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

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**EVIDENCE**

**Thursday, February 26, 2009**

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**Chair**

**Mr. Derek Lee**

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## Standing Committee on Government Operations and Estimates

Thursday, February 26, 2009

•(1105)

[English]

**The Chair (Mr. Derek Lee (Scarborough—Rouge River, Lib.)):** I'll call the meeting to order, colleagues.

We're pursuing a line of inquiry today on the subject of the federal government's procurement process, but in fact, although that wording is quite general on the order of reference today, the focus of today is on small and medium-sized enterprises, and there is some focus on the information technology procurement area as well.

In addition to that, we're in an envelope of time where the current and upcoming stimulus spending by the federal government may bear some reference to small and medium-sized enterprises and information technology being considered as part of infrastructure. You may consider that a slight refocusing of our general order of reference for today, just in terms of relevance and where we're going with this.

I'm going to introduce our witnesses now, and we have a very good group of witnesses.

From the Canadian Federation of Independent Business, we have Corinne Pohlmann, who is vice-president, national affairs.

We have three individuals from the Department of Public Works: Tim McGrath, assistant deputy minister, real property branch; Shereen Miller, director general, small and medium enterprises sector, acquisitions branch; and Mike Hawkes, special advisor, accelerated infrastructure program.

From the Canadian Business Information Technology Network we have Jeff Lynt and Jean Thivierge.

I understand that the CFIB can be with us for the first hour only, so they'll be presenting. I would like the questioning that follows all of the presentations to be focused first on CFIB, because they do have to leave. The other witnesses, happily, can be with us longer.

The opening statements and presentations should be about five minutes, and if that fits with your agendas, that's great. We can get started, and I will follow the order of reference, with the CFIB to start first.

Ms. Pohlmann, welcome.

**Ms. Corinne Pohlmann (Vice-President, National Affairs, Canadian Federation of Independent Business):** Thank you very much.

Thank you for accommodating me so I could have the opportunity to present to you today on small and medium-sized businesses'

access to procurement at the federal government level. You should each have a copy of a slide deck, which I will walk through as we go through the presentation.

Starting out, the CFIB is a not-for-profit, non-partisan organization that represents the interests of Canada's independent businesses. We have 105,000 small and medium-sized companies as members, in every part of Canada and in every sector of the economy. We develop our policy positions through survey research. In addition to our political advocacy role, we also produce research that's used by various government departments, the Bank of Canada, and the media, among others.

I'm sure you're aware, and it goes without saying, that the importance of small and medium-sized companies cannot be understated. The fact is that 98% of all businesses in Canada have fewer than 50 employees. SMEs employ 60% of all Canadians, and they represent almost half of Canada's GDP today. They are significant contributors to job creation. They become even more critical during times of economic difficulties because they're the ones who will hold on to their staff as long as possible.

I'd like to point out before I get started that we're not procurement experts at CFIB, but we have a pretty good idea, knowledge, and understanding of SMEs. I'm here to provide you with some feedback on their perspectives on this issue, which comes from a survey we did in May 2008 that resulted in more than 8,000 responses from small and medium-sized companies across Canada. This information has not yet been published, so you are the first to see it.

Starting on slide 4 in the presentation, you'll see that about 29% of SMEs typically sell to all levels of government. They see the government as a key market for their product or service. However, many more, almost half, have actually sold a product or service in the last three years to all levels of government. There are 21% who said they sold a product or service to the federal government.

The next three charts I'm going to let you look over at your own leisure. Basically they provide a bit of a profile of the types of companies in Canada that sell to the federal government. The first looks at it by province, the second looks at it by sector, and the third is by size of firm. It's the third one, on slide eight, that clearly shows that the larger the firm, the more likely they are to be selling to the federal government.

The survey then asked about how businesses typically learn about a government contract. Almost half hear about contracts through business associates, about 40% hear through other means, and the remainder hear through cold-calling the government, the government calling them directly, or they see it in a newspaper, for example. The most important factor here is that only 14% are using MERX. In fact if you look on the next chart, there's a clear correlation between the size of the firm and the likelihood that they're using MERX.

In more than 50 pages of the comments associated with this survey, complaints about the difficulty in finding contracts overall and about navigating MERX were quite plentiful. Ultimately, small businesses like the concept of a central repository they can go to where they can find every government tender. They found MERX difficult to navigate and expensive to use.

Finally, on the next slide, slide 11, we asked businesses about their main obstacles in selling to government. This outlines the results from all respondents in blue, and those that specifically sell to the federal government in red. Among those who sell to the federal government, there's an even greater concern with such issues as the amount of paperwork, difficulty contacting the purchaser, and not being able to determine why their bid was unsuccessful. From the many pages of comments in the survey, it became quite clear that many SMEs have little trust in the procurement process.

I'll give you examples of why that might be. Not being able to get in touch with the purchaser to ask questions or provide ideas and alternative approaches is a significant obstacle for them. Many commented that the official assigned to the tender often has little understanding of the technical aspects of the bid, and they cannot answer simple questions as a result. Furthermore, if the business has an alternative approach that might be effective, they cannot talk to anyone about that approach. If they try to incorporate the alternative approach into the bid, it will be rejected, as it does not follow the exact process outlined in the RFP.

This is a huge problem. It effectively stifles any attempts at innovation and creativity that SMEs can bring to the table, and it may prevent the federal government from getting the best goods or services for their needs. Unfortunately, there seems to be a growing sentiment among SMEs that it's not worth the effort and investment to bid on federal government contracts. The frustration involved in getting together a bid has become so onerous that many have simply given up. Many have said that contracts are difficult to find, and when they do find one, they can involve so much paperwork. In fact we had one member tell us that it cost between \$3,000 and \$6,000 to put together a federal government bid, and that it's difficult to get answers to questions when you're going through the process.

If you don't win the bid, you're usually not told why you lost it. If you do win a contract, you may not get paid for some time. Government doesn't pay any interest on overdue accounts either. This causes cashflow issues for small businesses, which can be very stressful. It can have a serious impact on them.

Finally, I want to leave you with an additional document, which you should have in front of you. This is a document we produced in 2005, when the previous Liberal government conducted a federal procurement review. It's a set of procurement principles that remain, for the most part, just as relevant today.

●(1110)

Other than principle number four, which talks about a dispute resolution process and has been addressed in the establishment of the Office of the Procurement Ombudsman, which we do support, the other principles remain a challenge that we feel have not been well addressed from the perspective of SMEs. Recent attempts by Public Works to amalgamate federal contracts into fewer very large contracts have made it even more difficult for smaller companies to access the federal government contracts.

All SMEs really want is fair and open access to government contracts, a simplified procurement process, a proper measurement of SME involvement in outcomes, and recognition that they are an important source of innovation and a reliable supplier of goods and services to the Government of Canada.

Thank you.

●(1115)

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

You raise a lot of questions. And I noticed that officials from Public Works and Government Services were listening intently.

Now, from Public Works, who's going to be presenting? Mr. McGrath?

Please go ahead.

[Translation]

**Mr. Tim McGrath (Assistant Deputy Minister, Real Property Branch, Department of Public Works and Government Services):** Thank you, Mr. Chair.

I am Tim McGrath, Assistant Deputy Minister, Real Property Branch at the Department of Public Works and Government Services. With me from PWGSC are Shereen Miller, Director General of the Office of Small and Medium Enterprises and Mike Hawkes, Special Advisor, Accelerated Infrastructure Program.

[English]

Thank you for this opportunity to discuss the impact of the stimulus funding on federal procurement, and specifically small and medium enterprises.

As we all know, small and medium enterprises are critical to Canada's prosperity. They're also critical to the work of our department.

In fiscal year 2007-2008, PWGSC purchased more than \$4.8 billion worth of goods and services from Canadian small and medium enterprises, which constituted 49% of the total value of goods and services purchased by the department, an increase of 43% in 2005-2006, and a further 46% in 2006-2007.

In an effort to develop a closer relationship with small and medium enterprises, an official Office of Small and Medium Enterprises, which we call OSME, was created in 2005 within the department's acquisitions branch. It has a network of six regional offices located in Halifax, Montreal, Toronto, Edmonton, and Vancouver, as well as one located here in the national capital area.

OSME provides information and training services to small and medium enterprises wishing to do business with the government, and helps them navigate the procurement process. OSME also studies the impact of government buying patterns and other factors related to small and medium enterprises, and works with these companies to identify the key barriers for them in procurement. Since its inception, OSME has assisted more than 40,000 businesses and individuals across Canada, an average of 16,000 a year.

Now let me turn to Budget 2009, in which Public Works has been directed to expend more than \$400 million in additional funding over the next two years. To ensure the funding is used in a cost-effective manner and achieve the government's goals, the department has developed an accelerated infrastructure plan for speeding up and intensifying existing plans to repair and restore federal buildings and bridges.

Under this plan, PWGSC projects subject to the stimulus funding have been divided into four main streams. More than \$40 million will go toward the repair of four federal bridges. Earlier this month, a contract was awarded for the rehabilitation of the Alexandra Bridge, located here in the national capital area; \$175 million will be spent on work, which will be divided up under a construction management approach, meaning projects will be grouped together for reasons of efficiency according to type of work and location; \$20 million a year, over the next two years, is being allocated to make federal buildings more accessible to people with disabilities; and \$100 million per year, over the next two years, will be spent on building and repair projects that we have managed through our service provider, SNC-Lavalin ProFac, which provides property management services on PWGSC's behalf for 344 federally owned buildings.

For the majority of the services that SNC-Lavalin provides, things such as heating, ventilation and air conditioning, and cleaning, ProFac relies on more than 3,700 SMEs across the country. In addition, ProFac uses another 1,200 subcontractors, predominantly small and medium enterprises, for construction projects such as roof and window replacement, carpets, painting, and a number of fit-ups.

In 2007-2008, ProFac's use of small and medium enterprises was in the amount of \$104 million. The \$200 million in stimulus funding allocated for building and repair projects represents a 50% increase over our current funding level and on our spending on property management services. We expect this to have a significant positive impact on the Canadian construction industry, a sector of the economy in which the small and medium enterprises form a very large part. This funding means that much-needed work on federal assets that for many years was deferred for budgetary reasons can now move forward. We have the mechanisms in place to hit the ground running, and we expect the funds to start flowing on April 1. In addition, PWGSC will provide procurement and real property support to other departments that are receiving stimulus funding. We are working closely with them to plan and coordinate the needs.

Our deputy minister has put in place a task force to ensure that all projects are delivered on time and on budget, while meeting the objectives of the stimulus spending, and PWGSC is exploring measures to streamline some of its processes to ensure the requirements of colleague departments are met in a timely way.

