

PWGSC adjusts savings target

by Anne Phillips



IN 1956 US SECRETARY of Defense, Charles E. Wilson (formerly president of General Motors) was credited with developing and advocating the concept of “permanent war” for its perceived benefits for an economy. Wilson had admired the productivity of the US economy during World War II.

These days the powers that be seem to have seized on a similar idea, ‘permanent reorganization,’ and it is being applied to Public Works and Government Services Canada (PWGSC) with a vengeance. From the top down, the department undergoes one upheaval or change of direction after another – all done with the best of intentions, but it seems like they just keep trying to square circles.

Well. Let’s step back a bit and see how they got from routine reorgs to last month’s restatement of the potential savings to be achieved through the recent iteration of “procurement reform.” That savings target of \$2.5 billion over five years, set under then PWGSC Minister Scott Brison, is no more. However, they do still have a target.

But before we get to that, a bit of history. There have been a number of “procurement reforms” or reviews, whatever you call them, over the years. Most were done quietly and routinely, some in response to a change in government or minister who naturally want to leave their mark on the department, or quickly because of some publicized scandal. But to many observers, not much really changed. In recent years, PWGSC has seen several new ministers, a change in government, new policies, laws and legislation, several scandals and technology change at breakneck speed. And, it will see even more as its ageing personnel retire. Quite a lot for any department to deal with, let alone one that now often finds itself in the limelight.

The procurement review mandated in December 2003 under the direction of then Parliamentary Secretary Walt Lastewka (to then PWGSC Minister Stephen Owen, in the Liberal government), was supposed to be different. Lastewka clearly stated that he wanted to really accomplish something, not just head up yet another review that resulted in either little or no real change. With the gov-

ernment of the day tightening budgets everywhere, the procurement department was now being pressed to change – to become more responsive, quicker, get better prices and value, and do it with more professionalism, reducing the risk of legal action and client dissatisfaction. The federal government-wide taskforce led by Lastewka subjected the procurement function across government and PWGSC to serious scrutiny. After 10 months of cross-country consultation, the taskforce’s report identified several problems and areas for potential improvement.

A key challenge was the lack of solid information for management. When government financial and reporting systems were first put in place they were not designed to answer the questions being asked today by management and/or the public. The systems either cannot provide the information or it is so dispersed among a variety of systems and departments that it cannot be collected in a standard, orderly and comprehensive fashion. Plus, once the information that is collected is digested by the system, it is so out of date as to be of virtually no value when making decisions.

Following the report – and in the midst of the furor and events surrounding the sponsorship scandal – the next minister of Public Works, Scott Brison, embraced a plan titled *The Way Forward* (www.pwgsc.gc.ca/transformation/text/index-e.html). His deputy minister, David Marshall, set a 10-50-10 target (www.pwgsc.gc.ca/acquisitions/text/pns/pn72R-e.html) that would see the department improve efficiency, shorten the length of time of procurements, and reduce pricing – improvements that would be welcomed.

As well, PWGSC announced that it would find \$2.5 billion in savings over five years. That number was a surprise to observers of federal procurement. They were left scratching their heads trying to figure out how the number was arrived at, and no explanations were forthcoming. The savings target was

suddenly a reality – a dominating one that the procurement professionals at PWGSC had to deal with. And, they had to deal with it in the absence of the very information that Lastewka’s report identified as being key to achieving any improvement at all. They tried. They are still trying.

In the meantime, the country got a new Conservative government and the department welcomed another new minister, Michael Fortier.

And as always, it takes new management a bit of time to get up to speed. During that period the department, determined to find those savings and reorganize itself into a more efficient organization, kept working to meet the targets.

The department undertook supplier/government consultations to help it decide what to do and how. However, the strategies, both contemplated and employed by PWGSC to reach their goal, received mixed reviews. In some cases, they precipitated what could almost be termed a revolt. For example, the mandated use of standing offer agreements caused distress and confusion for both government buyers and suppliers (a very large proportion of which are very small and micro businesses). The proposed policy on procuring printers met such a storm of protest that it was withdrawn, has been revised with vendor consultation and in December 2006, was re-released. The proposed use of reverse auctions met the same vehement resistance.

Suppliers protested so loudly that a second wave of supplier/government consultations resulted. As well, many other federal departments could not understand why their procurement budgets were being reduced and quite frankly, were somewhat sceptical that PWGSC could do what it was saying it could do. Having seen other reform attempts, one might think that they would adopt a “let’s wait this change out” attitude.

As it has often done before, government had turned to private industry for some

expert help. Eventually, PWGSC hired consultants, AT Kearney. But, this didn't work out well either. To many it looked like AT Kearney was trying a "make the shoe fit" approach – attempting to make the department fit the savings target rather than the target fit the department and the realities of its spending patterns. When the Kearney contract ballooned quickly to \$24 million, it was seen by many as further evidence of departmental ineptitude. With suppliers and the public expressing outrage again, Fortier ended it.

It fell to Minister Fortier to recognize the outcries of suppliers and their representatives. Responding to opposition about the proposed supplier compression strategy, he promised that small business suppliers would receive 40 percent of the government's business – 40 percent of what, many asked. (Remember that lack of information.) It was he who promised that the department would not use reverse auctions as a procurement tool.

Fortier also had to recognize the stress his department was under, trying to achieve that \$2.5 billion target.

So here we are. The new government and Minister Fortier like the plan to improve the procurement process and achieve savings, but they've eased the pressure a bit.

At the end of November 2006, Fortier announced that the department cannot achieve the \$2.5 billion in savings, saying that the figure was unrealistic. He also said that if he had been in charge when the decision was made to look for savings in the procurement function, he would have hired consultants before setting a savings target. He would have asked them to first help find where savings were possible and how much was possible, and then set the target.

Both Fortier and his department remain committed to finding 10 percent savings based on a better understanding of what they spend, where and how. Now they have a better idea of the things they cannot change; those they can, they will.

An examination of the procurement transformation section of the PWGSC website (www.pwgsc.gc.ca/transformation/proc/text/overview-e.html) shows that the current government is still committed to improving federal procurement and has taken steps to do so. Hopefully all the work done by the taskforce, industry associations and suppliers, procurement professionals and the Office of Small and Medium Enterprises will continue to contribute to the development of a positive plan that can be implemented. Improving the efficiency of federal government procurement and consequently achieving some savings and a good working relationship between the government and its suppliers, and PWGSC and its client departments, is a worthwhile goal. It would be a real shame to have the hard work that has been done, and the lessons learned so far, go to waste. ~~~

Note: Summit magazine has been covering this iteration of procurement reform since its inception. Below is a sampling of articles all of which can be found at our website: www.summitconnects.com.

March 2004 – *Running businesslike procurement: a chat with David Marshall*

April 2004 – *Procurement: a political priority* (interview with Walter Lastewka)

January/February 2005 – *The big fix: comments on the contemplated changes in federal procurement*

June 2005 – *FedWatch: Reforming federal procurement - smart commodity management*

April/May 2005 – *Chatroom: Procurement reform and small business*

October 2005 – *Chatroom: Suppliers on standing offer/lowest price purchasing*

January/February 2006 – *Chatroom: Buyers on standing offer/lowest price purchasing*

April/May 2006 – *Tailored to fit: strategic public procurement stimulates the economy*

April/May 2006 – *FedWatch: Professional certification program*