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From: Kim, Sabrina
Sent: Thursday, September 10, 2020 10:22 PM
To: PMO.F Senior Staff / personnel supérieur F.CPM; Gagnon, Chantal; Hage-Moussa, Vanessa
Cc: PMO.O.IM All Staff / Tout le personnel GE.O.CPM
Subject: Flag - Domestic ventilator company (CAE) expected to layoff workers due to HC approval delays

Hello,

One of the domestic companies (CAE) that PSPC has a contract with to produce 10, 000 ventilators will be told tomorrow that they still do not have approval from Health Canada to start selling their ventilators, as their product remains severely defected. CAE has already asked PSPC to advance additional funds due to previous HC approval issues as they continued to work on improving their vents, which neither PSPC nor HC had committed to doing. It is likely that the company will have to lay off the workforce that it hired to do the manufacturing of these vents with tomorrow's news from HC and in the absence of a strong signal from HC / PSPC that advanced funds are on their way in the interim. Please see below for more information.

CAE's first delivery proved deficient with a series of manufacturing and software issues. However, PHAC/HC and CAE were optimistic that the problems would be readily addressed. That said, the problems were serious enough that HC removed their interim authorization so that no further sales/deliveries could take place until the problems were resolved. CAE subsequently re-submitted their ventilator to HC. CAE has been making calls to PHAC and get HC to speed up their review. They have also been asking PSPC to advance additional funds since their burn rate is not aligned with their deliveries due to the delay in receiving approval. HC and PHAC have now finished their review and the results continue to show significant shortcomings with patient safety implications that could require several weeks, if not months, to address the problems and finalize the licensing approval process. CAE will receive this report tomorrow.

While CAE will need to accept and address the deficiencies, two short-term issues are expected.

- 1) First is the request for additional advanced payments. PSPC and PHAC are considering this request, but it is unlikely that it will be accepted. ISED believes we should continue to find ways to support the development - it is not an easy task that we have asked them to undertake and they have invested \$40M in this project to date.
- 2) The second issue is the potential for short-term lay-offs from CAE. They have a workforce hired to do the manufacturing, and these people will not be needed for several weeks/months. This could be as many as 250 people, of which a third are essentially temporary workers. The rest are CAE employees who were brought back from COVID-related furlough, and who could likely return later on in the process whilst taking advantage of COVID support programs in the interim.

Relatedly, you may recall that we had committed to having 30, 000 ventilators off the line by the end of the summer from three of our domestic champions (one of which was CAE.) Canada has received 728 ventilators thus far and of these, 523 are considered as accepted. Additionally, the number of ventilators that Canada had received in August was much lower than the amount initially anticipated (3899).

Thanks,

Sabrina

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