Do you have any policies in place that would prevent these independent contractors from consulting with companies that are seeking funding from the CIB?

Mr. Andrew Pickersgill: I'm happy to take the question, Mr. Chair.

We're referring to senior advisers of our firm, who are seasoned executives who work part time on a contract basis, sometimes 10% or 20% of their time. They have a portfolio of things on which to provide expertise to our clients.

As I mentioned earlier, they're contractors, and they're bound by an agreement. When they leave, whoever hires them would, of course, run through, if they're hired, any normal process.

Ms. Leslyn Lewis: No, I'm talking about when they're there. Do you have any policies that would prevent them from having clients that will seek funding from the CIB?

Mr. Robert Palter: The answer to your question is, yes, we do. We take our conflict-of-interest obligations very seriously and our policies very seriously. Our senior advisers are bound by a policy governing their conflict-of-interest conduct and declaring what their conflicts have to be.

Ms. Leslyn Lewis: The public is very concerned about the level of coziness between the bank and McKinsey. McKinsey, in their contract proposal with the bank, talked about how they were the most suited to work with the bank. Here's a direct quote: "We have a deep understanding of CIB and the important context surrounding it. We clearly understand the objectives of the Infrastructure Bank from our work with CIB, our extensive involvement in the Canadian infrastructure ecosystem, and our extensive involvement with other, similar organizations".

Can you expand on where that deep understanding comes from?

Mr. Robert Palter: I'm happy to address the question.

McKinsey has the number one rated infrastructure advisory practice, as assessed independently by Kennedy Consulting. It's a firm that evaluates all of the consulting firms globally and provides a ranking for them.

As with all consulting practices, our ranking, our status and our knowledge—

Ms. Leslyn Lewis: Mr. Palter, I'm speaking specifically about why it was stated that McKinsey has a deep understanding of the CIB in 2018, at the early inception.

Mr. Angelo Iacono: Mr. Chair, I have a point of order. I would like to hear some of the responses. It's more than once now that a question is asked and, while he's starting to give an answer and starting to get into his answer, all of a sudden, there's another question.

Ms. Leslyn Lewis: That's not—

Mr. Angelo Iacono: I have a point of order.

Ms. Leslyn Lewis: That's not—

Mr. Angelo Iacono: I have a point of order. Don't be rude.

Ms. Leslyn Lewis: Yelling doesn't prevent me from doing my job, sir—

Mr. Angelo Iacono: I'd like to hear the response.

Ms. Leslyn Lewis: Yelling at me will not prevent me from doing my job. That's not a point of order.

Mr. Angelo Iacono: I'd like to hear the response.

Ms. Leslyn Lewis: That's not a point of order, Mr. Chair.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): That's not right for the interpreters. One person should speak at a time, unless you want—

Ms. Leslyn Lewis: We know the procedure, Ms. O'Connell. Thank you.

Please stop speaking.

The Chair: That's not a point of order. What I will do is simply remind all colleagues, for the benefit of our interpreters, that we do not speak over each other, and we also ensure that we let the witnesses respond.

That's a reminder to all colleagues.

Dr. Lewis, I stopped your time. You still have a minute left.

Ms. Leslyn Lewis: Thank you. I have the floor.

As I was saying, it's interesting how early on, right at the beginning, McKinsey could say it had an intimate understanding of the CIB. I'm not speaking about McKinsey's general knowledge. I'm speaking about the specific comment that said it had an intimate understanding of the CIB.

Where did that intimate, deep understanding come from?

Mr. Andrew Pickersgill: The Canada Infrastructure Bank was stood up through an act of Parliament in 2017. It was public record. It went through parliamentary hearings. Knowledge of the Infrastructure Bank was in the public record.

I believe we were speaking to our expertise globally, as Mr. Palter described, in our knowledge of other markets. That's why we were approached by the chair through a process that, as we heard from Mr. Cory, was competitive. It was based on our expertise.

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

Thank you, Dr. Lewis.

Next we'll go to Ms. O'Connell.

The floor is yours and you have five minutes.

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

Thank you to all of the witnesses for being here today.

Mr. Palter and Mr. Pickersgill, I just want to go over some of the testimony, because there were several interruptions. I want to make sure that everything is on the record and very clear.

In terms of conflict of interest for executives, whether they're contract employees or employees, you made it very clear that when it came to the CIB's awarding contracts or partnerships with anyone, you and your firm, contract employees or not, were not involved in any of the awarding of CIB projects and proponents.

• (1200)

Mr. Robert Palter: That is correct.

Ms. Jennifer O'Connell: There couldn't be a conflict when you had nobody working with the CIB in its determination of where to award projects, etc.

Mr. Robert Palter: That is correct.

Ms. Jennifer O'Connell: In terms of the email that was referred to about names being provided as potential people to hire for CIB when it was getting started, none of the names you were provided were hired by the CIB.

Mr. Robert Palter: That is correct.

Ms. Jennifer O'Connell: Again, there was no conflict, because the names you provided were maybe taken under advisement but never actually hired. I get it.

You spoke to the three contracts in total. They ended in 2020. Again, they were very specific to the investment structure, the risk assessment and a strategic refresh. There was nothing to do with the awarding of any projects or partnerships on behalf of the CIB.

Mr. Robert Palter: That is correct.

Ms. Jennifer O'Connell: Wow. In terms of the idea around the Infrastructure Bank, I spoke about this on Tuesday as well....

I was a member of the finance committee. We also conducted a study at the time, looking at economic growth opportunities. In that study, the finance committee travelled and spoke with many, and the idea of infrastructure banks is something that the committee also talked about. We had no involvement with McKinsey in that part of the finance study.

Can you confirm that?

Mr. Robert Palter: That is correct. As I alluded to in my opening remarks, it's not a novel idea. It's not McKinsey's idea.

Ms. Jennifer O'Connell: Absolutely.

Also, in the 2015 Liberal Party platform there was the idea of an infrastructure bank. It might have been phrased in a different way, but it wasn't actually the growth council. It was an idea that was presented previously in the Liberal platform.

Did McKinsey have any involvement in designing the Liberal Party platform in 2015?

Mr. Robert Palter: No.

