

# Procurement reform and small business

Parliamentary Secretary Walt Lastewka recently submitted to Public Works and Government Services Canada Minister, Scott Brison, his task force's final report on the government-wide procurement review ([www.pwgsc.gc.ca/prtf/text/final\\_report-e.html](http://www.pwgsc.gc.ca/prtf/text/final_report-e.html)). The comprehensive, thoughtful and controversial report basically says the 'feds' should operate more like big market players and make the most of the advantages that size, capacity and expertise offer.

One of the issues the report raises has generated more than a little heat – the impact of proposed IT procurement reforms on small and medium-sized enterprises (SMEs). Some of that he has recently been defused by the announcement of a new SME facilitation bureau at PWGSC. Discussions also relate to the role of procurement in Canada's innovation agenda. A few old demons were unleashed as well – everything from policy set asides to omnibus contracting, to leveling competitive playing fields. This *Chatroom* includes three key, non-government luminaries in this debate, and the *Chatroom* will no doubt engage in debate other major government players in procurement reform as it evolves. Let us know what you think, too. So ... let's chat.

**Sit down, take a deep breath, sip a beverage, open your mind and stay awhile while we chat with:**



**Bernard Courtois**  
President & CEO  
Information Technology  
Association of Canada  
(ITAC)



**John Reid**  
President  
Canadian Advanced  
Technology Association  
(CATA)



**Garth Whyte**  
Executive Vice President  
Canadian Federation of  
Independent Business  
(CFIB)



## Does anybody really know what time it is?

**Reid:** After doing the only extensive polling of the [hi-tech] industry regarding vendor procurement, we were invited to meet Minister Brison. Following that consultation, we launched the VendorACT campaign to link any procurement policy change that affects the hi-tech sector to Canada's innovation agenda and to evaluate what PWGSC has done in terms of that overall goal. We're pleased with where we are ... but we now need agreement on goals and setting up an accountability matrix that measures how a particular partner or agency is meeting targets. The CATA team, is establishing the actual measurement criteria to benchmark progress. We will: look at issues raised by the vendor community and track what has been addressed; look at the number of opportunities provided to SMEs; and measure the dollar amounts and the performance of mechanisms used to involve the community in procurements.

**Whyte:** CFIB met with Minister Brison, three separate times with Parliamentary Secretary Walt Lastewka, and had a lengthy meeting with Deputy Minister David Marshall. CFIB focused on key governing principles. Consolidating purchasing, looking for single suppliers and taking a commodity approach make sense from the federal government's point of view and from the perspective of saving taxpayers' dollars.

But the government needs clear procurement objectives that balance value-for-money and other economic development objectives. Currently, there is a lack of congruent objectives, performance measurement against objectives and a focus on outcomes. We need greater accountability, transparency, consolidation, simplicity and efficiency in procurement. There are currently 15 *Acts of Parliament*, over 35 different policies, the *Fair Wages* legislation – many are outdated or contradictory – and central agency micromanagement of procurement.

**Courtois:** PWGSC is committed to aligning its practices with private sector practices. They consulted with ITAC and identified an array of commodity councils. These will identify and implement best practices in the procurement of a number of commodity groupings, the first of which are professional services and microcomputers. Some very small businesses participated in our consultations on professional services. We conducted workshops and participated in PWGSC town halls to help bring a broader representation of industry concerns to the process and we identified a few areas that will greatly assist small business participation. For example, there should be a procurement stream that includes small to very small consulting firms that are the best in their field and, with a slight change to the parameters, it appears these specialized consulting firms will now be included.

## Just you and me

**Whyte:** We will follow closely the evolution of the announced office of SMEs at PWGSC. It is important that it takes an enabling stance, not one of paternalistic positioning. SMEs can, and want, to compete head to head. This office will need a strong capacity to measure how, and how many, SMEs are accessing government contracts. Right now we are flying blind.

We don't have data, analysis or information and without better and more relevant data collection and a common database on suppliers, the government will be unable to track SME participation in procurement over time. Strong monitoring and analysis provide the opportunity to address impacts of procurement policies. CFIB also hopes for a watchdog function that can enforce SME-friendly policies.

