
SUBJECT /SUJET**B1 - FUNDING TO ESTABLISH CAPACITY FOR DOMESTIC PRODUCTION OF PERSONAL PROTECTIVE EQUIPMENT - TABLING OF THE 2020–21 SUPPLEMENTARY ESTIMATES (A)**

ISSUE

Why is the Public Health Agency of Canada requesting \$37.2 million for domestic production of personal protective equipment in the 2020–21 Supplementary Estimates (A)?

RÉPONSE / RESPONSE

- Procurement of medical supplies and protective equipment is an essential component of preparation and to ensure Canada's health care system is able to respond to COVID-19 cases.
 - Medical equipment supply has been an issue consistently raised at Federal, Provincial and Territorial tables since the beginning of the epidemic. With global health economic disruption, the fragility of Canada's supply chain has become a rate limiting factor in fulfilling orders for supplies.
 - Government action is required to mobilize Canada's manufacturing sectors to drive domestic production of respiratory and surgical masks based on an analysis of public health needs, procurement and market assessments, and opportunities for domestic production.
 - Funding of \$382 million over 10 years will allow the Public Health Agency of Canada to enter into a 10-year supply contract with Medicom, a Montreal based supplier of medical equipment. This contract would guarantee an immediate and ongoing Canadian supply of respiratory and surgical masks in response to the outbreak of COVID-19.
 - Entering into this contract will commit Medicom to set up both a filtering face-piece mask production line (N95 equivalent) and a ear-loop mask production line (surgical mask), with the objective of producing 20 million N95 masks and 24 million surgical masks per year, starting production August 1 2020.
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- L'approvisionnement en fournitures médicales et en équipement de protection est un aspect essentiel de la préparation aux épidémies, et il vise actuellement à faire en sorte que le système de santé canadien soit prêt à accueillir les cas de COVID-19.
- Depuis le début de l'épidémie, l'enjeu de l'approvisionnement en fournitures médicales est régulièrement soulevé à l'occasion des tables rondes fédérales-provinciales-territoriales. Dans le contexte des perturbations que subit l'économie de la santé à l'échelle mondiale, la fragilité de la chaîne d'approvisionnement du Canada constitue désormais un frein à l'exécution des commandes de matériel.

- **Des mesures gouvernementales sont requises afin que soient mobilisés les secteurs de la fabrication du Canada en vue de l'accroissement de la production nationale de masques de protection respiratoire et chirurgicaux, en fonction d'une analyse des besoins de la santé publique, d'une évaluation de l'approvisionnement et du marché et des possibilités de production à l'échelle nationale.**
 - **Un financement de 382 millions de dollars sur 10 ans permettrait à l'Agence de la santé publique du Canada de conclure un contrat d'approvisionnement de 10 ans avec Medicom, un fournisseur montréalais d'équipement médical. Le contrat garantirait un approvisionnement immédiat et durable en masques de protection respiratoire et chirurgicaux utiles à l'intervention face à l'épidémie de COVID-19.**
 - **Par la conclusion du contrat, Medicom se verra confier l'établissement d'une chaîne de production de masques filtrants (équivalents des masques N95) et d'une chaîne de production de masques à boucles latérales (masques chirurgicaux), avec pour objectif la production de 20 millions de masques de type N95 et de 24 millions de masques chirurgicaux par an; la production devrait débuter le 1er août 2020.**
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KEY FACTS

- Canada is already seeing challenges with global supply of N95 masks, as well as surge pricing. This is due to both market pressures and global supply chain challenges, including several countries having implemented policies that limit the export of N95 masks and other medical supplies.
- Currently, surgical and N95 masks are two of the most requested personal protective equipment products across all levels of government.
- Based on an industrial analysis of potential domestic candidates, Innovation, Science and Economic Development (ISED) identified Medicom as a viable supplier and manufacturer of these products.
- A ten-year contract is necessary to help Medicom retool and invest in the production of masks in order to expand the existing medical supply industry in Canada. Ensuring domestic supply capacity for the next ten years will help us better manage this pandemic and reduce Canada's reliance on foreign suppliers during this as well as any future pandemic.

BACKGROUND

- In order to build domestic manufacturing capacity for N95 respirators and surgical masks, as well as secure a domestic supply chain, a two-pronged approach is being taken:
 - First, the Government of Canada establish a long-term procurement arrangement with Medicom, to address the initial requirements for the COVID-19 response, and to build up PHAC's National Emergency Strategic Stockpile (NESS); and
 - The second part of this initiative will require an ISED Strategic Investment Fund (SIF) investment to build an additional facility and support an adjacent line focused on

polypropylene melt down manufacturing, this is necessary to produce filter grade material for the masks.

- These combined investments would remove reliance on foreign suppliers and preserve a Canadian supply chain for medical and surgical masks.
- Although production of masks under this contract will not begin until August, at the earliest, it is critical to have domestic capacity to manufacture and produce these essential supplies during a pandemic. A ten-year contract is necessary to help Medicom retool and invest in this business in order to expand the existing medical supply industry in Canada.
- Treasury Board approved emergency contracting authorities to allow PSPC to negotiate the contract and the terms of the agreement on behalf of PHAC. The contract was signed in late April 2020 to allow Medicom to begin building capacity and to initiate production.

Financial Details

(In dollars)		2020-21 Supps (A)	2021-22 ARLU	2022-23 ARLU	2023-24 to 2024-25 ARLU	2025-26 to 2029-30 ARLU
Operating expenditures		37,200,000	37,200,000	37,200,000	37,200,000	39,140,000

Anticipated Results

- This domestic supply capacity will reduce Canada's dependence on the global market for respirator and surgical masks in the medium-to long-term and help the Government respond to the current COVID-19 crisis.

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