Ms. Jennifer O'Connell: Let me get this straight. You're the number one ranked infrastructure consulting firm, so to speak. You had involvement in three contracts to generally set up the structure and organization boards. I get it. That happens all the time in terms of figuring out structure, hiring and those sorts of initial structures within a board.

You had no involvement on either side with your other clients or the bank. No employees you recommended were hired by the bank. You didn't have a conflict of interest, because your executives never made any recommendations of where projects were awarded.

However, you provided expertise, probably to municipalities, probably to provincial governments and probably to private organizations, because you're the number one ranked consulting firm on infrastructure.

Mr. Robert Palter: Yes.

Ms. Jennifer O'Connell: I don't really see the grand scandal that the Conservative Party seem to think there is but that they can't seem to connect. In fact, we heard on Tuesday that since any of those former McKinsey employees, who by the way were not McKinsey employees and then automatically went to the bank.... In fact, many of them had significant infrastructure careers. Ehren Cory worked for Infrastructure Ontario after McKinsey and then went to the bank.

Since anyone with previous McKinsey employment joined there actually have been no more contracts with McKinsey since that time. Can you confirm that?

Mr. Robert Palter: That's correct.

Ms. Jennifer O'Connell: There doesn't appear to be a whole lot here in terms of the loose connections that the Conservatives seem to be trying to build. Instead, I'd actually like to talk about—now that we have that all clarified and on the record—some of the strategic refresh work that you did. It's been acknowledged by everyone that in the initial setting up of the Infrastructure Bank changes needed to happen to get it moving.

Can you maybe talk about some of the recommendations on the strategic refresh?

• (1205)

The Chair: Unfortunately, we do not have time to hear that.

Ms. Jennifer O'Connell: Maybe in another round.

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

[*Translation*]

We are continuing with Mr. Barsalou-Duval.

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

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

I'm going to go to Minister Sohi.

Minister Sohi, you were the Minister of Infrastructure and Communities when the Canada Infrastructure Bank was established.

At the last committee meeting, Mr. Cory admitted to the committee that, while the Canada Infrastructure Bank was barely set up and had almost no employees, it awarded contracts to McKinsey & Company, without a call for tenders, to help it navigate and structure itself. Were you aware of that?

[*English*]

Hon. Amarjeet Sohi: Can you repeat the question please?

[*Translation*]

The Chair: Mr. Barsalou-Duval, could you repeat the question? I'll give you an extra 25 seconds.

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

Mr. Sohi, Mr. Cory told us that, in 2018, when the Canada Infrastructure Bank had only one or two employees and was in the process of structuring itself, of building up, it decided to award contracts without a call for tenders to McKinsey & Company.

As you were the minister when the Canada Infrastructure Bank was created, were you aware that such contracts had been awarded? Were you informed of that? Were you involved in any of those discussions?

[*English*]

Hon. Amarjeet Sohi: The way the Canada Infrastructure Bank is structured is that the day-to-day decisions are made by the Infrastructure Bank, independent of the infrastructure ministry. Those decisions would have been made by them, not the ministry.

[*Translation*]

Mr. Xavier Barsalou-Duval: So you would not have been aware of that.

Hon. Amarjeet Sohi: No.

Mr. Xavier Barsalou-Duval: However, if I am not mistaken, in 2018, as Minister of Infrastructure and Communities, you awarded a contract worth \$9.6 million, or nearly \$10 million, to McKinsey to develop a national infrastructure strategy.

However, \$10 million to develop a national infrastructure strategy is a lot of money. I imagine you were aware of that.

[*English*]

Hon. Amarjeet Sohi: I don't know the details of that demonstration, but I can tell you that in 2015, when we got elected, we had a huge commitment to put together a \$180-billion infrastructure plan to help support municipalities and provinces to build the infrastructure necessary. It was a stand-alone ministry that we needed to establish. We did engage a lot of expertise on how to do it, and we did a lot of consultation with the private sector, public sector, unions and non-profit sectors to understand what our infrastructure plan should look like.

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

Next we have Mr. Bachrach.

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

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

Mr. Cartwright, one of the interesting aspects of this whole P3 debate is the concept of risk. We often hear from advocates of P3s that P3s allow the transfer of risk off the public sector and onto the private sector. However, at our last meeting Mr. Cory, the CEO of the Infrastructure Bank, said that the bank was considering a \$655-million investment in a power line in order to transfer risk from the private sector to the public sector to “de-risk the project”.

What does the record say about risk transfer and public-private partnerships?

Mr. John Cartwright: There are a variety of experiences, but largely what happens is one of two things. The proponents are largely consortia, and it is important to understand how big these projects have become and why it's often many global firms that are bidding on infrastructure here in Canada. The proponents have to put in extra cost to take into account the unknown.

When you have a construction contract, that's one kind of thing. When you're talking about taking over the entire maintenance and operation of it, then you increase the unknown, so they pad the numbers to go in. If something happens, they come back to government and say, “I'm sorry, our hand is out. We want money back”, and we just saw that happen with the crosstown line in Toronto.

We saw in the U.K. that, when they decided it was too much, they just went bankrupt and walked away. We saw that with the Hamilton sewage situation, where a P3 was put together, and it changed hands three times. We've seen that with Highway 407, where there was supposed to be the risk to say they would make sure that trucks could operate on 407 so they could support our manufacturing industry, and then, when it didn't suit them and they priced it out of the market, they were forgiven \$1-billion penalty they should have paid in order to serve the public interest.

Time after time after time, you see that the set-up works in theory one way and in reality in a very different way, and the public interest is not served. This bank should go back and focus its investment on supporting public enterprise and public assets.

• (1210)

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

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

Next we have Mr. Muys, followed by Mr. Genuis.

Mr. Muys, the floor is yours.

Mr. Dan Muys (Flamborough—Glanbrook, CPC): I have a question for former minister McKenna. Maybe you can elaborate on the due diligence that was done when you were the minister responsible for the bank to ensure that McKinsey and Company wasn't inappropriately benefiting from the deep relationship. We certainly heard about that over the course of this meeting.

Hon. Catherine McKenna: The bank is an independent arm's-length Crown corporation, so it makes its own decisions. That's a

very important principle, so any questions with respect to that I think should go to the Canada Infrastructure Bank—

Mr. Dan Muys: What did you do as the minister responsible to make sure that there was that due diligence done?

