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Chair

Mr. Tom Lukiwski

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• (1100)

[English]

The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)): Even though the full complement of committee members is not quite with us, I think we'll begin, it being 11:02.

I first want to welcome all of the guests who are with us today. We have representatives from the Treasury Board Secretariat, Public Service and Procurement Canada, and the Office of the Procurement Ombudsman.

We will have opening statements from three of our selected guests as per the norm, and then we'll go into our rounds of questioning.

Welcome, all of you, and thank you for being here.

Also, welcome to some of our new committee members who are here, at least for today's proceedings.

From the Treasury Board Secretariat, we have with us Kathleen Owens, who is the assistant comptroller general, acquired services and assets sector, and Mr. Mark Schizkoske.

I hope I'm pronouncing that correctly, Mark. As it's coming from another Ukrainian, I think you can understand that I'm trying to get it close to the correct pronunciation.

We also have with us Madam Reza and Mr. Gray, both from the Public Services and Procurement Canada offices, and Mr. Ieraci, from the Office of the Procurement Ombudsman.

Thanks to all of you for being here, ladies and gentlemen.

Without further ado, Madam Owens, I understand you have an opening statement.

Ms. Kathleen Owens (Assistant Comptroller General, Acquired Services and Assets Sector, Office of the Comptroller General, Treasury Board Secretariat): I do. Thank you, Mr. Chair.

As the chair indicated, my name is Kathleen Owens. I'm the assistant comptroller general for assets and acquired services at the Treasury Board Secretariat. My colleague, Mark Schizkoske, is the director of procurement policy.

It's certainly a pleasure to be here today to provide you with an overview of Treasury Board policy and the regulatory framework for procurement in the Government of Canada.

As you know, the Treasury Board Secretariat is the administrative arm of the Treasury Board, a statutory committee of cabinet that acts

as the government's management board, providing leadership to federal organizations through the approval of government-wide administrative policies and directives.

It's the administrative policy framework around the acquisition or procurement of goods and services that I'm here to talk to you about today.

[Translation]

Procurement is a key mechanism federal organizations use to meet their business needs and deliver results to Canadians. In 2015, the government entered into over 342,000 contracts totalling nearly \$20 billion. As a government, we buy a very wide range of goods and services, including professional and construction services, with the majority of our contracts valued at less than \$25,000.

In support of the government's commitments to open data, Canadians can find information on government contracts through a number of sources: the open government portal, as well as the purchasing activity report and the report on the proactive disclosure of contracts over \$10,000.

[English]

I've provided the links in my opening remarks if you want to look at those sites.

When departments need to make purchases to address their operational needs, they have to apply a relatively complex web of procurement rules. Procurement is governed by a combination of legislative, regulatory, and policy requirements, including Canada's commitments under modern treaties with indigenous peoples and provincial and territorial governments, as well as 11 domestic and international trade agreements.

Accountabilities in procurement are also complex.

The Treasury Board sets the administrative policy for federal procurement across government and considers departmental proposals to enter into contracts for high-value and high-risk procurements. The secretariat monitors government-wide performance in the management of procurement and can make recommendations to the Treasury Board on policy changes and on specific departmental transactions.

Public Services and Procurement Canada and Shared Services Canada both act as common service providers that procure on behalf of departments and have exclusive mandates for goods and certain IT services. My colleague from PSPC will explain more about that in a few minutes.

Ultimately, it's deputy heads of departments who are accountable for complying with the requirements of the Treasury Board contracting policy. All departments have the ability to procure goods and services delegated to their minister within certain financial thresholds.

[Translation]

The principles of fairness, openness and transparency are the basis for government procurement, and they are set out in the Financial Administration Act. The Government Contracts Regulations support openness by requiring that bids be solicited before entering into a contract. There are four limited exceptions to this obligation: when a contract is below \$25,000; when the contract is for a pressing emergency; when it is not in the public interest to solicit bids; and when there is only one supplier who can provide the good or service.

[English]

The Treasury Board contracting policy sets out the principles and the steps for how government procurement should be conducted. It applies to 98 federal organizations, listed in schedules I, I.1, and II of the Financial Administration Act. I would note that the policy does not cover crown corporations or the Canada Revenue Agency, which establish their own internal policies and procedures for procurement.

The objective of the TB contracting policy is to ensure that contracting is conducted in a manner that enhances access for all suppliers, competition, and fairness. The process should withstand public scrutiny for prudence and probity and should result in best value for the crown. By "best value", we don't necessarily mean the lowest price, but the combination of price, technical merit, and quality, or, as appropriate, the optimal balance of overall benefits to the crown and the Canadian people.

The contract values above which TB approval is required are set out in the policy so that TB ministers can exercise their oversight role over certain transactions. TB can approve exceptions to these limits, which require departments to seek TB authority for emergencies or other department-specific contracting requirements, such as bulk fuel purchases or specialized provisions for construction.

The contracting policy also requires that departments ensure that operational requirements take pre-eminence, that competition is the norm wherever possible, that other national objectives, including aboriginal or socio-economic development priorities, can be supported, and, that departments comply with the government's trade agreement obligations.

In addition to the contracting policy, there are other related TB-approved policies relevant to procurement processes. For example, the policy on green procurement requires that environmental objectives are integrated into contracting decisions.

Now, I will say that the TB contracting policy was approved in the late 1980s and has not been fundamentally renewed in several decades. It has had periodic updates and additions that make it a combination of principles, legal requirements, and practical guidance. Over time, it has developed into a complex web of over 300 requirements, and some are very prescriptive, process-oriented rules. It can be very difficult to navigate for those who are not procurement specialists.

