



House of Commons  
CANADA

# **Standing Committee on Government Operations and Estimates**

---

OGGO • NUMBER 036 • 2nd SESSION • 39th PARLIAMENT

---

**EVIDENCE**

**Tuesday, June 17, 2008**

—  
**Chair**

**The Honourable Diane Marleau**

Also available on the Parliament of Canada Web Site at the following address:

**<http://www.parl.gc.ca>**

## Standing Committee on Government Operations and Estimates

Tuesday, June 17, 2008

•(0905)

[English]

**The Chair (Hon. Diane Marleau (Sudbury, Lib.)):** I'm going to call the meeting to order.

I'm going to start off by telling people that Mr. Warkentin is a father again. He has a beautiful baby girl, born on Father's Day. So he's not here today, and we have Mr. Merrifield instead of him—I hope you can come up to the task.

We're going to have two different panels before us today. We decided to divide it in two and invite Public Works as well, because we felt we couldn't just invite you gentlemen, much as we like you, and not give the chance to Public Works to respond or to address some of the issues you may bring up.

We have as witnesses, from the Canadian Business Information Technology Network, Mike O'Neil, who is the chair, and Jeff Lynt, who's a director; as well as David MacDonald, as an individual.

Usually we allow our witnesses to make a statement for up to 10 minutes. I don't know if you have one statement from Canadian Business Information Technology and then another statement from Mr. MacDonald.

Would you have a statement to give as well, Mr. MacDonald?

**Mr. David MacDonald (As an Individual):** Yes, I do.

**The Chair:** Mr. Kramp.

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** Madam Chair, on a brief point of order, we certainly welcome our witnesses here today, and I think it's great. The more witnesses, the better. That's what we're here to do.

We're seeing information and biographies from the library, with no translation for relevant articles. I don't know what was presented to you as the chair, but we've been presented with nothing. It's a little bit more difficult to prepare to ask intelligent and meaningful questions of our guests when we're just getting our information this morning.

That's really not acceptable, and I would just like to have that on the record. If in the future we don't run into that situation, it would be certainly much appreciated.

**The Chair:** As we're nearing the end of the session—

**Mr. Daryl Kramp:** I realize that.

**The Chair:**—there has been a little bit of urgency put upon me to invite these individuals.

**Mr. Daryl Kramp:** I recognize the urgency in the session, but preparation is key as well.

**The Chair:** Yes. Thank you very much.

We'll start with Mr. O'Neil or Mr. Lynt.

**Mr. Mike O'Neil (Chair, Canadian Business Information Technology Network):** I wish to thank the committee and the members, and everybody else present here, for allowing us to speak to you today.

My name is Mike O'Neil. I am chair of CABINET, Canadian Business Information Technology Network, which is a non-profit organization representing about 20 IT professional service providers, mainly based in the national capital region. Our combined sales are valued at over \$100 million and we have about 1,000 subcontractors and/or employees working for our companies.

Let me first start by taking the time to review this issue. What is at stake here today: first, the Government of Canada's ability to find cost-effective solutions that meet its needs; the Government of Canada's control over its IT projects and initiatives; the very existence of many small and medium-sized enterprises, or SMEs, that until now have provided loyal and cost-effective services to the Government of Canada; innovation, flexibility, and entrepreneurship that will soon disappear due to the way the proposed procurement model is being structured for this initiative; and last, the financial stability and job security for about 5,000 highly trained professional IT resources in Canada.

Currently, the Government of Canada purchases commodities that can be described mainly as hardware and software products and network bandwidth. It also purchases IT professional services that support these products—develops architectures and provides operational support, etc. Both types of procurement are clearly separated in the acquisition process today.

At the present time, SMEs have competed and won between 65% and 70% of the value of the contracts for IT professional services within the federal government. The total value of all contracts awarded by the federal government for IT professional services was recently estimated at \$600 million annually. SMEs have won the great majority of these contracts due to their ability to effectively respond to the federal government's needs, their knowledge and abilities, their low overhead costs, their flexibility, and their innovative solutions.

The government has tried in the past to bundle several contracts and develop large IT projects. For the most part, they failed to deliver on expectations, went over budget, and became unmanageable. Examples are the firearms registry and the Secure Channel project.

When the government contracted for services and solutions in what we call “chewable chunks”, i.e. manageable projects, the projects typically succeeded. The shortcomings of the large bundles contracts were made clear in reports from the Auditor General and the House of Commons Standing Committee on Public Accounts.

The government's brightest new plan is to have an even bigger project. Their reason is to cover anticipated cost savings and an aging workforce. Let us clearly explain that we are not opposed to what is called the shared services initiative. We are adamantly opposed to the bundling of IT professional services with generic commodities, such as network bandwidth, and we are in general opposed to the bundling of IT professional services contracts.

What is the government proposing? Based on a request for information, an RFI, published on the government's electronic bidding system MERX in December 2007, presentations made by Steven Poole, CEO of the information technology services branch at PWGSC and an amendment to the RFI that was published on Friday, June 6, the government intends to bundle the commodities and the IT professional services together in order to issue four what we call “pillar contracts”, each of a value that could exceed \$1 billion annually for a period of up to 20 years.

Is bigger better? This simplistic approach to problems makes absolutely no sense and can only be conceived by people who are not spending their own money. Additionally, it makes no financial sense.

As you know, the cost of products in the IT world has decreased immensely in the past few years. In the last 15 years, the cost of network bandwidth and computer hardware has decreased to a fraction of what it was 15 years ago. For the Government of Canada to suggest they can purchase products for a 15- to 20-year period and save money in the long term defies any prediction made by industry analysts. When this question was raised with Mr. Poole, his reply was that the government would find ways to negotiate with the winning bidder to solve this problem. We believe that to commit the government to such a lengthy contract period makes no sense whatsoever.

Lack of ongoing competition will also increase the cost to taxpayers. Currently, when RFPs are issued, many companies, including SMEs, can compete, and they're aware of the fact that generally most technical evaluations of the bids are fairly close. Bidders know that costs will be a deciding factor. The ensuing competition results in lower costs for taxpayers. By eliminating all SMEs from the bids, the government will be creating a situation where two or three large IT companies will dictate all prices, which historically has never resulted in reduced pricing but rather has increased it.

● (0910)

It's hard to understand why, in this case, senior bureaucrats are trying to eliminate competition while in most sectors the government

is attempting to establish competition to reduce costs. A classic example is the home telephone industry.

In the past, similar attempts involving large IT professional services contracts have resulted in cost overruns and project delays. Recent examples include the firearms registry and the social services system that was attempted in Ontario in the late 1990s. A number of additional examples can be easily provided.

We urge you not to take only our word for it, but also take the words of an officer of Parliament, the Auditor General, and those of Ontario's provincial Auditor General, who both condemned large IT projects.

It is interesting to note that when the Canadian government decided to establish an efficient and cost-effective system to collect taxes—in this case the GST—it turned to a local group of SMEs that successfully delivered the requirements in a cost-effective and efficient manner.

It also makes no organizational sense. The negative impact for the Government of Canada resulting from this proposed acquisition model doesn't stop at financial considerations. The government will also lose its ability to count on the flexibility and innovation that characterizes SME companies.

SMEs are able to offer various solutions. We're not bound to one model; we're not tied to a single system or vendor solution. SMEs offer a challenging, innovative, and interesting model to our employees and subcontractors. Due to the type of employees that SMEs attract, they are able to better service their clients. Handing a single contract to one company for a period of up to 20 years will destroy any need for ongoing research and innovation within that government sector.

At this time I would like to introduce Mr. Jeff Lynt, who is president and CEO of one of the fastest growing IT companies in the Ottawa-Gatineau region. His company specializes in service management consulting.

● (0915)

**Mr. Jeff Lynt (Director, Canadian Business Information Technology Network):** Thank you, Mike.

My name is Jeff Lynt and I own a small business in the Ottawa-Gatineau region. I live on the Quebec side and employ approximately 40 people.

The government's proposed changes will either force me to lay off a number of my employees and subcontractors or become subservient to a large company. This will force me to cut salaries; however, history has shown that the cost to the federal government will be the same or higher. My company will lose the ability to innovate and propose solutions to our clients and will be constrained by the business model of the larger company. Once the large company is able to hire enough employees, likely by raiding our resources, it will terminate its contractual relationship with us and this will be the end of opportunities with the Government of Canada in this sector.

SMEs are the engine that drives the economy. This is not a statement that I invented for this presentation; it is a statement that was heard during the last federal election campaign by the Conservative candidates who touted their parties' championship of SME issues. The latest proposal makes no sense. Their response to our concern was to state that large companies would be given points in their evaluation if they had a plan to provide subcontracts to SMEs. This is an insulting and demeaning offer. At this point, SMEs compete and win about 70% of the contracts awarded by the federal government. Why would we suddenly be satisfied to subcontract to companies that we regularly beat in open, fair, and transparent competitions?

In April of 2006, the new Public Works and Government Services minister, Senator Michael Fortier, stated that the government will make it easier for small business to bid for government contracts. I certainly did not think the government would go back on its word and do the exact opposite of what it promised. My sincere and deepest hope is that the Conservative members of this committee and the parliamentary secretary to the PWGSC minister will announce today that it was a mistake and that the government will honour its commitment to SMEs.

My financial stability, and that of my family, is on the line. My business is at stake. I urge you to make a motion today to send to the House asking the government to cancel its plans, initiate true consultations on this issue, and respect its promises to SMEs.

Thank you very much.

**The Chair:** Thank you, Mr. Lynt.

We'll go to Mr. MacDonald.

**Mr. David MacDonald:** Good morning. My name is David MacDonald. I'm a subcontractor working with an SME that is not a member of cabinet and on a contract unrelated to the federal government.

You may wonder why I'm here today. It's simple: the government's bundling of IT professional services contracts will have a direct and major impact on me and all others in my profession. The disappearance of SMEs will decrease competition for our services. At this point, there are a number of SMEs vying for our services. This allows us to secure a daily rate that ensures adequate revenues for our families. With no competition, our rates will be driven down, and this will have a significant impact on my livelihood.

The other concern I have is that large companies usually hire employees rather than subcontractors. This will force modifications to our business models, and those forced to enter an employee relationship with these companies will lose income and have their individualism stifled through corporate policy.

One might wonder how this will result in decreased costs for the federal government. Past RFPs show that large companies, even with their own employees, are more expensive than SMEs with subcontractors. The reason is simple: they have a higher overhead and a larger financial responsibility to their shareholders.

There are approximately 5,000 professionals like me who will be directly affected by the government's decision. If it made business sense and had real economic benefit for Canada, perhaps I would

have been more reluctant to appear here today. Unfortunately, this is not the case. This is a bad plan that will have a very negative impact on everyone but a few senior bureaucrats, whose legacy will have been the destruction of the information technology SME sector and the unearned growth of a couple of already large companies.

Thank you.

**The Chair:** Thank you, Mr. MacDonald.

Mr. O'Neil?

**Mr. Mike O'Neil:** I'm just going to finish—

**The Chair:** Okay.

**Mr. Mike O'Neil:** —what I started.

We noted in Mr. Poole's presentation that he describes the future winner of bids for these billion-dollar contracts as partners. We choose to describe the government as our client. There is a fundamental distinction.

The government as the client presently drives the agenda in contracts it awards. Mr. Poole recognizes that as a "partner" the government will not be able to make all the decisions required to protect the interests of the taxpayer in awarding these monstrous contracts. Instead, it will have to attain the agreement from its "partner", the winner of the bid.

We think this philosophy is wrong for the federal government. We ask you to remind the PWGSC senior bureaucrats that the will of the people is expressed through Parliament, and that when a parliamentary committee makes a recommendation, one should not ignore it and do exactly the opposite.