Hon. Catherine McKenna: They are an independent arm's-length bank, but I will tell you that I was very clear that they needed to get projects done. When I came in, there was the REM project, but that was it. Given that, as a government, we were committed to getting infrastructure built across the country as much as possible as quickly as possible, that was really my focus. As I said, it's great to see that the Canada Infrastructure Bank has hit its stride and is getting more infrastructure built, leveraging more money and doing it a lot faster than it was doing before.

Mr. Dan Muys: Thank you.

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Mr. Pickersgill, it's good to see you because, frankly, you've been hard to find. We wanted to have you appear at the government operations committee to report on the important study we're doing there. I'm not sure if you declined that invitation or just have not responded to it, but we would still like to hear you at the government operations committee.

Nonetheless, I'm glad I was able to find you here at the transport committee, because I think you are a very important piece in this puzzle in terms of the relationship that existed between the government, McKinsey and various other institutions.

Could you tell us what your relationship was with Kelly Murdock at PSPC and what kind of contact you had with this person?

Mr. Andrew Pickersgill: Mr. Chair, I have a point of clarification since there was a question of my willingness to appear here. I'm appearing in front of the TRAN committee, enthusiastic to share whatever I can on this topic and—

Mr. Garnett Genuis: That wasn't the question, but while we're on it, are you prepared to appear at the government operations committee?

Mr. Andrew Pickersgill: I've never received a formal invitation to appear in front of the OGGO committee.

As I think the committee may know, McKinsey provided two hours of testimony on the OGGO committee and provided 90,000 pages of unredacted documents.

Mr. Garnett Genuis: I know, but there were multiple questions that he couldn't answer because they were dealing with a time when you were the managing partner of McKinsey.

Let's move on. You said that you haven't received an invitation from OGGO. Is that correct? Is that what you're saying?

Mr. Andrew Pickersgill: I've not received any invitation from the OGGO committee.

Mr. Garnett Genuis: All right. We can certainly follow up with the chair.

Back to my original question, which was about your relation with Kelly Murdock at PSPC, could you respond on that point, please?

Mr. Andrew Pickersgill: I don't recall the name Kelly Murdock.

Mr. Garnett Genuis: You don't recall having meetings with this person.

Mr. Andrew Pickersgill: To the best of my knowledge, I just don't recall the name. I'm sorry.

Mr. Garnett Genuis: Okay, what about Kevin d'Entremont at McKinsey?

Mr. Andrew Pickersgill: Kevin d'Entremont is a colleague at McKinsey and Company.

Mr. Garnett Genuis: We have emails sent from Mr. d'Entremont to Kelly Murdock that were obtained through ATIP. They offer that "Andrew Pickersgill is our Canadian managing partner, and he has been collaborating with the industry and government on this topic. Andrew also led our Canadian team in supporting Dom Barton on the finance minister's advisory council. Through Andrew, I'd be happy to pull in experts for a briefing". This is part of an email from Kevin to Kelly pitching work that McKinsey could do for the Government of Canada.

Is it fair to say that you were involved in pitches to the Government of Canada for selling McKinsey services to the government?

• (1215)

Mr. Andrew Pickersgill: Mr. Chair, McKinsey follows all procurement processes when responding to inquiries for the Government of Canada. With respect to that specific message I don't know the details, but I do know it was mentioned before. I have gone back and we have taken a look. My understanding is this: There was a meeting in 2020 around the time of COVID. McKinsey was interacting with many organizations, governments and businesses about some of the factors we were seeing around how COVID played out in terms of economic scenarios.

Mr. Garnett Genuis: I only have limited time and I don't want you talk out the clock. You were involved in meetings with the Government of Canada at which you were pitching services that you wanted the Government of Canada to purchase.

Mr. Andrew Pickersgill: Mr. Chair, I don't believe that is correct. When we look at the records of that meeting, we were not doing anything other than sharing information about global scenarios around COVID. There was no work that followed and no ask for work.

Mr. Garnett Genuis: You did do consulting work for the Government of Canada. You got over \$100 million in contracts. Are you saying you met with the government, you had conversations that were unrelated to pitches and then somehow over here you ended up with over \$100 million in contracts? Is that the contention?

Mr. Andrew Pickersgill: I'm saying when the Government of Canada reaches out and asks for advice and help, McKinsey follows the relevant procurement processes to get engaged.

Mr. Garnett Genuis: That wasn't the question.

Mr. Andrew Pickersgill: Any description of my background is actually required by the Government of Canada because it's relevant information.

Mr. Garnett Genuis: That wasn't the question at all.

The Chair: Thank you very much, Mr. Pickersgill, and thank you, Mr. Genuis.

Mr. Garnett Genuis: That wasn't remotely the question.

The Chair: Mr. Rogers, you have the floor for five minutes, sir.

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

Welcome to all of our witnesses. It's good to see former ministers Sohi and McKenna on the line.

I will get to you in a second, Ms. McKenna, with a question.

First of all, for Mr. Palter and Mr. Pickersgill, clearly it has been declared here today that you guys are leaders in the work you do and your expertise is admirable. How do you feel about the fact that, with a \$900-million investment by the Government of Canada, we're now engaged in \$27 billion in infrastructure work projects, 40 and something projects. What's your take on that?

Mr. Palter.

Mr. Robert Palter: I think it's an indication that the mandate of the Infrastructure Bank as established by the Government of Canada is working.

Mr. Churence Rogers: Thank you very much.

Mr. Pickersgill, do you want to comment?

Mr. Andrew Pickersgill: I defer to my colleague as he's more of an expert on infrastructure.

Mr. Churence Rogers: Thank you very much.

Obviously we're on the right track with CIB.

Ms. McKenna, in 2020 when Mr. Cory was appointed at the CIB you were quoted as saying, "The Canada Infrastructure Bank has an important role to play in Canada's economic recovery and expanding Canada's ambition to build more sustainable infrastructure and clean energy." You also said:

I am pleased with the Bank's announcement of Ehren Cory as its new CEO, as he has extensive experience in getting innovative and large-scale infrastructure projects built. Our government is looking to Mr. Cory to deliver on the Bank's \$10 billion Growth Plan that will create 60,000 jobs across the country, connect more homes and businesses to high-speed internet, strengthen Canadian agriculture, and accelerate the transition to a low carbon economy.

