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Ms. Raymonde Folco

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• (1105)

[Translation]

The Chair (Ms. Raymonde Folco (Laval—Les Îles, Lib.)): I call to order this 22nd meeting of the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities. Today is Tuesday, March 8, 2005. Pursuant to Standing Order 108(2), we are studying the new Human Resources and Skills Development Canada call for proposals criteria for funding community programs.

Our witness is Mr. Michael Saucier, Director general, Labour Market and Official Language Minority Communities, Department of Human Resources and Skills Development.

I would remind you, colleagues, that after Mr. Saucier makes his presentation, we are going to have an in camera discussion on future committee business, which, in my opinion will be quite brief. That will be the first part of our discussion. I will give you more details a bit later.

Welcome, Mr. Saucier, to this meeting of our committee. We are ready to hear from you.

Mr. Michael Saucier (Director General, Labour Market and Official Language Minority Communities, Department of Human Resources and Skills Development): Good morning and thank you, Ms. Folco.

Good morning to all committee members.

As you mentioned, my name is Michael Saucier and I am the Director General, Labour Market and Official Language Minority Communities. Thank you for this opportunity to speak to you about the call for proposals.

The department has given you an information kit that contains a copy of my presentation in English and in French. If you don't mind, I am going to do my presentation in English. However, I would be happy to answer your questions in both Official Languages.

[English]

Page 2 of the deck provides the purpose and objectives of my presentation this morning. There are three main objectives: firstly, to address the history of the call for proposal directive and the decisions taken by the department in implementing this directive; secondly, to inform the committee of our plans to further engage community stakeholders; and thirdly, to inform the committee of our approach to enhance the call for proposal process.

With the next couple of slides I'd like to provide you with a summary of the presentation and the key messages, which are categorized in three main areas. To begin with, why did we introduce the call for proposal process? That is to provide you with some content and context in this respect. Secondly, what is the call for proposal process? I'll take a look at the directive, the results of the CFPs, and the impacts it's had. Finally, I'll discuss our engagement strategy and look at possible changes to the process.

In response to the Auditor General's report, in which she highlighted the need to sustain efforts and commitments in implementing the department's six-point action plan in our internal audit, the department sought the advice of two independent consulting firms. Among the consultants' recommendations was one to implement a transparent and open process to select service providers for high dollar value agreements. I'll touch more on that in a moment.

The CFP process itself has now seen the completion of 154 CFPs, and the department estimates that over the next few months, 30 more will be completed. As we enter into the 2005-06 planning exercise, we will then further have an appreciation of how many more CFPs will be issued during that fiscal year. I'd like to highlight the fact that virtually all CFPs are in the provinces of Ontario and British Columbia, for reasons I'll address in a moment.

I'd also like to flag that the distribution among the not-for-profit, public, and private sectors has remained relatively stable.

There have been a few organizations in the greater Toronto area that have been adversely affected; however, there has been no service interruption for clients.

I'd also like to underline that opportunities exist outside the CFP process to access funding for other community needs.

It appears that of the many organizations providing services in the greater Toronto area, only two may be at risk of closing their operations.

Overall, we acknowledge that the CFP directive was implemented quickly, but it was made to deal with issues of fairness and lack of transparency. The change of approach has, however, resulted in the surfacing of long-standing administrative burden issues, many of which are non-CFP-related.

HRSDC will be proactive in working with voluntary sector organizations to identify and propose specific enhancements to the CFP directive. We remain committed to the CFP process.

Moving on to page 6, I'd like to provide further details in terms of the context. In 2000 the internal audit division of the department issued a report, which the department followed through on by taking steps to significantly increase and strengthen the administration of its grants and contributions. Fundamental to the department's plan was the implementation of the six-point action plan. One of the six points referenced that the department would get the best possible advice in regard to enhancing the administration of its grants and contributions. The Auditor General was supportive of the department's efforts, and his 2000 report noted that the department needed to sustain its efforts and commitments in implementing the six-point action plan.

The services of independent consulting firms were retained to provide advice. PricewaterhouseCoopers recommended three major initiatives. One was to automate the grants and contribution process, which the department has done. The second was to specialize process tasks, whereby process steps are assigned to staff with core competencies. Again, the department has followed through on this recommendation. Third was to concentrate key process steps to central delivery points to enhance the efficiency of our management. This has also been done.

• (1110)

Kroll Lindquist Avey made several recommendations, one of which was to implement a publicly transparent process for selecting sponsors. The recommendations of these consulting firms led to the specialization and concentration initiative in which the department issued four directives in February 2004. The four directives address: one, segregation of duties within a grants and contribution project life cycle; two, an internal review committee process; third, the call for proposal process, which is the focus of my presentation this morning; and four, enhanced financial controls where we've made mandatory the inclusion of an audit clause for all projects over \$350,000.

The CFP directive, which provides for a transparent and fair way of selecting service providers, as I mentioned, is one of those four directives. This CFP directive and the audit provisions are more externally focused, while the directives on segregation of duties and internal review committees support the internal management of grants and contributions.

Slide 7 notes that the CFP directive is a forward-looking business practice to enhance the integrity of grants and contribution program management. The process ensures that all interested and qualified organizations have an equal opportunity to apply for program funding on a level playing field. In the past, many organizations that did not have an opportunity to deliver services in the community requested equal access.

The CFP process is open and transparent, with no preconceived assumptions as to the eventual ranking of any applicants. The process involves the assessment of all applications in a fair and consistent manner whereby decisions are based strictly on the merits of the applications. The CFP process has allowed the department to

revitalize the manner in which clients receive service and is a result of innovative ideas brought forward by new service providers.

On slide 8, I would like to give you an appreciation of the CFP process itself. On the left hand side of the slide I've listed the key steps that are involved in a process, but the right hand side of the slide references the assessment criteria the department considers in reviewing all its applications.

In regard to the steps, first, there is setting the requirements up front. This means identifying a need that corresponds to national, regional, and local priorities as part of the department's business planning process. The second step is developing an application package that outlines program requirements, the number of clients to be served, project location, desired experience or qualification, and the funding to be made available.

The next step is assessing the proposal. As you can see on the slide, there are some key criteria the department considers. The service delivery approach and budget are two of the key criteria that are being assessed, followed by community labour market knowledge. The department also looks at the background, mandate, and expertise of applicants. Experience is fundamental. We look at the human resource plan of an organization to see the competency and the capacity of organizations, and finally, integrity and probity.

These assessment criteria are provided to all applicants via the application package. However, one of the recommendations or suggestions that I'll be addressing later is that the department would like to ensure that the marking grid, which is not currently provided to applicants, would be mandatory as part of future enhancements.

Generally speaking, the service delivery approach and budget are the criteria, as I mentioned, that receive the most weight. But I would also like to underline that knowledge of a community and local labour market is also extremely important.

The following step in the process is notifying organizations of results. Once the organizations have been determined in terms of the ranking, if an incumbent service provider is not successful, the department will inform the service provider by telephone and then follow up with a letter. In some cases, there have also been face-to-face meetings if the applicant so desires.

• (1115)

The final step is the negotiation of the agreement with the successful applicant. What this means is that the department may, for example, have received four applicants for a particular CFP. The four applicants have been assessed; the highest-ranking applicant has been notified; and the department then enters into the negotiation phase to complete an actual contribution agreement. But before that contribution agreement is finalized, it must go through an internal review committee process that I highlighted earlier as one of the directives issued under the specialization and concentration initiative.

Slide 9 is an attempt to provide you with an appreciation of some of the specifics or applicability of the call for proposal process. This process is a sound approach for mitigating the risks associated with large dollar value agreements. More specifically, the process applies to agreements that are generally in the range of \$500,000 or greater. Typically, these agreements apply to organizations. Agreements with organizations are in support of such activities as needs determination and case management, counselling, resource centres, to mention just a few. In a moment, I'll provide a little bit more detail in regard to the specific types of agreements.

Agreements that provide direct financial support to individuals are not subject to the CFP process, nor are agreements with aboriginal organizations or labour market development agreements with provinces with respect to our full transfer agreements.