In all our work we'll continue to be guided by our principles of transparency, fairness, openness, and value for money.

• (1120)

[Translation]

This concludes my opening remarks. My colleague and I would be pleased to answer your questions.

[English]

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

I noticed the CFIB was listening intently to your presentation.

And now we'll go to Mr. Jeff Lynt, from the Canadian Business Information Technology Network.

**Mr. Jeff Lynt (Chair, Canadian Business Information Technology Network):** Good morning, ladies and gentlemen. My name is Jeff Lynt and with me is Jean Thivierge.

After seven months of delays, companies and/or industry associations were able to make corporate presentations to a PWGSC panel in February. PWGSC called this an industry consultation process. The consultations should have been about shared service procurement models and bundling of contracts. Instead they were about how to better award a mega-contract to a large company. We were obviously thrilled.

We submitted our concerns to PWGSC's SME office. We were told by its director—a very nice and articulate lady, I'll add—that she had no power and only an advisory role. While we appreciate her openness, she can't force changes, and as she told us, in the end she is a PWGSC employee.

Despite the committee's motion adopted last June, we were told in a meeting with several senior PWGSC bureaucrats that in view of the election and the prorogation, the department did not consider it necessary to come back to the committee with a plan.

[Translation]

**Mr. Jean Thivierge (Vice-Chair, Canadian Business Information Technology Network):** It is clear to us that certain senior officials at Public Works will continue in the direction they have started in. There are four projects worth over \$1 billion each over a period of eight to 20 years, which amounts to over \$80 billion. This is twice the amount of the economic stimulus plan.

The Department of Public Works has told us several times that it did not have any specific numbers for us. It kept on repeating that it had neither a business plan nor any case studies regarding the project. That is absolutely incredible.

Last week, after the department told us for months that it had no intention of developing a business plan because it did not have the necessary data, we received an e-mail telling us that the business plan will be completed by March. So are we to believe that the department will put a business plan together in a month and a half?

If Public Works implements its plan, your committee will not be studying anymore why it is hard for SMEs to access government contracts, but rather why the vast majority of SMEs have disappeared despite growth in the sector and what role the Canadian government played in their disappearance.

Of course, the multinationals will immediately say that they are more than willing to sign subcontracts with the SMEs in order to reassure the government. But the reality is quite different. Why would the multinationals even think about entering into long-term contracts with SMEs, when it would be much more profitable for them to simply hire employees to do the same work, and even to outsource some of the jobs abroad?

The government cannot force multinationals to do business with SMEs, and that is not what we want either. We want to be able to put forward innovative solutions at competitive prices, which would be in the best interest of Canadian taxpayers.

[English]

**Mr. Jeff Lynt:** So why are PWGSC and Treasury Board keen on proceeding this way? The answer is complex, but quickly explainable. First, they are trying to rationalize and consolidate some of their processes, and we actually agree it should be done. We could provide them with real solutions if they provided us with real information on which to base our solutions. Regardless, we have provided PWGSC with some proposed solutions and have received verbal support from several of their senior bureaucrats.

Second, on a regular basis, large IT projects have failed and bureaucrats have been held responsible. This time—

[Translation]

**Ms. Diane Bourgeois (Terrebonne—Blainville, BQ):** Mr. Chair, the interpretation has been cut off.

[English]

**The Chair:** Could we pause here just for a moment?

There was just a bit of slippage in the translation, so I appreciate your effort to compress your remarks into the time. I think all we need is for you to slow down a bit.

[Translation]

**Ms. Diane Bourgeois:** I would ask you to repeat the previous paragraph.

[English]

**The Chair:** Well, if you could back up and start from there and each time you get to a new number, you could pause and take a breath and let the translator finish.

•(1125)

**Mr. Jeff Lynt:** Okay.

On a regular basis, large IT projects have failed and bureaucrats have been held responsible. This time they want to build an even larger project. They want to transfer the responsibility and control to a large company as a managed service and wash their hands of it. Who is looking out for the Canadian taxpayer here?

Third, cabinet believes that they shouldn't be allowed to pass on the operational management of multi-billion-dollar projects to private multinational companies with pre-established product lines, business partners, and offshore capabilities. So far the process has experienced a lack of transparency and fairness for SMEs. Coinciding with our transparency concerns is the fear that there will be no accountability within these shared service pillars.

The Government of Canada needs to maintain operational control of large IT projects. The project management, risk management, and delivery of services to Canadians is a responsibility that must remain within the Government of Canada. This is what accountability is all about. We do not want this committee to ask PWGSC to provide us special access to government contracts just because we're SMEs. We ask the committee to make several recommendations in a report.

In summary, our recommendations are for you to direct PWGSC not to proceed with large IT projects such as shared services without a properly completed and independently reviewed business plan; not to bundle contracts without a properly developed and independently reviewed business case to support this decision; to structure its RFPs in a way that will allow SMEs to bid in a reasonable manner; and to dissect large IT projects into smaller, more manageable pieces—chewable chunks—that will provide Canadian taxpayers with maximum accountability and ultimately tax savings.

Thank you.

**The Chair:** Thank you, Mr. Lynt and Monsieur Thivierge.

I'd like to put you all in a room now, buy you lunch, and let you work on this and then come back to the committee. You could probably make some progress. But that's not the format we use here, so I'm going to go to MPs now.

First on the opening round is Ms. Hall Findlay, for eight minutes.

[Translation]

**Ms. Martha Hall Findlay (Willowdale, Lib.):** Thank you very much to all of you.

[English]

Good morning, everybody, and thank you very much for your time.

As I was putting together my thoughts, I have to admit there was an element of thinking maybe I'll just ask you to respond to each other.

I do have some specific questions. First, for Madam Pohlmann—

**The Chair:** I'm very sorry, I should have reminded members that the CFIB will be here for only another 20 minutes or so. Members should stand advised of that. When you're finished your first round, I'll just go to the other parties and see if there is a question for the CFIB.

Please go ahead.

**Ms. Martha Hall Findlay:** I was just going to say I'm happy to have some flexibility, if we have specifics. I can shorten my time and then we can revise if you want.

My first question is in fact for CFIB. Your description is not particularly encouraging. I have two questions, and I'll try to make them quick. Has it gotten worse, or has it always been this bad?

**Ms. Corinne Pohlmann:** It's difficult to say. The last time we did survey research on procurement was in 1995. I tried to compare the two, and they're not directly comparable; however, in 1995 we found around 40% of SMEs at that point—though it was a more targeted survey—were actually selling to the federal government. In this one we're finding only 21% are. But I'd take that at face value for now. We have to do a little more digging to see if those numbers have actually gone down that dramatically or if it's more just because of the data sets we were using.

**Ms. Martha Hall Findlay:** It's not just the numbers. Even anecdotally, are you finding that your members are saying it's proving to be difficult to do business with the federal government? Are they saying it's now worse? Is it harder to do business with the federal government?

**Ms. Corinne Pohlmann:** Yes, absolutely, and I think the most valuable part of the information that we collect is the comments. We actually go back to our members and ask them more details about them.

There's no doubt about it, when you go through the comments, there seems to be frustration, and I think there are a lot of businesses out there that have just given up. They've just decided it's not worth it, it's too expensive. They're more likely to try provincial or even municipal governments than the federal government, because it's just too complex.

• (1130)

**Ms. Martha Hall Findlay:** Right.

I understand that with the OSME—and this is still directed to the CFIB—there is an obligation in that part of the department to help SMEs in selling abroad as well; there's a foreign component there. Are you finding that SMEs have the ability to sell abroad, and if so, are they getting the help that the OSME people are supposed to be giving in terms of those foreign sales?

**Ms. Corinne Pohlmann:** I couldn't answer on the foreign sales. We do know that our members are certainly involved much more in exporting, and that includes to other governments. We know that this is a growing part of the business. I couldn't tell you whether or not they're using OSME for that particular aspect of learning about it. We do direct members to OSME when they have very specific issues, but generally speaking OSME can help on very specific things—for example, late payment—but they can't necessarily help, as CABINET pointed out, on the broader policy issues they may confront.

**Ms. Martha Hall Findlay:** Thank you.

Mr. Chair, I don't know how you want to proceed. I have questions for others, but they're non-CFIB questions.

**The Chair:** I'll just take note of the fact that you've used only three minutes of your time, and we'll go to Madame Bourgeois if she'd like to address questions to the CFIB.

[Translation]

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

Ms. Pohlmann, there might be some overlap between my questions and those of my colleagues, but I want to make sure I understand the situation.

You talked about two studies. One is very recent, if I understood correctly, and the other one was conducted about five or six years ago. It is that correct?

[English]

**Ms. Corinne Pohlmann:** The second.

[Translation]

The second study was conducted in 2005 and the other one in 2008. However, the first one was not a survey: it was a statement of principles.

**Ms. Diane Bourgeois:** The fact remains that these documents contain potential solutions. Despite the work done by the Office of Small and Medium Enterprises, the companies you represent are finding it extremely difficult to get government contracts. It is that correct?

[English]

**Ms. Corinne Pohlmann:** Yes, I would say that's correct. I'm not so sure it's because of the work of OSME but it's more to do with some of the policies that have been building within the Department of Public Works in terms of taking small contracts and building them into larger contracts, making them more inaccessible to smaller companies. I agree with CABINET that it's something that's not only happening in the technology sector, that has happened in other sectors of the economy as well. Fewer companies are able to bid because the contracts become so large.

[Translation]

**Ms. Diane Bourgeois:** The mandate of the Office of Small and Medium Enterprises includes five responsibilities. I will highlight two of them, which are extremely important: first, to explain to people how to deal with the Government of Canada, that is, to help open doors for them; second, to get them through the door of the Government of Canada.

In your opinion, does the Office of Small and Medium Enterprises do these things well?

[English]

**Ms. Corinne Pohlmann:** Honestly, I have to say that in a survey we did in 2008, I don't think one comment talked about the OSME. I don't think there was one comment in that entire survey that mentioned the OSME—

[Translation]

**Ms. Diane Bourgeois:** Is it because it is not well-known?

[English]

**Ms. Corinne Pohlmann:** —so I would say no, they're probably not doing that aspect of it very well.

[Translation]

**Ms. Diane Bourgeois:** Is it because people don't trust it?

[English]

**Ms. Corinne Pohlmann:** I think that, one, they don't know about it. It's only in the large centres. Again, it exists in six large centres and not in any other part of the country, so when you talk about smaller communities or rural businesses, it's not something they would ever think about. Certainly we try to refer members to them if they have specific questions that it may be able to help them with, but I think you're absolutely right, I don't think it's very well known at all.