Ms. McKenna, do you still stand by that statement and agree that Mr. Cory is qualified for his position at the CIB?

Hon. Catherine McKenna: I look at everything based on outcomes. Certainly by outcomes he's done a great job. He noted on Tuesday that the CIB has 46 investment commitments and \$9.7 billion of investment capital that is leveraging a value of \$27 billion.

I was pretty clear at the beginning. I was thinking, okay, this bank has to do more projects and it has to do them now. We were relying on this in particular because COVID was obviously really hurting Canadians and we had very big concerns about the economy and getting things going across the infrastructure portfolio. I certainly put the gears there to get things done. I think he's done a great job. I would note that he was CEO at Metrolinx, and Metrolinx has a good track record of getting major infrastructure, public transit projects, built.

One of the things I'm really pleased to see is the emphasis on climate action. I don't think that will surprise anyone. That is something extraordinarily important to me and to Canadians, and also to our economy and winning in the net-zero future. Seeing all of the projects on zero-emission buses, the Darlington small modular reactor, retrofit projects, battery projects and storage projects with indigenous peoples, I think those are all great and show that the bank is now hitting its stride.

• (1220)

Mr. Churence Rogers: It sounds like a good-news story to me.

You looked at the work that was done in setting up the CIB and directing the bank to invest \$10 billion over the next three years in strategic initiatives—something you just mentioned, of course—and in partnership with some of the other indigenous groups and communities. You made certain statements around that, which were all true today.

Could you please tell the committee if you still agree with some of your statements about the strong partnerships that we've created with some of the indigenous communities and the work that we're doing in rural Canada with small communities as well?

Ms. McKenna.

Hon. Catherine McKenna: That's a great question, and I appreciate Mr. Cartwright's....

I should say that I think we do have to be careful with public-private partnerships, and we need to make sure that we get value for money and get things built in the most effective way. That means that they have to work, and there have to be benefits to Canadians.

If you look at the Oneida energy storage project, you see that's a great example of a partnership with an indigenous community.

The Chair: Thank you.

Hon. Catherine McKenna: I do want to correct something. I apologize.

Ehren Cory, I believe, was CEO of Infrastructure Ontario. There's a big difference, but he did do major projects, transportation projects. He was involved with that too.

The Chair: Thank you very, Ms. McKenna.

Thank you, Mr. Rogers.

We will have our last round of questioning, and we will begin that with Mr. Genuis.

Mr. Genuis, the floor is yours once again. You have five minutes.

Mr. Garnett Genuis: Very directly, Mr. Pickersgill, did you participate in meetings with the Government of Canada at which McKinsey products or services were pitched?

Mr. Andrew Pickersgill: McKinsey doesn't pitch in the Government of Canada. We respond to requests for proposals. We describe our expertise. We follow all procurement guidelines.

Mr. Garnett Genuis: Is this what McKinsey calls “selling without selling”?

Mr. Andrew Pickersgill: Mr. Chair, as I said, we follow relevant procurement guidelines—

Mr. Garnett Genuis: I'm sorry, but that wasn't my question. This is what McKinsey calls selling without selling, which is when you go into a meeting, you talk about your expertise and you talk about the work you've done for other clients. The purpose of those meetings is to demonstrate your expertise in pursuit of potential business.

Mr. Andrew Pickersgill: It is normal course for, occasionally, government leaders to reach out and ask for a range of opinions from advisers from other places. That's done by the professional civil service and it's also—

Mr. Garnett Genuis: I'm not even saying there's anything wrong yet. I'm just asking. Did you attend meetings at which the goal was to present McKinsey as a desirable vendor to the Government of Canada?

Mr. Andrew Pickersgill: When invited to describe our credentials and our expertise, of course I do that.

Mr. Garnett Genuis: You participated in meetings in which that was an objective.

Mr. Andrew Pickersgill: I'll say again that we follow the procurement rules for the Government of Canada—

Mr. Garnett Genuis: Chair, could you bring the witness to order?

Ms. Jennifer O'Connell: Mr. Chair, I have a point of order.

Mr. Garnett Genuis: He has an obligation to answer the questions.

The Chair: I'm sorry. I have a point of order from Ms. O'Connell.

Ms. Jennifer O'Connell: Mr. Chair, I'd just like to know the scope of the question, and if it meets with the scope of the study. We heard testimony that the witnesses said they had no contracts with regard to the Infrastructure Bank after 2020, so if Mr. Genuis is referring to other contracts with McKinsey and the government, it would be outside the scope of this study.

Can he clarify? Is he referring to Infrastructure Bank contracts specifically and meetings around that? I think they clarified their timelines, so I'd like to make sure we're within the scope.

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

I'll defer to the clerk and would just ask for one minute of the committee's time—

Mr. Garnett Genuis: Mr. Chair, could I just speak to the point of order briefly?

First of all, I had a separate point of order, which was that I wondered if you could remind the witness of his obligation to answer the questions that are being asked.

I can assure Ms. O'Connell that the questions I'm asking are within the scope of the study. They're about informing our understanding of—

The Chair: I'm sorry, Mr. Genuis. I'll defer to the clerk as to whether or not it's in the scope—

• (1225)

Mr. Garnett Genuis: I just wanted to speak to—

The Chair: —and then I'll respond quickly. I'll ask for the indulgence of the committee as I confer with the clerk for one minute. Thank you.

We're going to rule that it is, indeed, within the scope. Mr. Genuis is, indeed, speaking to the activities of McKinsey.

With regard to your point of order, Mr. Genuis, I will say that the witness is providing an answer. Whether or not it's a satisfactory answer to you is your opinion, but he is not in any way disrupting the activities of the committee and he is responding to your questions.

Mr. Garnett Genuis: Thank you, Chair. I suppose, fundamentally, it's up to the public.

Mr. Pickersgill, I want to also ask about your relationship with the government's advisory council on economic growth. What role did you play supporting the work of that council?

Mr. Andrew Pickersgill: When the advisory council on economic growth was stood up in 2016, it approached McKinsey to see if we'd provide pro bono support, and I helped lead that team and coordinate our expertise from around the world.