I think it's important to highlight that the CFPs are also used by several other government departments and by provincial and municipal governments. For example, Immigration Canada uses the process in regard to its agreements for language instruction for newcomers. Health Canada and the Canadian International Development Agency also use the process, as does Foreign Affairs Canada. In terms of provincial governments, New Brunswick, Alberta, B.C., and the Ontario government widely use a type of CFP or request for proposal process. Finally, I'd like to highlight that the City of Toronto uses an RFP to identify delivery agents for its Ontario Works program.

So what does all of this mean from the perspective of the grants and contribution funding the department has? On slide 10, you can see that the department has roughly \$2.7 billion of program funds in support of its grants and contribution programs. However, many initiatives' programs are not subject to the CFP. For example, the labour market development agreements with transfer provinces, such as Quebec, Alberta, New Brunswick, Manitoba, and Saskatchewan—where the department has transferred program dollars, resources, and staff, through agreements—are not subject to the CFP process. As I mentioned earlier, neither are the aboriginal development agreements. Also highlighted here are homelessness programs, our pan-Canadian programs funded under part II of the Employment Insurance Act, and programs for individuals.

Furthermore, if you discount some \$365 million worth of programming for agreements that are estimated to be below \$500,000, you can see that some \$226 million, or 8.3% of the total Gs and Cs funding for the department, is actually subject to the CFP process.

I would like to underline that with agreements for \$500,000, and sometimes into the millions of dollars, it's very important for the department to use an open and transparent approach to minimize the risk of mismanagement and subjectivity in allocating funds.

Page 11 will give you an appreciation of the provincial distribution of the 154 CFPs that I referenced on the previous slide. The distribution, as you can see, is virtually all in Ontario and British Columbia, and even within these two provinces, it is concentrated in the greater Toronto area and in the greater Vancouver area.

● (1120)

There are little or no CFPs in New Brunswick, Quebec, Manitoba, Saskatchewan, and Alberta due to the labour market development agreements I referenced earlier. Although Ontario has a larger program budget than the British Columbia-Yukon region, it has issued fewer CFPs. This is due primarily to the fact that the British Columbia-Yukon region uses a community coordinator model to deliver programs targeted to individuals. Furthermore, the Ontario region has utilized more groupings of its CFPs.

As I referenced in a summary of remarks, the 2005-06 planning exercise will determine how many additional CFPs will be issued. The department anticipates that in the next few months, 30 CFPs will be issued. What do these CFPs actually represent? What do they support? Slide 12 will give you an appreciation for the types of activities that are funded through the CFP process. These programs are fundamental to achieving a primary objective of the department's employment programs, that is, to assist unemployed individuals to return to the labour market.

By far, the employment assistance services, which are funded through the EI account, are subject to the CFP process due to their high-dollar and high-risk nature. I would also like to point out that the community coordinator model is used primarily in the British Columbia-Yukon region.

On page 13 is a focus on the greater Toronto area and a distribution of projects by sector. Prior to the department implementing the call for proposal process, you can see that the distribution among the not-for-profit, public, and private sector was at 46, 17, and zero respectively.

To date we've issued 16 CFPs, most of which have been completed, that should result in approximately 62 projects. The total dollar value is estimated at some \$41 million that will be delivered by some 28 organizations. As you can see, the overall distribution of projects has remained stable such that the not-for-profit sector will have 46 projects for a net change of zero, the public sector will see a decrease of five for a total of 12, and we have four projects that will be supported by the private sector.

However, within the not-for-profit sector there have been changes in service providers. Specifically, four new service providers were successful, and five incumbent service providers who applied for funding no longer hold projects. I would also like to highlight that of these five incumbents, we believe that only two organizations in the greater Toronto area are at risk of closing their operations.

Lastly, I would like to highlight that funding agreements do exist that are not subject to the CFP process. More specifically, we estimate that some 60 to 70 other projects that are not subject to the CFP process will be allocated in the greater Toronto area.

What has been the impact of the CFP process? On slide 14 I summarize some of the key impacts. First, funding opportunities have been made available to all interested parties. The process is a structured and balanced approach for selecting service providers. It's a question of levelling the playing field to allow for all interested and qualified organizations to apply for funding in an open and transparent manner. The impact on organizations was not fully assessed given the quick implementation.

In a moment I will address the plans the department has with regard to addressing this concern. We have received general support for an open and transparent process. However, a few organizations have been adversely affected.

Finally, as reflected on this slide, the CFP process has also surfaced long-standing administrative burden issues that are not necessarily directly linked to the CFP process.

● (1125)

Starting with slide 15, I'd like to focus on the voluntary sector initiative. As you are aware, in 2001 an accord between the Government of Canada and the voluntary sector was signed. This accord focused on values, principles, and commitments. In accordance with the accord, two codes of good practice were also developed—one on policy dialogue and another one on funding.

The CFP directive is consistent with the overall principles outlined in the code on funding. Here are three of the principles that are included in the code: first, to ensure transparency; second, the use of multi-year funding; and last, clearly stating the objectives of funding programs.

With regard to these principles, before a CFP is initiated, the department works with community stakeholders to identify local needs as part of the local planning process. CFPs are often used to target specific client groups, such as youth and the disabled. All CFPs are advertised widely in both official languages. Successful applicants are given a three-year funding commitment, which allows for longer-term planning. This is a change from prior practices in which agreements were limited to one year. Finally, CFP parameters are made clear up front, and all applicants have an opportunity to ask questions.

Notwithstanding the fact that the CFP process was formalized as a national initiative in February 2004, a similar process for agreements was used in many areas of the department.

On slide 16, one of the principal underpinnings of the code on funding is that the Government of Canada and the voluntary sector recognize the importance of sustainable capacity for organizations. In this regard, I'd like to highlight once again that the CFP process was designed for high dollar value agreements; that is, those that are \$500,000 or more. Small organizations with limited organizational capacity can still access funding through smaller agreements. Our experience has found that some small organizations often lack organizational capacity to administer large contribution agreements. Smaller agreements offer an opportunity for organizations to gain experience needed to manage larger and more complex agreements. It's also an opportunity for them to build their capacity. Finally, agreements are for a fixed period of time and are not intended to create an expectation of indefinite funding.

On slide 17, we acknowledge that the manner in which the CFP directive was implemented may not have fully met with the following principle; that is, allowing a reasonable transition period when major changes are made to a funded activity already under way. While the department had some limited consultation during the design phase of the CFP directive, considerable effort has gone toward engaging stakeholders since the implementation.

When the directive was implemented in February 2004, the department was toward the end of its fiscal year and recognized that many agreements were coming to an end at the end of March. It therefore felt it was important to put this process in place; that is, an open and fair way of selecting high-level dollar agreements prior to the beginning of the 2004-05 fiscal year.

As part of our stakeholder engagement, as reflected on slide 18, we've had communications with community stakeholders, which have included briefings with members of Parliament and community organizations. All existing contribution agreement holders were advised in advance that their projects would be subject to a call for proposal process in the near future. In some areas, half-day information sessions were offered to potential applicants. Senior departmental officials met with a number of concerned stakeholders to provide information and respond to their concerns. As well, local officials have dealt bilaterally with unsuccessful applicants.

The department has made significant efforts to engage stakeholders to ensure that no service interruptions to clients would occur. Other consultations have also taken place or are planned in the near future, which I will touch upon in a moment.

So what did our consultation tell us?

● (1130)

Looking at slide 19, the majority of stakeholders support the intent of the call for proposal process. Some of them expressed a desire for more time to develop sound proposals. At the moment, the process only provides for two weeks for organizations to complete their applications, and you'll see in a moment a suggestion on how we can address this concern.

A few long-standing service providers have also been displaced, and as I indicated in my summary remarks, the CFP process has been somewhat of a lightning rod for other issues around grants and contributions. Specifically, the administrative overhead has been an issue that has been raised by a number of organizations, and the department is taking steps in addressing this concern.

On page 20 we highlight some of the proposed enhancements. First, we'd like to highlight that it's imperative that we continue to re-examine and assess our progress to determine if the process and outcomes are as effective as possible. We want to work with the voluntary sector organizations to identify the best way in which to engage them on possible enhancements to the CFP directive.