[Translation]

**Ms. Diane Bourgeois:** What is the level of frustration as far as you have heard with the Office of Small and Medium Enterprises? You mentioned this earlier on.

[English]

**Ms. Corinne Pohlmann:** The frustrations are with the procurement process overall, not so much specifically with OSME. The fact is, they cannot find contracts. When they do find the contracts, MERX can be very difficult to navigate and very expensive to use. When they do find the contracts, the paperwork is huge. As I mentioned, we had one member telling us it can cost between \$3,000 and \$6,000 just to put together a bid, which is very expensive for a small or medium-sized company to do. They can't get their questions answered because they can't talk to the purchaser. They don't necessarily have the ins that a larger company may have.

When they do get the contract, they may not get paid very quickly and it can take a long time for them to get paid, and they have to follow up very quickly. If they don't get the contract, they often don't know why. There isn't necessarily an explanation as to why, so they can't necessarily improve the next time. If they're part of a standing order or part of PS Online or part of a supply list that the government has, many of them never hear from the government, so they feel it's just frustration.

• (1135)

[Translation]

**Ms. Diane Bourgeois:** If the Office of Small and Medium Enterprises did not exist, it would not make much difference would it? I am putting you on the spot.

[English]

**Ms. Corinne Pohlmann:** No, it probably wouldn't make a huge difference.

[Translation]

**Ms. Diane Bourgeois:** Thank you very much.

[English]

**The Chair:** That was about four minutes. I know that Public Works is anxious to get equal time here. Forgive us while we go through this contorted scheduling.

Mr. Anders, we'll go to you for your share of eight minutes—whatever you wish—if it's targeted at the CFIB.

**Mr. Rob Anders (Calgary West, CPC):** Mr. Chair, I think we can skin two cats in one go here. I would love to give the CFIB an opportunity to ask questions through me to Public Works. My colleague across the way thought that would be an interesting way to go.

Ms. Pohlmann, if you could pose direct questions to Public Works, are there things that you would like to ask? If so, please ask them to me.

**Ms. Corinne Pohlmann:** One of our questions and something we have been pushing for a long time has to do with the idea of data accumulation and understanding what kind of information is being used to make the policy decisions they are making.

When it comes to small business, it's not well understood. There were some interesting statistics used in the presentation earlier. That was the first time I'd heard such numbers used. I don't know what they're based on.

How do they define an SME? How are they able to differentiate an SME from a bigger business that may just have a certain number that defines it as an SME because the value of the bid is smaller?

Those are some of the questions. We believe that providing that data and properly measuring what they're doing when it comes to the small-business side of the equation have really been lacking at Public Works.

**Mr. Rob Anders:** That's a great question. If you could direct it, who would you direct it to?

**Ms. Corinne Pohlmann:** I'd direct it to whoever could answer the question most completely.

**Mr. Rob Anders:** I see Ms. Miller is interested.

**Mrs. Shereen Miller (Director General, Small and Medium Enterprises Sector, Acquisitions Branch, Department of Public Works and Government Services):** First of all, thank you for inviting us today, and thank you for the opportunity to answer this question and introduce some of the facts around the work of OSME.

I think there is some lack of understanding of the role of OSME. Just to put this to rest, we do not engage in assisting SMEs in Canada to do business with other governments. Our focus is on the federal government. I want to really clarify that.

Our role is to assist small and medium enterprises as they are defined by Industry Canada: medium-sized enterprises have under 500 employees, and small enterprises have under 100 employees. That definition is government-wide, and we are focused on both small and medium enterprises.

The role of OSME since its inception has been to accomplish three major things. The first thing is outreach.



**Mr. Rob Anders:** Please stop.

Ms. Pohlmann, does that answer your question?

**Ms. Corinne Pohlmann:** No.

**Mr. Rob Anders:** Can you rephrase your question, Ms. Pohlmann?

**Ms. Corinne Pohlmann:** I was simply trying to understand what sort of data are being used. You talked about 48% of the value of the business coming from SMEs. I'm trying to understand where that 48% is coming from. How do they define that 48% as coming from SMEs? Do they actually ask the businesses how many employees they have when they are accumulating the contracts?

**Mr. Rob Anders:** Ms. Miller.

**Mrs. Shereen Miller:** Absolutely. When we look at contract history, we do look at the size of the businesses so that we can pull the information to know whether or not we are servicing.... Essentially 99.9% of all Canadian businesses are small and medium enterprises. It is a big focus.

The way the numbers work, we're looking at the value of contracts let by Public Works. In 2005-2006, 43% went to SMEs. In 2006-2007, 46% went to SMEs. In 2007-2008, 49% went to SMEs.

We look at the various spend cube data. We look at the data related to contract history. We look essentially at the way in which government procurement has been done and how Public Works moneys have been let, and who the contracts have gone to in order to establish whether or not they've gone to SMEs.

Does that answer the question?

• (1140)

**Mr. Rob Anders:** Let's stop at that point and go back to Ms. Pohlmann.

Ms. Pohlmann, how do you feel about that response? Do you have any follow-up?

**Ms. Corinne Pohlmann:** I would love to see a lot more detail around it. It's the first time we've heard that kind of information. I know that's partly because we've been pushing hard to get that kind of information out of OSME, so I'm glad to hear that they're actually looking at the value a little bit better.

I guess it goes back to what the performance objectives of OSME or of a public policy overall are when it comes to small and medium-sized business procurement. Are we reaching those objectives? Are we putting in benchmarks with which to do that?

**Mr. Rob Anders:** Ms. Miller.

**Mrs. Shereen Miller:** As I was starting to mention, our objectives are threefold. Our first objective is to reach out to SMEs across the country so that we can cover a large geographic territory. Our second objective obviously is to link the demand with the supply so that suppliers are aware of opportunities the federal government has to offer, as well as client departments knowing what Canadian suppliers can provide. The third thing we do is to conduct economic analysis along the lines that I was just asked about, in order to be able to put our finger on the pulse of the situation related to small and medium-sized enterprises.

In relation to the first, I would also like to clarify, while it is true that we do have six regional offices for OSME, our work is actually a lot in the rural areas. In fact, I brought with me today the calendar of events of some of the courses and outreach things we do. This is just broad strokes, but in looking at it for a sampling, we have events in places like Deline, Northwest Territories; Burlington, Ontario; Vaughan, Ontario; Moncton, New Brunswick; and Quebec City, Mont-Tremblant, and Kamouraska in Quebec.

[*Translation*]

In any case, we regularly have the opportunity to meet with representatives of small and medium enterprises across Canada, and we do so in small cities. We work very closely with the chambers of commerce and associations like theirs in order to ensure that we have a very broad impact. We often provide advice to associations like these two—

[*English*]

**Mr. Rob Anders:** Thank you.

Ms. Pohlmann, a short follow-up.

**Ms. Corinne Pohlmann:** The idea of the OSME is something we support. We were actually part of the launch of the OSME because we believe there is some necessity for an outreach to small and medium-sized companies so they can better understand that process.

So I do think part of the problem is that they are not well understood; they are not well known. I know there is outreach and seminars that can be done. Unfortunately, in many small businesses, they don't have the time or the ability to go to these types of seminars. That is part of why it's not well known.

However, I do want to put on the table that we are not opposed to the concept of OSME and what it's trying to achieve. It is not so much that we have an issue with OSME as that we have an issue with some of the policies within public works when it comes to the contracts they're putting out.

**Mr. Rob Anders:** Mont-Tremblant sounds nice, but I wonder how many small businesses have a chance to frequent the place.

Mr. Chair, I enjoyed that. I hope the committee did.

**The Chair:** I think we all think you have some potential as a talk-show host.

We will go to Mr. Dewar for an opening round, but focused on CFIB. We actually can't get a full eight minutes in.

**Mr. Paul Dewar (Ottawa Centre, NDP):** Right, so I'm going to be brief.

Thank you, Chair, and thanks to the committee. Of course, I'm substituting for my colleague Mr. Martin, because the issue is very important to many of my constituents and SMEs here in Ottawa. So I'll get right to it.

When you look at the process and have identified some of the problems, have you had any engagement with the ombudsman? How has that gone?

**Ms. Corinne Pohlmann:** Yes, we have met with the ombudsman a few times. We are feeling very optimistic about the role of the ombudsman and what the ombudsman might be able to achieve. Unfortunately it took a long time to get into place. I think they're still trying to get it properly set up, but we are hopeful.

The dispute resolution process, for example, is one of the things that was always missing from the public works process. That's going to be something where they'll at least be able to intervene, plus the element that they're also going to look at best practices and hopefully share that within the government itself, which will be useful as well. Plus, now there's a place to go for businesses that do feel that they have been mistreated, perhaps, in the whole procurement process.

**Mr. Paul Dewar:** On that, with the ombudsman—the ombudsman, actually—do they have your data?

• (1145)

**Ms. Corinne Pohlmann:** No. We haven't supplied it to them yet. As I was saying, we haven't published this data yet. This is the first time.

**Mr. Paul Dewar:** Okay. So I'm assuming you'll share it with government as well.

**Ms. Corinne Pohlmann:** They already have it.

**Mr. Paul Dewar:** I think that's really important. I'm reading your data and your recommendations and I'm nodding my way through, because many of the people who come to my office are frustrated. They want to do business with government. They want to know that the government is there. They simply sometimes feel as though, as you said, on the request for proposals, that's a barrier for them.

I think there needs to be an opening up. We have both sides here. So this data, along with listening carefully to those SMEs that say they can't even get their foot in the door, is the first thing, getting the application process right.

I had two meetings last week with some SMEs, not on high-tech but on a related issue, around other services. There are common threads throughout.

Lastly, when I look at how they learn about contracts, I'm also nodding, because there seems to be a lot of space, if we can put it that way, for government to get out there. Calibrating the office, as you said, you support, and I do too. I think government has a role here. It is about how to do it better.

Can you tell me just quickly how they can get the message out to SMEs in a better fashion so that it's not the kind of graph I see here?

**Ms. Corinne Pohlmann:** Yes, it's never an easy thing.

**Mr. Paul Dewar:** No, it's hard.

**Ms. Corinne Pohlmann:** It's tough to get information out to small and medium-sized companies. We have in the past worked with OSME in trying to get information out, and with other business organizations.

