



164264

Security: Normal

October 9, 2020

## MEMORANDUM TO THE MINISTER

### FOR DECISION

**SUBJECT:** Contract for domestic production of N95 respirators with  
3M Canada

#### SUMMARY

This memorandum is to seek your approval to issue a contract to 3M of Ontario for the production of N95 respirators.

The initial contract period is for 5 years, with an estimated value of \$111,587,500.00 (taxes included) for the purchase of 25 million respirators annually. Canada has also reserved the right to extend the contract by up to 5 option years to purchase an additional 25 million respirators annually. The firm unit price for the option periods will be based upon the 5-year contract firm unit price plus a percentage increase corresponding to inflation calculated based on Statistic Canada's Consumer Price Index.

This agreement was negotiated in partnership with the Government of Ontario; however, Ontario will establish its own separate contract for 25 million masks annually directly with 3M.

Canada will also provide capital investment funds of \$23.33 million in 2020–2021 toward the costs of constructing the proposed Brockville facility. This investment represents a one-third equal share of project costs with Ontario and 3M. Federal funding will be provided by Innovation, Science and Economic Development Canada through the Strategic Innovation Fund.

Starting in September 2020, until production of the Brockville plant is 100 per cent operational, 3M will provide an interim supply of 2 million N95 respirators (1.25 million to Ontario, 750,000 to Canada) on a monthly basis.

If all options are exercised, the total contract value will be an estimated \$235,000,000.00 for the procurement of 250 million N95 respirators. Payments will be made upon delivery and acceptance. This contract utilized standard contract terms and conditions. No advance payment or indemnity clauses have been incorporated.

I recommend that you approve the contract with 3M Canada for the supply of these N95 respirators.

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TIME FRAME

A decision is requested by October 16, 2020.

**BACKGROUND**

The COVID-19 pandemic has highlighted Canada's reliance on foreign suppliers of personal protective equipment (PPE). While the Government of Canada has been procuring PPE from both domestic and international suppliers to meet federal, provincial and territorial needs during the pandemic, it has relied heavily on international suppliers, particularly from China, for N95 respirators and equivalents (e.g. KN95).

Health Canada has undertaken supply and demand modelling for N95 respirators, which considers the usage rate, current inventory, orders placed and future demand. Current modelling estimates that the demand for N95 respirators from August 2020 to August 2021 will be 195.5 million units across all Canadian healthcare sectors. Of these, approximately 99.8 million will be for the public health sector, including hospitals and public long-term care facilities.

Prior to this 3M contract, federal, the provincial and territorial supply of N95s (as reported by provinces and territories) was expected to fall short of annual demand in the public health sector, in a resurgence scenario, by approximately 24 million. From the start of interim supply in September 2020 to September 2021, 3M supply is expected to meet approximately 70 per cent of that residual demand gap. In subsequent years, when 3M delivers a full 25 million per year, it is anticipated that 3M will meet an even greater percentage of the healthcare N95 demand.

In April 2020, Innovation, Science and Economic Development Canada issued a call to action to Canadian manufacturers to assist Canada in meeting its needs for medical supplies in the fight against COVID-19. Over 500 N95 respirator proposals were reviewed. Of that number, 5 manufacturers were contacted to discuss Canada's interest in establishing domestic production of N95 respirators. After extensive consultation and review with Health Canada, the Public Health Agency of Canada (PHAC), Innovation, Science and Economic Development Canada, and Public Services and Procurement Canada (PSPC), 3M's proposal was identified as the preferred proposal due to a combination of price, manufacturing and supply chain strength, supply chain security, product quality, experience, end-user acceptance, certification and sustainability.

## **ANALYSIS/CONSIDERATIONS**

As Canada prepares for a potential resurgence of COVID-19, global shortages of PPE are only expected to grow. The Canadian healthcare system requires a secure and sustainable supply chain of N95 respirators, both to respond to second or subsequent waves of COVID-19 and for future public health emergencies.

This contract supports PHAC's core responsibility (health security) to ensure that public health events and emergencies are prepared for and responded to effectively. Once established, this contract will maintain a product reserve in the National Emergency Strategic Stockpile and distribute that reserve to provinces and territories at no cost in response to requests for assistance.