Mr. Garnett Genuis: You were, at the same time, supplying expertise and analysts to the growth council as you were participating in meetings that had as their objective the presenting of McKinsey's prospective ability to provide the government with products and services.

Mr. Andrew Pickersgill: I don't think that's an accurate characterization.

Mr. Garnett Genuis: What would be an accurate characterization?

Mr. Andrew Pickersgill: Because there may be some confusion on the role of the growth council, I could spend a moment to describe what we did and were asked to do by the 14 members of that advisory council.

Mr. Garnett Genuis: I'm sorry. No, I don't want a filibustering of my scarce time. What I'd like to know is.... Members know I know something about that.

The issue here is that you were providing, in my understanding, advice to the growth council. You were bringing analysts to the growth council, and you were also bringing analysts to the government in what were effectively sales meetings.

In the process of facilitating those sales meetings, Mr. d'Entremont referenced your work with the growth council, so you were doing both of those things at the same time. Is that correct?

Mr. Andrew Pickersgill: I don't believe that's a fair characterization. McKinsey provided neutral facts and global case studies as input to a group of Canadians who were meant to make recommendations. We don't recommend policy—

Mr. Garnett Genuis: That was the growth council.

Mr. Andrew Pickersgill: That's 2016. I believe you referred to—

Mr. Garnett Genuis: You were providing information there, and Mr. d'Entremont was facilitating meetings with analysts. Is that right?

Mr. Andrew Pickersgill: I just want to clarify that McKinsey's role was to provide neutral facts and caselets for input to a group of individuals at the Canadian government to give advice. That was in 2016.

Mr. Garnett Genuis: That's fine, but on the other side....

You're supposed to stop my time during points of order, Chair. I have a minute left, I believe.

Could you clarify if you were providing those analysts to those pitch meetings...? Were they the same people in some cases?

Mr. Andrew Pickersgill: Meetings with McKinsey, and I think you're referring to 2020, were following the government rules.

In 2016, we provided neutral facts to a set of—

Mr. Garnett Genuis: I think I have established the point, and you haven't really contradicted it.

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

Thank you, Mr. Pickersgill.

Just to clarify, Mr. Genuis, I did, indeed, stop your time during the point of order, and it was verified by the clerk, which I do for all members when there's a point of order put forward at this committee.

Next we have Mr. Chahal.

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

Mr. George Chahal (Calgary Skyview, Lib.): Thank you, Chair.

Thank you to the witnesses for joining us today.

We have heard a lot of criticism from opposition members about the role of the Canada Infrastructure Bank and that it hasn't completed any projects.

Ms. McKenna, if I can go to you first and the importance of your work as the infrastructure minister, for the Province of Alberta you mentioned, in your opening remarks, that there was a large irrigation project brought forward. Can you talk about the importance of that project for Albertans and farmers, the importance of irrigation in Alberta and the impact this investment would have made and will bring forward for Albertans?

• (1230)

Hon. Catherine McKenna: Thanks. That's really a great question.

Probably it's best to put it in the words of the former premier of Alberta Jason Kenney who was a big supporter of the Canada Infrastructure Bank, even as a Conservative, because he believed in the importance of getting more infrastructure built, including in Alberta. This is a massive irrigation project. Obviously, the bank is better placed to go through the details of it.

This is what Premier Kenney said:

This historic investment in irrigation infrastructure will create thousands of jobs and support Alberta's economic recovery, while strengthening our competitive advantage. Agriculture is the beating heart of Alberta's economy and as global demand for agri-food products continues to grow, our producers and irrigation districts will be better positioned to meet that demand for generations to come.

This is really about supporting farmers and supporting irrigation. It could not be more important.

I want to offer my.... I don't want to say condolences, but I know that there are major forest fires right now going across Alberta, so as we see with the change in climate, we're going to have to rethink things, and water irrigation is going to be incredibly important. Canada is a major agricultural producer, as is Alberta, so I think these are really important projects and a great example of an infrastructure project that will make a real difference in the lives of people, including farmers.

Mr. George Chahal: Thank you for that.

I want to go to Mayor Sohi.

Mayor, thank you for joining us today.

You talked about the partnership between all levels of government and the private sector in your opening remarks. I know as mayor you have a tremendous amount of work in infrastructure requirements. I know the City of Calgary has some zero-emission buses. The City of Edmonton also has a huge investment as well.

Can you talk about the importance of that investment for the City of Edmonton and if that could have happened without the Infrastructure Bank partnering with municipalities?

Hon. Amarjeet Sohi: Broadly speaking, municipalities are still facing a huge infrastructure deficit. Yes, over the last number of years, in partnership with the federal government and here in the province, we are trying to close that gap, and it is being closed.

Federal investments into the Yellowhead expansion are making a difference, as are federal investments in expanding the LRT system in the city and some of the trade corridor improvements in Edmonton, again, with federal-provincial-municipal partnerships. It's very important that we continue to explore partnerships and clear the way to invest in infrastructure to close that gap.

We have an ambitious goal of electrifying the entire fleet for our public transit. That's close to 900 buses. Canada Infrastructure Bank was helpful for us to initiate that work, and we look forward to that partnership in the future. We also have a huge lead in retrofitting our old buildings to better energy standards as well as repurposing them, maybe for housing to meet that housing infrastructure gap, so I think there's a role for the Canada Infrastructure Bank to play in that area. We have huge issues with our flood mitigation because of climate change, and there have been federal investments in that area. We look forward to working with the CIB in that as well.

There's a lot of potential for municipalities to tap into the billions of dollars that are available that we don't have. As a municipality, we don't have the resources. We have a very limited borrowing capacity, so that's where we want to focus.

The Chair: Thank you very much, Mayor Sohi.

Thank you, Mr. Chahal.

[Translation]

The next member to take the floor is Mr. Barsalou-Duval.

Mr. Barsalou-Duval, go ahead for two and a half minutes.

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

Earlier, I talked about the \$9.6-million contract that was awarded by Minister Sohi when he was Minister of Infrastructure and Communities. This is the infamous contract awarded to McKinsey for nearly \$10 million to develop a national infrastructure strategy.