The big thing that came out of our research was that small businesses say that you have to go to 20 to 30 different sites to figure out where the RFPs are, and that just having governments working together to maybe create one central repository where they can go and get the information they need.... We're starting to see things like

BizPaL, which is a website among federal, provincial, and municipal governments on regulations. It is a central repository where businesses can go to get information on all the regulations they need. Why can't we have the levels of government work together on building a similar thing when it comes to government contracts?

**Mr. Paul Dewar:** Thank you.

Thank you, Chair.

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

We're going to have to show some conspicuous flexibility in the subsequent questioning here. I know Public Works is anxious to get in, as are the other witnesses, so I will go back to a Liberal round now.

I'll go to Ms. Hall Findlay for a flexible five-minute round.

**Ms. Martha Hall Findlay:** Given that I only used three of my eight—

**The Chair:** You only used three, which leaves five minutes, and then there's a second round. In theory you could be up to ten minutes here, but—

**Ms. Martha Hall Findlay:** But I volunteered the remaining five.

Before Ms. Pohlmann leaves, though, I actually am publicly extending an invitation to her and Ms. Miller to come and join me in my office.

Let's just have a chat. I am actually very interested outside of committee to learn more about how the processes work. We'll only be able to ask limited questions, and it may actually be fruitful, I think, to engage in a three-way conversation.

**Ms. Corinne Pohlmann:** We were already planning a meeting.

**Ms. Martha Hall Findlay:** Well, if I can join in, that would be great, and I'll host you at my office.

Thank you very much, Ms. Pohlmann, for your testimony.

**Ms. Corinne Pohlmann:** I'm sorry I have to leave, but thank you.

**The Chair:** Thank you for the social networking initiative. You're on.

And Mr. Anders is going to take the chair for a few minutes.

Go ahead, Ms. Hall Findlay.

**Ms. Martha Hall Findlay:** Thank you.

I do have a couple of questions for Ms. Miller, but anybody else can fill in, if needed.

You had a comment earlier about the number of contracts or the percentage of contracts that were going to SMEs, and that number was going up, which sounds encouraging. I just want to clarify, because I may have missed it. Were those percentages based on contract monetary value or number of contracts?

**Mrs. Shereen Miller:** That was based on total value of contracts let by Public Works.

**Ms. Martha Hall Findlay:** Okay, thank you.

Just to clarify, OSME does nothing in terms of working with foreign governments, with other entities at all?

**Mrs. Shereen Miller:** Our mandate is to assist small and medium enterprises across the country to do business with the Government of Canada.

**Ms. Martha Hall Findlay:** Thank you. That was a misunderstanding on my part.

Could you now possibly address some of the concerns that were raised by Monsieur Thivierge and Mr. Lynt about the bundling of contracts and the size of contracts—which I think I heard also from Ms. Pohlmann—being so large now and increasingly large that they become less accessible to SMEs, and the lack of a business case or a business plan for the bundling of some of those contracts to become a very much larger request?

• (1150)

**Mrs. Shereen Miller:** I have to confess that I'm not here really as an acquisition specialist, so I can't really speak knowledgeably about the acquisitions direction. I believe that Liliane Saint Pierre, who is the ADM for acquisitions, will be before you next week. She's in a much better position to answer things about trends or where procurement is going.

The actual consultation piece has to do with IT procurement and those directions. So I think it's really two separate issues you're asking me about. And the expert for that would be ITSB and the people who have run the consultation. And now that the consultation piece is finished, they're in the process of doing analysis. We weren't prepared to speak to that matter today, so we didn't actually bring in anybody who is an expert in that. If those people appear before you in order to respond to that question, I think you'd get a more fulsome answer.

**Ms. Martha Hall Findlay:** Okay, that's perfectly fair.

And I have a question for the CABINET gentleman. There have been, of course, recent charges laid under the Competition Act. We have a list of companies that have been charged. Can you just confirm if any of them are members? I'm just trying to clarify my own information; I'm not suggesting anything. I just want to know if these are members of your organization.

**Mr. Jeff Lynt:** Yes. We believe, or we know, that a few of our members were indeed charged. They're members of our association as well other associations, such as ITAC and CATA. That's really all the information I have on that.

**Ms. Martha Hall Findlay:** Thank you.

Do I still have a little bit of time, Mr. Chair? I'll go back to Public Works and Ms. Miller.

It seems as though there has been a bit of a lack of communication between the CFIB and your organization. CFIB is not, by any means, the only organization representing SMEs. Are there other organizations that you and your department have engaged in communications with and that you send information about these seminars to? Is there a list of these organizations that you do communicate with on a regular basis?

**Mrs. Shereen Miller:** Thank you for that question.

Yes, there are many, many organizations. We work very closely both with associations and with the chambers of commerce in various areas. As well, there are a lot of different kinds of partnerships, the result of which is, for instance, that some of our seminars are provided in Punjabi and in Mandarin on the west coast. We work in very close partnership with many community groups, many industry groups, and various industry associations.

In fact, that's primarily how we work when we're doing that kind of outreach, but we do many other kinds of outreach. We also have an Internet presence, obviously, with Business Access Canada, which is at [contractscanada.gc.ca](http://contractscanada.gc.ca).

We have industry outreach bulletins. We write articles in various bulletin papers, the newspapers of various associations, and community newspapers. We do our seminars and presentations. We appear at trade shows and various events, along with other departments, frankly, that also have a mandate to help small and medium-sized enterprises. We do it in partnership with them.

We also, from our policy perspective, look at what kinds of barriers other associations identify. If this were more of a dialogue format, we would have been able to confirm, for instance, that CFIB worked very closely with us in the consultations we did last summer with respect to MERX and the government electronic tendering system. They were part of those consultations.

It's interesting that the feedback results from their survey and the feedback from our consultations are diametrically opposed, because we got a lot of support for MERX, for the way MERX works, and for the fact that it's actually free for federal government requests because the federal government pays for that service. If this were more of a dialogue, we would have been able to share, I guess a little bit more fulsomely, with you the way in which we have partnered.

**Ms. Martha Hall Findlay:** That will be when we all get together.

**Mrs. Shereen Miller:** We'll do it in your office.

**Ms. Martha Hall Findlay:** I have another question, then, for the CABINET gentlemen.

We heard from the CFIB. They have raised what are obviously some very significant concerns about doing business with the government. Your organization clearly has significant concerns about some of the developments within government.

Do you work with the CFIB? Are they aware of your concerns? Have you coordinated any of your input to the government? Could you just speak a little bit to how that might work?

•(1155)

**Mr. Jeff Lynt:** Yes. Obviously, we're trying to meet with as many organizations or associations as possible that share common interests with us. Certainly, the words and the message that she gave today were very encouraging. It showed that we do have a lot of similar thoughts. We have met with their organization. As well, we've been reaching out to the organizations that represent the large systems integrators. ITAC is an example. So yes, we are reaching out. We're reaching across to try to get as much dialogue as possible.

The problem is that we're just not getting real consultations with government departments to really change their policies. That's one of the things Ms. Pohlmann talked about. It's the policies that we have issues with.

**Ms. Martha Hall Findlay:** My other questions were more IT-related, so I think I may be better off waiting until we have different folks.

Thank you very much.

**The Chair:** Madame Bourgeois would be next.

[Translation]

**Ms. Diane Bourgeois:** It will be Mr. Jean-Yves Roy, for four minutes, and then myself for five.

**Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ):** Is that all right Mr. Chairman?

[English]

**The Chair:** We'll come back to her deficit later.

Monsieur Roy for five minutes.

[Translation]

**Mr. Jean-Yves Roy:** Thank you very much, Mr. Chairman.

I see how things are going and I have a very specific question to ask of Mr. McGrath and Mr. Hawkes. I would like to know if you have any data on the value of contracts awarded by Public Works and Government Services over the last few years. My question is very specific. I would like to know if the value of contracts has increased.

I will give you two very specific examples. In fact, you gave us two in your presentation, including that of SNC-Lavalin ProFac. You say that ProFac deals with 3,700 small businesses. In my region, SNC-Lavalin ProFac was awarded the contract for the Sainte-Annes-Monts post office. Do you know what the result of that was? The SME that had contracts for the maintenance of federal buildings in the region became sub-contractor to SNC-Lavalin, under conditions that were impossible to meet. SNC-Lavalin squeezed them so hard, and pushed them to the limit to such an extent that the contractor quite simply walked away from the contract because he could not make anything on it.

I will give you another example. In truth, if we really want to prevent small and medium enterprises from being awarded government contracts, there is a simple solution. We need only to bundle the contracts so that they are too big for small- and medium-sized enterprises to have access to them. SNC-Lavalin ProFac is a good example.

Moreover, we have learned that in the furniture manufacturing sector, you went from 34 to 5 providers. Obviously only the big businesses will have access to them.

Is this a means of eliminating the access small businesses have to contracts in order to have the fewest contracts possible to manage?

[English]

**Mr. Tim McGrath:** Mr. Chair, I'll take the question related to SNC-Lavalin ProFac.

In the situations that you describe... With the Canada Post building, those buildings aren't part of our inventory, so SNC has their own relationship with Canada Post.

In our situation, what I can tell you is that as part of our contract, SNC has very prescribed measures and very prescribed steps in which they create a roster of companies in order to respond to work that's under \$200,000. Anything above \$200,000 has to be posted in MERX .

The nature of our industry, of the construction industry, is that it's very much small and medium enterprises. In fact, more than 90% of the companies involved in residential construction have fewer than five employees; 70% of companies involved in what's called commercial real estate have five employees or fewer, so it's just the nature of our industry that it's carried out by small and medium enterprises.

•(1200)

[Translation]

**Mr. Jean-Yves Roy:** I am sorry to interrupt you, Mr. McGrath.

My question is very specific. SNC-Lavalin has contracts for 344 federal buildings. Why did we not award those contracts to 344 small and medium enterprises? Finally, SNC-Lavalin is doing PWGSC's job. SNC-Lavalin is playing the role of an intermediary between Public Works and Government Services and the small enterprises that have contracts. Why were these contracts not awarded to 344 small businesses rather than to one single entity called SNC-Lavalin, which is exploiting the small and medium enterprises? The question is clear.

[English]

**Mr. Tim McGrath:** In fact, Mr. Chair, SNC-Lavalin is doing the job of Public Works and Government Services. That was the whole intent of the way the contract was set up. Where we retain accountability for delivery of property and facilities management services, SNC-Lavalin is responsible for bringing forward a much more effective and efficient way of delivering services—

[Translation]

**Mr. Jean-Yves Roy:** I am sorry to interrupt you yet again, Mr. McGrath—

[English]

**Mr. Tim McGrath:** —and in addition to that, when the original contracts were put in place, we achieved a \$20 million savings when we did it originally with BLJC, Brookfield Lepage Johnson Control, back in 1995, and then on the reprourement of the contract we saved an additional \$25 million.

