

RESPONSE PACKAGE

PSPC responses to Questions Taken on Notice Standing Committee on Government Operations and Estimates (OGGO) Main Estimates 2020-21 November 16, 2020

Question 1: (Member Kelly McCauley) Would the charges filed against Deloitte China Tohmatsu disqualify Deloitte from being eligible to receive government contracts?

Response: Under the Government of Canada's Integrity Regime, a supplier may be suspended or declared ineligible to do business with the Government if, in the previous 3 years, it, members of its board of directors or its affiliates, have been charged with or convicted of one of the offences listed in the *Ineligibility and Suspension Policy* in Canada, or similar offences abroad.

PSPC is aware of actions brought by the US Securities and Exchange Commission (SEC) against a Deloitte entity for the production of documents in relation to a fraud investigation of companies operating in China that were clients of Deloitte. The SEC enforcement actions against Deloitte were administrative in nature and no criminal charges or convictions have been filed.

As no listed criminal charges have been filed with respect to the SEC actions, Deloitte Inc.'s status under the Integrity Regime remains unchanged and they are able to be awarded federal contracts.

Additional information:

- In certain circumstances government regulators can require accounting firms such as Deloitte to disclose otherwise confidential information relating to their clients. The SEC cases against Deloitte in China sought information on a number of Deloitte's Chinese clients that the SEC was investigating for fraudulent activities. Deloitte was required by US law to provide the information but at the same time was prohibited from providing the information by Chinese government regulations. The matters were resolved through settlements with no admission of liability. The Chinese government also provided some documentation directly to the SEC.
- A total of \$260 million in administrative fines (the "third of a billion" referred to in Committee) were issued by various US regulators against a variety of different Deloitte affiliates, some in China, some in Japan, the US, Brazil and elsewhere between 2000 and 2020. Some of these fines related to SEC actions while others related to actions brought by other regulations with regard to allegations of

professional misconduct. None were criminal in nature and the majority were settled without admission of liability.

Question 2: (Member Kelly McCauley) With respect to section 3.22.15 of the Supply Manual: was a dedicated team created for emergency contracting requirements, and can you share with the committee each of the documented instances of decisions and deviations as required under the Supply Manual?

Response: As the procurement service provider for the federal government, Public Services and Procurement Canada (PSPC) has been one of the departments at the forefront of ensuring that Canada has what it needs to fight the pandemic. It should be noted that section 3.22.15 of PSPC's Supply Manual is intended as general considerations with respect to managing emergency requirements, rather than explicit stipulations as to what must take place.

That said, PSPC has implemented these best practices in responding to the national crisis caused by the COVID-19 pandemic. In addition to the procurement being done by specific commodity areas to manage some COVID-19 related procurements, a dedicated team was established in March to manage the majority of the procurements for personal protective equipment, medical devices, tests and testing supplies. A separate dedicated team was created to manage the procurement of domestically-produced personnel protective equipment and medical devices. This same group is also assisting in the procurement of vaccines and managing associated vaccine logistics. Finally, a third dedicated team was established to manage the procurement of transportation, logistical and warehousing solutions required for the COVID-19 pandemic response.

Contracts have been awarded to suppliers to ensure the timely delivery of goods to support the Government's COVID-19 response, while managing risks and adhering to the applicable provisions of the Treasury Board Contracting Policy and the Government Contracts Regulations.

Procurement decisions are documented in each individual procurement file, as part of routine due diligence. For example, procurement officers would clearly document when a national security exception (NSE) has been invoked; where a sole-source justification has been applied; whether emergency contracting authorities were used; if a contract has deviated from PSPC's Standard Terms & Conditions; instances where unique approaches were employed to identify and select suppliers for urgent COVID-19 requirements (e.g. the Call to Action published on PSPC's Buyandsell.gc.ca website in mid-March 2020); etc.

Question 3: (Member Julie Vignola) What do revenues from the Federal Accommodation and Infrastructure Program represent in the budget, and can you explain the increase or decrease in these revenues compared to last year?

Response: For the Real Property Federal Accommodation and Infrastructure program, revenues are primarily derived from rent collected from departments to which the program provides space. These revenues represent approximately \$785 million, which also includes revenues from conference rooms and parking, and from energy production and distribution. For 2020-21, projected revenues are relatively stable compared to last year (2019-20). A year-over-year decrease or increase in revenues would be explained primarily by the change in the volume of demand for office space.