In terms of this committee's two areas of interest for your study on procurement, I can say that beyond encouraging fairness and openness for all participants in the procurement process, the contracting policy does not have specific provisions for small and medium enterprises. My colleagues at PSPC have programs to support small suppliers, which you will hear about.

The contracting policy does have several requirements for contracting with indigenous businesses, including contracting authorities related to modern treaties, as I've mentioned, and also that contracting authorities observe the requirements of the procurement strategy for aboriginal business, which is led by Indigenous and Northern Affairs Canada.

● (1105)

[Translation]

The effectiveness of TB Contracting Policy requirements is something that the Treasury Board Secretariat is currently examining as we undertake a policy reset exercise, in support of the direction given to the Treasury Board president in his mandate letter to review policies to reflect a more modern approach to comptrollership.

Over the past several months, we have held consultations with departments and are working to develop a policy that enables more flexible and innovative procurement strategies, and streamlines policy requirements. We also want to develop policy and guidance that enables better horizontal linkages between procurement, project management and asset management functions to improve project and procurement planning, and hopefully ensure better outcomes overall.

[English]

As you can see, this is a very technical policy area, further influenced by a complex legal environment and a number of different players with overlapping responsibilities. Ten minutes is not sufficient to give you the full picture of this, but I hope this gives you a general overview with which to begin your study.

I'm happy to answer any questions you have. Thank you.

The Chair: Thank you very much.

Next we'll go to Madam Reza.

Ms. Arianne Reza (Assistant Deputy Minister, Procurement, Department of Public Works and Government Services): Good morning, Mr. Chair and committee members. Thank you for inviting me to be with you today.

I am the assistant deputy minister for the acquisition program at Public Services and Procurement Canada. Accompanying me is Mr. Desmond Gray, the director general of the office of small and medium-sized enterprises.

I understand that your main interest is to gain an overview of the federal procurement process and to receive some general information related to the set-aside for aboriginal businesses and on small and medium-sized enterprises.

The procurement environment involves many players, the key ones being Treasury Board Secretariat, which, as we heard from Ms. Owens, establishes and monitors the regulatory and policy environment; my department, PSPC, which provides common procurement services and tools to client departments; likewise, Shared Services Canada provides common IT procurement services to client departments; individual federal departments and agencies, which buy goods and services under their own delegations; and, finally, the suppliers that compete for government procurement opportunities.

● (1110)

[Translation]

Mr. Chair, I will keep my remarks focused on the role and responsibilities of Public Services and Procurement Canada, or PSPC.

First and foremost, PSPC is the common service provider for the bulk of government purchasing. The department procures approximately \$18 billion's worth of goods and services annually on behalf of client departments, equalling roughly between 77% and 80% of the government's annual procurement expenditures.

At PSPC, there are approximately 1,300 procurement specialists working either in the National Capital Region or in regional offices across Canada. For additional context, the total number of procurement specialists in all of government is about 3,100, meaning PSPC is the employer to about 40% of the government's procurement workforce.

PSPC's authority as a common service provider stems from the Department of Public Works and Government Services Act, which gives the Minister of Public Services and Procurement exclusive responsibility for the procurement of goods. To maximize efficiencies, the Minister has delegated to other departments the authority to acquire goods under \$25,000.

PSPC does not have the same exclusive responsibility for procuring services. Instead, other departments can undertake their own procurement of services. Above a certain threshold, usually \$2 million, departments have the option of using PSPC or going directly to Treasury Board for contracting authority. PSPC does, however, have exclusive responsibility for the procurement of certain types of services, including printing and translation.

[English]

The procurement process is guided by the principles of fairness, openness, transparency, competition, and integrity. Open competition is the default, both in regulation and in practice. PSPC has a well-established code of conduct for procurement that sets out the expectations for ethical conduct on the part of both the employees and the suppliers. PSPC employees receive training and reinforcement of desired and expected behaviours.

Mr. Chair, I thought it would be helpful to share some examples of what we buy on behalf of our clients. We buy everything from

complex systems and consulting services to construction and military equipment. This includes aircraft, bridges, the services of health practitioners, bulk purchases of drugs and vaccines, satellites, and repairs and retrofits to government properties to reduce its carbon footprint as part of the greening of government operations.

Regardless of whether PSPC is buying a good or a service, considerable time is spent up front, analyzing how best to acquire it, how it will be used, and how it will be disposed of. This thoughtful approach is designed to help us achieve best value and reduce costs. It means having a thorough understanding of the market conditions and choosing the most efficient method of supply for what is being purchased.

PSPC uses several methods of supply. Some of the most common include standing offers, which are used when it is possible to define the requirement but expected quantities and timing are not known. For example, we have a standing offer for fuel, which allows client departments to purchase fuel as needed at predetermined pricing. Another method of supply is the supply arrangement, which is used to establish a pool of suppliers when there is a recurring need that has not yet been defined. Think of it as a pre-qualified list of suppliers we can call up when client departments determine what they need—for example, professional services for auditors, or tires for heavy equipment. A further method of supply is to enter into a contract with task authorizations, under which the work will be performed on an “as and when requested” basis.

