

An inside out view of federal procurement reform



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

Walt Lastewka, former M.P. and Canadian Parliamentary Secretary for Procurement Reform

JUST A LITTLE OVER two years ago, under the Martin government, then Parliamentary Secretary Walter Lastewka released a report on a 13-month intensive study that looked at procurement reform priorities and fixes in the federal government. (See sidebar.)



Though no longer a member of Parliament following the January 2006 election, Lastewka has been busy. "After the election, I was contacted by J.D. Lawrence and Associates and asked to look at some nanotechnology companies from the standpoint of innovation and research. My original background at General Motors was technology, research and development so, though I had to brush up on my

chemistry, I also had some experience in the field. I'm in excellent health and enjoying going to the odd hockey tournament with my grandson again." Despite his current pursuits, he's still an interested observer of things public procurement oriented. So... let's chat!

Open the envelope

Newman: Your report was the result of huge effort. Two years later, what do you think of the progress that's been made on your recommendations? There's clearly a lot of water under the bridge.

Lastewka: It is natural that when a government changes, previous elected officials are not kept formally in the loop, but these are things all Canadians should be able to know, let alone the specialists who worked on them. I can't find anything on the government Internet site or anywhere else that keeps score or updates activity. That makes it very difficult for me to identify where Public Works is not following the report's recommendations. We posted progress on the Web where anyone could see it, including our basic data.

I'd really like to be able to do the analysis. I've always believed that procurement systems must be transparent, consistent and fact-based with clear communication inside the organization and outside. Getting the input from the wide range of organizations was the key to the 13-month study. You take a lot of heat when you share [information] with everybody, but, in the end, you get the best system in place. We need to be right up front, gain experience, and let it and the facts tell us the real story.

During the study, we drilled for facts. I'm sure people got tired of me constantly insisting [for] the data, and [for] people, both in government and in business, to look at procurement from a total value perspective. Our approach was to share that data, gather advice, analyze it and put the best of the alternatives in place. The

premise for the study from the beginning was that it be data based, produce a consistent program and ensure proper inside and outside communications. When you don't communicate, suspicion comes in. Is there something wrong with showing people the results?

Tomatos, tomatoes, potatos, potatoes

Newman: Though you were a politician, your report was not seen as particularly partisan. Yet there's been controversy over the \$2.5 billion in savings identified after your report, subsequent consulting contracts that quickly crept upwards in value, approaches to hiring temporary help, use of standing offers, lowest price and other issues. How do these issues reflect on your work?

Lastewka: I kept interested MPs and opposition critics fully up to date throughout my study. I handed MP James Moore, the Conservative critic at the time, the first copy of the report personally. In fact, he liked what he saw and encouraged me to continue in that direction.

The present government's comments that the savings we identified came out of thin air were an insult to a lot of people. We used the UK study, an IBM study, did our own calculations and used Canada Revenue Agency and others who were doing it right as a backdrop on procurement data. In fact, the first year of implementation, we beat our savings target by almost 75 percent. We had calculated a low target, thinking it would take more time to get the departments in line to work with us, but surprisingly a lot of departments saw the return and started to realize the savings earlier.

The recent \$24-million expenditure on Kearney Consulting was not part of our study. I was not privy to how the department was spending money overall or the

Note: In February 2007, Treasury Board released Robert Dye's report on federal procurement policy. Dye, who is president and CEO of the Purchasing Management Association of Canada, was appointed in July 2006 to review the draft policy. See www.tbs-sct.gc.ca.

Government-Wide Review of Procurement Final Report

The Government-wide Review of Procurement Task Force, led by then Parliamentary Secretary Walter Lastewka, began in December 2003 and reported in January 2005. The task force conducted an extensive review of the federal procurement system and of best practices found elsewhere. This involved documentary research; interviews with purchasers and suppliers; consultations with supplier associations, including those representing small and medium enterprises; meetings with the federal government procurement community; encouraging submissions and comments through the task force website; speaking engagements; and international exchanges with other governments, including the United States, Australia, the United Kingdom and the European Union, and numerous international academic institutions.

The government recognizes that small and medium enterprises are of vital importance both in government procurement and the economy as a whole. The changes contemplated to procurement would reflect, be supported by, and require greater recognition of a specialized expertise involved in procurement. In addition, proactive communications, clear governance, strong leadership, goal setting and clear definitions will be critical.