We are proposing an approach to engage stakeholders that will see meetings at the national level with key national stakeholder organizations. We will also be holding similar consultations at the regional and local levels, primarily in British Columbia and Ontario. We will also have discussions with some of our public and private sector sponsors with respect to this process.

Four possible adjustments are reflected in this slide. One is to increase the process from 90 days to 120, therefore providing an extra month. Furthermore, we'd like to provide a full 30 days for applicants to submit proposals. As I mentioned earlier, at the present time it's only two weeks. We want to make available the detailed assessment grid up front as part of the application package. And fourth, we want to make information sessions for potential applicants mandatory. While this does occur in many areas, we want to ensure a uniform approach.

These adjustments are simply listed as a starting point for upcoming discussions with stakeholders. Based on our discussions with the voluntary sector and other stakeholders, we will no doubt identify other areas for enhancement.

In conclusion, I'd like to underline that the primary objective of the department's employment programs is to assist unemployed individuals to return to the labour market. There is no doubt that organizations are instrumental to the delivery of our employment programs. The CFP process is a sound business practice to manage risks and ensure financial stewardship. The department is committed to the CFP process, whereby federal funding is awarded in an open, transparent, and administratively consistent manner.

We are committed to working with community stakeholders to improve the CFP directive and address areas of particular concern. We want to engage stakeholders to receive feedback on how to enhance the process and effect these changes in a timely manner.

This concludes my opening remarks. Thank you.

• (1135)

The Chair: Thank you very much, Mr. Saucier.

We'll now go once around the table, and I remind you that the first round is seven minutes.

Mr. Forseth.

Mr. Paul Forseth (New Westminster—Coquitlam, CPC): Thank you. I'm going to split my time with Mr. Devolin.

Thank you for coming today. I'm just wondering if you're aware of some of the background of why the committee decided to call this kind of evidence and have you folks come. There is a background that we are hearing from the community in terms of great concerns about this whole process. I see you have some possible adjustments here. It's good that you're open to them, but do you understand why

you're here and the focus of why we want to zero in a little bit on what really is happening out there?

Mr. Michael Saucier: I understand the committee is interested in having a better appreciation of the CFP process. Also, there have been some community organizations that have expressed concern with the process, and you wanted to have the department available to address some of the concerns that you've heard.

Mr. Paul Forseth: Yes, because I think some of the witnesses who will be coming later will be looking at your remarks today and will be responding. I hope this committee will have a constructive role in part of the overall adjustment proposals that you've addressed, that you've considered, that you say you're open to, and that the feedback cycle will be enhanced from the committee level. I'm certain there are many stakeholders who will be looking at your evidence today, and I hope you'll be paying attention when they come in future days.

Mr. Michael Saucier: Most definitely.

Mr. Paul Forseth: That's part of the process.

Perhaps my colleague will want to chime in now.

Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC): Yes. Thank you.

There are really two concerns that I've heard from people in the community. First, for organizations that have delivered services in the past, how well they did and how their clients were satisfied with what they were doing was not sufficiently weighted in determining a new process. Where you may have two competing bids, one from an organization that has been delivering the service and another that has not, it was felt that track record should play a larger role in how the decision is made.

The second concern I've heard, and I think this is general, is that when the process is made more rigorous, it relatively benefits organizations that are larger or better able to prepare applications. How well you can deliver the service at the end of the day may become relatively less important compared to your ability to develop a stronger proposal. It may not mean you're very good at developing the ultimate service, but you are good at writing proposals, or you have to go out and hire somebody to write the proposal for you, or you have to spend a lot of your time gathering information for the proposal. For a small, community-based organization, that takes time away from actually doing whatever you do.

Those are the two points. My specific questions are these. First, how important is past performance in the evaluation model, and how do you deal with the fact that one proponent may have past performance and the other may not? Secondly, do you recognize or agree that there may be a problem in that by making the process more rigorous you may in fact be causing a loss of service across the system because people are spending so much time trying to satisfy the process?

●(1140)

The Chair: Mr. Saucier.

Mr. Michael Saucier: Thank you for those questions. First, with regard to past experience, it is very important and it is considered as part of the assessment process. The amount of weight that's provided for past experience is one that we have identified as part of our directive. What we would like to further consider as part of our review of our process, when we have our consultation with our community stakeholders, is to ask that question: is there enough weight? Have we put enough focus on support to organizations that have had experience in the community? As I said, that is very important to us. It is one of the key criterion with regard to the assessment: should there be more weight? This is a question we'll be seeking feedback on.

With regard to identifying a process that you have stated is more rigorous and helps perhaps those organizations that are larger in nature and may have more capacity to write proposals and therefore have a bit of an advantage, I have a couple of points.

First, the department is aware and appreciates that there is a need to provide support to all organizations and that smaller organizations actually do need additional support in this regard. We have instituted information sessions for sponsors prior to proposals being put forth.

One of the things to come up in our discussions with some of the community stakeholders is that it would be helpful as well if there were types of learning or training sessions made available for sponsors that the department could put in place to help assist organizations, and I would say especially smaller organizations, in preparing for writing their proposals.

There is no doubt that larger organizations have larger capacities to prepare proposals. One of the comments I made earlier was that the larger organizations, in submitting their proposals, perhaps have this advantage, but smaller organizations can also look at receiving funding or making proposals through the department for non-CFP types of activities. Notwithstanding the fact that applications are still required, that's not to say that small organizations are totally shut out of this process. I think I referenced that some 60 to 70 agreements are estimated in the greater Toronto area in the coming year.

The Chair: Thank you, Mr. Saucier.

This is an important question, and we may possibly want to come back to it.

Madam Gagnon.

[*Translation*]

Ms. Christiane Gagnon (Québec, BQ): Thank you.

I have a question for you on the impact, in Quebec, of this new type of approach. This type of frustration has not been felt nor have organizations been excluded in Quebec.

I had a hard time finding organizations that were willing to appear as witnesses, but I did find some. How significant is the impact, in Quebec, of this new method, this new process? You said that to date, only one Quebec organization has participated in the call for proposals process.

●(1145)

Mr. Michael Saucier: Yes, that right.

Ms. Christiane Gagnon: Is that because there are fewer of them? If so, in what proportions?

Mr. Michael Saucier: Thank you for your question.

Ms. Christiane Gagnon: Before going further, I should point out that jurisdiction over labour training was transferred to Quebec. This should be considered within that context.

Mr. Michael Saucier: That is absolutely right. Slide 10 refers to the Labour Market Development Agreement. Out of a transfer of \$892 million, around \$600 million is for the province of Quebec.

The types of activity or project for which proposals can be made are basically programs under part II of the Employment Insurance Act. All of those programs are under the responsibility of the province of Quebec. The only proposal has to do with a youth program,

Ms. Christiane Gagnon: A youth program?

Mr. Michael Saucier: Yes.

Ms. Christiane Gagnon: Do you have the amount?

Mr. Michael Saucier: The amount is over \$500,000. I can get you the precise amount later.

Ms. Christiane Gagnon: I want to understand the impact of that. Some Quebec organizations, including some in my riding, find the CFP quite hard to follow. The follow-up required is quite onerous. They are going to appear as witnesses here, but I know that the impact is less significant. Given that objections are generally raised quickly in Quebec, I was wondering why large numbers of people haven't come to my office to apprise me of the situation.

I canvassed all of my colleagues from the Bloc québécois. They had few names of organizations to give us. I can understand that there is less of an impact in Quebec, because that doesn't apply there.

Mr. Michael Saucier: Yes. I just got the information. The youth program in Quebec has an envelope in the neighbourhood of \$900,000.

Ms. Christiane Gagnon: Is that part of the Skills Development Program?

Mr. Michael Saucier: Yes, it's a Skills Development Program for youth.

Ms. Christiane Gagnon: I tried to get some information on the targeted wage subsidies and the Self-Employment Assistance Programs. Quebec runs that now.

Mr. Michael Saucier: Yes, that's right.

Ms. Christiane Gagnon: Is the Summer Career Placement Program the only one that isn't run by Quebec?

Mr. Michael Saucier: The Summer Career Placement Program isn't affected by the CFP because the funds are given to individuals, not organizations.