Mr. Poole cannot plead ignorance since he was already a witness in front of the public accounts committee, where he clearly stated that PWGSC did not agree with these large IT contracts.

We ask this committee to force this government to fulfill the promise it made to Canadian voters and promote continued direct access to government contracts for small and medium-sized businesses. It should give us the opportunity to increase our share of government contracts rather than eliminate it.

We hope you will ask the government to guarantee that SMEs will be given the ability to bid directly on the \$600 million in contracts currently awarded by the government in IT professional services. SMEs have proven their ability to get the job done for their clients in an efficient manner. We have proven our ability to serve Canada well. We have also proven our ability to win these contracts through competitive procurement. Do not allow the government to take away our ability to bid directly for its business.

Thank you.

●(0920)

**The Chair:** Thank you, Mr. O'Neil.

We will now go to questions.

Mr. Proulx.

[*Translation*]

**Mr. Marcel Proulx (Hull—Aylmer, Lib.):** Thank you, Madam Chair.

[English]

I wish to thank the witnesses for appearing in front of us this morning. I understand this was done in an urgent manner, so there are some different points I would like to question you on, if you don't mind.

Some years ago this same committee and other committees were faced with very similar, and I'm choosing my words, "attempts" by the Department of Public Works and Government Services Canada to bundle deals as far as office equipment and temp services were concerned. In both of these cases we were successful in making sure that everybody understood, including everybody in Public Works, that these attempts were particularly bad for small and medium-sized businesses and for the Canadian economy and were probably excellent for a very few suppliers that would be chosen under, might I say, "dubious" or "questionable" circumstances. In both of these attempts we were successful in making sure this bundling did not happen on a large scale as had been planned.

Mr. Lynt, you are local. You covered the fact that you live on the Quebec side. You are well aware of the problems that I would encounter as a member of Parliament for the riding of Hull—Aylmer, where huge numbers of people employed in the IT sector would be out of jobs. I am pinch-hitting here this morning, but I presume, from reading transcripts from one or two of this committee's past meetings, that most small or medium-sized companies would be excluded from the tendering process because they could not meet certain conditions. Presumably some of these conditions would be something like having business offices in several Canadian cities.

Tell me, do you have offices in cities other than in the national capital region?

**Mr. Jeff Lynt:** No, just in Ottawa.

**Mr. Marcel Proulx:** Just Ottawa—Gatineau?

**Mr. Jeff Lynt:** Yes.

**Mr. Marcel Proulx:** And you employ, did I hear, 40 employees?

**Mr. Jeff Lynt:** Approximately 40 employees, yes.

**Mr. Marcel Proulx:** Never mind your personal situation or your company's situation, but what do you think would happen to these 40 employees if this bundling process were put into place?

**Mr. Jeff Lynt:** Well, my company is at risk of closure, so potentially all the employees, myself included, would be looking for new employment. I would hope that somehow I could find a way around that. But no doubt a certain number of my employees would be affected. It's pretty much as simple as that. We may potentially be bought up by a large company, but no doubt the families would be downsized.

• (0925)

**Mr. Marcel Proulx:** If I may, what would be the possibilities...?

Madam Chair.

**The Chair:** Yes, sir?

**Mr. Marcel Proulx:** I would hope that the parliamentary secretary to the minister would be kind enough to listen to our witnesses. I don't mind if he doesn't want to listen to me, but I think it's important for him to listen to the answers.

**Mr. James Moore (Port Moody—Westwood—Port Coquitlam, CPC):** Thank you, Marcel...[Inaudible—Editor]

**Mr. Marcel Proulx:** I appreciate that, James.

Mr. Lynt, what would be the possibilities for these employees let go by your firm to find employment within these two, three, or four larger companies that would have all of the contracts across Canada?

**Mr. Jeff Lynt:** I can't answer that directly. I know that ultimately my employees would not be the only ones affected. There would be a tremendous number of companies that would be affected, all potentially hitting the street. So there is no doubt, as I said in the previous response, that if they did find work, their families would be downsized, incomes would be reduced, and there's obviously no guarantee that they would find work in the same sector. In fact, I have many people who are involved in running my business who are not even related to IT. I have support staff, and we're not even mentioning the other individuals who support my company just in general services that I purchase through other local companies.

**Mr. Marcel Proulx:** Thank you.

Mr. O'Neil, I listened to your presentation with much interest. I have a very simple question to ask you. Although this bundling process has not necessarily been put into place as we speak, this committee heard the testimony of a company owner, a gentleman by the name of Donald Powell, who owns a company identified as TPG Technology Consulting Limited.

I don't know if you're aware of Mr. Powell's testimony in front of this committee on June 10, but Mr. Powell was relating a situation about a bid in which he had been told unofficially that he would be the lowest bidder, so he could expect to have this contract. He alleges and argues that within the department there were—let me call them—funny games played, and somehow, miraculously, following a suite of coincidences, an employee was removed from the department and another employee decided there was going to be a reconsideration. The points worked out for the assessment of the bids somehow would have been modified, and as a result his company did not get the contract, but rather it went to CGI.

Are you under the impression that even though this bundling process has not started, the department, under the direction of the present government, has already started putting into place these much larger contracts?

**Mr. Mike O'Neil:** Yes, basically. We've gone through a request for information process driven by PWGSC, which closed in mid-February. The activity that kick-started us was on June 6, when we received an update on MERX stating that the government would be proceeding with this RFP in the fall and that it was a very high-level assessment of what they might be changing for the RFP, based on feedback from the industry. The one thing was that they would award points to prospective bidders for having a strategic plan to engage SMEs as subcontractors.

As we have said in our speeches, we win 65% to 70% of the competitive bids in the federal government today by bidding against the same large integrators that are going to be the only ones capable of bidding on this contract. This is a billion-dollar opportunity annually, in four pillars. The first one is on the street in the fall, if it's allowed to proceed, and that's network services.

We have engaged the support of several other organizations in the last couple of days, in particular the Canadian Advanced Technology Alliance, CATA, the Canadian Federation of Independent Business, as well as the software product association, the Canadian Information Technology Providers Association, or CITPA.

● (0930)

**Mr. Marcel Proulx:** Thank you. I'm running out of time. I'll have to come back later on, but am I right to understand from your comments that this doesn't pass the smell test?

**The Chair:** Mr. Proulx, you have run out of time.

**Mr. Marcel Proulx:** Thank you. I'll be back.

[Translation]

**The Chair:** Ms. Bourgeois.

**Ms. Diane Bourgeois (Terrebonne—Blainville, BQ):** Thank you, Madam Chair.

Good day, gentlemen, and thank you for joining us. I have to confess that I am a little puzzled by the situation that you have described to us this morning.

First of all, how did you learn that you were being shut out of the contract bidding process?

[English]

**Mr. Mike O'Neil:** The first we learned of it was when we were made aware of the request for information documents that were put onto the electronic bidding system last December, and it's basically a draft RFP, a request for proposal, where they're soliciting feedback from the industry. It was fairly evident in that draft RFP that only large integrators would be able to bid for this opportunity because of the nature of the projects that would be used as project references.

As far as consultation with the SME sector is concerned, I have it on good authority that CATA was never consulted. CFIB was never consulted, and obviously we were never consulted through an industry consultation process to determine what may be the best way to deliver these prospective shared services.

[Translation]

**Ms. Diane Bourgeois:** That's why I find your statement this morning rather odd. On November 9, 2006, Minister Michael Fortier appeared before this committee and told us that six new regional offices for SMEs had been opened. Apparently, there are even offices here in the Outaouais.

Have you done business with these regional offices or has someone from these offices been in touch with you?

[English]

**Mr. Mike O'Neil:** As chair of CABINET, we have ongoing consultations with Public Works procurement. In particular, over the last two years, we've been involved in consultations on two new supply chain task-based contracts—with task-based meaning obtaining professional services resources—which have just been delayed. The first one was just released in April; it's called the task-based informatics professional services contract, TBIPS. The second is still to be awarded, and it's for solutions-based informatics professional services. That industry consultation took one and a half to two years.

As far as shared services are concerned, they would not be available at a regional office level, I would think. We were never approached as to how shared services were supposed to happen. The first indication that it was happening was when we attended a breakfast sponsored by the Ottawa Centre for Research and Innovation in March, where Mr. Poole was the guest speaker. He outlined in his speech exactly how things were going to be delivered. That's when we became concerned.

Jeff, do you have anything else to add?

**Mr. Jeff Lynt:** I just wanted to add that we also attended a presentation that was put on by Marshall Moffat at the Canadian Management Centre. We were bewildered to learn that in fact the gentleman would be retiring in six months. Really, he was then a bit of a lame duck from our perspective. We've never really been consulted by him on any matter related to SMEs.

[Translation]

**Ms. Diane Bourgeois:** I'm sorry, but we do not have a lot of time, so I would appreciate it if you could keep your answers brief.

If I understand correctly, you were not consulted or informed that a restructuring was under way. You heard about this from Mr. Poole. Correct?

[English]

**Mr. Mike O'Neil:** Yes, we were aware of the shared services and issues. We were not aware that they were going to do contract bundling of all professional services and software products under one contract to be awarded to one winner.

● (0935)

[Translation]

**Ms. Diane Bourgeois:** How do people win a bid? You mentioned a points system. Large businesses can win extra points if they do business with small companies like yours. Is this the normal way of doing business in this environment?

[English]

**Mr. Mike O'Neil:** In cases where you have a huge requirement.... Again, we're not opposed to shared services in the context of consolidating networks and data centres; what we are opposed to is the professional services and the software products being provided to support those shared services all being bundled into one contract, with the winner taking all. The only people who can bid on that in this environment are two to three large integrators that have a presence here in Ottawa, and obviously they are international companies.

[Translation]

**Ms. Diane Bourgeois:** I have another question. What fascinates me is that PWGSC seems to want to award IT contracts for a period of 15 to 20 years, at a time when the IT environment is changing every three to five years. Don't you find that rather odd?

[English]

**Mr. Mike O'Neil:** Somewhat, yes. I mean, according to the reasons they have given us, it's not because of cost savings, as far as we're concerned; it's not because they're supporting SMEs, as far as we're concerned; and it's not consistent with the rules of good governance.

It's probably because they have a concept that bigger is better and they'll get things done with one contract or with one "partner" over the next 20 years. We've seen how large IT contracts have proceeded in the federal government. Historically, they've failed. They've been unmanageable, they've had cost overruns, and they've delivered very little on what they were originally required to do for the federal government and their clients.

[Translation]

**Ms. Diane Bourgeois:** Getting back to this famous Mr. Poole whose name has already been mentioned by various witnesses who have appeared, I'd like to know how long Mr. Poole has been doing business with SMEs like yours. How long have you been doing business with him? Is he new to the department? It seems that before he arrived on the scene, things were working well but now, that's not the case.

[English]

**Mr. Mike O'Neil:** He is fairly new to PWGSC. He did come from Immigration prior to that, as far as we know. He was responsible for the global case management system, which is another large IT project that is not delivering what it should for the department and its clients.

The first time I met Mr. Poole was when he was working for Innovapost many, many years ago. I was trying to sell the services of my resources to him, but we never got any business there.

[Translation]

**Ms. Diane Bourgeois:** You say this gentleman has considerable IT experience and is familiar with your operations. He regularly does business with you. What I'm getting at is that this represents a radical change for you. When someone is not familiar with the work you do, then they make some radical changes and throw everything out. However, when is familiar with the work and the implications... I'm anxious to meet this Mr. Poole.

How do you feel about this gentleman? I know I'm putting you on the spot, but I'm curious to know what you think about him.