So we've been able to achieve a better level of service in a more cost-effective way and still have the same number of small and medium enterprises involved in that business and deliver a better service to our occupants, and hence to the Canadian taxpayer.

[Translation]

**Mr. Jean-Yves Roy:** You say that Public Works and Government Services saved \$20 million. That remains to be proven. What you are telling us is that the trend at Public Works and Government Services is indeed to combine contracts so that only a single large firm will be able to bid on them, unlike small and medium enterprises, all because you feel that otherwise, it would be too expensive. That is what you are saying.

[English]

**Mr. Tim McGrath:** Mr. Chair, the approach—and it's not only with Public Works and Government Services, it's with other levels of government and with private industry, as well—is to go out and find people who coordinate a program of work. In turn, they do the contracting. So it's a more effective way to get the money out in a more efficient fashion to the small and medium enterprises.

Again, the nature of the industry, the real property industry, is based on the location of the buildings. Those coordinating the programs go into the local communities to find services to be provided. It's not a cleaning company from Toronto providing cleaning services here in Ottawa. It's Ottawa-based companies providing cleaning services. In Montreal and Quebec City, or wherever the government is located, the people providing those services are local people. It's just a matter of the way the whole industry has moved, and we're taking advantage of that.

When I talk about the \$20 million in savings, that's per annum. That's not a total accumulated amount. That's on an annual basis.

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

I'm going to the government now for five minutes. Madame Bourgeois still has four minutes of her time, but I'm going to ask her to just—

[Translation]

**Ms. Diane Bourgeois:** Is that my first four minutes?

[English]

**The Chair:** No, no. We have only heard from one government member since we started, and I'd like the government to have an opportunity. So in five minutes I'll come right back to you, and you'll have your four minutes.

This is the decision of your chair.

So we'll have Mr. Warkentin for five minutes. Then we'll come back to Madame Bourgeois and you can have your four minutes.

[Translation]

**Ms. Diane Bourgeois:** Are you trying to muzzle me, Mr. Chairman?

[English]

**The Chair:** No, you have four minutes. It's just that I'm recognizing Mr. Warkentin next.

**Mr. Chris Warkentin (Peace River, CPC):** Thank you, Mr. Chair.

Mr. Lynt, I just want to pose a couple of questions. I thank you for coming back. I know that you and your organization have been before committees before to bring testimony on similar issues. Obviously, you know the challenge from your side and also the challenge the government faces.

The Auditor General has, on a number of occasions, lectured government about their practice of building specialized computer infrastructure for specified reasons, sometimes with unsuccessful results that have caused all kinds of problems. In some cases, they have actually had to replace it with an out-of-the-box option that would have been available in a cheaper format from the get-go. This is a challenge that I think Public Works experiences. This is a problem across government.

I think we're all looking for solutions. I'm curious to know your opinion, in terms of this particular reality, in terms of how small- and medium-sized companies might better be involved to address this particular reality. Because we are continuously being told—and it's been demonstrated through mismanagement of contracts in the past—that government should be working towards an off-the-shelf type of program. Obviously, I know that has implications for small and medium-sized companies, and specifically for members of your own group.

Do you have suggestions or thoughts as to how we might reconcile these two particular, in some people's opinion, divergent realities and how we might be able to bring them together to better facilitate the needs of your group?

● (1205)

**Mr. Jeff Lynt:** First of all, yes, absolutely, we are very concerned about the policies coming out of PWGSC that suggest that they need to privatize to large companies. That has a huge effect on us.

**Mr. Chris Warkentin:** But I guess what I'm going to address is that there are reasons for those policies.

**Mr. Jeff Lynt:** Yes.

**Mr. Chris Warkentin:** The Auditor General has highlighted specific reasons as to why those policies.... Those policies have been coming for years as a result of disasters, quite frankly—we've witnessed them—in terms of overspending on computer programs and different things.

What, from your position, can you give us as a way to address the concerns of the different departments so that your organization, your members, might have better access to government contracts? Because that's the crux of the issue, in many cases, I think.

**Mr. Jeff Lynt:** What we believe the Auditor General said was that they need to break contracts down into bite-sized, chewable chunks. Smaller, manageable contracts are in the best interest of the Canadian taxpayer. These large contracts do not allow for any off-ramps; they do not allow the government to change position or change course if things are going wrong. So more money gets thrown at it. As an example, when the federal government wanted to implement something very important to the government, and very unpopular with Canadians, the GST, it turned to small business. Small business implemented it right. If you want to hear an example of one that went really wrong, it's the gun registry. That was done by large companies.

So we believe that we provide innovative solutions. In fact, I heard numbers indicating that some 49% of government contracts go to SMEs. In the IT space, it's our belief that it's 70%, and that's because we provide good solutions at good prices. That's why we're winning them.

**Mr. Chris Warkentin:** Maybe I need to come around this a different way.

There seems to be the issue of customization. Every department creates its own silo. Every office within that department creates its own silo. In particular, the silo is created because of the limited capacity of one program to speak to another, in terms of just the computer systems.

How do we get over that hurdle? How do we get over that hurdle and allow smaller and medium-size high-tech firms to come in and in some cases establish these programs but still have the capacity? I'm looking for solutions here. How might they be able to speak to one another so we can address this systemic problem within government, which the Auditor General and all of the outside specialists have berated government for?

**Mr. Jeff Lynt:** I don't think there's a simple answer to your question.

We believe it should be the mandate of PWGSC. Their mandate should be to control it, not to be a middleman, not to put it in the hands of somebody else to bring in these "standardization practices", as they refer to them, from one company. We believe that innovative ideas come from small business, and those innovative ideas can help drive and work through those standardization things that need to happen.

We think that there needs to be a shared services office created within PWGSC to focus exactly on what you're talking about. How do we identify and get the departments communicating, so that we can eliminate duplication in processes and equipment, and get equipment communicating? There are lots of opportunities to share bandwidth. There are lots of opportunities to get people on the same page. They need to look at that and focus on it, and not try to send it out to a large company and force everything down their throat, because, quite frankly, most departments don't want that.

•(1210)

**Mr. Chris Warkentin:** What are you as a—

**The Chair:** I'm sorry, but your time is up. The line of questioning was very interesting, but I'm under great pressure here to move on.

We still owe Madame Bourgeois four minutes.

[Translation]

**Ms. Diane Bourgeois:** Thank you, Mr. Chairman.

My question is for the representatives of CABiNET. I simply want to verify one thing. Perhaps this goes back to my colleague's question.

We received two documents today. In the first one, the research service suggests excellent questions for us, as usual. As for the second document, it deals with a Competition Bureau investigation. If I understand correctly, this has nothing to do with the issue before us today. The second document mentions that seven CABiNET businesses have supposedly been accused of collusion by the Competition Bureau. This has nothing to do with you.

**Mr. Jean Thivierge:** You are absolutely right, this has nothing to do with today's discussions.

**Ms. Diane Bourgeois:** Then why did you distribute this?

Secondly...

[English]

**Mr. Jeff Lynt:** If I could interrupt here, I just want to clarify that all seven of those companies are not involved with CABiNET. You said that seven companies were members of CABiNET, and they're not. I just wanted to clarify that.

[Translation]

**Ms. Diane Bourgeois:** That's fine, we can set that aside.

We received a great many letters from other kinds of suppliers, for example suppliers of pharmaceutical products, and producers of furniture and materials for National Defence. To my knowledge—and I went back to 2005—our small and medium enterprise people say that Public Works and Government Services Canada's procurement process is a problem. I know that committees have been struck among the various business groups and PWGSC in order to encourage discussions.

You said earlier that you had indicated to us that major contracts would be awarded. Were you consulted before this decision was made?

[English]

**Mr. Jeff Lynt:** As I said in my opening remarks, PWGSC deems its process to be a consultation. We do not believe that what has transpired was a consultation whereby we actually had an opportunity to have a dialogue, propose solutions, understand the problem, and know exactly how to get through some of the issues. Some of the dialogue we're just having here today. We don't get an opportunity in a formal manner to have those types of dialogue with PWGSC.

[Translation]

**Ms. Diane Bourgeois:** How did you learn that four major contracts worth around \$20 billion each were to be awarded?

[English]

**Mr. Jeff Lynt:** The first we learned of it was when we learned there was an RFI that had gone out on MERX for a GENS, which is a “government enterprise network services” contract. Steven Poole, who at the time was the CEO of PWGSC’s ITSB, did a presentation at OCRI, which is the Ottawa Centre for Research and Innovation, and proposed that there would be four pillars, all worth upwards of \$1 billion each for contracts of, at the time, 15 to 20 years.

We were absolutely floored. His response to us was that we should form consortiums together to bid on these contracts, and that otherwise, we were out of luck.

[Translation]

**Ms. Diane Bourgeois:** Therefore, the decision had already been made. This gentleman arrived, announced it formally during some kind of meeting, but no one went to tell you. You were not consulted.

Could you give me an idea of the long-term repercussions, more or less, of the loss of these contracts with the Government of Canada for small and medium enterprises?

[English]

**Mr. Jeff Lynt:** First of all, we think the repercussions for the Canadian taxpayer would be phenomenal. We believe that, number one, these bids will be “price to win”. The alternative would be unthinkable for these companies. If they lose the contract, they’ll be out of business for 20 years, so they will price to win.

Once they get in, there will be downstream proposals to increase costs. We believe the taxpayer will ultimately be held accountable to pay more money. We believe that small businesses will be usually affected. We said at the last committee that roughly 5,000 families would be affected by this move. We believe that a number of employees—

• (1215)

[Translation]

**Ms. Diane Bourgeois:** Five thousand?

[English]

**Mr. Jeff Lynt:** Five thousand, yes. We believe that the large companies would indeed gobble up some of our employees, and some would have to move into something else. We also believe that a certain capacity of the work may be offshored.

**The Chair:** Madame Bourgeois, I’m going to let you continue, but you’ll be using up additional time. You’ve gone past your four minutes. Your bonus time is gone; now you’re into.... If you wish to do that, members will probably accept that you finish off this line of questioning. If you don’t want to finish this line of questioning, we’ll go to another member.

[Translation]

**Ms. Diane Bourgeois:** If there is any time left, could I ask some questions at the end? We are here until one o’clock. Do you think I will have any time left to ask questions?

[English]

**The Chair:** It looks, mathematically, as though you would have another turn. I can’t promise it; I don’t know how the rest of the rounds will go.