Ms. Christiane Gagnon: Is the Skills Link Program affected by the CFP?

Mr. Michael Saucier: The other programs are affected by the CFP if they have a budget of over \$500,000. The majority of youth programs have a lower budget than that.

Ms. Christiane Gagnon: Thank you. At least I know a bit more about it.

The Chair: Do you wish to share your time, Ms. Gagnon? You have some time left.

Ms. Christiane Gagnon: I have time left? The Summer Work Experience Program is not the Summer Career Placement Program, is it? Apparently, it's another program. Is it affected by the CFP?

Mr. Michael Saucier: It's a new program that was introduced early this year. If I understand correctly, it's a category of the Skills Development Program. If it goes over \$500,000, there will be a call for proposals. So far, only one project has a budget greater than that.

Ms. Christiane Gagnon: When it's under \$500,000, the CFP doesn't apply?

Mr. Michael Saucier: Yes, that's right. Exactly.

The Chair: Thank you, Ms. Gagnon.

[English]

Mr. Martin.

Mr. Tony Martin (Sault Ste. Marie, NDP): Thank you, Madam Chair.

Thank you for coming, Mr. Saucier.

Certainly you presented to us, as I had anticipated, a defence of what's going on out there, but it's not the story that I'm hearing from huge numbers of organizations that have phoned and e-mailed since they found out that this hearing was happening and that there was going to be an investigation.

They are either being threatened directly or have lost their funding, or they are afraid they're going to lose funding. You spoke mostly about the groups with more than \$500,000 in funding, but there are lots of groups out there under that, and they are also being asked to submit proposals. They're being run through the same rigorous process, and in some instances they're not being successful.

This all started for me in my own community when two local groups came forward and suggested that they were under threat of losing their funding. And I have to tell you, one of them has lost their funding already—it's been pulled—and that's the Canadian Hearing Society.

This sent a chill through the whole community. Sault Ste. Marie is a community under some significant economic stress. We gather together all of the voluntary, not-for-profit organizations, and whenever a new prospect coming to the city is announced, the people in this sector gather together, share their resources, set up hiring halls, provide information to the new company, and provide whatever service is needed to convince that company that it should come and set up in Sault Ste. Marie, assuring that it would be provided with employees and all this kind of thing.

All of a sudden it was like when you shrink the pond and the animals standing around start looking at each other. This began to happen in my community, and I suggest to you that it's happening across the province. And it's not just Ontario and B.C.; it's every

province, because we're hearing from people from all the provinces on this.

I called for the hearings, and I appreciate the support I've received from my colleagues. I know they're not hearing from huge numbers of people in Quebec, but I suggest they keep their ears open because it's coming. This is coming. This is a direction the government is going in, and if they're not being affected now, they will be.

As a matter of fact, we had in the package prepared for us by our very good research people information on an organization—the Canadian Coalition of Community-Based Employability Training,

[Translation]

The Canadian Coalition of Community-Based Employability Training,

[English]

CCCBET, and CCOCCDE, which includes as a member association RQODE in Quebec. They say they believe the process is neither transparent nor accountable, and they believe HRDC comes very close to being considered a third-party employer. Some Quebec organizations are included there. I think it's important to note that this isn't just about Ontario and B.C.

I've submitted a list of 15 national, provincial, and local agencies that want to appear before the committee. I have two more to add to that list today, as a matter of fact. I know of many other agencies that want to send in written testimony; they will be or are doing so. My staff is overwhelmed by and my e-mail inbox is bursting with submissions that are coming in from across the country, from Newfoundland and Nova Scotia, for example.

Let's be clear about this. What I want to do by having the officials here today—and back again if we need to have them for more time—is find out why a solution to the billion dollar boondoggle from this previous Liberal government is no solution at all, but more like billion dollar boondoggle, part 2, or chapter 2. This is, in our view...

Voices: — [Inaudible—Editor]—

Madam Chair, am I going to be allowed to speak, or am I going to have to put up with this rude intervention for the rest of the day?

● (1150)

The Chair: I would just say, Mr. Martin, that you've had four and a half minutes, and if you want an answer—

Mr. Tony Martin: That's fine. It's my time.

This is a funding fiasco harming community agencies across Canada. As a direct result of the billion dollar boondoggle under a previous Liberal minister, HRSDC introduced new guidelines that are killing programs with their excessive, counterproductive, and inflexible rules. The new process has sent shock waves through the entire voluntary sector. The government was so eager to eliminate the possibility of civil servants doing anything wrong that it has made it virtually impossible for them to do anything right.

Today in Toronto, community agencies and labour are holding a press conference calling for a moratorium on further HRSDC policies as the standing committee begins this investigation.

So here's my first question to you, sir. I have heard the rationale for the changes, and I appreciate the need for both accountability and transparency, as do the community agencies that have spoken to me. How much notice was given by the department when the new policy directives were introduced?

• (1155)

Mr. Michael Saucier: As I indicated in my presentation, the department introduced this directive in a fairly quick manner, and the consultation with regard to the development of the proposal was very limited. The actual indication to organizations to formally apprise them that they would be subject to the CFP process started in the latter part of fiscal year 2004-05, in which organizations were made aware, in writing, that their proposals would be subject to CFPs.

Notwithstanding our efforts to get this under way for the first of April, there was a bit of a learning curve on the department's side, as well as to provide organizations with sufficient time to actually prepare their proposals. As I indicated, there were many that were coming due April 1, and our intention was to start on April 1. However, we were in a situation where we extended existing agreements for a short period of time, for three months, sometimes having to repeat that.

Mr. Tony Martin: If I could just interject, what I'm hearing from the agencies out there, and actually from some HRSD staff, is that policy directives came out after business hours on February 16, released to regional executive heads—

The Chair: I'm sorry, Mr. Martin, you've run out of time.

Mr. Tony Martin: — and were effective immediately.

The Chair: Thank you.

Perhaps we can come back. I'm sorry I cannot give you any more time, Mr. Saucier.

I will now move on to *monsieur D'Amours*.

[Translation]

Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.): Thank you, Madam Chair. Thank you, Mr. Saucier.

I'd like some clarification. I don't know if it works the same way in New Brunswick, but I can't readily identify organizations in my region that might be negatively affected.

We're only talking about calls for proposals of over \$500,000, but there are also projects under \$500,000. Could you draw a comparison between these two types of project? That would clarify the reasoning.

Why is this negative element not being felt?

The Chair: Mr. Saucier, please.

Mr. Michael Saucier: Thank you for asking that question.

I'm going to make a connection with the answer I gave about Quebec.

New Brunswick, like Quebec, has entered into a labour-market development agreement that provided for the transfer of programs, and the province is responsible for programs supported by the Employment Insurance Fund. The types of activity or program that may be subject to proposals are under the responsibility of the province. That's why no impact is felt in New Brunswick. That's why we haven't received anything to date.

You asked me to compare projects of over \$500,000 and those that are under \$500,000.

I can't give you an answer with respect to New Brunswick, but in Toronto, as I mentioned, so far, we have considered 62 projects submitted following 16 calls for proposals. On the other hand, there are 60 to 70 projects outside of the CFP process. That shows you that the percentage is higher than for projects over \$500,000.

Mr. Jean-Claude D'Amours: If I understand correctly, most projects cannot be submitted under these calls for proposals because they are under \$500,000.

Mr. Michael Saucier: That's right. There are also projects that are ineligible because the financial support is provided directly to individuals, not to organizations.

• (1200)

Mr. Jean-Claude D'Amours: There's also the issue of accountability. From what I've been able to gather, once a project goes over \$350,000, an external audit is required.

Could you explain that to us more? Sometimes, the words "external auditor" scare an organization more than an amount of \$350,000.

What does that entail? Do they have to pay for the external audit themselves?

Mr. Michael Saucier: First of all, the funds for external audits are part of the contribution agreement, i.e., the government gives service providers money to cover audit costs. It's a bit too soon to determine the effects of this directive because it was put into force in early February 2004. The audits will take place after the project is terminated. But things have only just started.

Mr. Jean-Claude D'Amours: Basically, it's assumed that groups that have received funding for projects are doing things properly. As for audit issues, certain things are checked for in order to show that the funds were used judiciously, from the CFP perspective.