Regardless of the method of supply, significant effort goes into developing the procurement strategy. This starts with the business commissioning phase, in which the client department defines the need. Next, PSPC and its client work together to select the appropriate procurement strategy. During this phase, extensive industry engagement may occur. We work with the client department to identify what socio-economic levers can be brought to bear. For example, the procurement strategy for aboriginal businesses, known as PSAB, is considered at this stage. The goal of PSAB is to maximize the participation of, and benefit to, indigenous peoples, businesses, and communities. Last year PSPC managed set-asides for indigenous business contracts worth around \$112 million. We will also take into consideration the applicable trade agreements. If a procurement is valued at or above certain thresholds, the obligations of the agreement apply.

● (1115)

[Translation]

The solicitation is launched and posted on our buyandsell.gc.ca website, which makes publicly available PSPC's procurement opportunities, both active and closed.

We will typically receive questions from interested suppliers. PSPC responds in a transparent manner; the answers are developed, translated, and posted on the web to ensure a fair and competitive playing field for all potential bidders. The minimum length of time a solicitation needs to be posted to satisfy trade obligations is stipulated in the trade agreements and is often extended if suppliers ask for extra time.

The solicitation material contains the statement of work prepared by the client, the contractual clauses, guidelines on conflict of interest, and the evaluation criteria and basis of selection. Once the solicitation is closed, the client conducts the technical evaluation of the bids, and PSPC conducts the financial evaluation.

As a key part of the procurement process, PSPC manages the contract, monitors the execution of the contractor's obligations, and seeks to mitigate risks, such as a delay in the production or delivery of a good.

[English]

Depending on the complexity and the monetary value, PSPC will use an independent third party fairness monitor, whose role is to provide an unbiased and impartial opinion on the fairness of the process. If a bidder has concerns that the procurement process was not conducted fairly, there are mechanisms in place to resolve these disputes. The Office of the Procurement Ombudsman is one such mechanism. My colleague Lorenzo Ieraci will provide more details.

Mr. Chair, I would like to spend the last few moments of my remarks focusing on suppliers. As the committee is likely aware, Canada's supplier base is composed primarily of SMEs. As of today, there are approximately 7,900 suppliers with active PSPC contracts, 80% of which are small and medium-sized Canadian enterprises.

To help SMEs navigate the procurement process, PSPC administers the Office of Small and Medium Enterprises, OSME, whose objective is to increase SME access to federal procurement, reduce barriers, simplify the contracting process, and provide tools to suppliers interested in doing business with us.

Over and above the dedicated efforts of OSME, PSPC works closely with TBS, a host of departments, the national Supplier Advisory Committee, and individual suppliers to explore ways to improve and modernize our approaches to delivering procurement. This supports Minister Qualtrough's mandate to increase the diversity of bidders—including women, indigenous peoples, persons with disabilities, and visible minorities—and to take measures to increase the accessibility of the procurement system to such groups while working to increase the capacity of these groups to participate in the system.

PSPC officials look forward to having the opportunity to come back and present in more detail on PSAB and SMEs.

Thank you, Mr. Chair and committee members.

The Chair: Thank you very much.

Our final intervention will come from Mr. Ieraci.

You have 10 minutes, please.

Mr. Lorenzo Ieraci (Interim Procurement Ombudsman, Office of the Procurement Ombudsman): Thank you.

[Translation]

Mr. Chair and committee members, thank you for your invitation. It is a pleasure to speak with you about the work done by our office and its role in the federal government's procurement process.

[English]

I was named interim procurement ombudsman in May 2016, after having occupied the position of deputy procurement ombudsman for four years. As the interim procurement ombudsman, I have the honour of working with a group of dedicated and quality people who seek to make a positive difference in the lives of Canadians. They do this by helping to resolve procurement-related issues and by promoting fairness, openness, and transparency in federal procurement.

My remarks this morning will focus primarily on the ombudsman's mandate, the work we do, and how we operate. Let me begin with my mandate.

[Translation]

The position of procurement ombudsman became fully operational in May 2008, when our regulations came into force.

The ombudsman's mandate has four main components. I will give you an overview of each one and will go into more detail about them a little later.

The first component is to review any complaint respecting the award of a contract for the acquisition of goods below the value of \$25,000 and services below the value of \$100,000.

The second component is to review any complaint respecting the administration of a federal contract.

The third component is to review the procurement practices of departments to assess their fairness, openness and transparency.

Lastly, the fourth component is to ensure that a dispute resolution process is provided.

• (1120)

[English]

The procurement ombudsman's mandate is government-wide. There are nearly 100 federal organizations that fall within the mandate.

The ombudsman reports to the Minister of Public Services and Procurement. In this regard, the ombudsman is required to submit an annual report to the minister, who in turn is required to table that report in Parliament. Nonetheless, neither the minister nor her staff are involved in our daily activities, our operations, or our reports.

[Translation]

In addition, my office and I operate at arm's length from Public Services and Procurement Canada and all other federal agencies.

Allow me now to give you an overview of the type of work we do.

[English]

As I mentioned, the first area of my mandate is to review complaints regarding the awarding of federal contracts for goods under \$25,000 and services under \$100,000. This part of the mandate was established by the government due to the fact that the federal procurement system, prior to the creation of our office, was limited in providing mechanisms for suppliers who had issues related to the awarding of low dollar value contracts.

For larger dollar value contracts, where the trade agreements apply, suppliers could and still can turn to the Canadian International Trade Tribunal, the CITT. The CITT, as a quasi-judicial tribunal, examines whether procurements undertaken by federal organizations are compliant with domestic and international trade agreements.