**The Chair:** Mr. Bourgeois, Mr. Poole is here in this room and will be testifying later.

**Ms. Diane Bourgeois:** I realize that, but I would still like to hear their views, because this is such an incredible story.

**The Chair:** Thank you, Ms. Bourgeois. You have already gone over your allotted time.

Mr. Kramp.

[English]

**Mr. Daryl Kramp:** Thank you, Madam Chair.

Welcome.

Most of my history has been as a small business individual, so I well recognize your concerns and anxieties over either perceived or potential unfairness.

While I state that, I think as a government we have an obvious obligation. We're not here to pick winners and losers, whether it is a large corporation or SMEs. We're here to deliver product, service, and price to and on behalf of the Canadian taxpayer.

Should you have a strong case, and it appears obviously you have both the track record and the history of doing so, I believe that... Quite frankly, I'm not stuck on your focus. It's sounding more like whining than giving solutions. I would like to see your focus have more teeth in it. I'd like you to be able to say, we are more cost effective because of this reason—bang, bang, bang.

I believe much more specific information has to come out. I think we need that. I think we need that cost comparison. And I might give you an example. Mr. O'Neil, you pointed out on the question that was put forward with shared services... I think your response was very, very good, but I'd like to put it in a bit more context now.

A number of years ago we had a great deal of difficulty with a number of our competing departments with IT technology, particularly with communication. Whether it was the armed forces, the police forces, or public safety forces, they didn't have shared data. In other words, one branch or industry of protection or safety didn't even communicate well with the other. They seemed to be operating different systems with different levels of communication, so the efficiency and effectiveness was not there.

A proposal was brought forward to integrate so they would be able to more effectively communicate. That idea was brought forward, and I think the transition is in process. The Auditor General has informed us that significant progress has been made. This was an example of a shared service working well.

Are you suggesting that you're not opposed to the efficiency and the effectiveness of it, but when it gets into servicing and/or being able to bid effectively, you're being shut out? Is that what you're saying?

• (0940)

**Mr. Mike O'Neil:** What we're saying is that we're not opposed to the government saving money by consolidating networks and data centres where it makes sense. What we are opposed to is the procurement model that's being used here, which basically shuts out all companies except the four winning companies for billion-dollar contracts annually for a period of 15 to 20 years.

So it doesn't affect just SMEs; it affects every other company that may be able to bid but loses.

**Mr. Daryl Kramp:** Let's just take it five years ago versus today. Has there been any difference in the percentage of contracts awarded to SMEs? Did they get 60% or 70% and now it's 40%, or was it the other way around? Is there an inversion there? Where have we been traditionally moving?

I just want a little idea of the pattern and the flow here.



**Mr. Mike O'Neil:** If this procurement model is allowed to proceed, it will be moving into a flip-flop arrangement whereby we would have 65% or 70% of the IT professional services contracts, because of the bundling of professional services and software products, under one contract—winner take all, 15 to 20 years—for networks in the government. It would be a loss of jobs and a loss of access to these opportunities.

We want to be able to get the same number and value of contracts that we have today—if anything, we want to improve on that—and at the end of the day help the government achieve even further savings than what they're going to achieve through a shared service.

**Mr. Daryl Kramp:** Yes, and I think that's the point. Have you been able to clearly identify and/or do you have a difference of opinion with Public Works on the efficiency and the effectiveness? In other words, which way are we going to get better bang for the buck definitively? Has a full projection process been brought forward on any of these? Or do you even have the capacity to do that, if it's too large?

**Mr. Mike O'Neil:** This is all about contract bundling. The opportunity for a large integrator to deliver a shared service is obviously an opportunity for the government to save money by consolidation of networks and mainframe computers. Our issue is that we have not been consulted on this—at all—in what is usually described as industry consultation. There has been no independently reviewed business case for this, or not that we've seen. I don't know whether you people have seen it, but we certainly haven't. It's not available. Now we're at the point where we're going to be issuing an RFP for these services. Once that goes and hits the street, that's the end of it for us in terms of bidding for this opportunity.

The large integrators are not going to engage us for any longer than they have to as subcontractors and then they're going to basically throw us away.

• (0945)

**Mr. Daryl Kramp:** Traditionally through the years....

How many years have you gentlemen been in this business?

**Mr. Mike O'Neil:** I've been in this business 35 years.

**Mr. Daryl Kramp:** Have you consistently seen a similar pattern here? You mentioned that there was a bit of a flip-flop in concentration. Has there been a focus on the large enterprise to the small, or back to the small? In other words, has there been a cycle involved with any of this in the past?

**Mr. Mike O'Neil:** It seems that every couple of years the government comes out with another of these large initiatives.

CABINET came together as an entity in the early nineties because of the procurement model back then, which was called “common purpose” procurement. It was basically lining up a business partner, for each department, that could be no other than a large integrator just because of the nature of the project references you would need. So once the large integrator basically has the contract for that department, SMEs are not involved any more.

**Mr. Daryl Kramp:** Have you or your associated group of companies been able to grow in the past five years?

**Mr. Mike O'Neil:** Yes. We've been able to bid on contracts by forming consortiums. Mr. Marshall indicated in his presentation to

OCRI in March that consortiums could be put together to bid on this. But with the latest MERX update awarding points to companies for engaging SMEs as subcontractors, that is not, to us, a consortium approach. Basically we're being shut out.

**Mr. Daryl Kramp:** Have you had an opportunity to discuss that particular element with Public Works? And what has been their response, from your perspective?

**Mr. Mike O'Neil:** With the latest issue that they put out on June 6?

**Mr. Daryl Kramp:** Yes.

**Mr. Mike O'Neil:** We were told that no further consultation was going to be done on this opportunity, that this was the way it was going to be, and that they would come out with the RFP in the fall.

**Mr. Daryl Kramp:** Thank you.

**The Chair:** Thank you.

Mr. Angus.

**Mr. Charlie Angus (Timmins—James Bay, NDP):** Thank you, Madam Chair.

Thank you for coming this morning on short notice. I think this is a very important issue, and we really need to get a clear picture of it.

To help us along here, you said there were about three players in the game. Could you tell us who stands to benefit?

**Mr. Mike O'Neil:** In the federal government environment, we suspect only three or four players could possibly play. CGI is one, IBM is another, and HP and EDS—since HP recently bought EDS. That would be another opportunity. Possibly Accenture, but they would have to find a telecommunications partner, and obviously there are only a few telecom partners.

**Mr. Charlie Angus:** So we're going to move from many competitive players to a world of three, maybe two. That's what we're looking at.

The Auditor General raised a number of red flags about the bundling of large IT contracts. What concerns were raised?

**Mr. Mike O'Neil:** Primarily the cost overruns, the fact that these large IT projects become unmanageable, and at the end of the day the Canadian government and its clients don't get the expected delivery from doing these large IT contracts in the first place.

We have many examples of that. Obviously the firearms registry is the classic one. Secure Channel is another recent one in the same boat. It was basically dismantled after it was decided it couldn't be accomplished in a cost-effective manner. If you realize that banks do transaction processing probably at five to ten cents a transaction, and Secure Channel was costing \$4 a transaction, it pretty well tells you we spent all that money to find out that departments were not wanting to be included at that price. Therefore, it failed.

**Mr. Charlie Angus:** You talked about how at the present time you're winning 65% to 70% of the contracts that are coming up. To me, that's a pretty dramatic marker, to go up against the big guys and still be pulling out 70% based on competition, based on ability to get the job done. I know my colleague, Mr. Kramp, said you sounded a little whiny this morning.

I'm trying to understand the mindset that would freeze out competition, limit the number of people who could bid, and then the need to bundle the hardware, the bandwidth, and the IT support over a 15- to 20-year period. I'm trying to think what kind of mindset thinks that could deliver value for money.

Do you feel this is a Conservative Party agenda or is this a new government being led around by the nose by their bureaucrats? Where do you think this is coming from?

• (0950)

**Mr. Mike O'Neil:** As we stated previously, we're not sure where it's coming from. What we do know is that it's not in the best interests of SMEs. What the Conservatives have been saying continually since they were elected, and before, is that they're here to support SMEs. That's not occurring.

I talked about the lack of consultation with SMEs. We can be sure that PWGSC senior bureaucrats are meeting with large integrators. We know they made a presentation to ITAC, which is one of the other associations. A lot of the large integrators are part of that association. They made no offer to come and talk to us.

We also understand a visit is scheduled in early July for PWGSC bureaucrats to visit a large integrator in the States to understand their delivery model for shared services. We have that—

**Mr. Charlie Angus:** An American player—

**Mr. Mike O'Neil:** It's a large integrator that has offices in Canada, but they're taking them to their headquarters in the States to spend a few days and see what they can do on a shared system.

**Mr. Charlie Angus:** We might be getting Halliburton running our

**Mr. Mike O'Neil:** I don't know if they're located in Virginia.

**Mr. Charlie Angus:** I'm looking at this and trying to get a sense of where we're going. We just had testimony, and I'm certainly looking forward to seeing our civil service people coming up next on the CGI TPG contract. No matter how you look at that, there was certainly a prima facie case for smell on this. We certainly got very sketchy answers as to how such a big contract was possibly interfered with, and how someone, a smaller player, was left out of the game.

You said earlier you thought this bundling was already happening. Is that your sense on the ground, that this is the direction that Public Works wants to move in and that they're well on the way?

**Mr. Mike O'Neil:** Based on what brief and little feedback we got on this, it pretty much was a fait accompli that they were going with large integrators before the RFI appeared on the street. That's when we woke up to the fact that SMEs were not going to be able to play in this game.

It's not just Ottawa-Gatineau SMEs; these are SMEs across the country, because this is a national network, and anybody who does

work in any of these sectors across Canada will either have to pony up to the winner or find other business elsewhere.

**Mr. Charlie Angus:** There's going to be a little dog-and-pony show, with the glasses of white wine served at a large U.S. integrator for our Conservative Party friends.

What are the implications for deliberately freezing out innovation and mid-sized companies in Canada? There are only a few players left, so this would leave us open to the big American players. What do you think of the agenda to freeze you out, so that we can open the door to the very large U.S. players, like Halliburton?

**Mr. Jeff Lynt:** There have been a number of points made.

I'd like to say that I take particular offence to Mr. Kramp's point about whining—in light of the fact that there are families at risk here, mine particularly.

I suggest to you that the solution you refer to is exactly what SME brings. SMEs supply the innovation to the Canadian economy. I appreciate that you said you were at one time a small innovative company.

At one time, Alexander Graham Bell invented the telephone, and if it wasn't for that great invention the world would be very different. He was a small business at the time.

I also want to note that I see some individuals around the room playing with their BlackBerrys, which came from a small company called RIM, which appears to have changed this room, if not the entire world, with mobile devices.

Innovation has driven this economy and has built Canada to what it is today. We now risk destroying that ability. Note also that this Ottawa area was built from a lot of spinoffs from companies whose innovation was responsible for growing a local IT economy.

I think that eliminating small business and not allowing us to provide our specialized services does a disservice to Canada. We offer specific solutions to our clients, and it is what they want. We don't win 70% of the business because we're not offering good solutions at good prices. We win this business because our clients are interested in our services, and they agree with our approach. We're not stymied by one model, one size fits all, trying to fit a square peg in a round hole, as the large integrators often say.

For some reason, bureaucrats have been convinced that bigger is better, and that is blatantly wrong. It's not true—it's never been true. It's always been small business that has driven our economy, and it's just as simple as that.

• (0955)

**The Chair:** Thank you.

Mr. Silva.