The task force made a number of recommendations:

- It recognized the importance of continuous improvement and recommends a corporate approach to procurement and establishing a focal point for accountabilitys related to procurement.

- The use of government-wide tools, where they exist, should be mandatory.
- Departments would continue to exercise delegated authority where such tools do not exist and in emergencies.
- It recommended government-wide, commodity management planning be applied to procurement of all goods, services and construction. Commodity councils should be established to provide market advice.
- Government-wide strategic procurement plans should be developed by the government. Each commodity plan would identify the sourcing mechanism that would achieve best value. PWGSC would establish appropriate corporate procurement tools, such as standing offers, which reflect value for money and meet the needs of departments.
- It proposed that common contract performance measures, management processes and regular monitoring be applied across government.
- The government should consider reviewing the existing dispute resolution mechanism.
- Recommendations relating to human resources include: a review of the existing procurement classification, recognition of the need for appropriate qualifications and abilities, and the establishment of training programs and a centre of knowledge management to ensure ongoing human resource development.

Source: www.pwgsc.gc.ca. Government of Canada, *Public Works and Government Services Canada* (abridged)

direction they received from the minister at the time, let alone now.

I had stressed that procurement review, whether in a company or government, must be done in phases. Implement, evaluate and make adjustments according to what you learn. I haven't seen any score board since I left government.

I don't understand why the UK can go through a thorough procurement study, do all their work and come out miles

ahead of us while we decide "no, we can't do that in Canada." There's way too much politics for me.

Accentuate the positive

Newman: It's natural for you to have some disagreements and criticisms of political opponents, but what has been done right in procurement reform since your report?

Lastewka: The small business and green procurement offices seem to be working quite well, but we have no way of judging that and knowing for sure.

We set up the small business offices in the East, Quebec, Ontario, the West and BC. We were also going to keep score of how many businessmen we had participating before, during and after the initiative, and how many dollars of business went on in each region in order to really understand if we were achieving our goals. Then we were going to go back and have updates with the businesses who participated in our original cross country workshops and any other interested businesses to get their feedback. The objective was not to centralize but to make sure we were using a standard system across Canada and that people were benefiting across the country. It had to be win-win.

Opening up the small business offices was a good start but we're not hearing how they made out, what went right, what went wrong and how they're improving it. Sometimes small business needs to work with larger corporations, sometimes alone, or in conjunction with others. Businesses need to know where the government is going and why, so they can choose how best to present their participation.

The devil's in the detail

Newman: Now where do you think efforts should be targeted? In particular what do you think of specific issues such as sole sourcing, standing offers and lowest price?

Lastewka: I have many questions, especially on sole sourcing. I understand sole sourcing well. In my last six years at General Motors, I was involved in billions of dollars of purchases every year. You have to be able to [sole source], but there are parameters that must be followed. Are the needs of the department being spelled out properly without the procurement being biased to any given supplier? Is there really only one supplier that can supply the need? Has the due diligence been done to ensure that is so?

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In our report, we stressed best value, not lowest price. Suppliers having to bid for contracts keeps procurement competitive. Standing offers allow an open competitive bidding system and suppliers can plan in an open transparent atmosphere. When suppliers get contracts because of who they know, because of a pre-established or ongoing relationship or through convenience in order to get around cost-competitive processes, over time very real problems result. It can be beneficial for procurement people to call up a supply arrangement when they have an urgent requirement or are in a jam. They know what they are going to get. But you must always be careful of the balance in whether the supplier is getting the job because they are competitive or because of who they know.

The wind beneath our wings

Newman: You worked closely with a number of public servants in your study. You also are an ex auto industry exec. Do you think public procurement is in good hands?

Lastewka: I have great respect for the people in Public Works. They care about their professionalism and doing the right thing. But we need to have a standardized system in place. The people at Public Works want to do a good job, however, servicing departments or people who may not like such systems is a big problem for them. Of all the disciplines required to make a business or a government operate, procurement is on the spot every day. The eyes and ears of the world are watching and they can affect many people. If [procurement] is not done properly, it can cause great unnecessary pain.

PWGSC Deputy Minister David Marshall understands government – what is required to get things done and the primary role networking plays in achieving success. He also knows industry and business – experience gained as a bank executive – how businesses look to do what is necessary to get an advantage for their own business. He has an open mind and presents the facts. He is, from my perspective, greatly under-valued. Canadians can be confident in the management of federal public procurement. ^{^^}