

BUYING SMARTER IS a key initiative under Public Works and Government Services Canada's broader *Way Forward* agenda. It hopes to transform federal government procurement and generate significant savings – a promised \$2.5 billion over five years, predicated primarily on centralized procurement, standardization and the ability to identify and aggregate government demand, and secure better pricing from suppliers. For this year, these savings have already been removed from departmental budgets.

Treasury Board recently directed departments to procure goods and services only from PWGSC standing offers or other PWGSC pre-arranged procurement instruments in 10 commodity categories (for example, professional and administrative services). A case can be made for an exception on the basis that:

- a PWGSC standing offer for the product or service does not exist;
- the product or service on standing offer does not meet a department's specific requirements, eg., a delivery date;
- a department can obtain a lower price for the same or equivalent product or service, eg., through its own existing arrangement;
- the value of the requirement exceeds the call-up limitation established in the standing offer; or
- an existing contract is in place that guarantees the work to another supplier.

Certain goods and services within the mandated commodity categories (eg., cell phones and voice messaging, and services such as translation and training) currently lack standing offers, and there is some concern about PWGSC's capacity to put in place multiple arrangements, particularly in the services procurement area.

Buyers help assess and plan for assets in support of programs and operational requirements. They are the chief link between their departments and PWGSC, and are critical to achieving the planned savings. They must first determine whether a specific requirement fits one of the 10 mandatory commodities. If yes, buyers must search PWGSC's Standing Offer Index (SOI) database for an existing standing offer. If there is one, buyers must determine whether it meets their department's needs. If in doubt, they are required to contact the responsible PWGSC contracting officer who will make the final determination.

"Buying smarter" for federal buyers

The Government of Canada Marketplace (GoCM), PWGSC's virtual shopping mall, promises to make procurement simpler. GoCM – currently in the pilot stage – will automate the purchasing process for standard goods and services, provide enhanced purchasing information to facilitate decision making, and save time. If successful, GoCM will be rolled out to all departments by 2008. Until then, departments must rely primarily on the SOI, which, because it was designed pre-mandatory standing offers, lacks the robustness to facilitate effective, efficient searches and decision making.

Currently, departments may still conduct procurements using their existing authorities – or they can ask PWGSC to do it. But, given the changing procurement landscape, some confusion lingers in terms of what buyers can and can't do. Timely, accurate and consistent information from PWGSC is therefore critical.

Standing offers will not necessarily satisfy departments' specialized and program-specific requirements. Buyers must continue to work with program managers to define requirements, determine the most appropriate strategy for achieving program objectives, secure value for money over the lifecycle of the asset or acquired service, and conduct the procurement if within the department's authority. What is not clear is how long buyers can continue to conduct procurements. Recent amendments – not yet in force – to the *Department of Public Works and Government Services Act* give PWGSC the exclusive mandate for the procurement of both goods and services. Unless the Minister of PWGSC delegates some of this authority, departments cannot conduct their own procurements.

Where mandatory standing offers exist, program managers may experience difficulty accessing firms or independent consultants with program-specific knowledge if the firm/consultant does not hold a standing offer. The reality, right or wrong, is that these firms/consultants satisfy a real need and contribute significantly towards meeting operational requirements. Now, if these firms/consultants hope to do busi-

ness with the government, they may have to subcontract to firms who have standing offers, or expend considerable effort demonstrating they can provide better value. And competing for new solicitations may also be difficult, as PWGSC seems to be moving towards more onerous evaluation criteria that only larger firms will be able to meet. The net result of this 'encouraged' subcontracting to larger firms could be increased costs to government.

Under *Buying Smarter*, some PWGSC contracting officers will continue to work on specialized procurements; some will focus on commodity management activities; and others will work on putting in place the procurement instruments that will give effect to the commodity management work. For the commodity management work in particular, they need to be educated on applying lifecycle management principles (including sustainable development considerations) and lifecycle costing methodologies to determine the most appropriate method of supply.

Efforts to achieve savings in upfront acquisition costs are important, but should not supplant efforts to obtain value for money using a lifecycle approach to planning, acquiring, using and disposing of assets. Treasury Board Secretariat's proposed *Assets and Acquired Services Framework*, expected to be approved this fall, sets the direction for asset management on a lifecycle basis, taking into account the total cost of ownership (total lifecycle costs), and should provide valuable guidance to both buyers and PWGSC contracting officers. As well, Natural Resources Canada and Environment Canada have done considerable work in these areas. NRCan's *Savings Calculator*, for example, provides a lifecycle cost analysis for the actual lifetime use of many products. *MM*

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