**Mr. Mario Silva (Davenport, Lib.):** Thank you, Madam Chair.

I want to thank the witnesses for coming forward before the committee. All of us have found what they've had to say very interesting and very important. I think all of us should be troubled and concerned about the actions the government is taking to limit bidding, particularly by small and medium-sized businesses and enterprises, and to prevent access to that \$600 million in contracts that has been spoken about.

I think this is quite a shame, and all of us are very much concerned about it. I hear there might be a motion coming from our colleagues in the Bloc, which I think is worthy of support. The statements have already been made by members, and the witnesses have also articulated quite well their concerns. I think all of us should share their concerns, because it doesn't make any sense at all what the government is doing at the moment.

I don't really have too many further questions. Maybe they have something they want to add, because all of us are concerned about competition out there, especially when we're dealing with businesses, some located here in the Ottawa area and in Canada, that are going against large multinational and foreign companies. They're not providing local jobs, as these companies are doing. Why would we favour them at the risk of not supporting our own domestic enterprises and businesses?

It's also true, Madam Chair, that these small companies, with a bit of support and over time, become large companies. They go from 40 employees to 400 to 4,000 employees. These are the companies that most likely will have success in the future, and we definitely have to be supportive and do everything we can I think as members of this committee to make sure they're given their fair share.

This is about fairness. It's about access for everybody, and it's about not limiting these particular bids. When they're given an opportunity, they're just as effective and they do just as well. In fact, they are beating the big companies when the tender is up and they bid. They're doing extremely well. And it seems that somebody has found a creative way to in fact eliminate these very successful businesses that are providing value for our money and for taxpayers. I find it a bit shocking that now, all of a sudden, they have limited access. If anything, if we want to have value for our dollar, what needs to be done is to provide access to everybody, not to limit access. I think they've articulated very well a very good case. Members around here have also expressed their deepest concern, shock, and dismay at what's taken place.

I don't know if there are any other comments they want to put forward. We have the picture, we know the picture, and now it's a question of whether the committee should act on it.

If there's any further time, they might have a comment or two to make.

**The Chair:** Thank you, Mr. Silva.

Was there anything you wanted to say?

That being said, we'll go to Madame Faille.

[*Translation*]

**Ms. Meili Faille (Vaudreuil-Soulanges, BQ):** Thank you, Madam Chair.

We have heard a great deal of information this morning. I'd like to come back to my colleague's question about when exactly you learned of these major technological changes. I have to say that when I first arrived at this committee, I did ask some questions about IT and the changes at PWGSC over the past 10 years. We held a similar debate several years ago, when we wanted to promote integrators. So then, we are familiar with the various arguments associated with this issue.

My colleague put a question to you. Since 2007, it appears that efforts have been made to fast-track the process to favour large integrators. There are very few of them on the market. Certainly, there are reasons for doing this, and we'll hear about them later. You mentioned that on June 6, some major changes were made to requests for information.

As for how the situation evolved between December and June, PWGSC initiated certain actions that you are aware of and demonstrated that it was cost-effective to take this approach, move forward with this plan and do some feasibility studies. I'd like to draw a parallel between this situation and what's happening at Citizenship and Immigration Canada.

Mr. Lynt, you spoke of the immigration system. I was once a member of the Standing Committee on Citizenship and Immigration and each time we reviewed budget requirements, we received repeated requests for more money. This is an example of a major project that experienced cost overruns, specification changes and major delivery delays. The system is still not operational today, even though it was supposed to be ready several years ago.

Could you tell us again about the new request for information process and how your small business learned of it?

● (1000)

[*English*]

**Mr. Mike O'Neil:** That was a long question.

As I've stated, it was when the request for information appeared on the government electronic bidding system last December that we had our first indication that the contracts for shared services were only going to be awarded to large integrators based on the contents of the draft RFP that were part of that RFI process.

We were allowed to provide feedback, but we had not been consulted prior to this RFI process as to how it should proceed or how SMEs and companies with innovative solutions could be involved in the process. Our situation right now is that there's an RFP imminent in the fall that will only be available to large integrators to bid on, and in some cases a lot of large integrators won't be able to bid on it because they won't have a telecommunications partner. This is a combination; you have a large integrator with a telecom company required to deliver the network services.

Jeff may have some other points.

**Mr. Jeff Lynt:** I just wanted to add that it does indeed appear as though there is favouritism for large integrators. The fact of the matter is that we're not being consulted enough. We're just not getting the time the large integrators are with the senior bureaucrats.

We've asked; in fact, at one meeting we did have, Mike was the only person allowed to meet with Steven Poole. If it had been anybody else, the meeting would have been cancelled. I would have loved the opportunity to look Mr. Steven Poole in the eye and ask him why he's killing us.

[*Translation*]

**Ms. Meili Faille:** In the space of nine months, they have managed to put the entire SME sector at risk. This is a major concern and I think the committee needs to urgently consider this matter.

You also mentioned other agencies, including small business associations. We receive a considerable amount of material at our offices. I recall that in 2006, we had some meetings with the CFIB. In a letter reporting on its meetings with Minister Fortier, the CFIB also expressed some surprise at the government's plans for a number of sectors, specifically, the IT sector, the engineering sector and the goods and services sector. Supply was one of the topics discussed. The government had a tendency to use major suppliers at the expense of regional offices and suppliers with access to federal contracts.

Have you ever laid eyes on a feasibility study of this approach or model? The Auditor General has complained repeatedly about the way in which major projects are handled. Recently, she talked about her opposition to or reservations about the contract awarding process. She also alluded to public accounts. I don't know what more to say, if only to stress the urgency of the situation.

It seems that everything will take place in the middle of the summer, when Parliament is in recess. The same thing happened last year in the case of other projects and other major government initiatives.

I'll leave it at that. Thank you.

●(1005)

[*English*]

**The Chair:** *Merci, Madame Faille.*

We're going to end with Mr. Albrecht for this part of the session.

**Mr. Harold Albrecht (Kitchener—Conestoga, CPC):** Thank you, Madam Chair.

I want to thank each of you for being here today. I want to assure you that I remain, and I believe my colleagues remain, committed to SMEs. I think if you will review some of the meetings that this committee has conducted, there is a definite focus on that. But I do value this dialogue today. I think it's helpful for us as Conservative members to hear your concerns.

On the issue of consultation, I just want to confirm. I think I heard you say that you did respond to the December 2007 request for information. You did respond to that, and you were never consulted following that submission. Is that accurate?

**Mr. Mike O'Neil:** We were never consulted before the RFI process and we never had any industry consultation after the RFI was released. Our only opportunity was to provide feedback to PWGSC, and when we asked once the feedback had all been received whether there would be further industry consultation, we were told there wouldn't be.

**Mr. Harold Albrecht:** But I think you said earlier that ITAC was consulted following the RFI and you were not.

**Mr. Mike O'Neil:** We have copies of a presentation that was made directly to ITAC by Mr. Poole, and I can't remember exactly when that occurred.

**Mr. Harold Albrecht:** I want to put on record as saying that I think it would have been valuable to have your group consulted. You obviously represent a large proportion of the SMEs, and I want to go on record as saying that, and I will try to follow up with that.

I have just a quick question in terms of what percentage of contracts would your companies secure with government agencies and what percentage with private enterprises? Are you mainly in government services?

**Mr. Mike O'Neil:** In this town, it's mainly government services. Probably 80% would be involved with government; there's not a lot of industry in this town, other than high-tech companies that typically try to take our employees.

**Mr. Harold Albrecht:** Thank you.

Mr. Lynt, you made a comment, in your second last paragraph, that your "sincere and deepest hope is that the Conservative members of this committee and the Parliamentary Secretary..." It appears to me that you've had a dialogue with opposition members on this issue. I know I have not had a dialogue with you. I don't recall being approached for a dialogue.

My question is this. Have you been in consultation with Conservative members on this issue prior to today? It would seem to me it would have been helpful to move the yardsticks ahead. It follows up on Mr. Kramp's comment about having some of this information ahead of time so we could have done our homework better to answer some of the allegations that are made today.

Did you in fact approach some of my colleagues on this issue?

**Mr. Jeff Lynt:** I appreciate your concern. Certainly we've tried extensively to be consulted on this matter. In the last week or so, things have progressed very quickly. We did have meetings lined up with many members to discuss our concerns. Unfortunately, I was able to participate on only one day. I'm not sure who Mike met with. I personally have not met with any Conservative members, but it's important to note that we did try to take the traditional consultation method with PWGSC, and thus the government, and basically the hand was thrown up to us that consultations were over.

●(1010)

**Mr. Harold Albrecht:** I do think that in the interest of moving ahead with this committee—again it appears to me that you've had a dialogue with other members—I think it would have been helpful to at least attempt to dialogue with the members who serve on this committee who may have been helpful in facilitating dialogue at the bureaucratic level.

**The Chair:** Mr. O'Neil, do you want to answer that?

**Mr. Mike O'Neil:** You have to understand that as SMEs we're taking time away from our jobs to do this on behalf of all SMEs. I in particular met with my MP, Pierre Poilievre, several months ago, and he actually issued the letter to Minister Fortier, which I never heard anything back on. It was basically outlining the concerns I have as an employee of an IT consulting company here in Ottawa regarding the shared services contract bundling initiative. I haven't heard anything back. The only thing I ever saw was the MERX June 6 update that basically said they were going to award points now for bidders that have a strategic plan to engage SMEs as subcontractors, which is not what we were expecting to see.

**Mr. Harold Albrecht:** Do I have any time left?

**The Chair:** I think that's it. Do you have another short question?

**Mr. Harold Albrecht:** I have just one short question. I'm not fluent in French, but there was an article in a French paper that alleged, as you did in your submission this morning, that these contracts will be awarded on a 15- to 20-year-long basis. My information is that PWGSC actually has issued a new method for supply, which provides a one-year term with annual renewals. I don't know if you want to respond to that.

**Mr. Mike O'Neil:** I'll go back to the consultation process. We've heard nothing of that. It wasn't in anything that came out on June 6. So all we have is the presentation that Mr. Poole did to OCRI, which says that he's going to be awarding 15- to 20-year contracts on a winner-take-all basis for a large integrator, and they'll work together to deliver the cost savings to the government.

**Mr. Harold Albrecht:** I just want to go on record as saying that it's important that we clarify in a more up-to-date fashion and hear from the other group of witnesses today.

**The Chair:** Thank you.

We're going to take a short break while we change witnesses.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- \_\_\_\_\_
- (1015)

**The Chair:** To the people from Public Works, you'll understand why we wanted you to come here this morning as well. I know it was a surprise to you, but I think it's only fair to allow you to make a presentation and to address some of the issues that have been brought up here today.

I don't know who will be speaking. I'm going to leave it up to you and for you to introduce yourselves.

The famous Mr. Poole is sitting in front of us—or is that “infamous”?

[Translation]

**Ms. Liliame saint pierre (Assistant Deputy Minister, Acquisitions Branch, Department of Public Works and Government Services):** Madam Chair, thank you for this opportunity to appear before this committee as you discuss the procurement activities of Public Works and Government Services Canada.

[English]

With me are Steven Poole, who is the chief executive officer, and Maurice Chénier, the chief operating officer of the information technology services branch.

[Translation]

With me is Jérôme Thauvette, Director General of the Services and Technology Acquisition Management Sector of Acquisitions Branch.

As ADM of Acquisitions Branch, my job is to acquire goods and services on behalf of clients both within Public Works and across the Government of Canada.

[English]

Mr. Poole's job is to provide IT services to other government departments on an optional basis and to manage Public Works' internal information management and information technology services.

With respect to the relationship between our two branches, the information technology services branch identifies what it needs to carry out its functions, and the acquisitions branch acquires those services and products, as we do for our clients outside Public Works.