I wanted to come back to this subject, Mr. Pickersgill and Mr. Palter, because you said earlier that your involvement in the Canada Infrastructure Bank was not the creation of the bank, even though you gave pro bono advice to the Advisory Council on Economic Growth, but that it was really limited to the three contracts that were signed with the bank. Yet my colleague Ms. Lewis said earlier, quoting a McKinsey submission, "We have a deep understanding of the CIB and the important context surrounding it. We clearly understand the objectives of the Infrastructure Bank from our work with the CIB."

This is from a submission that was made in March 2018. So that was before the three infamous contracts that were subsequently received. So you had already worked with the CIB, if I am not mistaken. That is what the quote says, or at least what was said about it.

I'm trying to understand how you would have gotten a \$10-million contract to develop a national infrastructure strategy, in which you apparently did not address the issue of the Canada Infrastructure Bank at all. This same bank received \$35 billion in public funds, which is not insignificant. A \$10-million contract is not a \$5,000 contract, it is not a \$50,000 contract, it is a very large contract. You'd have to be completely incompetent not to address that, and I don't think you are.

You certainly touched on the issue of the Canada Infrastructure Bank. So you probably forgot to tell us something earlier.

• (1235)

[English]

Mr. Robert Palter: Mr. Chair, I will confess that we have never done any work with the Department of Infrastructure Canada, so, as for the \$9.6-million contract, I don't know what it refers to.

As I stated in my testimony at OGGO, McKinsey doesn't do policy work, and this would sound like policy. I'm surprised to hear that there's a contract of that nature, because we would not have taken that on in accordance with our risk management policies.

[Translation]

The Chair: Thank you very much, Mr. Barsalou-Duval.

[English]

Thank you, Mr. Palter.

Next, we have Mr. Bachrach.

The floor is yours. You have two and a half minutes.

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

McKinsey informed the investment criteria of the bank. We've heard that already. There are concerns about a conflation between the public interest and the private interest when it comes to the P3 model. We've heard that already. I think it makes sense to pressure test some of the assumptions and conclusions that the bank made with regard to the public interest.

My question is for Ms. McKenna.

Ehren Cory, the CEO, said about the Lake Erie connector project, "This project will allow Ontario to export its clean, non-emitting power to one of the largest power markets in the world". As minister, did you ever see evidence that Ontario had a surplus of clean power to export?

Has she left?

A voice: Yes.

Mr. Taylor Bachrach: Can anyone else answer? Okay, I'll move onto a different question.

I'll go back to Mr. Cartwright.

Mr. Cartwright, this discussion is really about two things. It's about McKinsey's role and it's also about this balance between the public interest and the private interest. We've heard some innuendo and assertions around potential conflicts of interest and that sort of thing.

Stepping aside from that, I wonder what McKinsey's central role in the Canada Infrastructure Bank says about the balance of public and private interests in the investments.

Mr. John Cartwright: I don't share the attitude of some members of the committee who are disparaging McKinsey.

I think this is something we call "corporate capture" at the Council of Canadians, where think tanks, lobbyists and others who represent Bay Street and, sometimes, global finance capital have taken public policy and shifted it dramatically.

The reality is that there's no such thing as free money. Somebody doesn't come along and give you \$26 billion for free. There are strings attached. They want a huge return on investment. There's a surcharge they get, but most importantly, there's a deficit of public accountability and control when you move to P3s.

We're happy to hear where the bank has invested directly with municipalities and directly with indigenous communities. That's what we see as the proper role. That role is defined by responding to this climate emergency in front of us. We sure want the bank to stay away from water. The one time they tried to do that, the municipality backed away. We don't want any of that.

We need to retain and regain control of public assets and public services fully in the public good and not have that distorted by corporate interests and money swirling around the globe interfering with Canadians' future.

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

The Chair: Thank you, Mr. Cartwright.

Thank you, Mr. Bachrach.

Next we have Mr. Genuis.

The floor is yours. You have five minutes.

Mr. Garnett Genuis: Thank you, Chair.

Here's what I think is going on.

McKinsey's sales process is selling without selling. That's well known. That's been in various books written about McKinsey's process. McKinsey's analysts past and present have talked about about selling without selling.

This means that McKinsey does not advertise in the crude sense of it. They pitch themselves as experts in certain areas. They meet with clients to talk about their expertise and their ability to perform certain tasks. The goal of those engagements is of course to be able to gather business. That is the sales process. In many contexts, there's nothing wrong with that sales process.

The problem is that, on the government side, this has amounted to lobbying without lobbying. McKinsey self-identifying experts meet with government to share their expertise with the goal of doing business with the government and very successfully getting over \$100 million in contracts from the government.

The sort of doublespeak of selling without selling or lobbying without lobbying masks the fact that this so-called pro bono work that is done through the growth council and other vehicles has been the effective equivalent of selling. It has given preferential access as a result of that engagement, and it has resulted, in fact, in contracts that, according to the government's own press release, did not follow the rules in every case. We have an ATIP showing the process of effective pitching without pitching.

I want to zero in on this question of whether this activity constitutes lobbying.

Mr. Pickersgill, were any of the people from McKinsey who met with the government in these various engagements registered to lobby?

• (1240)

Mr. Andrew Pickersgill: Mr. Chair, we are not a registered lobbyist.

Mr. Garnett Genuis: Okay. Nobody in any of these meetings from McKinsey was registered to lobby.

Were any of these engagements registered with the lobbying commissioner?

Mr. Andrew Pickersgill: The answer is no.

Mr. Garnett Genuis: Okay. You were engaging in what was effectively sales and lobbying activity. You won't describe these as sales meetings. You won't describe these as lobbying meetings, yet something happened that led to this massive spike in contracts with McKinsey of over \$100 million over the 10 years of this government. That seems like an obvious problem because, in the wording of the Lobbying Act, the requirement for impartiality in the awarding of contracts is not supposed to be gotten around with this sort of business lingo, doublespeak: "selling without selling" or "lobbying without lobbying".

I want to put to you that I think that's the problem. I'll just invite you to respond to those points if you want to, but I do have one more question to get in before the end of my time.

Mr. Robert Palter: As I testified at OGGO, where these questions came up, there are a couple of facts I'd like to share.