[Translation]

**Ms. Diane Bourgeois:** How much time do I have left then?

[English]

**The Chair:** If you deduct the time I just spent interrupting you, you probably have between two and three minutes.

[Translation]

**Ms. Diane Bourgeois:** My question is for the representatives of CABiNET. I will speak to Mr. McGrath later on. You lose nothing by waiting, Mr. McGrath.

I’m speaking to the people from CABiNET. What you have said to us here today is extremely important. Earlier on, I told you that you were not the only ones concerned. Pharmaceutical products, and the office furniture sector have been needing assistance for a long time.

Did you attempt to meet with the authorities from PWGSC and try to understand what motivated their decision? Did you make any efforts to open a dialogue? If so, what did you do?

**Mr. Jean Thivierge:** Yes, we tried to open a dialogue. There were several attempts from our side. On the surface of it, one might believe that Public Works is interested in a dialogue. At the outset, that would seem to be the case, but as we continue, we quickly realize that the solution has already been determined, for example with shared services. There is a pre-established goal.

**Ms. Diane Bourgeois:** The decision has already been made?

**Mr. Jean Thivierge:** It has already been decided. Therefore, the dialogue appears to us to be more of a public relations exercise at that point in time.

**Ms. Diane Bourgeois:** You say the decision was already made. You were not consulted as to what would be purchased and the way it would be procured? Were you presented with any plans? Were there any?

**Mr. Jean Thivierge:** Yes. There was a presentation and a consultation, but with very little hard information. It was a PowerPoint presentation with words here and there. On the other hand, there were no real figures, no real solutions to the problem we were trying to solve. During the consultation process, we were asked to suggest solutions. It is incredibly difficult to suggest any solution to a problem that is not well-defined.

**Ms. Diane Bourgeois:** What was the deadline for you to present your case?

**Mr. Jean Thivierge:** It has passed. It was in mid-February.

**Ms. Diane Bourgeois:** What is over?

**Mr. Jean Thivierge:** The consultation took place. It was a 45-minute presentation. Each industry, each group, had 45 minutes. However, you must understand that it is very difficult to define the problem. If you cannot define the problem, it is hard to propose a solution.

**Ms. Diane Bourgeois:** What will happen over the next while?

**Mr. Jean Thivierge:** We received an email, which I mentioned earlier on. Public Works will establish a business plan by the end of March. It is a business plan that will contain no real data, that follows up on consultations that were really very general presentations. At that time, the business plan in question will have to be sent in.

• (1220)

**Ms. Diane Bourgeois:** Are you aware that last June...

[English]

**The Chair:** We're getting close to ten minutes. It's a very interesting story.

[Translation]

**Ms. Diane Bourgeois:** Thank you very much, Mr. Chairman.

[English]

**The Chair:** Thank you.

I know that during that sequence of questioning Public Works appeared to want to make an intervention. Would you like to comment from Public Works, Ms. Miller?

**Mrs. Shereen Miller:** I just wanted to make a very quick intervention.

**The Chair:** This isn't going to come out of anybody's time. The chair wants to hear this.

**Mrs. Shereen Miller:** I'll make it quick anyway. I just wanted to make a very quick intervention that yes, Public Works is genuinely interested in dialogue. We've met various people in IT service branch as well as acquisitions branch. We have met with and continue to meet with CABINET and other associations who are interested, and we have done these consultations.

The piece is the dialogue piece, and if I look back at Mr. Lynt's comments to you today, I think it speaks loudly. For instance, if 5,000 jobs are going to be lost, one of the questions we have asked is—and it says that I asked it, actually, and that it's in the notes, so, yes, I did—what are the 5,000 jobs that will be lost?

In a dialogue you need to get information in both directions. We are trying and we continue to try. This is an ongoing process, and I'm sure that when you have a session with our experts you'll get more answers to this, but that is the kind of dialogue we are trying to encourage to actually find out exactly what that calculus is and what the concerns are.

One of the roles of OSME is to identify barriers for SMEs.

[Translation]

For example, we ask questions of small and medium enterprises in order to find out what the hurdles are, what the obstacles are that prevent them from participating in procurement. We work very hard to find out in detail what those obstacles are.

[English]

I just wanted to add that.

Thank you.

**The Chair:** What you've just expressed, Ms. Miller, is pretty much the focus of Madame Bourgeois' motion that led to this line of

inquiry today. So we're in the ball park here, but I think we want to drill down and do some more work on it.

Thank you.

Mr. McGrath, very briefly.

**Mr. Tim McGrath:** I can turn to one example of where it does work and what CABINET is talking about. It is in the area of furniture procurement. We just concluded our standing offers for free-standing furniture. We found when we were buying furniture from small and medium enterprises the price of the furniture was the same because they were going to the large manufacturers. There are very few manufacturers of furniture when it comes to office equipment. The price we were getting from each of the small and medium enterprises was the very same. The manufacturer was offering the same price. It was becoming a flow-through to us directly from the small and medium enterprises. The difference was in the cost of installation and maintenance afterwards.

What we've done, through industry consultations, is we put standing offers in place with a number of furniture manufacturers where we're buying the furniture directly but then using the small and medium enterprises to do the installation. So they're still benefiting from the services they were providing us before and taxpayers are benefiting from a bundled buying of furniture bulk as opposed to a one-off transaction through small and medium enterprises. It does work in terms of looking at how you can combine the bulk purchasing of equipment that the government is using and at the same time looking at the installation that's being supplied by small and medium enterprises.

**The Chair:** Thank you.

Ms. Hall Findlay, for five minutes.

I'm sorry, Mr. Dewar.

**Mr. Paul Dewar:** I had very little time with CFIB and then I had no time, so I've been very patient in waiting.

**The Chair:** I'm sorry. I may have overlooked it. Does Mr. Dewar have a bonus coming here? Does he have bonus time?

**Mr. Paul Dewar:** I don't know how much time I had the first round.

**The Chair:** Yes, you're quite right. I'm very sorry.

**Mr. Paul Dewar:** I was very short in my questions because I was honouring the fact that the witness had to leave.

**The Chair:** The clerk confirms you only used up three minutes of your original eight.

**Mr. Paul Dewar:** Thank you, Mr. Chair.

I want to start with CBITN. In your presentation and some of the notes I have here from it you noted that this is not isolated to the area you work in.



In fact, I've done some work on gathering data on temporary help services in this region and it's gone from six years ago spending \$100 million in the national capital region on temporary help services to now we're clocking in about \$300 million this year. Clearly, some would say that's fine. I don't. I think it shows that there's a lack of proper management, particularly when you look at the Treasury Board guidelines around what temporary help services are.

We hear of some movement on furniture, I'm glad to hear it, sounds to me like the shared services model that they're actually starting to adopt. You mentioned here...and I've heard it before, from people coming into my office, that they're giving up; they're leaving.

I'd like to hear from you briefly on the GENS project, because I think it illustrates what the problem is, the disconnect. I have people coming into my office who have worked in the business for many years, offer good services, and they're saying they can't even think of applying for this kind of thing. And the fact of the matter is that after a contract is given to one of the bigger suppliers, you're locked in.

I know how it works because in another field, separate from federal government, I saw this happen. It was with school boards. When they went out and bought the same systems right across the board and it turned out there were problems, guess who they had to pay? And there was only one person they could go to because they were locked in on that. There's no flexibility. So I want to underscore that point to members of Public Works here, but maybe to their other officials.

So on the GENS project give me some of the information or your response to the problems you had with that and the direction it was going, or is going.

● (1225)

**Mr. Jeff Lynt:** The first thing is that the impact to small businesses is unknown. What we have are some examples where we know that there has been some detrimental impact to small business. We believe that by going through this shared service, one large contract to one company, it's going to force us to have to pony up to these big companies and form new relationships, and we believe that in terms of our innovation we're going to have to all get in line with the Orwellian way. It's like you'll march this way and you'll all do it the same way, so we think innovation will be completely lost. Once that has happened and small businesses have been destroyed, there will be no turning back. There will be no industry to turn to when this all fails.

So our frustration with GENS is, number one, we just don't agree with the fundamental policy that PWGSC is proceeding with to really be a broker of services to other departments. We think PWGSC has a position to be accountable to the taxpayer and really has to put and maintain the control of the solutions. So if they want to implement shared services, PWGSC should be the provider of the shared services to that department, not a middleman to a large company.

Therefore we think that the small business has a role to play—and so do large businesses. We think that everybody has a role to play. What we specifically are asking for with GENS is to break it up into small contracts, small projects that we can bid on and be successful at winning because the bar is not too high.

We think that they need to remove professional services from the contract altogether. There are two contracts that exist today, TBIPs and SBIPs, that have been put in place and were very well received. There were, I might add, very good consultations on that, which we participated in. It took a long time, but everybody was satisfied, and they exist today. We would like PWGSC to continue to use those vehicles to allow us to continue to go after business and provide the innovative solutions, cost-effective innovative solutions, I might add.

**Mr. Paul Dewar:** Just on that—I see Ms. Miller nodding, so I'm assuming you get support there—when we look at the approach that's been taken in the past...

Actually, I'll refer to a report that was done for the government by A.T. Kearney, an organization out of Toronto, via Chicago. I don't know if you know this report, but I think it exemplified the problem. Hopefully that lesson has been learned. That, of course, Mr. Chair, was where we spent \$24 million for a report that gathered dust and got no value for money. It was on how to do procurement better.

I guess I would hope that there would be this ongoing, real consultation; that you would have, within government, your advocates right here at this table, working for and with you. And I say *for* you because here's my question: in the past, you've given us one indication of successful consultation; what would you like to see, going forward and using this office, in terms of a structure for that consultation?

● (1230)

**Mr. Jeff Lynt:** As I pointed out earlier, one of the problems we see...and we really did have some very encouraging dialogue, both on and off the record. We walked away very encouraged. We thought, you know, maybe we're going to get something. Then we just continued to see the same thing going through: the same bureaucrats are still in charge. Unfortunately, OSME is part of PWGSC, and policy is at the senior bureaucrat level. We believe perhaps the SME office should not be part of PWGSC—

**Mr. Paul Dewar:** That's where I was going. So you would recommend that it pull out.

**Mr. Jeff Lynt:** Yes—and have some clout. Some real recommendations have been made on how to protect small business.

As well, it was put to us to put together an impact assessment on SMEs. We think OSME should be able to provide that type of thing. They have the resources to do that kind of stuff.