Public Works takes very seriously the role of small and medium-sized enterprises in Canada's economy and Canadian communities. Through our department's office of small and medium enterprises, we have been making an explicit effort to make it easier for smaller firms to compete for and win government business.

In the two years since the creation of dedicated SME offices across the country, departmental employees have interacted with more than 30,000 individuals and businesses, and the number of small and medium-sized firms registering as suppliers to Public Works and Government Services Canada has steadily increased.

On average, over the last three years, 68% of all contracts let by Public Works, accounting for 39% of contract value, have gone to SMEs. Moreover, SMEs in recent months have proven very successful at qualifying for new standing offers and supply arrangements for informatics professionals, which we posted on MERX at the end of last year.

These were issued following extensive consultations with industry and are available for use by all government departments. More than 200 firms qualified, of which about 72% are SMEs with 100 or fewer employees. Companies that did not qualify initially will be able to compete again during our annual updates.

● (1020)

[Translation]

As well as providing opportunities for Canadian businesses, Public Works continues to focus on modernizing government operations and obtaining optimum value for Canadians.

One of the ways we are doing this is through our Information Technology Shared Services initiative, one aspect of which is the Government Enterprise Network services initiative—a cross-government network for services such as telephone and internet access that will reduce duplication and make more efficient use of resources.

The Governments of British Columbia, Ontario and Quebec have already gone down the path of shared services, as have several large private-sector firms.

We have been consulting with industry—including associations representing small businesses—on the contract requirements for the project over the past two years.

*[English]*

While most of the feedback has been favourable, we have heard some concerns and made adjustments accordingly.

For example, we have introduced more rigorous definitions of the professional services within the scope of the strategy and removed certain services. We also now plan to put in the bid solicitation mandatory provisions that bidders include an SME subcontracting plan in their proposals. There will remain a need for IT professionals to manage the implementation of these services and to monitor them.

*[Translation]*

Madam Chair, the RFP has not been issued yet. We will continue to consult with industry on it and on all future large-scale IM/IT procurements.

However, we will also establish a structure for a more formal consultation process that will include senior departmental officials as well as our Office of Small and Medium Enterprises. This will provide assurances to both the industry and ourselves that we have the same understanding.

Madam Chair, we look forward to your questions.

**The Chair:** Thank you, Ms. saint pierre.

*[English]*

I listened to you, and I'm listening to you now, and sometimes I wonder whether there is in Public Works and Government Services the same disconnect that I see in other departments, where the upper echelons are not aware of what is really going on. We hear from the industry and they're saying they haven't been consulted, and yet you're saying, "We are consulting. We are continuing to consult."

I hope we can make that mesh, because I think it's very important that we don't put aside the small and medium enterprises, which really are the innovation and really much of what goes on—they drive the economy.

I put that to you because too often as chair of this committee I run into that disconnect between the upper echelons and the actual people who are doing the work. And are they really doing what you think they're doing?

I'll give you half a second to answer that, and then I'll go to Mr. Proulx, because it's a very big concern of mine, and it's something that I've seen across government over the years.

I'm asking her the question, so she can try to answer.

●(1025)

*[Translation]*

**Ms. Liliane saint pierre:** Madam Chair, it is very important that consultations take place. That said, there is arguably never enough consultations in certain sectors. However, I must say that we are fully committed and convinced of the need to consult on all major projects involving long-term technology contracts.

**The Chair:** I hope that you will have many more consultations. Summer is just around the corner and we want assurances that the consultation process will not unfold over the summer, while we're away.

You are up next, Mr. Proulx.

**Mr. Marcel Proulx:** Thank you, Madam Chair. The two questions I had have already been asked of the witness. Therefore, I'll move on to another topic.

**The Chair:** I'm sorry.

**Mr. Marcel Proulx:** There is no need at all to apologize, Madam Chair. Quite the contrary. This will give me a chance to broach other subjects.

Good day, Ms. saint pierre. Welcome to you and your colleagues. I appreciate your taking the time to come here. I know that you have a busy schedule as well.

I'd like to make a brief comment along the same lines as Ms. Marleau's. On listening to you, Ms. saint pierre, I have the feeling that we should be congratulating you and praising you for making your Small and Medium Enterprise offices genuine success stories. However, I will reserve my congratulations until later because other industry stakeholders seem to be singing a somewhat different tune. So then, I will hold off to see if you deserve to be praised or not for your efforts.

*[English]*

Mr. Kramp said to one of the witnesses a little while ago that he thought it was more whining than anything else on their part. I beg to—

**Mr. Daryl Kramp:** On a point of order, Madam Chair, I did not say that. That is a statement that is totally out of—

**Mr. Marcel Proulx:** What did you say? You didn't say they were whining?

**Mr. Daryl Kramp:** If I would be allowed to explain it, I would.

**Mr. Marcel Proulx:** Well, you explain it when it's your time, okay?

**Mr. Daryl Kramp:** Thank you.

**Mr. Marcel Proulx:** Thank you.

Mr. Albrecht mentioned it was the first time that he personally has heard about this problem, and he suggested that there had been dialogue between.... I'll talk for myself personally and the witnesses. I want to make clear that I have not had a previous dialogue with the three witnesses who appeared before us this morning from the industry. As far as the first time, Mr. Albrecht probably wanted to say that he had not heard of this himself, because when I look at the transcripts from previous meetings, there have been red flags that have been waved.

So Mr. Poole, you seem to be the star—

**Mr. James Moore:** This is your first meeting here. This is the first time you've come to this committee.

**Mr. Marcel Proulx:** I've read the transcripts, James.

Mr. Poole, before we go too far, Madame Saint Pierre said—and I have the French version—they will continue their consultations, and so on. Previous witnesses said they had not been consulted. What's your version? Who says the right thing? Have there been consultations or have there not been consultations?

**Mr. Steven Poole (Chief Executive Officer, Information Technology Services Branch, Department of Public Works and Government Services):** Madam Chair, thank you very much for the opportunity to respond.

There have been consultations. The consultations, in fact, occur informally, where I have been out making presentations to a variety of fora—I believe probably 10 or 12 presentations, to organizations like OCRI, ITAC, and GTEC. So those presentations have been made. There are more formal consultations, particularly on this network services contract. I believe there have been three RFIs, requests for information, over the past three years.

I do understand what they were presenting, and I believe they're looking for a more formal consultative process than the two I just described and what my colleague has just explained. We are committed to doing that.

•(1030)

**Mr. Marcel Proulx:** Mr. Poole, I want to come back to OCRI, but before I do that, just clear up my understanding. Are we talking about a 15-year contract for this, or are we talking about a one-year contract with potential renewals?

**Mr. Steven Poole:** In the consultations we have discussed a variety of potential terms for these types of contracts. I just need to re-emphasize that there are requests for information; we're in the consultation phase, and it's not until we get to a request for proposal that we actually formalize what the terms can be. So it's quite natural, sir, that there are discussions about the term, on which my perspective says there is consultation—

**Mr. Marcel Proulx:** Okay. You understand we are timed. Madam Chair is a nice lady, but she's pretty quick on the clock, so I'll keep your comments short, if you don't mind.

Mr. Poole, I don't think I'm out of order, but seeing that you're the chief executive officer... In a previous committee hearing a witness mentioned that one of the employees would be the largest shareholder in a company that's a direct competitor of other IT companies and is a former vice-president of CGI. Do you know who I'm talking about here?

**Mr. Steven Poole:** I'm not entirely sure.

**Mr. Marcel Proulx:** As far as your employee is concerned...do you know a gentleman by the name of Danek?

**Mr. Steven Poole:** Yes, I'm aware of Mr. Danek.

**Mr. Marcel Proulx:** Would he be the largest shareholder of a company that competes with other members in the industry? Is that possible under conflict of interest rules?

**Mr. Steven Poole:** Madam Chair, he's not the owner of those shares of a large company.

**Mr. Marcel Proulx:** You mentioned OCRI. In your presentation there you indicated that one of the reasons you were potentially moving towards the bundling of contracts was a labour shortfall in IT. Mr. Cochrane from Treasury Board stated that the Organizational Readiness Office was very successful in attracting a large number of people from the private sector and that it was of great benefit. Is he wrong?

**Mr. Steven Poole:** The first point I would mention is that we're not using bundling for the professional services. I just want to make that point, and we might have an opportunity to discuss that later.

Mr. Cochrane is saying that today the Organizational Readiness Office has been successful at recruiting. When I talk about the future, I'm talking about five to seven years, where the Conference Board of Canada has predicted these shortfalls. So what we're talking about here is the difference between the success of today and the potential of successful recruiting in the future.

**Mr. Marcel Proulx:** Madam Saint Pierre—

**The Chair:** This is the last question.

**Mr. Marcel Proulx:** This is the last question.

The Auditor General stated in her report...

[Translation]

Would you prefer it if I spoke in French?

**Mme Liliane saint pierre:** Whatever you prefer.

[English]

**Mr. Marcel Proulx:** The Auditor General stated in her report that research clearly indicates small IT projects are more likely to succeed. Do you think that presenting the largest—I should say potentially presenting the largest—ever IT project ever undertaken by the Government of Canada is an adequate response to her position, to her statement, to her findings?

[Translation]

**Ms. Liliane saint pierre:** Madam Chair, when the Auditor General said that small projects have a greater chance of being successful, she was referring to technology development projects. We are continuing to receive requests from client departments for the service of contractors to allow these development projects to move forward.

**Mr. Marcel Proulx:** Thank you, Madam.

Thank you, Madam Chair. I need to leave for the House, but I will return later.

[English]

**The Chair:** Go ahead, Madame Bourgeois.

[Translation]

**Ms. Diane Bourgeois:** Thank you, Madam Chair.

Good day, Madam, gentlemen.

Madam Chair, is the clock running while they are making noise?

**The Chair:** Go ahead, Madam.

•(1035)

**Ms. Diane Bourgeois:** Ms. saint pierre, I think you're very brave to meet with us today, given this whole issue and how it could affect your credibility.

By the way, I want you to know that I do hold you in high esteem. Your courage is a credit to you. I do, however, have a few questions. At the conclusion of your statement, you say this:

We also now plan to put in the bid solicitation mandatory provisions that bidders include an SME subcontracting plan in their proposals.

To my mind, it is clear that the witnesses who testified before you and described the problems they were having were absolutely right in saying that outrageous contracts would be awarded to large firms, that they would be shut out of subcontracts and that there was nothing they could do about it.

You continue: "[...] we will also establish a structure for a more formal consultation process [...]" Mr. Poole told us that he had consulted with people and made some presentations. Understandably, credibility is taking a bit of a hit here.

Would you care to respond?

**Ms. Liliane saint pierre:** Thank you for your questions. I will try to remember and answer all of them.

Regarding your first question, it's important to note that the IT services sector covers a range of specialties. In recent years, the group that I head up has been involved to the tune of over \$2.5 billion in IT contracts, either for software or computers. This is a very interesting sector. The professional services sector accounts for over \$600 million.

Clearly then, we receive a tremendous number of proposals and subsequent IT contracts, representing various dollar amounts. Some proposals are for lower amounts. At present, we have put in place mechanisms for which firms can pre-qualify to process many of these RFPs.

**Ms. Diane Bourgeois:** Can I interrupt you?

**Ms. Liliane saint pierre:** Yes.

**Ms. Diane Bourgeois:** It's just that we do not have a lot of time. Were the proposals you mentioned once handled by SMEs?

**Ms. Liliane saint pierre:** Thank you for that question. That will continue to be the case. PWGSC and the government are very committed to promoting and increasing the market share of SMEs.