McKinsey's contracts with the federal government are less than 0.5% of the federal government's spend on consulting. That's point number one.

Point number two is that 74% of those contracts in question were awarded through a competitive RFP run by the public sector, scored independently and evaluated by the public sector on their evaluation criteria.

Three, by my own records as the lead of the Canadian practice, we lose 60% of the RFPs that we submit to the federal government, so if there is any question about the competitiveness of the process, I'm not sure that's relevant.

Mr. Garnett Genuis: Okay. I don't think any of that has anything to do with the issues I raised about being registered to lobby, about selling without selling or about the preferential access issues.

I have one more question I want to get to in the time remaining: Is the Government of Canada currently part of a class action lawsuit against McKinsey over its role in the opioid crisis?

Mr. Robert Palter: Yes, it is. As I stipulated at OGGO, McKinsey has done no work on opioid sales and marketing in Canada.

Mr. Garnett Genuis: In spite of everything that has happened in the relationship between the government and McKinsey, the Government of Canada is now joining a lawsuit to sue you.

Is it your position that, in spite of paying over half a billion dollars in compensation to the United States, you think there was no wrongdoing?

Mr. Robert Palter: As I said at OGGO on these questions, McKinsey's settlement with the United States had no admission of wrongdoing. We did nothing illegal.

In Canada, we did no opioid marketing and sales work.

Mr. Garnett Genuis: Yes, but did you do something immoral.

Ms. Jennifer O'Connell: Mr. Chair, I can't hear.

• (1245)

Mr. Garnett Genuis: It's my time.

The Chair: Regardless, Ms O'Connell—

Ms. Jennifer O'Connell: On a point of order, the interpreters can't interpret if there are two people speaking simultaneously, so if the member would like to take his time back—

Mr. Garnett Genuis: You just jumped in.

Ms. Jennifer O'Connell: I'm on a point of order.

I think, Mr. Chair, it's really frustrating for the interpreters.

The Chair: We need to ensure that we're providing all of the time necessary for our interpreters to be able to hear what is being said, to interpret it and also to look after their health. I would kindly remind all members not to speak over one another or the witnesses.

The time is up, Mr. Genuis. Thank you very much.

We'll go with Mr. Badawey as the final slot for today.

You have five minutes, sir.

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

I am not going to be distracted or to waste anybody's time in this room with the use of political tactics, or manipulate a desired outcome by the opposition attempting to fit, quite frankly, a square peg into a round hole. I will use this time to be productive and at least to get something out of this study.

With that, we'll focus on the business of government, which in this case is to expedite capital projects and capital investments such as infrastructure to service Canadians with what they need for their personal, business and overall lifestyle interests by leveraging—and I will underline and bold that word—and therefore mitigating a financial burden on taxpayers.

Therefore, may I request, Mr. Palter, first, that you elaborate—as you started to earlier with the questions asked by Mr. Iacono—with respect to addressing and expediting work that needs to be completed to lessen the infrastructure gap within all levels of government and the responsibility that they otherwise have to try to provide those services for our residents while mitigating the cost to those taxpayers at every level.

Second, how does it mitigate the financial burden on taxpayers—once again, at every level—whether it's through financing debt through operating, capital investments or lessening debentures? The list goes on.

Third, please elaborate on leveraging the development of the economy to encourage economic growth within all sectors.

Of course, the fourth includes climate adaptation.

Mr. Palter.

Mr. Robert Palter: That's a lot of territory to cover.

This committee today has spent a lot of time talking about the financing of infrastructure projects. That's an incredibly important topic, but the financing of infrastructure projects, particularly greenfield infrastructure projects...and really we're talking about greenfield infrastructure projects. Let's not talk about privatization of brownfield. Let's talk about greenfield infrastructure projects, because that's really what CIB is focusing on.

Financing is just part of the puzzle necessary to get greenfield infrastructure built. Obviously the financing pays for construction workers. It pays for steel. It pays for aggregate. It pays for technology. A nexus of things has to come together to get a greenfield infrastructure project built. You have to have siting, permitting and environmental reviews. You have to have land rights of way, expropriation and community support. All of these pieces need to come together in the same place at the same time to actually successfully put a shovel in the ground. Financing is just one part of the puzzle.

I do think it's important that we as Canadians and the government think about the intersection of these pieces, because solving one doesn't solve the problem. You have to solve all of them simultaneously if you want to achieve the objective of building more greenfield infrastructure. This problem is not unique to Canada. This is a problem that governments trying to build infrastructure in democracies around the world are wrestling with.

I think that's your question on speed.

With respect to risk, the nature of greenfield infrastructure is risk pricing and risk transfer. Who is going to take siting risk? Who is going to take development risk? Who is going to take construction risk? Who is going to take operations risk? What's the price of that risk? What's the duration of that risk? All the participants in a project bear some element of risk.

Private funds seek a return for the risk they are taking on. The market clears though. If the risk is exorbitant, the deal doesn't get done. If the return is exorbitant, the deal doesn't get done. There's a role for market participation in understanding and pricing risk. Is it perfect every time? No, it's not perfect every time. Sometimes it does go wrong. I wouldn't sit here and say it happens perfectly every time.

There are many academic studies that have looked at the economic benefit of infrastructure. It depends on the type of infrastructure. Roads can have a reasonably high GDP multiplier. For transmission lines, it's slightly lower. Some infrastructure projects can have significant front-end job creation opportunities and then fewer operations opportunities and vice versa.

Every project needs to be viewed uniquely and independently in the context in which it's being delivered to determine what the economic and job creation benefits of that project are. However, by and large, the academics and the economists would concur that infrastructure is a net positive for economic growth and job creation.

I don't think I've gotten to your climate question yet.

Mr. Vance Badawey: That just leads me to my final comment, Mr. Palter. You confirmed the need for that involvement. In my region, in Niagara, we're really building upon our strength, which is being a trade corridor that includes the Welland Canal, the St. Lawrence Seaway, road, rail and air. Those very investments you're speaking about, those partnerships and that leveraging you're speaking about are critical to then expand the actual direction we're taking with respect to the investments that need to be had and, therefore, the capacity we will then have to be recognized as a national trade corridor.

Thank you for that validation.