While suppliers with issues related to the awarding of larger dollar value contracts could go to the CITT, suppliers with issues concerning lower dollar value contracts had three choices, none of which were very effective for a small business.

First, they could attempt to have their issue addressed by the contracting department, which sometimes worked and sometimes did not. Second, they could accept the situation as an unfortunate cost of trying to do business with federal departments. Third, they could take legal action, which is costly and often not a realistic avenue for small businesses. In creating the Office of the Procurement Ombudsman, the government filled the gap for these low dollar value contracts.

Allow me to emphasize that this part of my mandate is the only one where there are dollar limits. In the other three areas of my mandate, which I will discuss a little later, there are no financial limits on the contracts that we can review.

When a written complaint is submitted to my office, I am required to make a determination within 10 working days after the filing of that complaint as to whether or not to review the complaint.

During those 10 working days, my office will attempt to facilitate a resolution to the issue where possible. If dialogue is unsuccessful and does not result in the withdrawal of the complaint or the cancellation of the awarding of the contract, and if the complaint meets the regulations, then I am required to initiate a review of the complaint.

Once that's completed, I issue a report, which I am required to send to the minister of the contracting department, the Minister of Public Services and Procurement, and the Canadian supplier who filed the complaint. In addition, I provide a copy of the report to the deputy head of the contracting department.

As my mandate is to review contracts of lower dollar values, or where the trade agreements do not apply, the review assesses whether the awarding of the contract was done in a way that aligned with the Treasury Board contracting policy and respected the principles of fairness, openness, and transparency.

In an instance where a written complaint does not meet the criteria of the regulations, I am required to inform the contracting department and provide them with a copy of the complaint. I use this as an opportunity to bring the complaint to the attention of the deputy head of the contracting department.

[Translation]

Another part of my mandate that I would like to discuss briefly concerns the review of procurement practices. In this area, my office works independently in reviewing the procurement practices of federal agencies to assess the fairness, openness and transparency of them, and to recommend improvements.

We determine the subjects of the reviews, in part based on the comments we receive from Canadian suppliers and federal officials. We also undertake an assessment of the various parts of the procurement process to identify the ones that may pose a risk to fairness, openness and transparency.

In addition, we undertook follow-up reviews to determine whether the federal agencies had taken steps to respond to the recommendations made by the ombudsman in the previous reports relating to the review of procurement practices.

So far, our follow-up reviews, which are available on our website, have confirmed that federal agencies follow the ombudsman's recommendations seriously and, in general, take steps to respond to these recommendations.

[English]

The last part of my mandate that I would like to provide you a brief overview of is alternative dispute resolution. The ombudsman is required to ensure that a dispute resolution process or service is made available to the parties of a federal contract—namely, a supplier and a federal department. Either party to the contract can request this process. When we receive a written request, we ask the other party to participate in our voluntary process.

Since my appointment as interim procurement ombudsman, we've handled 16 requests for our dispute resolution process. Of these, four requests were declined by one of the parties; 10 requests were withdrawn after our office helped the parties reach an informal resolution prior to the launch of our formal process; and, in two cases, we addressed them through our formal process. In both those cases, we were able to help the supplier and the federal organization reach a legally binding settlement agreement.

• (1125)

[Translation]

Lastly, my office doesn't hesitate to invest the time and effort needed to respond to people who contact us. Every time someone contacts us with a procurement-related question, issue or concern, we try to provide impartial and helpful information, quickly and professionally.

Our approach is three-pronged: to educate, facilitate and investigate. These three pillars are described in detail in the annual reports my office produces. I encourage you to consult these documents to learn more about this.

[English]

In undertaking our work, we seek to be a useful recourse mechanism for Canadian suppliers and federal officials who are dealing with procurement issues. We strive to be part of the solution by promoting fairness, openness, and transparency in federal procurement.

Thank you.

The Chair: Thank you very much.

Colleagues, before we begin our rounds of questions, I have a couple of quick housekeeping notes. I don't want to arbitrarily truncate the proceedings here, particularly if there are questions, but I have about 10 minutes of committee business that I wouldn't mind trying to get in, if we have time at the end of the meeting. We'll see how it goes and play that by ear.

Our first seven-minute intervention comes from Monsieur Drouin.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

I thank all the witnesses for appearing today. It is a study that I believe is extremely important, as I have heard comments from the SME community on this. Some are great comments and some are not so great. Some say that they're being pushed out of procurement opportunities, and that they have to deal mainly with prime contractors. I think it's important for us to get your thoughts on that.

As technology moves rapidly, part of my question, starting probably with Treasury Board, is about what are some of the policies to shorten the procurement cycle. We know that technology changes so fast that if our procurement strategy can't keep up we'll keep buying old technology, and not necessarily IT, but other aspects of what the Government of Canada buys. I'm wondering if you have any thoughts on how we can promote the shortening of the procurement cycle.

Ms. Kathleen Owens: That's a good question.

In terms of contracting policy, what we're trying to do is have the right balance between what's operational and what's a principle-based policy. Right now, as I said, we have a very detailed policy that is probably down into the weeds a bit more, which is more the side of the operational policy and which is the purview of the common service provider and other departments.

In terms of IT, I understand that this committee recently had a presentation on agile procurement and agile project management. That's certainly something that we are looking at, both us and PSPC. We're looking at the ways in which it won't take so long to award the contract by using some of these agile methods.

Maybe Arianne can speak to the pilot. Our chief information officer branch recently used PSPC to do an agile pilot for procurement, so that the contract was actually awarded in a much quicker time frame.