**Ms. Diane Bourgeois:** You're talking about subcontracting.

**Ms. Liliane saint pierre:** Not necessarily. We do both, Ms. Bourgeois. We have tools in place. As I indicated in my opening statement, following several years of consultations, we have brought in a very important tool, the Task-Based Informatics Professional Services, which is now available for use by all departments. Firms must pre-qualify for these arrangements. In fact, over 72% of the firms that qualified were SMEs.

**Ms. Diane Bourgeois:** I have another question for you. Has the plan you referred to been put on paper? Are copies available?

**Ms. Liliane saint pierre:** No.

**Ms. Diane Bourgeois:** That was the first thing I wanted to know.

My next question concerns Mr. Poole. If I understand correctly, Mr. Poole is your associate. He is not a departmental employee.

Is Mr. Poole a federal government employee or is he part of an exchange program? How did he come to work with you?

•(1040)

**Ms. Liliane saint pierre:** Madam Chair, as Assistant Deputy Minister responsible for acquisitions, I provide services to all departments. I also provide contractual services to my own department.

Mr. Poole works for PWGSC. He has IT requirements. My job is to arrange the acquisition process to allow him to obtain these services.

**Ms. Diane Bourgeois:** I see. How long has Mr. Poole been with the department?

**Ms. Liliane saint pierre:** Madam Chair, I will let Mr. Poole answer that question, because to be honest, I don't know when exactly he joined the department.

**Ms. Diane Bourgeois:** How long have you been with the department, Mr. Poole?

**Mr. Steven Poole:** Thank you very much, Madam Chair. I will try to answer in French.

I have been with the federal government since 2003. Prior to that time, I was in the military for 25 years. I travelled around the world.

**Ms. Diane Bourgeois:** And during the years in between, what did you do?

**Mr. Steven Poole:** During those seven years or so, for much of that time, that is for five and a half years, I worked for the Canada Post Corporation.

**Ms. Diane Bourgeois:** Mr. Poole, apparently you developed a plan with firms to provide IT services.

Do you have that plan handy? Can we see it?

**Mr. Steven Poole:** We are now at the stage of holding consultations. We are in the process of developing this plan.

**Ms. Diane Bourgeois:** Your plan has not yet been finalized, but you have already announced on your site, in the Request for Information, or RFI, that...

**Mr. Steven Poole:** You are talking about a RFI, not an RFP.

**Ms. Liliane saint pierre:** To date, we have published requests for information which reveal the government's plan to go ahead with an initiative. This is done through telecommunications networks. We invite people in the private sector to comment on the project. That represents the third request.



If you're in fact referring to the shared services initiative that would combine certain contracts, then that initiative was developed jointly with the Treasury Board Secretariat.

**Ms. Diane Bourgeois:** What prompted you to do this? You wanted to improve things. Theoretically, you must have had some performance and time indicators.

I would imagine your planning was based on something concrete.

**Mr. Steven Poole:** I'd be more comfortable answering that question in English, Madam Chair.

[*English*]

In 2003 there were significant studies around the expenditure review committee, and there were many conclusions from that. One was that information technology could be managed much better in government.

There were several studies that allowed us to pursue various proofs of concept and approaches to confirm a general approach. We are in consultation with industry about that general approach at this time.

There are significant indicators from research, from professional firms like Gartner, as well as information from other provinces like B.C., Quebec—Centre de services partagés du Québec—that show there are significant benefits to pursuing this line of procurement and services.

There are many public policy forums that all say this direction is worthy of pursuing. We're pursuing it, but we're trying to do it in the most consultative way we can so that we know we're doing the right thing for Canadians. There are many benefits. We're talking about not only very significant efficiencies.

•(1045)

[*Translation*]

Let me briefly explain to you what's involved here.

[*English*]

With regard to network and telecommunications services, everybody knows that when you plug in your telephone or your computer, a whole bunch of things happen. There are wires, there are boxes, there are switches, there is software. When we are replicating all of that, because the departments have a lot of it in a stovepipe-duplicated way, it makes for way too much expense.

We can go to some federal buildings where there is more than one department, and there will be what we call "multiple wiring closets", multiple sets of wires. We don't need to do this.

We're trying to get the federal organizations to work together to do IT better. It is very complex.

[*Translation*]

**Ms. Diane Bourgeois:** Madam Chair, I would like to come back to this topic because I have a number of questions that I would like to ask.

[*English*]

**The Chair:** Thank you.

Mr. Moore.

**Mr. James Moore:** Thank you for being here as witnesses, and my thanks also to Messrs. O'Neil, Lynt, and MacDonald. Thank you for taking the time out from building your businesses to be witnesses, to give us your information and feedback on this process.

Any government that comes into office, Liberal or Conservative, has an obligation to examine the status quo and see whether it can be improved. We sent out requests for information, three of them on this subject. Then you have a request for proposal to see if you can increase value for taxpayers. Then there is a process of evaluation, consideration, and debate. You put the tip of your toe in the water, and the status quo seems to have a bit of a connoption fit about it. And that's fine. But we have an obligation to look beyond the status quo to find the best value for taxpayers. If it is not there, then we re-evaluate and go forward.

I've always had the view that debates are better than having competing interviews with witnesses. So if Messrs. O'Neil, Lynt, and MacDonald do not mind, I am going to take some of the questions that they put in their statements and put them to you.

To Mr. Poole, about the June 6 RFI, Mr. O'Neil says:

The government intends to bundle the commodities in the IT professional services together in order to issue four "pillar" contracts, each of a value that could exceed \$1 billion annually for a period of up to 20 years. Bigger is better. This simplistic approach to problems makes absolutely no sense and could only be conceived by people who are not spending their own money. It makes no financial sense.

I invite you, Madam Saint Pierre, to comment.

**Ms. Liliane Saint Pierre:** Regarding the RFI that was put forward, my understanding is that it was related mainly to the current plan, a consultation process, which was for the government-wide enterprise network.

Regarding the benefits of such an incentive and the comments on the advantage and the best return, the value for the taxpayer, I would like to turn the question over to Mr. Poole.

**Mr. Steven Poole:** We are investigating great potential benefits for Canadian taxpayers. It's not just about the dollars; it's about the benefits of better IT security, better experiences for Canadian citizens. When they contact a call centre, those call centres should be able to talk to each other.

There are more benefits than just the dollars, and there is considerable research to show that these benefits are there. In the B. C. government they are talking about network services savings in the order of 22%. This is significant. It is worth continuing to investigate, to consult with industry, and to manage IT better.

**Mr. James Moore:** About the competition, Jeff Lynt, director of the Canadian Business Information Technology Network, referring to the competition and the reality of SMEs, asked why SMEs should be satisfied to subcontract to companies that they regularly beat in open, fair, and transparent competition.

**Mr. Steven Poole:** I think it's very important to understand that the SMEs, in this town in particular, get business from two directions. They get business from their work directly with the private sector, and sometimes that includes subcontracting through larger suppliers. The other thing is they get business directly with the Government of Canada. I believe we are trying to have that complementary capability there. So we believe that those opportunities are still there and that in the network services approach we're taking....

If I could just take a moment, I did take the opportunity after one of the presentations to meet with Mr. O'Neil to understand his concerns better. As a result of those discussions, I want to make absolutely certain that we're not bundling in professional services that would impact the small and medium enterprises. To me, that is consultation: we're taking the advice and we're putting that advice to good work.

• (1050)

**Mr. James Moore:** Do I still have a couple of minutes?

**The Chair:** Yes.

**Mr. James Moore:** What's next in terms of the time? In that there's the concern raised by CABINET about inadequate consultation and so on, what's the timeline for the RFP? What are the next steps the department is going to undertake between now and the issuance of an RFP in terms of consultations? Who are you going to meet with, and over what timeframe?

**Ms. Liliane Saint Pierre:** The immediate next step will be to design a formal consultation process related to this initiative, piggybacked on the experience we had—it was mentioned by Mr. Proulx—with the initiative for the office supplies and temporary help a few years ago. We will be discussing developing a formal consultation process, which we will share and ask for comments, and we'll move the agenda forward.

As such, we do not expect to have a formal RFP in the fall. We'll take the time necessary to consult further formally, with the involvement of senior executives of the Department of Public Works.

**Mr. James Moore:** So what is the timeframe? I suppose you're leaving it loose, but do you suspect an RFP would be issued in 2008?

**Ms. Liliane Saint Pierre:** More likely it will be at the beginning of 2009.

**Mr. James Moore:** So the consultations will begin, when, this summer?

**Ms. Liliane Saint Pierre:** The consultations will commence this summer—August or September.

**Mr. James Moore:** Thank you.

**The Chair:** Thank you, Mr. Moore.

Mr. Angus.

**Mr. Charlie Angus:** Thank you, Madam Chair.

Thank you very much for coming today.

I think the big issue we find on our committee is that people come to us with all kinds of red flags. We have to draw on our witnesses, and often our concerns are put to rest, and sometimes they're not.

Our first round of witnesses said that in the bundling process that's under way there will be a couple of big winners and potentially many losers. Two of the big winners that were mentioned were CGI and IBM, which happen to be on the TPG contract. Those are two of the very big players that were mentioned as possible winners out of this deal.

Madame Saint Pierre and I have talked in the past about this contract. It's become a bit of a symbol of the problems that small and medium-sized players are having in getting contracts.

When you and Mr. Fortier were here, I was asking about the basic rules to ensure fairness. One of the issues we talked about was the fairness monitor. I asked a number of very clear and straightforward questions: is there an obligation to bring in a fairness monitor; is there a financial requirement for the fairness monitor; is this something that's discretionary? In each case the minister answered very, very clearly that a fairness monitor could be applied, but not necessarily, that there was no financial point at which it automatically kicked in.

You sat beside him. I would assume that the minister knows his stuff and that he's being backed up by his staff. Yet the further we looked into it, that doesn't seem to be the case.

We asked Mr. Shahid Minto, who was the former risk officer, about fairness monitors. He said that the fairness monitor is “a *Good Housekeeping* seal of approval...and it works”, and that “on all large projects there has to be a really, really strong reason not to use one”.

From our understanding, the fairness monitor kicks in at \$250 million, so are we being given the wrong information here?

• (1055)

[*Translation*]

**Ms. Liliane saint pierre:** Madam Chair, Mr. Angus, thank you for the opportunity to speak about the fairness monitor policy.

[*English*]

I'll turn to English and try to be as clear as I can in relation to this.

The Department of Public Works adopted a framework in 2005 related to the fairness monitor. Since then we have had 23 situations in which a fairness monitor was used in procurements. Those could be large procurements or smaller procurements.

It is very clear in that framework that there is no mandatory requirement for a fairness monitor. That being said, it is mandatory to consider the involvement of a fairness monitor for requirements over \$250 million.

In our consideration, there are certain criteria that we need to look into, such as the nature of the requirement, the complexity of the selection process, the nature of the industry, and so on.

**Mr. Charlie Angus:** So you're basically telling me that you aren't obliged on a contract that's up to \$400 million. I just wanted that on the record, because what we see written is that \$250 million is the kickoff point at which the fairness monitor has to come in. We now have you on record saying, "No, that's not the case".

I don't have much time here.

Mr. Poole, earlier one of my colleagues asked you a question about Mr. Jirka Danek, and you said he was not a shareholder, or the largest shareholder in a company, even though he works for Public Works.

You wrote a letter, though, to TPG dated May 29, 2006, stating that Mr. Danek was a controlling shareholder of a public company called Avalon Works, which has been providing service to Public Works for a number of years, and which is a significant subcontractor on the ETS contract, which is held by TPG, and which gets a significant percentage of its revenue from its relationship with TPG.

Why did you just tell us that you didn't know he was a large shareholder in a company that bids on Public Works contracts?

**Mr. Steven Poole:** The question to me earlier was specifically "is he?" Today he is not. He divested himself of all of those resources, I believe, a couple of months ago. Those resources were in a blind trust.