PSPC proposes to enter into an \$111,587,500.00, 5-year sole source contract with 3M Canada to manufacture and deliver N95 respirators in Brockville, on behalf of PHAC. The costs would include \$111.6 million to procure a minimum of 25 million respirators annually, starting in the first quarter of fiscal year 2020–2021. This agreement was established in partnership with the Government of Ontario; however, Ontario is establishing an identical but separate contract for 25 million masks annually directly with 3M.

The Government of Canada will also provide funding of \$23.3 million in 2020–2021 toward the capital costs of constructing the proposed Brockville facility, representing one-third of project costs (the other two-thirds will be provided by the Government of Ontario and 3M). Federal funding will be provided by Innovation, Science and Economic Development Canada through the Strategic Innovation Fund. The facility is expected to be fully operational by the first quarter of 2021, with plant NIOSH certification expected by January 2021.

The unit price for each 3M model that will be produced is \_\_\_\_\_ which is highly competitive, particularly in light of a rise in pricing due to the supply pressures caused by COVID-19. For comparison, PSPC's standing offer for 1,870+ 3M N95 respirators is \_\_\_\_\_ and the unit price for N95 respirators in the Medicom procurement agreement is \_\_\_\_\_

The contract has remained in line with the approved term sheet, and it has been reviewed and accepted by the PSPC cost analysis group, Legal Services and PHAC.

An integrity check on 3M has been completed and no issues have been raised. As well, 3M Canada has not brought forward any issues of indemnification or limitation of liability, and satisfactory terms and conditions has been negotiated between 3M and Canada.

**RECOMMENDATION**

I recommend that you approve this sole source contract with 3M Canada for the domestic production of 3M N95 respirators. I am available to brief you at your convenience.



A handwritten signature in cursive script, appearing to read "Anita Anand".

\_\_\_\_\_  
I agree, Anita Anand

\_\_\_\_\_  
I disagree, Anita Anand

Attachment

- Annex: Draft contract



**Purchasing Office - Bureau des  
achats:**

L'Esplanade Laurier, East Tower  
140 O'Connor, Street  
Ottawa Ontario K1A 0R5  
Canada

**DRAFT CONTRACT**

You are requested to sell to Her Majesty the Queen in right of Canada, in accordance with the terms and conditions set out herein, referred to herein or attached hereto, the goods, services, and construction listed herein and on any attached sheets at the price or prices set out therefor.

Nous vous demandons de vendre à Sa Majesté la Reine du chef du Canada, aux conditions énoncées ou incluses par référence dans les présentes, et aux annexes ci-jointes, les biens, services et construction énumérés dans les présentes, et sur toute feuille ci-annexée, au(x) prix indiqué(s).

The Vendor/Firm hereby accepts/ acknowledges this contract.  
Le fournisseur/entrepreneur accepte le présent contrat/en accuse réception.

Signature \_\_\_\_\_ Date \_\_\_\_\_  
Name, title of person authorized to sign (type or print)  
Nom et titre du signataire autorisé (taper ou imprimer)

**Comments - Commentaires**

**Vendor Name and Address  
Raison sociale et adresse du  
fournisseur / de l'entrepreneur**

3M Canada  
300 Tartan Drive  
London, ON  
N5V 4M9  
PBN # 894922491PG0008

|  |                          |   |
|--|--------------------------|---|
| <b>Title-Sujet</b><br>3M N95 Respirators   |                          |   |
| <b>Contract No. - N° du contrat</b><br>TBD   |                          | <b>Date</b>                                   |
| <b>Client Reference No. - No. de référence du client</b>   |                          |   |
| <b>Requisition No. – No. de la demande</b>   |                          |   |
| <b>File No. – No. de dossier</b>   |                          | <b>CCC No./No CC – FMS NO. / No VME</b>       |
| <b>Financial Codes - Codes financiers</b>  |                          |   |
| <b>F.O.B. - F.A.B.</b>   | <b>GST/HST – TPS/TVH</b> | <b>Duty - Droits</b>                          |
| <b>Destination of Goods, Services and Construction:<br/>Destinations des biens, services et construction :</b>   |                          |   |
| <p><b>Invoices - Original and two copies to be sent to:<br/>Factures - Envoyer l'original et deux copies à :</b></p> <p>Health Canada/PHAC<br/>Accounting Operations East, P2P Invoices<br/>18th Floor, Room 1855C, 200 Eglantine Drive,<br/>Jeanne Mance Building, Tunney's Pasture<br/>Ottawa, ON K1A 0K9<br/><a href="mailto:hc.p2p.east.invoices-factures.est.sc@canada.ca">hc.p2p.east.invoices-factures.est.sc@canada.ca</a></p> |                          |   |
| <b>Address Inquiries to: - Adresser toute demande de renseignements à</b><br>[Redacted]  |                          |   |
| <b>Telephone No. - No de téléphone</b><br>[Redacted]   |                          | <b>Email:</b><br>[Redacted]@tpsgc-pwgsc.gc.ca |
| <b>Total Estimated Cost - Coût total estimatif</b><br>\$111,587,500.00   |                          | <b>Currency – Devise</b><br>CAD               |
| <b>For the Minister - Pour le Ministre</b>   |                          |   |