Mr. Francis Drouin: Go ahead, Ms. Reza.

Ms. Arianne Reza: Not necessarily to focus the discussion on the pilot, but what is appealing about agile methodology I think goes to your question on how we can shorten the process. Agile procurement

means that we work with the SMEs, with the sector, to figure out what the issue is.

We have a challenge and we have a problem in government, say, and instead of providing the solution and being prescriptive about what we need, we go to the industry and say that we're looking, that we have this issue and this type of challenge, and we ask if they can help us. This cuts down a bit on that lengthy time of where we're prescribing what we need in detail. We're providing a solution base and going forward to a more interactive dialogue. I think that type of frame is very helpful and is the tenet of agile.

• (1130)

Mr. Francis Drouin: That's what we'd call outcome-based procurement as opposed to prescriptive procurement.

Arianne, while I have you on the mike, you said that 80% of contracts are given to SMEs. Is that 80% of contract value or 80% of the contracts?

Ms. Arianne Reza: This figure is PSPC-specific, so it's 80% of the contract transactions that go to SMEs.

Mr. Francis Drouin: Do we have the number in terms of the value of the contracts? I think the government buys around \$16 billion of goods and services per year. Do we know how much of that goes to SMEs?

Ms. Arianne Reza: I can answer for PSPC. For PSPC, about 35% of the procurement that PSPC does, as you know, is complex procurement, so 35% of the value goes to SMEs.

Mr. Francis Drouin: Okay.

Mr. Gray, do you have anything to add to that?

Mr. Desmond Gray (Director General, Office of Small and Medium Enterprises and Stakeholder Engagement, Department of Public Works and Government Services): I take your point. The supplier community is always concerned about the speed of procurement, especially for small and medium businesses, but we've had a number of tools in place.

We also do pre-facilitated contracts, which are standing offer and supply arrangements that are already in place and allow departments to immediately access those suppliers on these documents. It really expedites the whole process. Also, these are generally competitive processes, so suppliers get the opportunity to bid. They offer their services and they can get contracts awarded. For many small businesses, standing offers and supply arrangements are key and important parts of their business. That's one thing.

I would also mention that in terms of dollar value, as Arianne was mentioning, the bulk of the lower dollar value procurement, a lot of which goes to small businesses, is with the other departments, because they can buy up to \$25,000 in goods. There are probably somewhere around 400,000 procurements that are done every year with other federal departments. Again, these are all about how we can expedite these processes, these low dollar value contracts.

Mr. Francis Drouin: Lorenzo, I was curious to find out what are most of the complaints from SMEs that you're getting in your office.

Mr. Lorenzo Ieraci: Thank you for the question.

The vast majority of companies that contact us tend to be small and medium-sized enterprises that have questions or are looking for help or answers in terms of the procurement process.

Our annual report identifies or lists their top procurement issues, questions, or concerns. What our experience has been is that in the vast majority of instances where suppliers contact us, they have questions in terms of the procurement process. They're not necessarily understanding the rules, the procedures, or what they have to do in order to do business with the Government of Canada, because that approach in terms of doing business with the public sector differs fairly fundamentally from the way business is done in the private sector.

Most of the questions we receive have to do with how to do business with the Government of Canada or with understanding some of the rules and the procedures associated with that. In those instances, for those who are having a bit of a hard time getting into the game in terms of doing procurement, we often—if not always—recommend that they contact the Office of Small and Medium Enterprises.

Our annual report outlines the most common concerns that we hear from small and medium-sized enterprises and from everyone who contacts us.

The Chair: Thank you very much.

Mr. McCauley, please, for seven minutes.

Mr. Kelly McCauley (Edmonton West, CPC): Good morning. I'm going to start with you, Mr. Ieraci. Thank you for joining us.

Do we need to move up the base limit? It's \$25,000 for products and \$100,000 for services. Is that too low? That was set years ago, I assume. Do we need to move that up to be more effective?

Mr. Lorenzo Ieraci: If I may ask a question of clarification, do you mean in terms of the mandate that has been provided to the ombudsman?

Mr. Kelly McCauley: Yes.

Mr. Lorenzo Ieraci: Thank you for the question.

That's a very interesting question. About four years ago, we had an evaluation of the office done to ensure that the office was operating as intended in terms of the mandate given to us by the Government of Canada. One of the things that we received as feedback from the evaluators was that in their discussions with suppliers who had dealt with us and our office, the suppliers had requested that our monetary thresholds be increased so that our

office would be able to assist them in more cases and more situations.

At that time, we decided to take a look at the policy rationale for why it was that those monetary thresholds had been established for our office. We hired some external folks to undertake some analysis and provide us with a report. That report is available on our website.

Fundamentally, the response was that when we were established with regard to the awarding of contracts, the idea or the policy rationale was that we should be able to help in situations where the Canadian International Trade Tribunal cannot, so our monetary thresholds are underneath those of the trade agreements—roughly.

The idea was that the government did not want to give suppliers the opportunity to “doctor shop”, which means that when you get an answer that you don't like from one doctor, you go to the next one until they give you what you want. They didn't want that to happen between us and the CITT, so that's why those thresholds were identified.

• (1135)

Mr. Kelly McCauley: You're comfortable with them?

Mr. Lorenzo Ieraci: Yes, sir.

Mr. Kelly McCauley: Okay.

Do you believe that the CITT, the next step up, is adequate and is providing service within an adequate timeline?