• (1250)

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

Colleagues, we do have eight minutes left. Is there a desire for colleagues to each get perhaps one minute per party for one final question? If not, we'll conclude it there. I just want to see if there's any general consensus.

Some hon. members: Agreed.

The Chair: We'll go one more round with one question per party. We'll begin that line of questioning with Dr. Lewis, followed by Ms. O'Connell, followed by Mr. Barsalou-Duval and Mr. Bachrach.

Dr. Lewis, the floor is yours for one question.

Ms. Leslyn Lewis: The bank's creation is recommended by Dominic Barton while he is CEO of McKinsey. McKinsey strikes an advisory council and works for free to help the CIB set up. The CIB is stacked with McKinsey executives. In fact, McKinsey recommends which consultants CIB should hire. McKinsey receives what looks like five contracts—they say it's three, and there's a dispute about that—totalling \$1.6 million. McKinsey informs the CIB about the \$10-billion growth fund. Then McKinsey brags about the special knowledge it has of the CIB.

Why should Canadians believe that McKinsey is independent of the CIB?

Mr. Andrew Pickersgill: I'll start.

McKinsey did not create the Canada Infrastructure Bank nor the concept. That was an act of government and a part of the Liberal Party's election promise in 2015. Our work formally started after we followed procurement rules and were asked for expertise on specialized topics with respect to infrastructure, which ran through a procurement process that, as we heard the other day from Mr. Cory, was competitive.

We've done no work since 2020, and the fact that we have some former colleagues who used to work at McKinsey more than 10 years ago has no real relevance to us. Our work is focused on three engagements in 2018 and 2020, work we're proud of and work that we believe was procured properly.

That's our role at the Canada Infrastructure Bank.

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

Thank you, Mr. Pickersgill.

Next we have Ms. O'Connell.

Ms. O'Connell, the floor is yours.

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

Just following up on that summary, it's the Canada Infrastructure Bank and not the Government of Canada that engaged with McKinsey. Is that correct?

Mr. Robert Palter: That's correct.

Ms. Jennifer O'Connell: Did you have any involvement with the Government of Canada in your role and work on those three contracts with the Infrastructure Bank?

Mr. Robert Palter: No.

Ms. Jennifer O'Connell: To summarize, you were asked to provide names of potential employees for the Infrastructure Bank. You provided those, but they were not hired. You had three contracts with the Infrastructure Bank that were engaged by the bank through their own procurement processes with the board.

Current CIB employees who had previous employment with McKinsey have never engaged with McKinsey while working at the Infrastructure Bank. Is that correct?

Mr. Robert Palter: That's correct.

Ms. Jennifer O'Connell: We've heard this testimony over and over, but as you can see from the opposition, there seems to be an attempt to discredit your organization, and I don't understand the

reason. We even heard testimony that, to my understanding, McKinsey did work with the Canadian government under previous governments as well. Is that correct?

Mr. Robert Palter: That's correct.

Ms. Jennifer O'Connell: Did you ever do work while—

The Chair: Thank you, Ms. O'Connell. We'll end it there.

Ms. Jennifer O'Connell: —Prime Minister Harper was in office?

Mr. Robert Palter: Yes.

The Chair: We'll end it there. Thank you, Ms. O'Connell.

Monsieur Barsalou-Duval, go ahead.

• (1255)

[*Translation*]

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

When we look at the use of consulting firms by the Canadian government, we see that it is exploding, especially since the Liberals came to power. In the case of McKinsey alone, contracts went from zero dollars in 2015 to over \$32 million in contracts in 2021.

How do you explain the fact that, all of a sudden, your services have become essential for the federal government when it did without them for so long?

[*English*]

Mr. Robert Palter: In response to the question, I'll refer to a number of the points I made in my OGGO testimony at the end of March.

McKinsey's work with the federal government came about as a response to RFPs the federal government asked us to respond to. Those were competitively offered, procured and evaluated independently by the government.

As I said at OGGO, the complexity of the challenges facing the government grows every single year, and the government is looking for global expertise on how others have dealt with those challenges. We are able to bring that expertise to support the government in fulfilling its agenda.

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

[*Translation*]

Thank you, Mr. Barsalou-Duval.

[*English*]

Finally, we have Mr. Bachrach.

Mr. Bachrach, the floor is yours for one question.

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

Mr. Cartwright, we've heard several times this assertion that there simply isn't enough public money to invest in all the infrastructure that we need. That is never really contested, and I'm interested in your thoughts on that. Obviously there are limits, but we don't talk about what those limits are. We know that the federal government can provide financing at much more affordable rates than private capital has access to.

My question is around the fact that not only are we talking about privatizing types of infrastructure that have traditionally been public but also how there are cases in which the federal government is investing vast sums of money in infrastructure that has traditionally been private. I'm thinking specifically of \$30 billion being invested in an oil pipeline that the Auditor General has said isn't going to make us any money. In fact, it's going to result in the government leaving a lot of money on the table and losing money on that investment.

Is there an opportunity cost involved there? Could that \$30 billion be better spent on resolving the infrastructure deficit that so many communities across the country face?

Mr. John Cartwright: Absolutely. That purchase of a pipeline was such a grossly wrong decision.

Listen, it's been repeated here time and time again that somehow this is going to ease the burden on the taxpayer, this P3 model. This

is complete nonsense. If there's a billion-dollar project and you have a P3 model where the private guy is expecting 10% to 15%, the taxpayer has to find another \$100 million to \$150 million to pay those people for their role. That is a talking point that has been developed as part of this corporate capture of public policy-making.

We need to assert that the public good is only served when public assets are kept in our hands and are publicly accountable. Where the Infrastructure Bank can invest directly in those things in municipalities and with indigenous people, that's great. Giving money to companies that are making billions across the world is a terrible waste.

If we simply reverse some of the corporate tax cuts that have been brought in by this government, and previous governments in the last 20 years, we'd have over \$80 billion extra a year to invest in public infrastructure. Those are the solutions.

The Chair: Thank you very much, Mr. Cartwright and Mr. Bachrach.

That will conclude our line of questioning for today.

On behalf of all members, I want to thank our witnesses who joined us in person or virtually.

With that, this meeting is adjourned.

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