When Mr. Danek joined—

**Mr. Charlie Angus:** Excuse me. When the TPG contract was going down and questions were being raised, you said there was no problem. And yet you told our committee here that he's not. You didn't add that extra addendum. You did not tell this committee that a couple of months ago he divested himself. We were led to believe, Mr. Poole, that he was not a shareholder, that he had nothing to do with it. And you look surprised. Why didn't you just tell us the truth from the beginning?

**Mr. Steven Poole:** Madam Chair, I had every intention, and I did tell the truth. I was trying to be very succinct, and I'd be happy to clarify for you. I did not intend to mislead nor do I believe I have misled this committee.

**Mr. Charlie Angus:** Thank you.

Madame Saint Pierre, when we had that very interesting discussion with Minister Fortier, I asked another specific question—whether or not CGI was poaching and was involved with Public Works in poaching TPG staff after TPG lost that contract. The answer was very clear—no. Is that still the case?

**Ms. Liliane Saint Pierre:** That is still the case.

**Mr. Charlie Angus:** Okay.

This is my final question. TPG says they have written documents that state this is not the case. I asked Mr. Fortier what responsibility he would take if the Canadian public were on the hook for a \$250 million lawsuit for misleading us. I asked him if he would resign if we were on the hook for mistakes that were made under his watch.

Now, we have to trust you, as a senior civil servant, that the poaching didn't take place. But if TPG can present written proof that

poaching was taking place under their watch, and under your watch, what kind of responsibility are you going to take for that?

**Ms. Liliane Saint Pierre:** I will take the responsibility.

**Mr. Charlie Angus:** Thank you.

**The Chair:** Madame Faille.

[Translation]

**Ms. Meili Faille:** Thank you, Madam Chair.

My colleagues asked some very relevant questions. I have a question for Mr. Poole. You worked at Citizenship and Immigration. Is that correct?

• (1100)

**Mr. Steven Poole:** Yes.

**Ms. Meili Faille:** You worked on the case management project, did you not?

**Mr. Steven Poole:** That's correct.

**Ms. Meili Faille:** What was your role on this project?

**Mr. Steven Poole:** My role was to be in charge of IT. I acted as a consultant for one of my colleagues who was in charge of implementing the case management system. I was also responsible for seeing that the technology side of things ran smoothly.

**Ms. Meili Faille:** Are you acquainted with Mr. Bezanson from Citizenship and Immigration?

**Mr. Steven Poole:** I was briefly acquainted with Mr. Bezanson. However, he worked at PWGSC, not at Citizenship and Immigration.

**Ms. Meili Faille:** So then, you knew Mr. Jim Bezanson, the only member of the team evaluating the TPG contract. He was part of the technical evaluation team.

**Mr. Steven Poole:** Madam Chair, I believe Mr. Bezanson worked with four other evaluators on this team.

**Ms. Meili Faille:** I see.

According to statements made on June 10 last by Mr. Donald Powell, On November 22, 2006...

The employee from PWGSC with whom you are acquainted is in fact Mr. Jim Bezanson. Correct?

**Mr. Steven Poole:** Yes, but I would just like to say that I didn't know him very well.

**Ms. Meili Faille:** Fine. But perhaps you knew his father who worked at Citizenship and Immigration?

**Mr. Steven Poole:** I do not believe so. I don't recall.

**Ms. Meili Faille:** Since you worked on the case management system, I was wondering if you knew Mr. Al Bezanson, one of the system's designers.

You never had occasion to meet these people when you were working on the integration project.

**Mr. Steven Poole:** I do not recall. If there was a connection, I was certainly not aware of it.

**Ms. Meili Faille:** On June 10, Mr. Powell testified that on November 22, 2006, Mr. Chénier, Mr. Bezanson's superior, informed him that the evaluation would be reconfirmed since the results were very close.

Can you tell us exactly what transpired on that day, Mr. Chénier?

**Mr. Maurice Chénier (Chief Operating officer, Office of the Chief Executive Officer (ITS), Department of Public Works and Government Services):** By all means. Thank you, Madam Chair.

I meet with my IT supplier either monthly or on a regular basis to discuss the past month's performance. We discuss progress made every month.

I did in fact meet with Mr. Powell that day for the sole purpose of discussing how the bidding process was progressing. I mentioned to him that there would be a review of the quality assurance done by our chief risk officer. This had already been announced.

**Ms. Meili Faille:** Was Mr. Bezanson present for the re-confirmation of the evaluation?

**Mr. Maurice Chénier:** No, absolutely not.

**Ms. Meili Faille:** And why was that?

**Mr. Maurice Chénier:** Mr. Jim Bezanson was a member of the evaluation team. Once the technical evaluation was completed, the file was turned over to our colleagues in acquisitions who follow the standard rules of procedure. The technology service people are not part of our group.

**Ms. Meili Faille:** Ms. saint pierre, did you know that Mr. Bezanson was transferred to Canada Post during that time and that he was the only member of the evaluation team who was aware of the technical points assigned to the different contract bidders?

**Ms. Liliane saint pierre:** Madam Chair, I learned of Mr. Jim Bezanson's departure when legal proceedings were initiated in conjunction with the procurement process.

• (1105)

**Ms. Meili Faille:** Does the date coincide with the re-confirmation process?

**Ms. Liliane saint pierre:** Madam Chair, this RFP was not re-evaluated. As part of an external review, our chief risk officer verified the quality of the completed file, that is the documents and the process followed.

**Ms. Meili Faille:** Thank you.

[English]

**The Chair:** Are there any other questions?

Madame Bourgeois.

[Translation]

**Ms. Diane Bourgeois:** Mr. Poole, you stated that you held various positions at Canada Post. Didn't you mean to say you worked at Innovapost?

**Mr. Steven Poole:** I worked at Canada Post for five and a half years. I subsequently worked for a period of five or six months for Innovapost, an outsourcing company founded by Canada Post.

**Ms. Diane Bourgeois:** Is Innovapost partnered with CGI?

**Mr. Steven Poole:** Yes.

**Ms. Diane Bourgeois:** That's all I wanted to know.

Is Mr. Danek still your employee?

**Mr. Steven Poole:** Yes.

**Ms. Diane Bourgeois:** Did Mr. Danek ever work for CGI or Innovapost?

**Mr. Steven Poole:** He worked for CGI in 1991.

**Ms. Diane Bourgeois:** You worked for one of CGI's partners and Mr. Danek worked for CGI. Currently, he reports directly to you. He was once the Vice President of CGI. Correct?

**Mr. Steven Poole:** I believe so.

**Ms. Diane Bourgeois:** How many of the people working with you are former CGI employees?

**Mr. Steven Poole:** As far as I know, Mr. Danek is the only former CGI employee.

**Ms. Diane Bourgeois:** Are you certain of that?

**Mr. Steven Poole:** Yes, fairly certain.

**Ms. Diane Bourgeois:** Mr. Poole, did you assess the impact of your proposal on SMEs? Yes or no? If you did an impact assessment, could we possibly have a copy?

**Mr. Steven Poole:** The simple answer is no. However, we do have the results of the studies we did.

**Ms. Diane Bourgeois:** You are thinking about doing an impact assessment?

**Mr. Steven Poole:** No, I said we have the results of the studies that were done. I'm trying to speak French as much as possible.

Some of the research done by firms such as Gartner confirm that we are moving in the right direction. Moreover, a profitability analysis of network services will be carried out prior to seeking Treasury Board approval.

**Ms. Diane Bourgeois:** You say the research shows that you are on the right track. This research and these studies are based on documents or facts not necessarily connected with the federal government or with known SMEs that have provided testimony here.

I'm amazed that you trust this research. The federal government is a very special niche, quite different from anything else in society. So then, I would put a big question mark next to these findings.

Mr. Poole, if you were asked to put a moratorium on what you're now doing... On October 19, 2006, furniture manufacturing firms told the committee that PWGSC's actions were adversely affecting their industry. In November 2006, we heard complaints from other people. Last week, a witness told us that things were not going so well. Again today, companies are facing the prospect of having to close their doors because of your actions. Yet, you haven't done any studies and you have nothing to base yourself on to prove that the direction you are taking is fair, honest and right.

Mr. Poole, if a summer-long moratorium were imposed on your plan and you were asked to come back before the committee in September or October to present a clear, concise and coherent action plan to convince parliamentarians that you are on the right track, would three or four months give you enough time to come up with such a plan? It may seem clear to you, but we have nothing in writing.

• (1110)

[English]

**Mr. Steven Poole:** There are a lot of questions there. I'll try to—  
[Translation]

**Ms. Diane Bourgeois:** Please explain this to me in two or three minutes. It shouldn't take you long to do that, Mr. Poole.

[English]

**Mr. Steven Poole:** I am prepared to commit to bringing the entire approach to this committee or any association. I think that's very important, because we are in a consultation phase.

I'd like to make one statement that is extremely important. It's important to do this right, and I really appreciate the committee's concern here. We want to do it right, but right now, for the network services, we do not believe there's the impact the previous witnesses talked about to the small and medium-sized enterprises. But we are absolutely willing to consult and confirm.

On your specific question around a moratorium, my colleague Madame Saint Pierre was very clear that we will go into a formal consultation process, and we will not proceed until that consultation process has been finalized.

[Translation]

**Ms. Diane Bourgeois:** I very much appreciate your candidness.

Madam Chair, I would like to move a motion, a copy of which I have handed to the clerk. I ask that all committee members support this motion.

**The Chair:** Can you read it?

**Ms. Diane Bourgeois:** Certainly.

**The Chair:** We do not have...

**Ms. Diane Bourgeois:** The motion, which is in both French and English, reads as follows:

That the Standing Committee on Government Operations and Estimates recommend to the government to postpone the implementation of its policy aimed at bundling the procurement of IT products and services...

And since these individuals are closely associated with CGI, I added the following:

...and that the Office of the Conflict of Interest and Ethics Commissioner investigate the allegations of TPG Technology Consulting and its President Donald R. Powell.

That is the motion I wish to move.

[English]

**The Chair:** By the way, I want you to know that in handwriting below is the corrected translation of the motion in English. The English was not right on, I gather. That's what I've been told.

Is there any debate on the motion?

Next is Mr. Angus, then Mr. Moore, Mr. Albrecht, Mr. Kramp, and Mr. Albrecht.

**Mr. Charlie Angus:** Thank you.

I very much appreciate my colleague bringing forward this motion. I had a similar motion. However, I would make two suggestions. I think the two issues are separate from each other and shouldn't be in the same motion. We should debate them separately. But given what Mr. Poole just said, we might be better served by saying we accept the offer of Public Works and Government Services to bring forward an action plan to the committee before moving forward with any plan for IT bundling. That's something we hadn't heard before until the last question.

If we have that, then it's incumbent upon us to allow the consultation process to go through and then review it, as opposed to saying we should cancel the consultation process now.

**The Chair:** Are you proposing an amendment, Mr. Angus?

**Mr. Charlie Angus:** I think things have shifted because of the offer that was just mentioned in the last round of questioning. I would feel a lot more comfortable knowing the big picture. I don't want to pre-judge anything. If we have a big picture brought back to us, I'm certainly willing to accept that. If we don't have a big picture, I would definitely side with Madame Bourgeois and say we have grave concerns here.

I put that out for discussion. Maybe we can move forward.

• (1115)

**The Chair:** Mr. Moore.

**Mr. James Moore:** These are two entirely separate issues that have been welded together for reasons that are foreign to me. I agree with what Charlie just said.

By the way, can we dismiss the witnesses?