Mr. Lorenzo Ieraci: That's a difficult question for me to answer, because I'm not necessarily an expert on the CITT. Their mandate does differ from ours. The CITT's mandate, as I understand it—and they would be able to explain it better than I can—really focuses on whether procurements that were undertaken were undertaken in a manner that respected the trade agreements.

There are a few differences between us. They can look at the procurement process when it comes to the awarding of a contract, while we can only look at a contract once it has been awarded. Also, their timelines differ in terms of when people can file a complaint.

Mr. Kelly McCauley: Thank you.

This is for Ms. Reza, Ms. Owens, and Mr. Gray. I want to get to Bill C-344, the private member's bill regarding community benefit that passed just recently.

We asked previously if any study had been done by PSPC on the effects, the costs, and the process. Basically, we got blank stares. We asked the government, and again we got nothing back. I'm curious. Now that it's gone forward, have we looked at what it's going to do to the procurement process?

Mr. Ieraci, in his very well put together annual report, identified a lot of issues with procurement: problems with transparency, time, bureaucracy, and the paperwork required. Bill C-344 looks to add to this quite a bit. I'm curious to hear if we've looked at the problems that are going to occur, at the added costs or anything else.

Ms. Arianne Reza: Certainly from a PSPC perspective, we've been monitoring the bill in the sense of looking at the community inclusion benefits on the SMEs and seeing how we would actually map it and what additional costs it would bring in. We're also looking at best practices internationally, where they—

Mr. Kelly McCauley: What costs have you formulated that it's going to add? Or haven't you gotten that far yet?

Ms. Arianne Reza: We haven't gone that far to see what it would add to the procurement—

Mr. Kelly McCauley: Do you know when we'll have an idea?

Ms. Arianne Reza: We don't have an immediate timeline in place. We're still looking at the considerations of what it would add. When I say "costs", I'm looking at the resources for the SMEs to apply and how we would revise our RFPs and solicitations to include community benefits.

Mr. Kelly McCauley: There will be other costs, such as costs to taxpayers, as the SMEs need to have further compliance. This is not going to reduce costs. Have we started looking at what it's going to cost taxpayers?

Ms. Arianne Reza: From a PSPC perspective, we haven't broken down in detail the cost of—

Mr. Kelly McCauley: Should we be doing that?

Ms. Arianne Reza: The first assessment is to see the progress of the bill and to look to Treasury Board and others to establish the framework in which we would look at community benefits.

Mr. Kelly McCauley: Should we look to Treasury Board, then?

Ms. Kathleen Owens: Obviously what we do with any legislation is see if adjustments need to be made to policy once the legislation is passed. In addition to policy, sometimes there's additional guidance that we need to provide to departments. Again, that assessment hasn't been done yet. We'll be monitoring that with our colleagues.

Mr. Kelly McCauley: Mr. Ieraci, you've been quite open in your annual report about some of the difficulties our SMEs face. A lot of that is around the paperwork, compliance, and poorly written RFPs. I'm looking at the vagueness of Bill C-344, and it looks like it will add to that. Do you have any thoughts as to how we can make sure the SMEs can deliver bids without running into some of the problems you've identified?

Mr. Lorenzo Ieraci: Thank you for the question. As I mentioned, the annual reports issued from my office identify the concerns raised by federal suppliers through our outreach initiatives, where we go out and speak to as many suppliers across Canada as we can.

There's no question that from a supplier perspective what we've heard is that some of them find the process for submitting bids a little complicated. My counterpart at TBS talked about all the rules that have to be followed. Those rules do impose a burden on some suppliers I've spoken with in terms of being able to submit proposals that will be deemed successful or that can qualify as per the requirements.

In my most recent annual report, one of the things I mentioned in my message is the fact that when it comes to simplifying federal procurement, which is something that we've heard about from suppliers across the country in a number of instances, it is something that we need to work towards collectively. We need to make sure that

we're providing some clarity so that people understand exactly what they're signing up for.

• (1140)

Mr. Kelly McCauley: That's right. In one of the items you mention in the report, you say, "Poorly written solicitations can cause confusion for suppliers", but in Bill C-344 we have a line that says the minister "may—not "will"—require bidders...to provide information on...community benefits". It looks like we're adding confusion without the certainty.

The Chair: We're going to have to cut it off there.

Mr. Weir, please, for seven minutes.

Mr. Erin Weir (Regina—Lewvan, NDP): Thank you very much for your testimony.

I'd like to compliment Ms. Reza on wearing orange; I encourage people to do that all year round, not just on Halloween. It's much appreciated.

Voices: Oh, oh!

Mr. Erin Weir: I did want to ask about something the current government has promised since it came to office, which is a new fair wages policy for federal procurement. I'm wondering where the government is at on implementing that policy.

Ms. Arianne Reza: ESDC is examining the fair wages policy. We're working closely with them. Once a fair wage policy is established and set, contractual clauses in PSPC contracts and across government will be reflected in that direction and policy.

Mr. Erin Weir: Can you give us a sense of when that policy might come into effect or what's being considered in its development?

Ms. Arianne Reza: Unfortunately, in this role the PSPC is supporting the lead department, ESDC, which is looking at the deliberations; it's currently being considered, and I don't have details on the timelines.

Mr. Erin Weir: Is it your sense that ESDC will essentially come up with a policy and your department will just apply it?

Ms. Arianne Reza: ESDC is doing consultations nationally. I think they're looking at different stakeholder groups and discussing the various pieces. Once we have an understanding of what the contents of the policy will look like, we will be looking at reconciling it with our current contractual obligations.