Question 4: (Member Matthew Green) Do you follow your own procurement policy under the Federal Contractors Program?

Response: The Federal Contractors Program (FCP) is administered and enforced by Employment and Social Development Canada's (ESDC) Labour Program to address employment disadvantages in the Canadian workforce. Within the FCP, federal contractors with a resident workforce of 100 or more employees bidding on goods and services contracts of \$1M or more (including all applicable taxes) must enter into an Agreement to Implement Employment Equity (AIEE). The AIEE requirement becomes an ongoing obligation once one of these suppliers is awarded a contract.

General information on the FCP is available on the ESDC's Labour Program website: <https://www.canada.ca/en/employment-social-development/corporate/portfolio/labour/programs/employment-equity/federal-contractors.html>

In its capacity as a common service provider for procurement, PSPC has incorporated the FCP into its Supply Manual and standard procurement templates and processes. Detailed information on the FCP's application as part of PSPC procurements is provided at Annex 5.1 of the Supply Manual: <https://buyandsell.gc.ca/policy-and-guidelines/supply-manual/annex/5/1>

Question 5: (Member Matthew Green) Can you get back to the committee with the success rates of Canada Lands Company's affordable housing initiatives in terms of meeting their targets?

Response: The Canada Lands Company (CLC) aims to realize, on average, a national target of 10% of residential units as affordable housing units within its development projects. This target was recently added to CLC's objectives (2017/18). Prior to establishing the target, CLC complied with existing municipal objectives. CLC now promotes and pursues an affordable housing component in its projects both with municipalities and its partners. These partners include First Nations and not-for-profit affordable housing providers (such as Wateridge Village).

CLC is confident in its ability to meet or exceed the overall target of 10% among its collective efforts across the country. Since 1995, CLC has enabled the creation of approximately 1,900 affordable housing units on its development projects.

Additional information:

- Several factors and considerations, discussed below, impact the determination of the actual percentage and number of units of affordable housing on any given project. As a non-Agent Crown Corporation, CLC must conform to the planning, design and approval processes of each municipality where its projects are located across the country. Many municipalities set minimum requirements which are included in the official plans approved for development. Some projects will be over the 10% threshold and others may not reach it; thus, the Company strives for 10% as an average objective. When determining affordable housing objectives for a specific site, municipalities and CLC must consider factors such as balancing housing needs with other community goals and the proximity to transportation and/or services that complement many forms of affordable housing.
- Certain municipalities require 10% (and sometimes 15% or more) of units in their approval of a development plan, but others have no requirements for affordable housing (and in some cases may not actively support it). The effort on CLC's part to ensure affordable housing units are included requires the support and approval of the local community and the municipal council. In most cases, the affordable housing sites are sold to municipal affordable housing agencies or not-for-profit affordable housing providers. In other instances, municipalities seek a payment in lieu of providing affordable housing for a specific project. The funds would then be used for affordable housing at other locations the municipality considers better suited, often for the reasons cited previously. This approach is acceptable to CLC if there is evidence the product being 'funded' will in fact be realized for affordable housing.
- In addition to the affordable housing that CLC provides for in its project directly or via payments in lieu, CLC has been a significant contributor to federal affordable housing programs. CLC was one of the largest, if not the largest, purveyor of units through the former Surplus Federal Real Property for Homelessness Initiative (SFRPHI). CLC has been a partner with CMHC, PSPC and Employment and Social Development Canada from the inception of the Federal Lands Initiative (within the Federal Housing Strategy). At present CLC has provided seven properties across the country for consideration by affordable housing components through this initiative. These lots or blocks are offered into the program at land value reflecting the intended affordable housing use. The seven properties CLC has in the program today have a potential yield of 721 affordable housing units. The Company will continue to assess and identify more sites for the Federal

Lands Initiative and has identified other potential opportunities through its corporate plan process.

Question 6: (Member Irek Kusmierczyk) Is information available online in terms of facility-by-facility waste audits?

Response: Waste audits completed at PSPC Crown-owned buildings are not publicly available at this time. Waste audit data is currently tracked and reported internally within PSPC on an annual basis and is used to further develop PSPC waste and plastic management programs.

Starting in 2022, as set out in the Greening Government Strategy Cabinet Directive, departments will be required to report annual waste and plastic waste data to Treasury Board Secretariat.