Mr. Michael Saucier: Yes. However, I would add that the auditors will also want to make sure that the activities are consistent with the program criteria.

The Chair: Thank you, Mr. D'Amours.

We have now come to round two, a five-minute round.

Mr. Devolin.

[English]

Mr. Barry Devolin: Thank you.

I have a question, but I have a comment I want to make first. I am new to this place since last summer, so I wasn't around during the whole process of taking HRDC and splitting it into two ministries. I wasn't around during the whole scandal, and I don't think "scandal" is too strong a word to use in terms of some of the practices that have taken place in this area in the past. Quite frankly, given the general political climate, given that items show up on the front page of the newspaper every day that are certainly related to contracting and contracting practices through the sponsorship scandal, I do not think it is unreasonable or unnecessarily partisan to suggest that there is a great deal of scrutiny right now. And the Canadian public is demanding a great deal of scrutiny in terms of contracting processes and how the Government of Canada and its ministries, departments, and agencies are making decisions about who gets these contracts.

I don't think it's unreasonable to suggest that people are looking at this more carefully than they have in the past. It's not just an unfounded suspicion that there may be a problem in the way the government does contracting. I would argue that there's ample evidence that in some areas there are huge problems with the way the contracting has been done, and therefore it is our responsibility, as parliamentarians and as committee members, to dig down and to ask some tough questions.

As I listen to your presentation and as I read your comments, I accept the notion that this new process was implemented rather quickly, that there was a decision made at some point. To take the time to consult fully with stakeholders would have slowed the process down, and for reasons of expediency, that step was not as fully implemented as might normally or properly be the case.

Having said all of that, and we are where we are today, you seem to acknowledge in your presentation that a review is necessary, that maybe some things are happening that were not intended, that the process could be improved. You say your organization is taking steps to look at the way things are being done and that you look forward to what comes out of our committee possibly as a way to help you do that.

Do you have a timetable? Is there some timetable the government has in terms of when we will see some sort of an improved or revised strategy? When can we expect that?

• (1205)

Mr. Michael Saucier: The opportunity to improve our process is extremely important. It's part of our ongoing review and assessment of all our directives.

With regard to a timetable, I indicated in my presentation that there has already been a certain degree of discussion and consultation with various groups at the local level. Actually, tomorrow I'll be personally meeting with three representatives of national voluntary organizations to discuss with them an opportunity for engagement and how best the department can do this. There have been meetings in Toronto with organizations that are situated in the

Toronto area, and others are planned. So the consultation process has already started.

Mr. Paul Forseth: Right. I guess what I'm asking is this. Do you have a sense of when we can anticipate some kind of revised standard or practice? Will it be three months, six months?

Mr. Michael Saucier: I would suggest that among the four examples I've given today, assuming we get support and this resonates positively with groups, we can implement them as soon as possible and we can issue various amendments. We're not tied to a particular point in time when a directive will be issued. If an opportunity presents itself, we will implement change as soon as we can.

The Chair: Thank you.

Madam Bakopanos.

Hon. Eleni Bakopanos (Ahuntsic, Lib.): Thank you very much.

Thank you, Mr. Saucier.

I believe my colleague, Mr. Martin, was actually quoting from an article in a magazine called *Making Waves*. It's by Mike Lewis, whom I've had the pleasure of working with because I am responsible for the government for the social economy file. Many of the organizations that have some concerns are actually social economy enterprises.

I wanted to very quickly quote two things from that article, and I'd like to have your reaction to those two things. I shall start with the second one:

Why does government venerate entrepreneurial behaviour in the private sector and penalize it in the community sector?

In other words, there are some concerns that if you make a profit while you are in fact getting money from the government, you will be penalized by not having as much money. Some of the organizations were in fact saying falsely, perhaps you'd like to say, or truthfully, that they actually increase the amount they ask for to make up for the difference they will be making in profits. I'd like to know your reaction to that first question.

The other comment they were making is this:

All HRSDC had to do was write up the contract minus \$85,000....

That was the profit that was made by an organization called YOU in Ontario, which I think you're very much aware of.

The London-based Youth Opportunities Unlimited organization gave a number of comments in this article, but:

"No way," said HRSDC - they could not factor in the revenue before it was earned.

Would you like to comment on those two quotes, please?

Mr. Michael Saucier: With regard to *Making Waves* and your reference to the Community Economic Development Network, I've had the opportunity to speak with Rupert Downing, who is the CEO. As you may be aware, he and his organization wrote to our minister and provided helpful suggestions. They had some concerns with regard to process, as well as the issue of administrative burden. I took the opportunity to actually go through a ten-page report that he had provided, basically on a line-by-line basis, and address the concerns he had underlined.

More closely related to the question you have asked with regard to making a profit, this is fundamental to CCEDNet with regard to the social economy and the importance the social economy has. In this perspective, CCEDNet was interested in being part of the government's process in its discussions and policy development on the social economy.

• (1210)

Hon. Eleni Bakopanos: They are, by the way, members of the national round table I chair.

Thank you.

Mr. Michael Saucier: Yes. I had mentioned to Mr. Downing that with respect to my work, which is in the employment programs and operations area, we're not the lead, by any stretch of the imagination, on the development of policy and social economy, which you have identified as chairing the committee.

I'm glad to see that linkages have been made. I have asked some colleagues of mine to follow up with him.

Hon. Eleni Bakopanos: More specifically, if an organization makes a profit, are they penalized by HRSDC in terms of their grant? I want to have that on the record. That's my specific question.

Mr. Michael Saucier: The answer is that we are entering into contribution agreements, and as per the transfer payment policy of Treasury Board, profit is a non-eligible cost.

Hon. Eleni Bakopanos: Thank you.

[*Translation*]

The Chair: Thank you.

Ms. Gagnon, this is still a five-minute round.

Ms. Christiane Gagnon: Apparently, there was some criticism, especially from the network of community organizations, that inadequate information on funding programs had been provided. Do you think this might explain the lack of interest on the part of organizations to qualify for any of the programs? Fewer people in Quebec participated.

Mr. Michael Saucier: In my opinion, it's important to point out the difference between issues raised by service providers in relation to the CFP. In Quebec, it's virtually non-existent. There are, on the other hand, issues about program administration. These involve quite significant challenges for us in terms of the kind of support we provide with respect to administration costs related to a contribution agreement, for example. That's a problem that has been raised not only in Quebec, but across the country. The department has therefore set up pilot projects in order to see how it could improve the process. That could be one of the questions you've been asked.

Ms. Christiane Gagnon: Could community organizations be given more encouragement to access this type of program? Could an attempt be made to limit their concerns and give them more support in terms of information?

I'm still a bit confused about the fact that we're talking about organizations with a budget of under \$350,000, and that no private organization can access this program if it doesn't have a budget of over \$500,000. Is this situation due to the fact that the community is uninformed? Do you think that I'm wrong to think that?

Mr. Michael Saucier: I would come back to the idea that the province is responsible for employment programs under the Labour Market Development Agreement. That's why this is not an issue in Quebec.

Ms. Christiane Gagnon: So it's because the money has already been transferred to Quebec. Apparently, in British Columbia and Yukon, there were 86 proposals and in Ontario, there were 63. These programs are federally managed.

Mr. Michael Saucier: Yes. In British Columbia, for example, there's a Labour Market Development Agreement that operates under a kind of co-management.

Ms. Christiane Gagnon: In Manitoba, Saskatchewan, Prince Edward Island and Nova Scotia, there haven't been any. They haven't requested any, but they could, given that they haven't all entered into labour training agreements.

Mr. Michael Saucier: Saskatchewan, Manitoba, New Brunswick, Quebec and Alberta have entered into Labour Market Development Agreements with the federal government, and that is a form of transfer. In Nova Scotia and Prince Edward Island, there haven't been any projects subject to CFP because the project funding level is under \$500,000.

• (1215)

Ms. Christiane Gagnon: Okay, thank you.

The Chair: Mr. Adams.

[*English*]

Hon. Peter Adams (Peterborough, Lib.): Thank you, Madam Chair.