**The Chair:** Certainly.

**Mr. James Moore:** We don't need to take up their time.

**The Chair:** You don't need to keep sitting here during the debate on the motion. You're free to listen, though.

**Mr. James Moore:** I promise you, it's not Jefferson and Madison.

**The Chair:** Thank you for coming.

**Mr. James Moore:** These are two entirely separate issues. Even if TPG is an issue according to the Ethics Commissioner, she reports to the ethics committee, not to government operations.

We have an issue here that is not the purview of this committee, and then we have two issues that are entirely separate being mixed together. This was written prior to the department officials saying they're going to put an action plan before this committee with regard to broader consultations, and the RFP is not going to be issued until next year. So this is rather hyperkinetic.

[Translation]

**The Chair:** Ms. Bourgeois.

**Ms. Diane Bourgeois:** I was expecting a little more attention to be on Mr. Powell and TPG this morning. I would be amenable to deleting the last three lines of the motion. However, I would keep the first part because...

[English]

**The Chair:** Is everybody in accordance with her removing...? We have to have unanimous consent, because it has been proposed that we remove the three last lines of her motion.

**Mr. James Moore:** It's her motion. She can go ahead and do with it whatever.

**The Chair:** Well, yes, but it has been presented now.

[Translation]

**Ms. Diane Bourgeois:** I have two comments before I wrap things up. Mr. Powell came before the committee and called for an investigation. This motion calls for the exact same thing.

Let me explain the rationale for the first part of the motion. Last year, we called for a moratorium on the sale of federal buildings. Things started to happen over the summer. I'm concerned that again things will happen during the summer, even if we ask that operations be put on hold temporarily. I do not want to see a repeat of last summer. That's the reason for the first part of the motion. I would very much hope that the motion has the committee's support.

[English]

**The Chair:** We'll have Mr. Kramp first and then Mr. Albrecht.

**Mr. Daryl Kramp:** I recognize the intent of this. I think the motion was premature, and it was honestly made before the witnesses' testimony. But as such, I might suggest a potential compromise that I think would work. It follows along with what Mr. Angus was thinking.

We heard testimony, obviously, that we have a consultation process in place. There were actual timeframes allocated to that. It was mentioned by PWGSC that consultations were going to take place in August and September of this year. Then, of course, it would be 2009 before they went to a potential RFP.

I would like to suggest that this committee, after having heard the testimony today, invite the witnesses who were here today and/or others, at the committee's discretion, to come back so that we can see two things: we want an indication that there was active participation and a consultation process, and then, of course, we'll want to see the general direction of the consultation process after that.

We want to be able to make sure that we have adequate information going forward and adequate representation from both sides of the spectrum. I think it would be incumbent upon and the responsibility of this committee to bring witnesses back after the consultation process to see if we're satisfied with it.

**The Chair:** Mr. Kramp, this isn't the same as the motion before us. That's a different motion.

**Mr. Daryl Kramp:** I'm not even suggesting a motion. I'm just bringing that to the committee agenda, but I do believe that if we were to go in that particular direction, it would make this motion redundant.

**The Chair:** Go ahead, Mr. Albrecht.

**Mr. Harold Albrecht:** Could we have clarification, Madam Chair, as to what the motion before us is?

**The Chair:** We're now looking at the first part of the motion, which is that "the Standing Committee on Government Operations

and Estimates recommend to the government to postpone the implementation of its policy aimed at bundling the procurement of IT products and services".

**Mr. Harold Albrecht:** If that's the motion, Madam Chair, I would agree that this is totally redundant. We've already heard our witnesses say that this is what they're going to do. I don't understand why we would want to put it through a motion.

• (1120)

**The Chair:** Yes, Mr. Moore.

**Mr. James Moore:** I would just say....

[Translation]

I do understand what Ms. Bourgeois is trying to do, but I don't think the motion as it is currently worded makes a great deal of sense. Ms. saint pierre, the ADM, has clearly said that nothing is going to happen until 2009. Nothing is going to happen this summer.

[English]

Even if the government decided today that we wanted to take action on this, it doesn't happen like that over a summer. I mean, there still has to be a request for proposal, an examination, and so on.

She draws a comparison with regard to the government buildings. That's an issue....

[Translation]

**Ms. Diane Bourgeois:** She said that a decision has already been made.

[English]

**Mr. James Moore:** A request for proposal hasn't yet been written, let alone issued, let alone had submissions, let alone been debated and examined, let alone gone to Treasury Board. I mean, the idea that this is.... Anyhow, she's not listening, so what difference does it make to anyone?

**The Chair:** Mr. Angus wanted to say something, I think.

**Mr. Charlie Angus:** Yes. Again, I think we need to make sure that.... I think the TPG thing is a separate issue. Let's agree that that's....

**The Chair:** It's taken out already.

**Mr. Charlie Angus:** Yes. I would suggest it say that the Standing Committee on Government Operations and Estimates recommend to the government that it bring forward to this committee an action plan on the installation of the policy of regrouping of purchases and the process of acquisition and data, blah, blah, blah, period.

**The Chair:** So you're amending the motion now?

**Mr. Charlie Angus:** Yes.

I understand Madame Bourgeois' concern about something moving ahead us of in the summer and our being left on the sidelines, but we heard a very clear commitment from the department that they would bring back a plan. We heard from the government side that they would be willing to bring back the witnesses who raised the concerns.

I would say if something happens in the summer and we're left out in the cold and this moves forward, then there's going to be a political hellstorm. I think we have to assume that we're working on the same page here and that come the fall, when we meet again, this motion will allow us then to bring this back with the witnesses, and we can assess—

**The Chair:** Your proposition is to remove the portion “to postpone the implementation of its policy aimed at bundling the procurement of IT products and services”, and you would replace it with “That the government bring forward its action plan...”

**Mr. Charlie Angus:** It would be “on the regrouping of purchases”, blah, blah, blah, “to this committee”. Actually, it should be, as they said, “prior to moving forward”.

[Translation]

**Ms. Diane Bourgeois:** Both elements must be present.

[English]

**Mr. Charlie Angus:** Then our committee is doing our job. We have to raise these concerns; we have to “squeeze the Charmin”, as the old 1970s ad expressed it. We've got a commitment to come back. In the fall we will know whether those concerns were addressed.

**The Chair:** Go ahead, Mr. Kramp.

**Mr. Daryl Kramp:** Just—

**The Chair:** Are you agreeing to the change? Do you want to move...?

[Translation]

**Ms. Diane Bourgeois:** If I understand correctly, Charlie would like the government to table its plan, but in the meantime, the government is stalling. He is adding to my motion. Correct?

[English]

**The Chair:** It doesn't really. It just says to bring forward its plan on the implementation of a policy—

**Mr. Charlie Angus:** I said “prior to the implementation”, so—

**The Chair:** It was “prior to”.

**Mr. Charlie Angus:** We're saying that they have to bring that to committee before the plan is implemented.

**The Chair:** Yes. Is that okay?

[Translation]

**Ms. Diane Bourgeois:** I only wanted to be certain that...

[English]

**The Chair:** I'm going to call the vote on the amendment. It reads:

That the government bring forward its plan prior to the implementation of its policy aimed at bundling the procurement of IT products and services

(Amendment agreed to)

**The Chair:** The motion is unanimous—no, that's the amendment; well, I suppose it's the same thing. It ends up being the motion as amended is supported.

**Mr. Marcel Proulx:** I apologize for asking this question. I don't want to delay the committee, but I have to go to the House.

What is happening to the part about having the “Office of the Conflict of Interest and Ethics Commissioner investigate the allegations...”?

**Mr. James Moore:** It got dropped.

**The Chair:** It got dropped because it's not for our committee to do this. It was dropped as part of the earlier debate.

**Mr. Marcel Proulx:** Thank you.

**The Chair:** It should go to the ethics committee.

Go ahead, Mr. Angus.

**Mr. Charlie Angus:** I was supporting removing it because I think it's a separate issue. Mr. Moore said it should go to the other committee, but I don't think that was the consensus of the committee. It was a separate issue that should be dealt with separately from this motion, just to be clear.

**The Chair:** Thank you.

**Mr. Marcel Proulx:** Do we have a second motion?

**The Chair:** Right now we just have the first motion as amended. We don't have the second motion at this time.

All those in favour of the motion as amended—

• (1125)

**Mr. Harold Albrecht:** Could we have it read just once before we actually—

**The Chair:** Okay. It reads as follows:

That the Standing Committee on Government Operations and Estimates recommend that the government bring forward its plan prior to the implementation of its policy aimed at bundling the procurement of IT products and services.

The question is on that particular motion.

(Motion as amended agreed to)

**The Chair:** That one is finished—

**Mr. James Moore:** I have a point of order.

**The Chair:** Yes, sir.

**Mr. James Moore:** Who was voting on the Liberal side here?

**The Chair:** I think they were all in favour, and it really doesn't matter because it's not close. If it were close, we could count them all.

Are we finished with this particular part of the agenda? Yes.

We now have before us another motion. It was brought forward with the proper 48 hours' notice. That's the motion from Mr. Silva.

Mr. Silva, would you please bring forward your motion?

**Mr. Mario Silva:** The motion, as it reads, is:

That the committee call witnesses to testify on Thursday, June 19, 2008, to the *Report on the Investigation into the Unauthorized Disclosure of Sensitive Diplomatic Information* in accordance with the motion passed by this Committee on June 10, 2008.

Madam Chair, those of us who have looked at the report realize that there are a lot of unanswered questions. I think it would be important for us as a committee to get to the bottom of it by inviting people.

**The Chair:** Is there any debate on that motion?

**Mr. James Moore:** Question.

**The Chair:** You're going to put me in a bad spot here.

All those in favour of the motion? All those against?

I will make a ruling. My understanding is that it's the right of the chairman to keep the debate going. Therefore, I vote in favour.

(Motion agreed to)

**Mr. James Moore:** Shocking.

**Mr. Marcel Proulx:** Good decision.

**The Chair:** Now, as a result of that, we have a list of witnesses. I don't know whether we can get those witnesses to come forward by Thursday.

**Mr. James Moore:** What is the list of witnesses for?

**The Chair:** It's for Thursday morning.

**Mr. James Moore:** Why was that part of the motion?

**The Chair:** The motion is that the committee will call witnesses to testify on Thursday, June 19, to the report....

**Mr. James Moore:** We already have some.

**The Chair:** Do we have the list of witnesses?

**Hon. Navdeep Bains (Mississauga—Brampton South, Lib.):** Not before us, no.

**The Chair:** Do you have it, to propose it?

**Hon. Navdeep Bains:** Yes, absolutely. Obviously the key names would be, first and foremost, the clerk who wrote the report, and then any subsequent relevant witnesses we feel with respect to individuals who were interviewed, not interviewed, department officials, people, even the chief of staff if need be.

**The Chair:** So you're proposing that we invite the Clerk of the Privy Council to come forward?

**Hon. Navdeep Bains:** I would say he would be the first on the list, yes.

**The Chair:** I don't know who we can get on such short notice.

**Mr. Charlie Angus:** Can we ask them to come early Saturday?

**Hon. Navdeep Bains:** Well, we can't debate that, can't we?

**The Chair:** No.

**Hon. Navdeep Bains:** Give him our list of witnesses.

**The Chair:** Give him the list of witnesses and hopefully he can get them to come for Thursday morning at 9. In this room?

**Hon. Navdeep Bains:** Yes.

**The Chair:** Okay. That's it. Thank you.

I'm going to adjourn the meeting. We'll see you Thursday morning.

---









**Published under the authority of the Speaker of the House of Commons**

**Publié en conformité de l'autorité du Président de la Chambre des communes**

**Also available on the Parliament of Canada Web Site at the following address:  
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :  
<http://www.parl.gc.ca>**

---

**The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.**

**Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.**