Clarifications or additional information:

1. Member Matthew Green asked the Minister how many doses of vaccines we have purchased.

At the time of writing (December 21, 2020), Canada has secured 214 million doses and options that would bring the total of vaccines to up to 414 million doses. This approach mitigates the risk that the vaccines do not make it through clinical trials and the pharmaceutical regulatory process successfully. Agreements have been made with the following companies to obtain access to their vaccine candidates:

- AstraZeneca, which will supply up to 20 million doses of its viral vector vaccine candidate ADZ1222
- Sanofi and GlaxoSmithKline (GSK), which will supply up to 72 million of doses of their protein subunit vaccine candidate. The agreement with GSK secures their established pandemic adjuvant technology that will help the Sanofi vaccine produce a stronger immune response
- Johnson & Johnson, which will supply up to 38 million doses of its viral vector vaccine candidate Ad26.COVS
- Novavax, which will supply up to 76 million doses of its protein subunit vaccine candidate NVX-CoV2373
- Pfizer, which will supply up to 76 million doses of its mRNA vaccine candidate, BNT162.
- Moderna, which will supply up to 56 million doses of its mRNA vaccine candidate mRNA-1273
- Medicago, which will supply up to 76 million doses of its plant-derived Coronavirus Virus-Like Particle (CoVLP)

- 2. Member Pierre Paul-Hus asked PSPC to confirm who in the department has the final signature on negotiated COVID-19 contracts. ADM Reza and DM Matthews indicated that vaccine contracts are signed by the Minister; other contracts depend on the value to determine which official signs.**

Further to the exchange during the committee meeting, PSPC would like to clarify the approval process for four domestic ventilators, which were procured as part of the Government's response to COVID-19. These ventilators were recommended by an expert panel of medical and technical experts and ordered by the Public Health Agency of Canada.

- 3. Member Julie Vignola asked during an exchange with the Minister to clarify the funding for shipbuilding contracts.**

The value of shipbuilding construction as part of the National Shipbuilding Strategy (NSS) over the next few decades is approximately \$80 billion. This represents a long-term commitment to renew the vessel fleets of the Royal Canadian Navy (RCN) and Canadian Coast Guard (CCG), create a sustainable marine sector, and generate economic benefits for Canadians.

The total value of awarded contracts as of September 2020 is estimated at \$17 billion. A breakdown for each major shipyard is shown in the table below.

National Shipbuilding Strategy contracts awarded from 2012 to the end of September 2020			
Irving Shipbuilding	Vancouver Shipyards	Chantier Davie	Other shipyards/ Companies
\$4.96 billion	\$4.35 billion	\$2.15 billion	\$5.51 billion

In terms of economic impacts of the NSS, contracts awarded in the period of 2012 to the end of 2019 are estimated to contribute over \$17.04 billion (\$1.54 billion annually) to GDP, and create or maintain more than 15,521 jobs annually, through the marine industry and its Canadian suppliers between 2012 and 2022.

- 4. Member Irek Kusmierczyk asked the Minister about the number and value of contracts awarded to Indigenous businesses during the COVID-19 period. As part of her response, the Minister indicated that 26 contracts worth over \$73 million were awarded through the pandemic to 21 companies.**

PSPC would like to provide up-to-date figures on this topic. In response to the COVID-19 pandemic, as of November 4, 2020, PSPC-Acquisitions Program (AP) has awarded 28 contracts to 23 self-identified Indigenous businesses, collectively

worth over \$74 million. These include contracts for logistics and air charter services, accommodation and cleaning services, IT professional services, medical and laboratory supplies, masks, hand sanitizer and thermometers.

Question Taken on Notice prepared by PHAC:

- 1. Committee Chair Robert Kitchen asked the Minister about the restocking of the National Emergency Strategic Stockpile (NESS), which falls under the responsibility of the Public Health Agency of Canada (PHAC). The Minister committed to reach out to Health Minister Hajdu and get back to the committee with a response.**

Please find below the response from PHAC:

The Public Health Agency of Canada (PHAC) continues to receive a steady supply of PPE, medical equipment and supplies with shipments arriving daily. In addition to the bulk procurement of PPE with provinces and territories, PHAC is bolstering the National Emergency Strategic Stockpile (NESS) to be capable of responding to eight weeks of national pandemic usage through its resurgence planning, which is supported by the Pan-Canadian PPE Demand and Supply Model developed by Health Canada. PHAC continues to monitor the supply of PPE and demand trends and adjusts procurement recommendations as necessary.