**Purchasing Office - Bureau des  
achats:**

L'Esplanade Laurier, East Tower  
140 O'Connor, Street  
Ottawa Ontario K1A 0R5  
Canada

**CONTRACT - CONTRAT**

You are requested to sell to Her Majesty the Queen in right of Canada, in accordance with the terms and conditions set out herein, referred to herein or attached hereto, the goods, services, and construction listed herein and on any attached sheets at the price or prices set out therefor.

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Le fournisseur/entrepreneur accepte le présent contrat/en accuse réception.

Signature \_\_\_\_\_ Date \_\_\_\_\_  
Name, title of person authorized to sign (type or print)  
Nom et titre du signataire autorisé (taper ou imprimer)

**Comments - Commentaires**

**Vendor Name and Address  
Raison sociale et adresse du  
fournisseur / de l'entrepreneur**

3M Canada  
300 Tartan Drive  
London, ON  
N5V 4M9  
PBN # 894922491PG0008

|  |  |                             |
|--|--|-----------------------------|
| <b>Title-Sujet</b><br>3M N95 Respirators   |  |                             |
| <b>Contract No. - N° du contrat</b><br>6D024-203493-001  | <b>Date</b><br>2020-11-18                |                             |
| <b>Client Reference No. - No. de référence du client</b><br>6D024-203493   |  |                             |
| <b>Requisition No. - No. de la demande</b><br>6D024-203493   |  |                             |
| <b>File No. - No. de dossier</b>   | <b>CCC No./No CC - FMS NO. / No VME</b>  |                             |
| <b>Financial Codes - Codes financiers</b><br><br>1480-222331-57605-2269111-WD01  |  |                             |
| <b>F.O.B. - F.A.B.</b><br>N/A  | <b>GST/HST -<br/>TPS/TVH</b>             | <b>Duty - Droits</b><br>N/A |
| <b>Destination of Goods, Services and Construction:<br/>Destinations des biens, services et construction :</b><br><br>See Herein   |  |                             |
| <b>Invoices - Original and two copies to be sent to:<br/>Factures - Envoyer l'original et deux copies à :</b><br><br>Health Canada/PHAC<br>Accounting Operations East, P2P Invoices<br>18th Floor, Room 1855C, 200 Eglantine Drive,<br>Jeanne Mance Building, Tunney's Pasture<br>Ottawa, ON K1A 0K9<br><a href="mailto:hc.p2p.east.invoices-factures.est.sc@canada.ca">hc.p2p.east.invoices-factures.est.sc@canada.ca</a> |  |                             |
| <b>Address Inquiries to: - Adresser toute demande de renseignements à</b><br>_____   |  |                             |
| <b>Telephone No. - No de téléphone</b><br>_____  | <b>Email:</b><br>_____@tpsgc-pwgsc.gc.ca |                             |
| <b>Total Estimated Cost - Coût total<br/>estimatif</b><br>\$111,587,500.00   | <b>Currency - Devise</b><br>CAD          |                             |
| <b>For the Minister - Pour le Ministre</b><br><br>_____ Digitally signed by _____<br>Date: 2020.11.18 15:02:23<br>-05'00'  |  |                             |



161923  
[REDACTED]

Security: Normal  
April 3, 2020

## MEMORANDUM TO THE MINISTER

### FOR DECISION

**SUBJECT:** Contract for protective personal equipment (PPE)

#### SUMMARY

This memorandum is to seek approval to enter into a 10-year sole-source contract of a total estimated value of \$381,693,476.47, including applicable taxes with AMD Medicom Inc. of Pointe-Claire, Quebec, for 20 million N95 masks and 24 million level 3 surgical masks annually, which will be produced in a newly established manufacturing plant in Montréal. This capacity would support federal, provincial and territorial requirements during pandemics and other emergencies, including the COVID-19 crisis.

