

## Lockington, Elliott (SPAC/PSPC)

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**From:** Church, Leslie (SPAC/PSPC)  
**Sent:** August 13, 2020 10:31 AM  
**To:** Gerasimov, Boyan (SPAC/PSPC)  
**Cc:** Roy, Cecely (SPAC/PSPC); fitz-morris, James (SPAC/PSPC); Lockington, Elliott (SPAC/PSPC)  
**Subject:** Re: FOR APPROVAL: For MO Approval: Media response / Tier 1 - Follow-up - COVID-19 - Medicom contract details / The Globe and Mail

Good points. And sorry I missed that Cecely!!

Sent from my iPhone

On Aug 13, 2020, at 10:29 AM, Gerasimov, Boyan (SPAC/PSPC) <boyan.gerasimov@canada.ca> wrote:

I also like the answer. The one thing that keeps bothering me is that in fact, the prices in this contract are some of THE BEST that we have gotten anywhere so far. I know we cannot say that in the written response but wondering if it makes sense to talk to the journalist on background and explain just how good it is?

- Much lower prices than most masks from China
- No need to pay for logistics
- No customs risk
- Manufacturing jobs in Canada
- Reputable company based in Canada

### **Boyan Gerasimov**

Director of Policy | Directeur des politiques

Office of the Minister of Public Services and Procurement | Cabinet de la ministre des Services publics et Approvisionnement Canada

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**From:** Roy, Cecely (SPAC/PSPC)  
**Sent:** August 13, 2020 10:25 AM  
**To:** Church, Leslie (SPAC/PSPC) <leslie.church@canada.ca>  
**Cc:** fitz-morris, James (SPAC/PSPC) <james.fitz-morris@canada.ca>; Gerasimov, Boyan (SPAC/PSPC) <boyan.gerasimov@canada.ca>; Lockington, Elliott (SPAC/PSPC) <elliott.lockington@canada.ca>  
**Subject:** Re: FOR APPROVAL: For MO Approval: Media response / Tier 1 - Follow-up - COVID-19 - Medicom contract details / The Globe and Mail

It is! In red below! I agree we definitely need to have that in there.

Cecely Roy  
📞 343-549-7293

On Aug 13, 2020, at 10:22 AM, Church, Leslie (SPAC/PSPC) <[leslie.church@canada.ca](mailto:leslie.church@canada.ca)> wrote:

I think she'll want the percentage of our contracts going to Cdn companies somewhere in there... other than that, I'm good!

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**From:** Roy, Cecely (SPAC/PSPC)  
**Sent:** August 13, 2020 10:17 AM  
**To:** Church, Leslie (SPAC/PSPC) <[leslie.church@canada.ca](mailto:leslie.church@canada.ca)>; fitz-morris, James (SPAC/PSPC) <[james.fitz-morris@canada.ca](mailto:james.fitz-morris@canada.ca)>; Gerasimov, Boyan (SPAC/PSPC) <[boyan.gerasimov@canada.ca](mailto:boyan.gerasimov@canada.ca)>  
**Cc:** Lockington, Elliott (SPAC/PSPC) <[elliott.lockington@canada.ca](mailto:elliott.lockington@canada.ca)>  
**Subject:** FOR APPROVAL: For MO Approval: Media response / Tier 1 - Follow-up - COVID-19 - Medicom contract details / The Globe and Mail

Hi there,

Let me know if this works for you folks. Will also share with MAA for her approval.

Thank you,

Cecely Roy  
343-549-7293

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**The Globe and Mail**  
**Silcoff, Sean (The Globe and Mail)**  
**Date call received: August-12-20 at 12:50**  
**Deadline: August-13-20 at 09:00**  
Tier 1 - Follow-up - COVID-19 - Medicom contract details

**CONTEXT:** The reporter had additional questions regarding contract details with Medicom. Further to PSPC having provided a response to his questions, the reporter requires additional precisions regarding the guarantees built into the contract, ensuring Medicom would be guaranteed production of N95 and surgical masks in Canada for the next 10 years.

**Q1. Is the unit price for these two mask types made in Canada at Medicom higher than those purchased from overseas manufacturers? If so – why pursue Canadian production of masks?**

**Q2. What are the parameters or guarantees for the extent of the 10 year contract?**

**Q3. What would inform the price negotiations at the three year mark?**

**Q4. What is the floor/minimum guarantee?**

**Quote, Minister Anand:**

“One of the most significant lessons learned in our response to the COVID-19 pandemic is that Canada’s manufacturing sector has the resilience and flexibility to pivot in a relatively short amount of time. We have the ability to produce PPE at home. That is something that we are carrying forward. Canadian companies have continued to support our response to the pandemic, while hiring back their team members or creating new jobs during this difficult economic time. Over the past months, Canada has built an industry that did not previously exist. In order to meet both our short and long term needs for PPE and medical supplies we have had to diversify Canada’s supply chains, and that in large part includes establishing and bolstering Canadian production.

The capacity is here. The ingenuity is here. Our contracts suggest nothing less. **Forty-four percent** are held with Canadian manufacturers, with respect to the overall dollar amount. We need to be prepared for any eventuality when it comes to this pandemic, whether it be a possible second wave or potential surges, as well as being ready to meet future demands. Having long term made-in-Canada solutions to help meet our country’s PPE needs is critical to ensuring that we are ready.”

**On background:**

The contract with Medicom guarantees the delivery of 20 million N95 masks and 24 million level 3 surgical masks annually for 10 years, all of which are being produced in their manufacturing facility in St. Laurent, Quebec, which is up and running.

This contract is an investment in domestic capacity to produce critical personal protective equipment, which will help ensure we have a stable source of supply—during the current pandemic and into the future—without fully relying on foreign suppliers for products like N95 masks.

The per-unit prices for the first three years of the contract are fixed, and are competitive with pre-pandemic pricing for these items. These prices will be re-negotiated after the first three years, based on the contractor’s costs plus profit levels established in the original agreement.

Further contract details cannot be disclosed, due to commercial confidentiality.

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Previous response provided August 12, 2020

**Q1. What is the total value of the Medicom contract? Can you give me a precise number? Is there a publicly**

**posted number somewhere?**

**A1.** The Government of Canada continues to be engaged in an unprecedented effort to acquire supplies and equipment to ensure that front-line healthcare workers, other essential services workers and Canadians stay safe and healthy. We are aggressively procuring in the global marketplace, while facing the risks posed by fragile supply chains, the fluidity of the current situation, and a surge in demand.

In order to provide Canadians with information relating to Canada's response to the COVID-19 pandemic, PSPC is [here](#) disclosing supplier names and contract values for contracts that it has entered into on behalf of other government departments and agencies for PPE and medical/laboratory equipment and supplies, with the following exceptions:

Given the global nature of the pandemic and the severe competition for goods PSPC is protecting the names of suppliers for certain hard to procure commodities, namely n95 respirators, gloves and swabs. Protecting this information will help secure these sources of supply in Canada's ongoing PPE procurement efforts.

**Medicom contract**

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.

In April 2020, PSPC entered into a ten-year sole-source contract with Medicom, with a firm price set for the first three years and seven additional years that will be negotiated annually. The contract is valued at \$94 million over three years, with the value of the remaining 7 years subject to future negotiation.

The contract is for the delivery of 20 million N95 masks and 24 million level 3 surgical masks annually for 10 years, which will be produced in a newly established manufacturing plant in Montréal.

**Q2. Is it possible, under the contract, the government could extend its demand over the 20 million N95s and 24 million surgical masks per year?**

**A2.** The contract does not allow for additional masks.