Mr. Erin Weir: Okay. Is there a sense of when you would receive that input from ESDC? Or is the ball in their court and you're waiting to hear from them?

Ms. Arianne Reza: We are working closely with them, but for a sense of the timing, I don't have access to know. Perhaps we can come back with a response on that in terms of timing.

Mr. Erin Weir: Yes, perhaps you could come back with a written response on the timing. That would be greatly appreciated.

I did also want to ask about the use of domestic materials in government procurement. I've asked previously about the new Champlain Bridge, and your department indicated that less than 20% of the steel would be manufactured in Canada. I'm wondering if you can provide any update on that project as well as other federal projects such as the Alexandra Bridge and the Esquimalt graving dock.

Ms. Arianne Reza: I'm not able today to provide detailed updates on those projects you've mentioned and those acquisitions.

I would just say that in terms of domestic content policy, procurement has two areas. One is the defence area and one is procurement that is non-defence, which is governed by Treasury Board policies and guidelines, as the defence side is as well, but trade obligations restrict our use of how we use domestic content policy. Government procurement that is underneath the umbrella of trade agreements doesn't have the capacity to leverage in all cases domestic content policies, as is done in other areas.

Mr. Erin Weir: Yes, fair enough.

It seems as though the government has been relatively liberal in its use of national security exceptions, in that things such as winter clothing for refugees have been purchased under those provisions. It does seem that if the government wanted to, it could get around some of the obligations under trade agreements.

Ms. Arianne Reza: My understanding of the way the trade agreements work is that there are exceptions that all countries who are signatories of the trade agreement agree to, and they're very narrowly defined.

Mr. Erin Weir: Okay. Our committee did another study on the national security exceptions. It seems they were being used fairly broadly in some cases, but I won't try to reiterate that meeting.

I do want to ask as well about the government's contract with IBM for the Phoenix payroll system. Will that contract be made public?

• (1145)

Ms. Arianne Reza: I think that the various pieces of the IBM contract that are not defined by contractual confidentiality with IBM have already been shared in terms of the cost, the amendments, and the bidding process. I believe that there has been a fairly robust set of documentation already provided.

Mr. Erin Weir: It seems the government is continuing to pay more money to IBM to try to fix the Phoenix system. Does that reflect a problem with the original contract?

Ms. Arianne Reza: Mr. Chair, I am sorry. I came prepared to talk about the landscape of federal procurement from the PSPC lens, and I don't have details on specific strategies for individual contracts.

The Chair: Perhaps, if I understand Mr. Weir's question correctly, you would be able to provide to the committee some answers in a written response?

Mr. Erin Weir: Yes, that would certainly be quite satisfactory.

I also have a question for Mr. Ieraci. Your office provided a report recently where you talked about some problems with government standing offers, and specifically the notion that suppliers need to

meet a large number of requirements for those standing offers, but then are not actually guaranteed any business.

I assume that the need to have inventory on hand to meet standing offers would be a particular challenge for smaller enterprises. I'm wondering if you could elaborate on that point and also speak to any improvements that could be made to the government's standing offer format.

Mr. Lorenzo Ieraci: Thank you for the question.

Yes, as I mentioned in my message in the annual report, one of the things I heard about last year was from suppliers who were raising questions and concerns about standing offers. If you take a look at prior annual reports from my office, you'll see that standing offers are an area that generates a lot of questions and some concerns on the part of Canadian suppliers.

One of the reasons why I think that's the case is that, for many suppliers, the concept of a standing offer differs from what they experience in the private sector. In the private sector, there do not seem to be as many types of agreements between private sector companies where one company essentially agrees to undertake some activities on an as-and-when-needed basis for no guaranteed source of business. Standing offers appear to be something that is somewhat unique to the public service.

In our office, one of the things we do through our outreach-and-educate pillar, which I mentioned, is to ensure that suppliers understand that when it comes to standing offers there are certain expectations and obligations that are placed on them and certain expectations and obligations that are placed on federal organizations, but that there is not necessarily a guarantee of business. Because of that, when it comes to planning out their business strategies in terms of submitting proposals, they need to take those factors into consideration so they can ensure they have a proposal that will work for them from a business perspective.

The Chair: We'll have to cut it off there for now.

[*Translation*]

Mr. Ayoub, seven minutes, please.

Mr. Ramez Ayoub (Thérèse-De Blainville, Lib.): Thank you, Mr. Chair.

As Ms. Owens said, it is very difficult to provide a summary in 10 minutes. This is all the more so when you have only seven minutes to ask questions aimed at deepening a subject.

Still, I would like to talk about what can be done to make it possible for small and medium businesses can do business with the government and to ensure that they are quality suppliers who qualify and who remain suppliers thereafter.

How many small and medium businesses do business with the government once and cease to be suppliers afterwards, either because it became too complicated and caused problems for them, or because they weren't qualified?

Do you consider situations like this?

Do you have statistics for that?

Then, do you implement a game plan or corrective action, so that the government doesn't always deal with the same companies that look good and, for a variety of reasons, have found the right way to do business with it?

Have analyses been done on this?

Is corrective action taken to encourage companies that have done very little business with the government to do so again?

I don't know who would like to answer.

Ms. Reza or Mr. Gray, would you like to?

• (1150)

[English]

Ms. Arianne Reza: Do you want to take it from your perspective?

[Translation]

Mr. Desmond Gray: Given the terminology, I'll answer in English.