It is recommended that you sign the attached non-binding agreement with AMD Medicom Inc. that allows us to proceed with the contract.

#### TIME FRAME

A decision is requested by April 6, 2020, in order to provide the contractor the ability to begin the process of establishing the new facility in Montréal, to allow for first deliveries of product starting in the July 2020 time frame.

#### ISSUE

Today, Canada has no domestic N95 or surgical mask production capacity, and is completely reliant on imports, which has become increasingly challenging with a surge in global demand. The situation has also worsened as countries continue to impose export restrictions of PPE, particularly the N95 mask.

#### BACKGROUND

China is currently the largest global manufacturer of the N95 respirator. Increased demand for these supplies in the context of the COVID-19 pandemic has revealed a pressing and critical need to build domestic capacity, mitigating the risk of shortages in the near and long term.

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Given that Canada has no N95 or surgical masks capacity, on March 20, 2020, Innovation, Science and Economic Development Canada and Public Services and Procurement Canada sent a letter to AMD Medicom Inc. advising that Canada would like to discuss initiatives to create critical domestic capacity in medical countermeasures to combat COVID-19.

AMD Medicom Inc. is a Canadian and privately owned supplier of PPE with manufacturing capacity in Augusta, United States; Angers, France; Taiwan; as well as Shanghai and Wuhan in China. The company is an internationally recognized supplier, with long-term supply agreements in place or being developed with

AMD Medicom Inc. has responded to Canada's call with a proposed high-level agreement for a 10-year contract supplying local production and distribution of medical masks (earloop) and respiratory masks (N95) for the primary benefit of the Government of Canada. AMD Medicom Inc. is proposing a conversion plant that will source all mask components from third parties,

The company has in-house capability to manufacture its own machinery and has vertical integration of the necessary components to minimize dependencies.

Supporting the set-up of domestic capacity will support federal, provincial and territorial requirements during pandemics and other emergencies, including the COVID-19 crisis and for future preparedness. This will also provide healthcare workers and front-line staff with the necessary equipment to perform their duties and increase overall supply available to other front-line workers that need PPE.

While the facility will be in Montréal, the masks produced will serve all Canadians through the National Emergency Strategic Stockpile. To achieve this, AMD Medicom Inc. will begin with the installation, in Montréal, of one earloop face mask line with production starting on July 1, 2020, and of one N95 respiratory mask line with production starting on August 1, 2020. The company estimates that full production capacity could be reached within 6 to 12 months.

## **ANALYSIS/CONSIDERATIONS**

Relying on China or any other countries could limit access to PPE in a crisis situation, which is pivotal for Canada's response to the pandemic. It is estimated that the annual (non-pandemic) demand for N95s in Canada is 100 million units, the proposed contract would supply one fifth of that. Existing supply originates primarily from 3 million in the United States.



The Government engaged two companies to set up mask manufacturing capacity in Canada: AMD Medicom Inc. and 3M. Both companies provided high-level proposals.

AMD Medicom Inc.'s plan allows for the establishment of a mask manufacturing capacity in Canada under a shorter timeline with production starting in July 2020 and start-up costs included in the contract price. 3M's proposal was for the much-needed N95 masks only, which would require a start-up in 9 to 12 months and an initial investment cost of \$15 to 20 million.

AMD Medicom Inc.'s plan is moving ahead because establishing domestic manufacturing capacity is critical for minimizing Canada's reliance on foreign suppliers. Moreover, the shortened time frame is a key consideration given the urgency Canada is facing due to the COVID-19 pandemic. In this regard, 3M was also delayed in its responses and discussions with Government of Canada officials. Other factors leading to the selection of AMD Medicom Inc. include the fact that the company is headquartered in Canada, and has a proven track record of setting up similar agreements with France and Hong Kong.

#### **NEXT STEP**

Once the high-level agreement is signed, Public Services and Procurement Canada will proceed with issuing the contract.

#### **RECOMMENDATION**

I recommend that you sign the attached agreement to allow Public Services and Procurement Canada to proceed with contract negotiations with the supplier. I am available to brief you at your convenience.

A rectangular area of the document is redacted with a solid grey fill, obscuring the signature and name of the official.

