

Reporting on procurement

by David Pye

It's hard to say who, what, why and how much

OVER THE COURSE OF the last decade, Canada emerged as a global model of electronic government, both at the provincial and the federal levels. Electronic tendering systems like MERX, legislation such as the *Agreement on Internal Trade* and the promise of new federal initiatives such as the Government of Canada Marketplace all contribute to an increasingly functional procurement system.

"The Government of Canada Marketplace will help us produce information more rapidly," notes Martin Edmondson, director general, Acquisitions Renewal with PWGSC. "Part of the investments made in the coming years will go towards designing and building a government-wide procurement reporting system to track, review and analyze trends in federal procurement activities."

At the same time, the digital age ushered in an era of transparency that has resulted in increased oversight from both public sector and private sector interests who are sitting up and taking notice of suggestions that public sector procurement accounts for as much as 30 percent of all business in the Canadian economy. In 2002, federal procurement alone generated close to half a million contracts and amendments totaling nearly \$13 billion in procured goods and services. Numbers like that have raised some tough questions as to how procurement data is collected, reported and made available in a transparent fashion.

"The first step is to monitor the situation, and that means knowing how many firms sell to government and what their share of the pie is," says Garth Whyte, execu-

utive VP of the Canadian Federation of Independent Business. "Right now, the short answer is that the feds don't have a clue, and they admit it."

That admission contributed to the establishment of the Parliamentary task force government-wide review of procurement under the guidance of Walt Lastewka, parliamentary secretary to the Minister of Public Works and Government Services. The task force was to develop recommendations for a procurement system to be 'based on a foundation of integrity, accountability and transparency.' (For more details see "The big fix," *Summit*, January/February 2005, also online at www.summitconnects.com.) Results of the task-force study were reflected in the new federal budget and call for an overall reduction in government procurement costs of \$2.5 billion over the next five years.

"If we're not vigilant, some small firms may be shut out," warns Whyte, whose membership base of 105,000 business owners includes 50 percent that have done business with the public sector. "We need to be sure that it's not just an expedient policy to make it easy, rather than one aimed at being the best."

Whyte's consultations with PWGSC officials produced assurances that small business will not be steamrolled by new policies, and that the impact of government procurement on such businesses will be addressed. One of the first initiatives will be the formation of a small business office to assist small firms in gaining access to government contracts.

"The government-wide review of procurement recognized the challenge of con-

solidating procurement information, and made recommendations to establish procurement performance standards, and to move towards centrally collecting and reporting procurement data," says Edmondson. "The recommendations have been accepted by the [federal] government as part of the 2005 budget – part of the full package of improvements to procurement."

But what's good for the goose isn't necessarily good for the gander when it comes to reporting on procurement. Reliable current data on who the suppliers are to the public sector, what they supply and at what cost should enable public procurement specialists and senior management to make more informed and timely decisions, and possibly cut better deals. But, public sector initiatives to make the process more transparent revolve around cost-cutting measures rather than statistical transparency. This approach may not achieve all the potential benefits for the public sector, or coincide with the interests of taxpayers and a private sector that want access to more detailed information on a timely basis. Procurement data has proven to be slow in coming to the surface, and there are serious questions about how accurate it is given that the process is governed by more than 15 *Acts of Parliament* and several different policies at the federal level, all aimed at overseeing the procurement activities of close to 100 separate departments and agencies.

"This is a relatively new field of activity, and there are challenges in reconciling data from 98 departments and agencies with different tracking systems," admits Edmondson. "However, the government has

already made progress in this area.” (see Editor’s note).

That progress began on July 18, 1994 with the signing of the *Agreement on Internal Trade* – a document signed by the First Ministers to facilitate processes in 10 economic sectors, including procurement. In theory, it was a step in the right direction, but transparency has revealed numerous shortcomings in the master plan. At the time of the agreement’s implementation, reporting systems from one province to another, and from one department to another, were far less sophisticated and integrated than they are today. Despite major advances in IT systems across the country, the reporting requirements of the *AIT* today remain the same as they were when the agreement came into effect on July 1, 1995. The result has been a slow and inconsistent level of reporting as evidenced by data currently listed on the Internal Trade Secretariat (ITS) website (www.intra.sec.mb.ca) that is over a year old.