Michael, the study focuses on the call for proposals. With regard to the table you've given us, which Christiane was just discussing, the distribution between the provinces, although the numbers are going to change, it's going to remain roughly the same because of these agreements between the provinces and so on. If there were other agreements with the provinces, they would simply drop off and become zero, for example, in Ontario.

Mr. Michael Saucier: Again, with regard to the types of agreements I've referred to, they're labour market development agreements. The difference between a full transfer agreement, which we find in the cases of those provinces I've mentioned... The primary users of the CFP are in British Columbia, and we have a co-managed LMDA. In Ontario there is no LMDA.

So the agreements the federal government manages are the ones that are subject to the CFPs.

Hon. Peter Adams: So our study should focus on the provinces and the territories that are listed there as having the call for proposal process.

Mr. Michael Saucier: Those provinces in which the federal government has an LMDA are where you're going to find the call for proposal process, and yes, I would suggest that your focus on those particular areas of the country would be most beneficial.

Hon. Peter Adams: For the GTA, you gave us, I guess, a sort of sample, because you could have given us a similar thing for British Columbia and the Yukon. You have the breakdown of the change in the not-for-profit, public, and private showing no change so far in the not-for-profits; you have, as you say, a reduction of five in the public, and then an increase of four in the private.

Is that a sample? Do you expect this is a pattern that will continue? I know you're going to make some changes and review it, but roughly speaking, is that how you and your colleagues would anticipate it's going to go?

Mr. Michael Saucier: Based on the information that is available after one year of practice, I would suspect this is fairly representative of the manner in which agreements are going to be awarded.

Hon. Peter Adams: So far, in the GTA anyway, the not-for-profit... Well, they might be different not-for-profits, mightn't they? The 46 may not be exactly the same 46; there could have been some exchanges. But the sector is not lost.

Mr. Michael Saucier: That's right. In fact, when I was making my opening remarks, I did reference that there has been a change, as you indicated, within the not-for-profit sector.

Hon. Peter Adams: You know that this is the committee that conducted the hearings into the grants and contributions in 2000, or whenever it was. In fact we're still working on the fallout of that, because this is the committee that is carrying the legislation that is going to establish the two new departments. It's quite a remarkable thing—I was around at that time and so were some of the staff, actually—to see a committee that's had such dramatic effects. But as I was there, I want to comment on what's been said opposite.

The Auditor General of the day frequently expressed concern about the billion dollars' worth of programming that was being studied, which, by the way, was one-sixtieth of the budget of the then HRDC. He kept saying, in value-for-audit terms, how valuable the grants and contributions were. His concern was the way they had been handled. He was concerned because of their effect in the field and what was being done in the field at that time.

The outcome of the inquiry was that there had been a lot of problems with the files, due to the change in the information systems and the cutbacks at the time, and there had been very few scandals indeed—if you would call even those “scandals”—amongst the billion dollars a year that was going out.

But he kept saying, yes, they had to tighten up—and I can see, by the way, with the larger amounts how you're trying to tighten up. He said that in all of those grants and contributions—they're great value—they should never get to the situation where to give away a few thousand dollars they'd have to spend tens of thousands of dollars, and they'd never want to get to a situation where the creativity and initiative of the people on the ground—in what was then HRSD—would be affected by the sort of general bureaucratic process.

Now, I know we're dealing just with calls for proposals here, but I would have to say to you that people are continually telling me that the department has overreacted and that the new department, HRSD, is still in that mode because it's overly concerned about monitoring small amounts. And that's having a bad effect in the field.

It's not, by the way, necessarily your place to comment on that, but I wonder if you would comment in a general way.

• (1220)

The Chair: I'm afraid I'm going to have to cut you off, Mr. Saucier, because I'm going to give Mr. Martin another five minutes.

Mr. Tony Martin: Thank you very much.

I just want to follow up on a couple of things, on something Mr. Adams suggested. I remember this because I was a member of the provincial parliament at the time, and one of the issues was companies that were getting money and then pulling up stakes and leaving with the money, and no real evidence—

Hon. Peter Adams: There were two or three examples of that in the billion-dollar range.

Mr. Tony Martin: That's right, and we had one in my own community that actually didn't come out as one of those biggies, but the same thing happened. It got the grant and then pulled up stakes—actually, there were two, and they were gone after.

We're trying to deal with that by now attacking agencies and organizations that have been doing nothing but good work in their communities over these years. We're putting in new rules and criteria that are making it almost impossible for them to have any confidence that they will be able to continue down the line.

Mr. Saucier said there were two companies in the Toronto area at risk. They're not at risk; they're done; they're finished; they're out of the business. One of them was Link Up Employment Services for Persons with Disabilities, and they're gone. They were an organization that provided services funded by HRDC over the past 12 years to provide employment services, training assessments, wage subsidies, and accommodation to persons of all disabilities across the greater Toronto area.

And there was the Working Skills Centre, which was absolutely devastated when they were told they were no longer eligible for funding under the new CFP guidelines. This is a group that serviced immigrant women for 27 consecutive years. They were considered leaders in their field during the recent SARS crisis; HRSDC asked them to establish one of two job track centres in the GTA to assist workers who had hours reduced or eliminated because of SARS. They're gone. They've gone to the Ontario March of Dimes and a private sector operator simply referred to as JVS. It just boggles the mind.

The question I have following up from my last round of questions is, were there any consultations with these service providers and their clients regarding these criteria changes before you pulled the rug from underneath them?

The Chair: Mr. Saucier.

Mr. Michael Saucier: Mr. Martin, my understanding is that these organizations, along with all contribution recipients and agreement holders, were advised in writing that a CFP process was to be launched. There were also sessions where the department provided further information with regard to the process. I'm not sure whether these two particular organizations you reference were actually in attendance at meetings to provide background on the CFP process, but there were a series of meetings that were held in the Toronto area.

Mr. Tony Martin: I'm told by them and by others that in fact there was no consultation and that they weren't told anything until all of a sudden the axe came down.

I don't think anybody is afraid of accountability or of working into their process new features that would make them more transparent. But you would think that with a ministry that really wanted to make real change that was going to be effective, there would be some time given for that to play itself out. I've been led to believe that at one point your ADM for employment programs and operations, Mr. Phil Jensen—I was hoping he would be here today—actually proposed to then Minister Volpe that the department transition in the policy directives over a three-year period so both the community and the department could gradually learn to work differently. I'd like to know if that in fact happened and why that suggestion of a three-year phase-in period wasn't accepted.

• (1225)

Mr. Michael Saucier: The directive was issued initially in February 2004. As I referenced, the department found itself in a position of having to extend a couple of existing agreements to allow it to be prepared to actually undertake the CFP process.

The transition period was really dependent on the timing of when contribution agreements were coming up for renewal or, better stated, when they were terminating. We saw agreements that at the beginning of fiscal year 2004-05 were extended to allow the department and the organizations to be better prepared. We're also seeing, as we speak, agreements that are coming to an end now and that are now subject to the CFP process; they're going to be phased in over time as agreements come up for renewal.

Mr. Tony Martin: The question was, was the three-year period proposed? I'm told that it was and that the then minister actually decided just to go ahead and provided no advance notice to the department or to the service providers that they were actually going to move immediately and not listen to the suggestion of a three-year period.

I'm also told that the NHQs—

The Chair: I'm sorry, but you're going to have to end on this, Mr. Martin. You've gone over your time period.

Mr. Tony Martin: Have I?

The Chair: Yes, you have.

Mr. Tony Martin: Okay.

The Chair: You are at six minutes.

Hon. Eleni Bakopanos: On a point of order, Madam Chair.

The Chair: Yes, Madam Bakopanos.

Hon. Eleni Bakopanos: I don't think it's appropriate to ask a public servant to comment on a minister's remarks.

Thank you.

The Chair: Thank you.

In any case, you're out of time. I'm so sorry.

Mr. Adams.

Hon. Peter Adams: Thank you, Madam Chair.

I wonder then if we could continue where I left off, because I know we're focusing on the CFPs, but there's this other more general concern that the department has become overly cautious, overly bureaucratic, at the very local level. I noticed that you stressed in the CFP process community and labour market knowledge as one of the criterion you use, but I wondered if, at least in your part of the department, people are thinking about the general point I'm making rather than the specific points that are being made.