So this is the type of information we'd like, information to help support us. We really would like to know that we have somebody looking out for our best interest. Our belief is that it's primarily looking out for PWGSC's interest.

**Mr. Paul Dewar:** I think it's a good idea.

Thank you.

**The Chair:** Thank you.

I have two five-minute rounds left. We have some committee business to do as well.

Ms. Hall Findlay, five minutes, followed by Mr. Calandra, five minutes.

**Ms. Martha Hall Findlay:** This question is somewhat IT-related, so I'm going to address the CABINET gentlemen first. I recognize that PWGSC may not be able to answer it, so I can wait to get that side of the answer next week.

Over the last number of years, a concern has been raised about large IT contracts going to large companies, and regardless of where the head office is. Some of the large companies may even be Canadian, but they do a lot of their storing of data elsewhere. The servers and the storage may actually be in the United States, for example. In the last number of years, we've seen interesting regulations in terms of the protection of information in the United States for data that's actually stored south of the border.

To Mr. Lynt or Mr. Thivierge, I'm wondering if you have a comment on that. Has it been a part of your discussion? Has it even hit the radar screen in terms of your concerns about some of the IT management moving, it seems, into potentially larger companies that may have data that's stored south of the border?

**Mr. Jeff Lynt:** Primarily our members are professional services, so we're talking about people providing consulting, and contractors with the federal government.

Certainly we have concerns, as I think all Canadians and taxpayers should, about storing Canadian privacy records off Canadian soil, but our primary concern would be the offshoring of work. SMEs represent Canadian companies—primarily here in the NCA, for the most part—so we believe it's very important to retain that work here in Canada.

**Ms. Martha Hall Findlay:** I may not have been clear enough in my question. A concern that many people have with large companies relates to the question of bundling IS/IT contracts. According to your submission, it seems a bit geared toward the big IS/IT management companies. One concern is that those larger companies use servers, use storage capability in the United States, and there have been questions raised about the protection of that data.

Has that been, in your discussions, one of the factors that you have raised in concern about some of this information being worked on, or managed by, some of these larger companies? I mean, if not, if your answer is no—

**Mr. Jeff Lynt:** No, that hasn't been a direct focus of our conversations.

**Ms. Martha Hall Findlay:** Okay, thank you.

I have a quick question for Mr. McGrath.

In regard to the stimulus package—this is a complete shift here—there is nothing in the report that was tabled with us this morning about the money being spent on eco-retrofits in federal buildings. Our understanding is that an awful lot of federal buildings are not necessarily as energy efficient as we would like. In this day and age this is obviously a concern.

Is any of the stimulus money directed specifically to eco-retrofitting of federal buildings?

• (1235)

**Mr. Tim McGrath:** There is a portion. Let me explain that we find the greening of government operations is a normal course of business for us now, so anytime we undertake any type of retrofit in the buildings, or when we go out and lease new properties, we always try to achieve a LEED standard; that's part of our sustainable development strategy. Anytime we do any retrofit, it involves trying to make it as green as possible, for example, with the reuse of material.

So although there's nothing that specifically says “greening of government operations”, our normal course of business is to ensure that we are achieving a LEED certification. In our buildings, we also subscribe to the BOMA Go Green Plus standard. So all of our operations are green as we move forward with retrofits.

**Ms. Martha Hall Findlay:** And I commend that, don't get me wrong. That's an excellent development that the government is implementing that policy as retrofits happen.

But these are not normal times. This is not normal course. We have a stimulus package with a great deal of money that the government is now spending, over and above normal course. And certainly, as Liberal opposition members, when we were discussing recommendations for a stimulus package, very high on our list was a recommendation to have federal buildings made more energy efficient, with extra money, and I see nothing in this list.

So is the answer that there really isn't anything in the extra stimulus package here that is consciously going toward making federal buildings more energy efficient, above the normal course?

**Mr. Tim McGrath:** I think our biggest project that we have left to do for energy efficiencies is the revitalization of the central heating and cooling plants, for which money has been earmarked already with Treasury Board, so we're applying for that money. But again, through our normal course of business, whenever we do any type of retrofit, if we're replacing windows, for example—and part of the stimulus package is for window replacement—we'll move to an energy-efficient window. We work closely with NRCan and Environment Canada in determining what those requirements are and just work it into our normal course of business.

I know that may not be satisfactory in the sense of saying it's earmarked specifically for energy efficiency. It is, just in the way that we normally carry out our business. We're always looking for opportunities to take any money we have to improve the efficiency and greenness of the buildings.

**Ms. Martha Hall Findlay:** From your perspective, I do commend that, but I will for the record say—and this is not your fault—that from a policy perspective it is unsatisfactory that with all this money going out to be spent there is no conscious effort to address any of the environmental concerns.

But thank you very much.

**The Chair:** Mr. Calandra, for five minutes.

**Mr. Paul Calandra (Oak Ridges—Markham, CPC):** Thank you, Mr. Chair.

Most of my questions are going to be directed to CABINET, and I'll be very quick, because I have only five minutes.

First, Mr. Chair, I've heard a lot of talk about ITAC, so I was wondering if we might also have an opportunity to speak to ITAC. I've just done a quick search on them, and they represent a number of companies too, so I think it would be worth our while to have them as well.

I'd like a quick clarification from you. In responding to Ms. Hall Findlay you said that some of your members were involved in the bid-rigging investigation, and in a later answer to Ms. Bourgeois you said no. I wonder if you might just clarify that for me.

**Mr. Jeff Lynt:** I simply clarified that she said seven companies that were charged were part of CABINET, all seven companies, and that's not the case. There are companies that were charged that have no affiliation with us whatsoever.

**Mr. Paul Calandra:** But there were some companies—

**Mr. Jeff Lynt:** There were some, yes, absolutely.

**Mr. Paul Calandra:** I hope you'll appreciate I'm a new member of Parliament and I'm trying to develop a little bit of institutional knowledge here as well. There's not much information on you. I did find try to find a little bit about you on the Internet, and there wasn't a heck of a lot there.

How many companies do you represent? What is the nature of the companies you represent? What types of services do these companies provide?

You have to be really quick, because I have only five minutes.

**Mr. Jeff Lynt:** We believe we represent the interests of all small and medium enterprises.

**Mr. Paul Calandra:** How many, though, are members of your organization?

**Mr. Jeff Lynt:** I don't know the specific numbers. It's 45 perhaps. I don't know exactly how many.

•(1240)

**Mr. Paul Calandra:** I can't order you to do anything, but could I get a list of them so I could do some Internet searching to see what services they provide?

Again, Mr. Chair, ITAC has 300 companies, so I think we should investigate them as well, or ask them to come here.

**Mr. Jeff Lynt:** On that question, we did have those companies online, but—

**Mr. Paul Calandra:** Sorry, I'll ask the questions, if you don't mind.

I come from an insurance background; I was an insurance broker in my previous life. I was a small-business guy, just like many of the people you represent, but one of the problems I always had as an insurance broker was trying to insure companies when they were approaching larger projects. It was an argument I always had with the insurance companies, that I could never ever get insurance for companies.

I wonder how that would have an impact—separate from the government entirely. How would some of your organizations actually get insurance to make sure that the government and your companies were covered, if they're successful in getting contracts?

**Mr. Jeff Lynt:** Well, all companies that want to bid on government contracts have to have general liability insurance and errors and omissions insurance. It is pricey, for sure. It's a hurdle that small companies have to overcome.

**Mr. Paul Calandra:** Have you done any research on how you would do that? It strikes me that it would be very difficult to deal with the government without some specific—

**Mr. Jeff Lynt:** We do have it, and in our RFPs there is specific information on the levels of insurance required. In order to bid on the contract, you have to have that insurance.

**Mr. Paul Calandra:** And the companies you represent aren't finding it difficult right now in the current economic environment to come up with insurance?

**Mr. Jeff Lynt:** It is expensive, but it's the cost of doing business.

**Mr. Paul Calandra:** Another question I have is about one of the issues we talked about in our last meeting, the mobility within the public service. And one of the issues that seemed to come forward was the building of silos between departments. I know that my colleague talked about this.

I worry sometimes that when we unbundle contracts, when we move away from an organized procurement process in government, it makes it more difficult. One of the issues that was raised was that when somebody moves from one part of the government to another part, there is a completely different system there. They have to learn everything over again, and it's really causing havoc with productivity. So I wonder if you could talk about that.

I know I don't have much time left, and I'm sorry for going quickly.

When larger companies get contracts.... From my own experience in setting up a constituency office, the contract that the House of Commons sent me was from Bell Canada, but the guy who actually did the work was a constituent of mine from about two kilometres away from my office. Unfortunately, he wasn't a supporter of mine; he supported the previous candidate.

But do your members not have the ability to subcontract, or are there no subcontracts when larger contracts are brought out by Public Works, or whoever, in government? Are you saying that your members never have the opportunity to work within a contract as subcontractors?

**Mr. Jeff Lynt:** No, absolutely not. I think that's in our business. I subcontract with what we call "co-opetitors" all the time—with small and large companies.

**Mr. Paul Calandra:** So when a contract is brought forward by any government department, the members that you represent may still get the opportunity to work within a contract, even if it's with Bell, Allstream, or whoever. Some of your members would still have the opportunity within the larger framework to actually do work on a contract.

**Mr. Jeff Lynt:** Yes, but I just don't know what would be in it for a large company to subcontract with us, when they can just go and hire the people directly.

**Mr. Paul Calandra:** But have your members had the opportunity to work within contracts that have already been issued?

**Mr. Jeff Lynt:** Absolutely. There is no doubt that we provide resources to all companies, big and small. There is no doubt about that. Absolutely, that does exist.

I'll say that it's much more difficult to supply the larger companies. They have a couple of things, such as they need to have 20% markup in order to make their money, so that cuts out the—

**Mr. Paul Calandra:** I guess from government's point of view, which is how I look at it—and this goes back to my previous thoughts on insurance, because that's my background—it would strike me to be a lot easier to rely on a larger company in some instances to do something, but it might be better for us to ensure that in the larger bundling, there is an opportunity for small and medium enterprises to work through the larger companies to actually get things accomplished. It still protects the government and allows your companies to be part of a contract.

• (1245)

**Mr. Jeff Lynt:** The fact is, today we are competing on all contracts and winning 70% of them, based on providing good solutions at competitive prices. We believe that we provide solutions as good, if not better than, the large company. And we think there are opportunities for procurement reform; we just don't think it should be packaged as part of the shared service bundles.

**The Chair:** Thank you.

Thank you, Mr. Calandra.

At this point we're going to close the questioning.