“This is an agreement among 13 governments, so there is a lot of room for differences of opinion on the details,” says Lorraine Andras, policy advisor with the ITS. “While there are opportunities to review the agreement and to make changes to the reporting of procurement, this is not on the agenda in the near term.”

Even if the information posted was timely, the numbers themselves might still need to be taken with a grain of salt. Reporting on public sector contract awards cuts across multiple levels of authority at both the provincial and federal level, with varying requirements on value thresholds that inevitably result in a procurement process that is decentralized.

Transparency has also revealed shortcomings in the availability of information for public consumption. While government initiatives seek to reduce procurement costs, taxpayers and interested private sector businesses still face dead end searches when trying to ascertain which companies received contracts, and for how much.

“We looked a few years ago at the issue of how to report contract awards, but at the time it was decided that existing information systems did not enable one to break out that information,” says Andras. She points out, however, that even if the infor-

mation were readily available, it could be misleading. “If you purchase goods from a local distributor for a national company, which one is reported to be doing business with the government?”

With so many questions and so few answers, some provincial governments have taken a more independent stance on establishing reporting procedures. In Manitoba, dreams of a perfect system were replaced with practical initiatives that address the realities of our current imperfect world.

“I would say that a consolidated system is unlikely, but there are definitely ways of making it a much cleaner process,” says David Ash, director of Procurement Services for the Manitoba Government. Manitoba has reduced its reporting threshold to include all contracts over \$2,500, which helps shed light on many of the province’s transactions with small businesses. “There are pieces of information under the *AIT* reporting system that are consistent, so it’s not impossible to suggest that it could be enhanced and extended to other areas.”

Manitoba is also improving the process by making available a network of contact people through its Manitoba Marketplace portal (www.manitobamarketplace.com/cgi-bin/openwarehouse/index.cgi). Private sector vendors who are interested in precise areas of procurement can contact a sector representative directly to discuss issues pertaining to their business interests in a much more detailed manner.

“At any given time, we list about \$200 million in commodities on Manitoba Marketplace, and many of those commodities can be broken down to the very lowest levels,” explains Ash. “But we don’t have a mechanism in place to report individual contract awards to a given company beyond what is posted to MERX.”

Some provinces have gone a step or two further than others toward tracking where their contracts go, driven by a political need to demonstrate the overall fairness of the process. MERX, an e-procurement system intended for use by the federal government, the provinces and the MASH sector – and still the primary electronic tender management system for Manitoba, Ontario and the federal government – has been abandoned by some in favour of internal systems. In Alberta, the Alberta Purchasing Connection

is one clear example, and they are negotiating with other provincial and territorial governments to share information.

Another province taking matters into its own hands is British Columbia, where procurement officials constantly look at ways to improve their reporting process.

“Having the information available to report and then deciding which reports are the most meaningful is the first step,” says David Collisson, deputy chief procurement officer with the Government of British Columbia. “You can always capture data, but how you report on it is obviously the most important aspect.”

Collisson admits that there are challenges associated with collecting data from a variety of different departmental IT systems, but notes that they use an Oracle cast generic interface to standardize the information as best they can.

“On a ministry by ministry basis, some have more detailed contract management information than others,” he says. “We’re always looking at more effective ways to capture all the data so we can report on a wide variety of elements, rather than just how much was paid to a given company.”

But while these provincial initiatives show a desire to change the ineffective status quo, they also suggest that a standardized, detailed reporting process is still a long way off.

“If the question is raised again in the future, it may be clear that technology will make more things possible now than [previously],” says Andras. “There’s a committee that reviews operational and process questions, but right now other issues are on the table. Also, governments use different systems for their tender information. So, if you’re looking for one big master system, it will take some time to achieve – if at all.”

Ed. note: Under Proactive Disclosure [www.tbs-sct.gc.ca/pd-dp/index_e.asp], an initiative introduced in 2004, federal government departments and agencies are publishing contract details [valued at \$10,000 or more with “limited exceptions”] for each quarter of the fiscal year, on individual department websites. A listing of links is available at www.tbs-sct.gc.ca/pd-dp/gr-rg/index_e.asp.

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