Mr. Michael Saucier: Thank you for asking that question.

The department, as you're aware, has been working for a couple of years now in terms of enhancing the manner in which it manages its grants and contributions programs. More recently we undertook an agreement with a large firm to provide us with some advice with regard to how we can better balance risk controls and results. We have been hearing for quite some time now that we are too focused on controls and that we need to be more focused on results. The department is in the process of actually looking at how it can get its administration of its agencies more in balance. It's an important point you raise, and we're very much aware of this.

We just had a final report recently from our consulting firm in which we had set up not just members of the department, but we also had some advice from our Treasury Board Secretariat colleagues. We also put in place what we were calling a blue ribbon panel of experts, who come from academia, from the private sector, as well as representatives from provincial governments, to help us think through how we can get that balance back in play. So there are I think some very worthwhile suggestions and recommendations that are coming out of this work.

Hon. Peter Adams: There's one thing I think you might think of. During those hearings and today, I've been very impressed by the quality of the public servants in the old department and those in the two new departments, but I wonder if you have given any thought to the fact that your sheer competence and the fact that you can, and you just did, call on a blue ribbon panel with the greatest of ease is a bit overawing for people on the ground. I'm not talking now about \$500,000 projects; I'm talking about projects of \$20,000, \$30,000, whatever-thousand dollars. In addition to the stats and the procedures there's this fact of the nature of these people and the backup they seem to have compared with one and a half people, or whoever it is, applying for the grant. Have you thought about that?

•(1230)

Mr. Michael Saucier: It's quite often easy to forget when you work in a national headquarters environment that the people we're supporting are out on the ground in the local levels. It's one of the positive experiences I have as a public servant, especially working in the employment programs operations area, to get out into the field and get to the local office and meet a lot of the community organizations. What was quite telling is one of the organizations I met with said to me, your department spends 85% of its time on 15% of our funding. Why do you get so involved in the minute details? It's an administrative burden not just on our organization, but I'm sure it is on the department as well. That's one of the things we want to look at with regard to trying to get back in balance. So the feedback we're getting by meeting these organizations is fundamental to us understanding, and better managing, and making changes on the positive side.

Hon. Peter Adams: Madam Chair, do I have a few seconds?

To go back to this community and labour market knowledge, which is the way you categorize it here, I agree that when it's getting up to a lot of money there have to be some procedures, and we can't go back to the way it was. But on some of these smaller ones, I think you have to trust the instincts of some of these people. So an application comes in, and some things are not quite clear. You ask the appropriate questions, but in the end you trust their instincts, because they are on the ground and they tend to know. If at the end of that you discover they have not delivered, or something like that, you could take appropriate steps. But you understand my point. Sometimes I doubt they could explain to you why they're so confident that their proposal is worthwhile.

I hope you and your people will think like that about the people right out there on the ground. The Auditor General today said, in value-for-audit terms, that the grants and contributions program was a wonderfully valuable thing. That's what she said. Then she went on to the problems that have been identified and are normally remembered, rather than those remarks she had.

Thank you, Madam Chair.

The Chair: Thank you, Mr. Adams.

Yes, Mr. Martin.

Mr. Tony Martin: I have lots more questions if we have time. I guess this committee is scheduled to go to 1 o'clock. Is that correct?

The Chair: I do have another part to this meeting, Mr. Martin, but certainly you can ask another question.

I have a question I want to ask.

So it'll be Mr. Martin, Mr. Van Loan, and then I will ask a question at the end.

Mr. Martin.

Mr. Tony Martin: I just want to again respond to the comments of Ms. Bakopanos that we can't ask civil servants to comment on their interaction with ministers. I think we're trying to get to the bottom of some very important issues here. It's important we understand what advice was actually given to the minister before February 16, when this thing began to roll out and all of these people were affected—communities, clients, workers who are trained and

experienced in this work who are now out of work out there and wondering how else they can contribute to their community.

Was that really good advice given to the minister that he should give a three-year rollout to this, or was it not?

Mr. Michael Saucier: On your reference to the three-year rollout, I must say I'm not familiar with it, so I really can't comment directly on it. Perhaps there's also a reference to three years as part of the process for CFPs with regard to multi-year funding. One of the issues that's been raised by a lot of the organizations is that one-year funding is not sufficient. They're looking for multi-year funding. Part of the CFP process is once we have a CFP and we've negotiated an agreement with an organization, the intent is to provide support for a period of three years, as opposed to one year. I'm not sure if that isn't the reference to the three years.

Mr. Tony Martin: I've spoken to people who are very concerned about this because it affects their livelihood, what they do, and the way they contribute to their communities. It affects the people they serve in so many significant ways. This three-year rollout would have given everybody a chance to actually get their heads into this and figure out what was going on and how to re-situate themselves, if necessary, in order to do the good work they were doing. That would have been important.

I have some further questions, but I want to make sure I get a couple of things on the record here before we move on and I perhaps don't get a chance. I think there is a real urgency here, as new contracts are being signed as we speak, agencies are in limbo and winding down, and some have already been closed down. This represents great cost to taxpayers, in winding these down and starting up others, great cost to clients, and loss of wisdom from other agencies.

So I think we need to hear from clients, and I have many more questions for the ministry. I want to understand their position more clearly. We need to have several committee hearings, as far as I'm concerned. We need to call back government officials—perhaps more of them, perhaps Mr. Jensen—to answer that important question I asked a few minutes ago. I think we also need to go to Toronto, because that's where the impact of this is being felt the most, and maybe even to B.C. Mr. Saucier said this morning that those are the two areas of the country that are being affected more directly.

If we want to really fully understand what's going on here—how the rollout, after the hearings we had a few years ago under the capable leadership of Mr. Adams, is actually playing out—then maybe we need to get out there. Then those agencies, particularly the small ones who cannot afford to come to Ottawa, can come to speak to us and share with us the impact this is having in how it's being rolled out, and what they think is actually going on. So I suggest we need to at least get to Toronto, and perhaps to B.C.

Do I still have some more time to ask a question or two here?

• (1235)

The Chair: You have exactly 55 seconds.

Mr. Tony Martin: That's good. I want to follow up on some of the questioning Ms. Bakopanos got into, because it didn't go as far as I'd hoped.

How does HRSDC's call for proposal process, which tends to reinforce silos between different programs, fit with government objectives for enhancing horizontality in working with communities, as stated in its announcement of the task force on community investment?

Mr. Michael Saucier: Thank you, Mr. Martin, for that question.

With regard to our programming, partnership is actually key, to the extent that we can't just get organizations to partner with HRSDC, but also with other community organizations and with other departments. In fact, it's part of the process. We like to encourage organizations to leverage partnerships not just in terms of funding, but contributions in kind. We've seen a lot of organizations that have actually come together to put forth a proposal to address a particular community need, and they bring their certain expertise that each of the organizations may have. That is encouraged, to the extent that horizontality as opposed to silo relationships is much preferred.

The Chair: Thank you.

I'm sorry, Mr. Martin, but I have to cut you off again.

Mr. Van Loan.

Mr. Peter Van Loan (York—Simcoe, CPC): Thank you.

I just want to say at the outset that I'm very heartened by your comments about the department hopefully shifting its focus from the micro-managing to a results-based and outcomes-based priority. We had the then minister here on estimates, and from his evidence we learned we have less than a 50% success rate in terms of these programs and the folks who go through them. That is obviously something we want to see improved significantly.

I've heard reasonable concerns from the groups and I've heard reasonable positions from the department on what they're trying to do, and I'm trying to sort them all out. There are two areas where it seems there's a pretty obvious, legitimate concern. One is about the micro-managing. I hear about pen-and-paperclip accounting and how the details to which people are driven drive them to distraction and keep them from focusing on their results. I hope I'm hearing from you today that there's a desire to perhaps ease up on that a little bit.

The other area I've had some concern about and that I think is quite legitimate is the timeframe that's available for folks to prepare

their calls for proposals. I understand it is very short. I see here that you're saying, "In addition, give applicants 30 days to prepare and submit their application". Is that a change in your proposed enhancement, or is that still the same timeframe? Thirty days is still pretty tight.