\_\_\_\_\_  
I agree, Anita Anand

\_\_\_\_\_  
I disagree, Anita Anand

Attachment

- Annex A: AMD Medicom Inc. agreement



**Purchasing Office - Bureau des  
achats:**

Commercial and Consumer Products  
Directorate

L'Esplanade Laurier, East Tower  
140 O'Connor, Street  
Ottawa Ontario K1A 0R5  
Canada

**CONTRACT - CONTRAT**

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Le fournisseur/entrepreneur accepte le présent contrat/en accuse réception.

Signature \_\_\_\_\_ Date \_\_\_\_\_  
Name, title of person authorized to sign (type or print)  
Nom et titre du signataire autorisé (taper ou imprimer)

**Comments - Commentaires**

**Vendor Name and Address  
Raison sociale et adresse du  
fournisseur / de l'entrepreneur**

ADM Medicom Inc.  
2555 chemin de l'Aviation  
Pointe-Claire, Quebec  
H9P 2Z2

|  |  |                      |
|--|--|----------------------|
| <b>Title-Sujet</b><br>Surgical NIOSH N95 Respirators and Level 3 Surgical Masks                                |  |                      |
| <b>Contract No. - N° du contrat</b><br>6D024-202061/001  | <b>Date</b><br>2020-04-26  |                      |
| <b>Client Reference No. - No. de référence du client</b><br>6D024-202061/001                                   |  |                      |
| <b>Requisition No. - No. de la demande</b><br>6D024-202061   |  |                      |
| <b>File No. - No. de dossier</b>   | <b>CCC No./No CC - FMS NO. / No VME</b>                              |                      |
| <b>Financial Codes - Codes financiers</b>  |  |                      |
| <b>F.O.B. - F.A.B.</b>   | <b>GST/HST - TPS/TVH</b>   | <b>Duty - Droits</b> |
| <b>Destination of Goods, Services and Construction:<br/>Destinations des biens, services et construction :</b> |  |                      |
| See Herein   |  |                      |
| <b>Invoices - Original and two copies to be sent to:<br/>Factures - Envoyer l'original et deux copies à :</b>  |  |                      |
| See Herein   |  |                      |
| <b>Address Inquiries to: - Adresser toute demande de renseignements à</b><br>_____                             |  |                      |
| <b>Telephone No. - No de téléphone</b><br>_____  | <b>Fax:</b><br>_____   |                      |
| <b>Total Estimated Cost - Coût total estimatif</b><br>\$93,564,000.00  | <b>Currency - Devise</b><br>CDN                                      |                      |
| <b>For the Minister - Pour le Ministre</b><br>_____  | Digitally signed<br>by _____<br>Date: 2020.04.27<br>11:29:22 -04'00' |                      |

Annex to Public Service Procurement Canada's Submission to the Standing Committee on Government Operations and Estimates

*That, in the context of its study of the government's response to the COVID-19 Pandemic and pursuant to Standing Order 108(1)(a), the committee send for all briefing notes, memos and emails from senior officials, prepared for the Minister of Health, the President of the Public Health Agency of Canada, the Chief Medical Health Officer of Canada, and the Minister of Public Service and Procurement between 2010 and the present day, regarding the stockpiling, management, disposal and replenishment of medical equipment and supplies in the National Emergency Strategic Stockpile; that the committee receive the information no later than December 1, 2020; that matters of Cabinet confidence and national security be excluded from the request; that any redactions to protect the privacy of Canadian citizens and permanent residents whose names and personal information may be included in the documents, as well as public servants who have been providing assistance on this matter, be made by the Office of the Law Clerk and Parliamentary Counsel of the House of Commons and that these documents be posted on the committee's web page; (Source: [Minutes of Proceedings, OGGO, November 2, 2020](#))*

- As part of its methodology for identifying records for its submission to the Standing Committee on Government Operations and Estimates, Public Services and Procurement Canada (PSPC) used the date range of January 1, 2010 and November 2, 2020.
- Documents relating to equipment and supplies procured as part of Canada's ongoing response to the pandemic were not included in this submission. However, documents related to two longer term contracts signed with PPE suppliers to produce masks for the replenishment of the *National Emergency Strategic Stockpile (NESS)* are included.
- In order to respect the requirements of the *Access to Information Act (ATIA)*, redactions have been made to protect the following: personal information; commercially sensitive information; and, information that may harm Canada's negotiating position and ability to secure supplies through future procurements.