**Courtois:** ITAC members – a broad array of small, medium and large companies – worked closely with PWGSC and Treasury Board over the last decade to achieve improvements in federal procurement. ITAC always represented and defended the interests of Canadian SMEs. On the procurement initiatives, ITAC invited representatives from small business associations to attend with us and openly shared our input documents. As we initiate the next stage of procurement reform, internalizing the objectives of the Expenditure Review Committee and final recommendations of the Lastewka task force, this representation will continue.

**Reid:** PWGSC has indicated that they will create the Small Business Bureau to facilitate SME access to procurement. They recognized the many commentaries CATA received from our survey work, many of which dealt with specific issues. In terms of set asides, we recommended a careful look the successes of key trading partners, whether Australia, Britain or the US. When looking at business models, you not only have to create a level competitive playing field, but a level international playing field. [Also, some] small enterprises have to be open to rethinking their business approach. They cannot take the position of entitlement, of being owed a living. Business communities also have to be responsive to change and openness, not just governments.

## Questions 67 and 68

**Courtois:** ITAC's work, though complex and unheralded, has an impact on SME vendors, for example, the consulting work

we did with government to cap liability for IM/IT contracts by PWGSC. Previously, small businesses undertook government contracts on the basis of unlimited liability and, when they signed, all their business assets, even their personal assets, were at risk – a significant deterrent to even begin the contract process. With a clear cap on liability, businesses large and small know exactly the risk they must manage and can bid accordingly. A united industry voice to government, representative of large, medium and small vendors, achieved this result.

**Reid:** CATA is the largest association representing advanced technology companies, everyone from the biggest players to start-ups, and even independent consultants – and there are synergies between all. This is not uniquely a small or big company issue. It is an issue of openness and being as creative as possible in modernizing government. If the structure is right, then businesses conduct themselves in the right way, and we get the right performance from the economy through the use of effective procurement mechanisms. Government [cannot] dictate which options are available to businesses. We encourage smaller players to form consortia, to partner with large companies – whatever makes sense for their business. Those arrangements happen in the marketplace. Government has a social, economic and cultural responsibility and business has a responsibility to operate commercially with good ethics.

**Whyte:** We're not sure the government completely understands what SMEs want. The minister and others regularly talk about helping SMEs join larger partnership and consortia arrangements as the government consolidates their procurement activity. SMEs are already fully capable of entering into these arrangements and frequently do. They want and need contracting designed so they can independently compete for government business themselves. Huge omnibus contracts are often structured in such a way that,

by their very nature, they eliminate SMEs from competing. SMEs also need an effective dispute resolution process in place.

## Make me smile!

**Whyte:** While government needs to ensure a level playing field, CFIB does not support set asides for any groups, including small business. Small business owners do not expect preferential treatment; they want fair access to procurement opportunities. The goals we discussed with PWGSC include ways to reduce the procurement paper burden on SMEs and the need to benchmark and measure SME participation in government procurement. The jury is still out on procurement reform and its effects on SMEs. So far the government has been responsive.

**Reid:** We have a significant network across Canada, which is easy to recharge within an hours notice, given the use of electronic communications. We made government very aware of vendor points of view; that should be the starting point. We don't know yet whether procurement reform will be more restrictive or limit opportunity for SMEs, but this is just the beginning of a fairly lengthy campaign. We've just begun mobilizing the community and holding everyone accountable to certain standards and goals, and we are certainly more encouraged than we were. We will hold PWGSC accountable to their commitments.

**Courtois:** Following years of experience consulting with government to secure the most professional procurement climate possible, ITAC believes that procurement reform will address the needs of government, the vendor community and Canadian taxpayers – a laudable goal, being pursued in a highly consultative, transparent fashion. It has already produced a number of breakthroughs with, no doubt, more to come through initiatives such as the PWGSC office of small business. Procurement reform is fundamentally important to Canadian quality of life and competitiveness. *mm*