And I'll note that you have a total timeframe of from 90 to 120 days. You're extending it to that. It seems that you're asking people to take 30 days to prepare a proposal, and then you'll take 90 days to evaluate it. Why is it going to take you three times as long to evaluate what they've said when they actually had to create the thing?

• (1240)

Mr. Michael Saucier: First, the 30 days is a little bit more than double the time made available at the moment. We are proposing 30 days, but as we engage our stakeholders, we want to have their feedback on whether 30 days is sufficient. So it's our proposal at this time. It's a suggestion.

On the 90 days moving to 120, I'd like to highlight that, yes, it's true that a significant portion of that time is used by the department with regard to assessing the proposal, but there is also a significant amount of time that's used in regard to negotiation and interaction with the proponents with respect to having a better understanding of the proposal. Once the assessment has been done and the highest ranking applicant has been identified, then some 30 days are used to have discussions with the organization with respect to actually negotiating a contribution agreement.

Mr. Peter Van Loan: In summary, it only takes you twice as long to evaluate as it does for them to draft the proposal in the first place.

Mr. Michael Saucier: On whether it's twice as long, we can sit down and actually calculate the number of days for you.

Mr. Peter Van Loan: Thirty days for the negotiation, yes.

Mr. Michael Saucier: Within the time period, I said there are 30 days for the negotiation, but there's also some back and forth with sponsors to get a better understanding of the agreement. To use the illustration that the 30 days is up, it's not to say that once the application has been received, we don't talk to them until 60 days to finalize the last 30 days. That's not the case at all. There is interaction among applicants.

Mr. Peter Van Loan: I can understand why these folks who are actually trying to deliver the service feel hard put upon when they're held to a much tougher standard to crank these things out than the folks who are sitting back and passing judgment on them hold themselves to. You don't have to comment on that. That's just my observation.

Mr. Michael Saucier: It's part of the process in terms of having that discussion with the stakeholders. So the feedback received will most definitely be taken into consideration.

The Chair: Thank you.

I do have one question, Mr. Saucier. I was looking at what I got from the Internet on the cost for grants and contributions. It says that in order to formalize and standardize its approach—the approach of HRSDC, of course—several directives were implemented on February 16, and one of these directives is to ensure due diligence by instituting an internal review committee process. Can you tell us something about this internal review committee process? What size of project does it look at? Could you give us some more information about this?

Mr. Michael Saucier: I would be pleased to provide you with information with regard to the internal review committee process. It is one of the four directives that was issued as part of specialization concentration, as you noted, in February 2004.

All of our employment projects within the department, our grants and contributions, are subject to an internal review committee process. We have internal to the department an informal process and a more formal process. It depends on the dollar value. The internal review committee is made up of program experts within the department. It also includes our administrative corporate services representatives, and in some cases we can also look to get external expertise and support if required.

The intent is that once the proposals have been received through a CFP and have been assessed and it's time to enter into an actual contribution agreement, the internal review committee will look at the details of what would be included in the agreement. There is a lot of focus in terms of what the objectives are, what the results would be, whether there is value for money, and whether the terms and conditions of the program are respected. This is not just limited to those agreements that are subject to the CFP process, but rather to all of our agreements, to ensure the integrity of the contribution agreements that are being entered into by organizations.

So all the agreements, as I've said, not just those that are \$500,000 and above, but those as small as \$50,000, as an example, are reviewed by internal review committees prior to the negotiations being finalized with the sponsors.

• (1245)

The Chair: Thank you, Mr. Saucier.

Mr. Martin, I will give you time for one question.

On the question you brought up just a moment ago about the meetings, travelling, and so on and so forth, I would suggest that we discuss it amongst ourselves once this part of the meeting is over.

Please go ahead.

Mr. Tony Martin: In response to the last question, you spoke of bringing people together, etc. That's continuing in the vein of what's creating this problem in the first place. My own is a perfect example of that. I shared that earlier. It's creating not a cooperative atmosphere in communities but rather competition, the way it has been rolled out, explained to the people, and talking to them about this. The sense is that this is an exercise in downsizing and trying to take money out and have fewer organizations. So the organizations that are being talked to are thinking, "I have to keep my cards close to my chest and not participate in this because I may in fact end up losing my funding". So the silos do exist and are actually being reinforced with the way this is rolling out.

Has the department considered the value and need for collaborative partnerships in communities to address interrelated social and economic needs, rather than fostering competition and fragmentation through its contracting policies and procedures? That's basically the question I asked a few minutes ago, but I'm asking it again, given my experience.

Flowing out of the work that Ms. Bakopanos is doing to value community assets, social capital, and the ability of partners to leverage long-term resources in communities, what are we doing on that front to expand in creative ways the ability of communities to respond to some of the challenges, as opposed to what's obviously happening here, which is organizations under stress and not knowing if they're going to survive and workers in those organizations not knowing where they're going to work now? Some of them have put in 20 to 25 years working in this business, and now they cannot see what lies ahead for them. So where is the value in community assets and in that kind of experience, knowledge, and expertise in all of this?

Mr. Michael Saucier: Community assets, experience, and expertise are extremely important with regard to providing service and addressing community needs. As I mentioned a number of times here this morning and this afternoon, the call for proposal process is a focus on higher-risk and higher-dollar agreements, those that are \$500,000 and above.

You've indicated that you have been hearing that it has created some atmosphere of competition among different sponsors. We have been hearing that as well. I reference that we want to have discussions and engage the voluntary sector to get a better appreciation for the impact it has on their organizations. So that is one of the questions we'll be asking to try to get a better appreciation. But at the end of the day, we're looking to ensure that the manner in which we hand out taxpayer dollars is efficient and effective, so we want to minimize the risk. We feel that an open and transparent process is very much due diligence on the part of the government.

Mr. Martin, you referenced, I believe, in the first round, the Canadian Hearing Society. We are aware that there has been some concern with regard to Sault Ste. Marie in respect of the Canadian Hearing Society, and we have just received some information or documentation from one of the sponsors from Sault Ste. Marie in respect of this. So the department is actually going to be entering into discussions with the March of Dimes with regard to the issues that have been raised, and there are opportunities to be pursued with regard to some of the concerns that have been expressed.

• (1250)

The Chair: This is going to be a very concluding remark, Mr. Martin.

Mr. Tony Martin: I just want to clarify that. The Canadian Hearing Society has lost its funding, so there are three people not working any more in that organization who were providing support services to a very unique client group in our community.

The March of Dimes has written to the ministry—I've seen the letter—saying they're not interested, that they can't actually provide the services, that they don't have the expertise or the knowledge of the community or an understanding of the deaf culture, which you need to deliver those services. So they're not interested. They've told you that by letter. Why are you going back to them? Why don't you simply say to the Canadian Hearing Society in Sault Ste. Marie, “Here's your funding, you're doing good work, so continue to do that good work”?

Mr. Michael Saucier: We've just been made aware of the concerns that have been expressed, so we think there are opportunities here to be explored in discussions with the organization.

I think it's also important to point out that the services that were being provided by the Canadian Hearing Society were not part of the CFB process; it was a proposal that had been received within the community with regard to meeting the need that had been identified.

The Chair: Thank you very much.

I think we've come to the end of this part of our meeting.

Mr. Saucier, are there any concluding remarks you'd like to make?

Mr. Michael Saucier: I would really thank you, Madam Chair, and the members of the committee, for providing me and the department an opportunity to share with you the developments with regard to the call for proposal process. We think this is a very effective way of awarding contribution funds to organizations that are meeting the needs of the community.

There's no doubt that there are opportunities for enhancements, and we're open to that process. So we will be continuing our discussions and consultation with key community stakeholders to see how we can continue to improve.

Thank you.

The Chair: Thank you very much, Mr. Saucier. There will be more discussions on this. We're going to be hearing other witnesses, so this is an ongoing subject of discussion for us. Thank you so much for coming.

Colleagues, please don't get up. We do have another part to this meeting. The other part is committee business, and this is going to be held in camera.

[Proceedings continue in camera]

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