You look broken-hearted, Madame Bourgeois. You obviously have one more question you'd like to put. Do you have one more question?

[*Translation*]

**Ms. Diane Bourgeois:** I have one big question and some sub-questions.

[*English*]

**The Chair:** Unfortunately, Madame Bourgeois, we are now up against the closing minutes in the meeting and the room is not available after one o'clock. If you had a question you could put in 30 seconds, I'd be happy to let you do it.

[*Translation*]

**Ms. Diane Bourgeois:** I would, very humbly, like to point something out to you, Mr. Chairman.

We have here recommendations from the Standing Committee on Public Accounts' report of February 2008. In it, we ask that PWGSC submit a detailed plan before implementing their IT service. Last June, the members of this committee voted 11 to zero, therefore unanimously, for this. I am emotional, but I just want to tell you that we are discussing a significant problem here. There are thousands of jobs, thousands of small businesses that are going to be put into the grinder. I think we need to take more time to study this problem.

I would ask you, please, to give us a little more time, perhaps another hour or two to study this problem. This situation concerns thousands of families, people who will lose their jobs and who will have to provide cheap labour for the benefit of big businesses.

Thank you, Mr. Chairman.

[*English*]

**The Chair:** Thank you, Madame Bourgeois.

I know you're aware that our first meeting next week is on the same issue, so we will have another two fulsome hours, and we have the rest of the parliamentary session to make progress on this. There have been a number of issues raised today that we can do some more work on usefully.

Yes, the next meeting will be on this.

With a view to that, because we didn't talk too much about the stimulus package today, I want to flag three questions. I don't want answers; I just want the witnesses from Public Works to know that the chair, at least, has an interest in these.

The first one is: is the push to bundle and consolidate procurement creating an environment in which there's a greater propensity of bidders to collude? Are we pushing bidders and small suppliers into the collusion envelope defined by the Competition Act?

I ask that question because, if it's the case, we wouldn't want it to happen, I don't think.

The second is with respect to the stimulus package. In view of the fact that the auto sector stimulus package has asked organized labour to cap or roll back some of the compensation or benefits, has there been any thought given to asking organized labour in the construction field to cap or freeze their wages for the length of the federal contract or the infrastructure contract? I'm asking the question whether this issue has been addressed. The answer is either short or long, but the question will come up next week.

The third thing is that when government moves out large truckloads of money for legitimate expenditure, sometimes bad guys get into the lineup. So I'm asking whether, when Public Works or Treasury Board or whoever goes to manage this huge, multi-billion-dollar spending envelope, there will be any screening done for organized crime, or that type of screening, as these contracts are entered into.

I'm going to ask those questions next week. I'll stop there.

If members are content, we'll allow the witnesses to withdraw. Thank you very much for coming today, both of you.

Now we'll try to do some business. The first thing is to confirm for Madame Bourgeois that we have set aside our next meeting to continue with the procurement issue with reference to SMEs, and with some reference to IT and some reference to the stimulus package. This seems to be how this issue has evolved. That will be on Tuesday.

Now, I want to alert members that, as you're probably aware, the main estimates were tabled in the House this morning. Among those estimates, it appears that the first part of the stimulus package, \$3 billion, was included in the estimates for Treasury Board. There's nothing wrong with that, but it is a departure from previous estimates procedures. It more clearly places the infrastructure spending, or at least part of it, in the direct mandate of this committee. So I'm suggesting that as a committee we may have to develop a procedure to do our parliamentary job in relation to Treasury Board management of that infrastructure spending.

Having said that, we have set aside Thursday, March 5 as a stimulus package inquiry day. That is a week from today. I will also select the next business day, which is March 10, for a continuation of it, possibly with an introduction of the main estimates, for which we may need to have a minister.

At this point we have not scheduled a minister. I think we had this discussion in the last meeting, but given that the main estimates have been tabled, it is pretty customary for a minister to lead on the main estimates. It is not essential, but that's the custom.

• (1250)

We will shift over by one meeting our review of the corporate assets, the disposal of assets review, which I think Mr. Martin wanted to do. So it's still on the agenda, but moved over.

Just to recap, our next meeting will continue with the procurement issue. You can check with the clerk for the witnesses. We have a fairly decent lineup.

Then the next two meetings will be on the stimulus package.

Now I'll recognize members who may want to make comments on that. Keep in mind that we have only about five minutes to do this. Your remarks have to be kept to 30 seconds. I'll be quiet and listen.

**Hon. Dan McTeague (Pickering—Scarborough East, Lib.):** Chair, I think the estimates take precedence over everything. The amount that is required in the traditional three-twelfths has now been augmented to eleven-twelfths. I understand the procurement issue is important, but I would humbly submit that we have a serious time constraint on the estimates and that we should be dealing with those first and foremost.

**The Chair:** The next meeting is already planned. We can cancel the meeting, but it would be really difficult to get a new agenda put in place for the next meeting—

**Hon. Dan McTeague:** Chair, if I could ask.... This is extraordinary. More importantly, can the clerk or the researcher confirm the time constraint? We may not have much flexibility here.

**The Clerk of the Committee (Mr. Michel Marcotte):** For the main estimates, the deadline by which we should report to the House is May—

**The Chair:** No. Mr. McTeague is asking if we could get our next Tuesday meeting into the estimates, the stimulus package estimates. That's what he's asking.

**Hon. Dan McTeague:** I think the clerk had it right. What is the deadline?

**The Clerk:** The deadline is May 31.

**Hon. Dan McTeague:** Thank you.

**The Chair:** But May 31 was not your problem, Mr. McTeague. Were you not asking if we could change the next meeting to an estimates meeting?

**Hon. Dan McTeague:** Given the nature of this, I would suggest that we want to change the tone, because it's not just the estimates themselves; it's everything that's contained within them. The meeting that we had last evening has a timeline of March 26.

**The Chair:** Is that what you want?

**Hon. Dan McTeague:** Chair, I'm simply asking if there is a constraint that the clerk or you are aware of that would force this committee to deal with this immediately on Tuesday as opposed to procurement on Tuesday.

• (1255)

**Ms. Martha Hall Findlay:** Because we would like to deal with it Tuesday.

**The Chair:** No, there is no deadline that we cannot meet using the current agenda.

Mr. Warkentin.

**Mr. Chris Warkentin:** Thank you.

As a committee, I think we want to get to the main estimates, because I think we understand that out of that we're going to find a significant portion of the stimulus package included. I would suggest that maybe we don't move it to Tuesday if there's not the constraint, but that we back-end the meeting. We can start with the main estimates and then move to the stimulus package, but maybe have overflow from the previous meeting for the secondary meeting.

So really, it's a consideration for two meetings of the main estimates, with some leeway to broach other things that are not within the main estimates as they pertain to the stimulus package. Is everyone amicable on that?

**The Chair:** That is what our agenda is now. The only issue is when we start on the estimates: do we start this coming Tuesday or do we start next Thursday?

**Mr. Chris Warkentin:** Thursday is fine by me, as long as we're not under any time constraint, but I think you've indicated that's not the case.

**The Chair:** Okay.

**Ms. Martha Hall Findlay:** Are you saying we're going to start Thursday, and continue with this discussion on Tuesday?

**The Chair:** That's the current lineup.

Mr. Warkentin says he's content to start the main estimates next Thursday.

**Ms. Martha Hall Findlay:** I actually would suggest that this is rather unusual, and there will be a lot of scrutiny on the change of process and the fact that we do have the main estimates to deal with. I would concur with my colleague in suggesting that, as important as this issue is, it does not have the time constraint that the main estimates have. I would strongly encourage us to start the main estimates on Tuesday.

**The Chair:** Okay. The chair would observe that there's nothing unusual about main estimates. Secondly, there isn't a time constraint that I'm aware of.

**The Clerk:** If the House changes the rule in the Standing Orders.... The Standing Orders state May 31, but that—

**The Chair:** May 31. So there is not a time constraint that I'm aware of or that the clerk is aware of. Maybe some sidebar chatting might get us....

Mr. Martin.

**Mr. Pat Martin (Winnipeg Centre, NDP):** If I could just add to this, I think there is an urgency just because of the almost unprecedented thing that we're being asked to do in the main estimates. We're being asked for a separate vote under vote 5, which would give the government what we're calling a \$3 billion slush fund. Rather than asking for interim supply of three-twelfths, they're asking for interim supply of eleven-twelfths of \$3 billion, \$2.75 billion, with virtually a blank cheque to spend it as they please.

We'd be giving parliamentary approval, in an almost unprecedented way, for a body of spending that is unprecedented, really. We're being asked to buy a pig in a poke. It falls on this committee to scrutinize this almost unprecedented move.

**The Chair:** I'm going to need a consensus on two things: one, to stand down the current study of procurement moved by Madame Bourgeois; and two, to get a main estimates meeting scheduled for Tuesday, which is very quick. And we have no indication yet that the minister or other officials would be available for Tuesday. This is last-minute scheduling.

If members want us to try to do this for Tuesday, I could take it that way. But I need to have a consensus that we're going to defer continuation of the procurement study.

Madame Bourgeois.

[*Translation*]

**Ms. Diane Bourgeois:** Thank you, Mr. Chairman.

I obviously want to get to the bottom of the issue of contracts and procurement with PWGSC, particularly as we voted on the issue last June. We could at least show some consistency, some cohesion and not lie to the people who came to see us and who are in this room.

Furthermore, I would point out to you that the purpose of a stimulus package is to get the economy going, to get people back to work and therefore to create economic spinoffs.

I will speak to you again another time, Mr. Chairman. It is not important, it is only the Bloc Québécois.

● (1300)

[*English*]

**The Chair:** Madame Bourgeois, I'm going to just pre-empt what you're saying.

I've been advised that it would not be possible to lead with the main estimates on Tuesday. Simply, it's the inability of people to attend.

Since we have a meeting scheduled for Tuesday, let's continue. We'll have lots of time to prepare for the main estimates on Thursday.

Now, Madame Bourgeois, a quick wrap-up. There are people waiting to take the room.

[*Translation*]

**Ms. Diane Bourgeois:** I will be quick. I simply wanted to emphasize to you that we are right to be studying the stimulus plan. It is extremely important. On the other hand, the purpose of it in the end is to get people back to work. Businesses will no longer be able to offer work because the major contracts will have been offered to others. We have to be consistent. I urge you to plan for some extra time so that we can clear up this problem, which represents \$80 billion.

Thank you, Mr. Chairman.

[*English*]

**The Chair:** Well, I take it you agree with the chair.

Thank you for your support, colleagues.

We're adjourned until our next meeting.









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