[English]

Mr. Ramez Ayoub: You can answer in English. That's okay for me.

Mr. Desmond Gray: There are a couple of things.

Your question is a very good question. The answer is yes. We do analyze the actual volume of suppliers to see how many suppliers repeat in our business and how many new suppliers come in. Of course, we're very interested in ensuring a diversity of suppliers and new suppliers, because part of the notion of value is to ensure we broaden and expand our supplier base. That's what indicates better competition and better value for Canadians.

For example, one of the things we do in the Office of Small and Medium Enterprises is to lead engagements with the supplier community all across Canada. We do between 1,100 and 1,200 events with supplier communities, one-on-ones, to explain to them how to access. We do seminars and give them the information they need, and we encourage them, which I think is an important point. We encourage them to understand the opportunity.

This means going to the Buyandsell website. We show them how to get access to tenders. We show them the tools that can make it easy for them, such as an automatic email notification for any tender that's in their area of business. You don't have to sit there looking for it; it comes to you. These services have to be responsive to suppliers, and we have to reflect also the diversity of Canadians across Canada, not just in the large urban centres, but in the smaller communities.

The outreach activities we have done go right across Canada, including in remote communities. I'm looking at some of the numbers. For example, we also target specific socio-economic groups to ensure the benefits are applied broadly. For example, we do specific events for green and clean technology, indigenous communities, women's businesses, multicultural communities, minority official languages groups, and youth. We set specific targets to go out, find those communities, and communicate to them.

We have a very strong strategy, and we're trying to make sure that we measure the effect, as we look at the suppliers who are now

coming in, to see if we're getting a refresh on that supplier. Also, is it expanding? Are we getting new businesses coming in?

The answer is yes: we do this.

[Translation]

Mr. Ramez Ayoub: I've already heard from representatives of small and medium businesses that things went relatively well when they did business with the government, but it was another story when it came to closing the contract and getting paid.

What do you have to say about this?

How could the payment cycle be accelerated so as not to penalize small businesses that need this cash flow on a regular basis?

[English]

Ms. Kathleen Owens: Recently, we recently made a change to the financial management policy that ensures the government can pay its invoices in 30 days or less. The previous requirement in the policy was to wait 30 days, but now departments can pay in advance.

Ms. Arianne Reza: Based on that recent change in April, I think it's reflective of what we've heard: there's a lag time in terms of paying. Since we know the bulk of our contracts are with SMEs... I spoke earlier to the comment made in terms of the value. I should say that 80% of contracts under a million dollars are with SMEs, so getting them paid quickly is really key. With this key pivotal change, we're working internally to look at readjusting the timelines, now that the 30 days have been accelerated, and to see how we can accelerate our processes and invoice payments to make payment faster.

[Translation]

Mr. Ramez Ayoub: Thank you.

[English]

Mr. Casey, do you want the minute and a half?

Mr. Bill Casey (Cumberland—Colchester, Lib.): A minute and a half? Sure.

I have a specific question dealing with aboriginal business. The RCMP in Nova Scotia wants to relocate its communications centre. The Millbrook First Nation would like to attract the RCMP to its industrial area. They've done a good job in making the application.

What is the role of Public Works in a case where the RCMP are looking to relocate? I think they're in a Public Works building now; I assume it's Public Works. That building is now deemed unsuitable, and I agree with that decision too.

Millbrook has made an application. It seems to us in the community that it would be a great way to build a connection between the Government of Canada and first nations and also with the RCMP.

What role would Public Works have in that? Is there anything I can do to help?

● (1155)

The Chair: Unfortunately, there are only 30 seconds left for you to answer.

Ms. Arianne Reza: It's a good thing I'm a fast talker.

I can't speak specifically to this particular acquisition. I can tell you that whenever we look at procurement, the first key piece we talk about is PSAB. We work with our client and ask what are the aboriginal and indigenous needs in the community that can be addressed. That's an ongoing dialogue and part of the discussion as we proceed with requiring goods and services.

The Chair: Thank you very much.

We'll now go to our five-minute round of questions.

Mr. McCauley.

Mr. Kelly McCauley: Let me follow up on what Mr. Weir was talking about in terms of the fair wage policy. I will give you a bit of background. It was originally in the PSPC mandate letter. We brought it up with Minister Foote about a year and a half ago. Her comment was that it will apply to all purchases, not just construction but all purchases.

At a subsequent meeting, we asked where she was with studying this and were told that it was another department. No, we said, it's in your mandate letter, and we heard, "Oh, I don't know." At another meeting we heard, okay, it's with economic development. I'd like to know. Where are we with the fair wage policy? Will it indeed apply to every single purchase as former Minister Foote stated it would, such as purchasing airline tickets, paper clips, paper, everything? Where are we in the process?

I know that the mandate letter for the workplace development minister says that the minister is to work with PSPC and the President of the Treasury Board "to implement a modern Fair Wages Policy". The mandate is there. I know you're working on it.

I'd like to know how far it's going, and I'd like a very clear answer on what it will encompass, because the government is among the largest individual purchasers in the entire country, and a lot of SMEs and a lot of companies rely on business with the government. This is going to be a huge change for them.

I'd like a real clear answer. What's the scope going to be? How far along are we? When are we going to see information? What are the costs going to be? Surely for something this massive Treasury Board and PSPC are on board already and looking at what the added costs are going to be.

Ms. Arianne Reza: I hope to provide you with a robust response, but in fact, there will be either a written response or we can come back, because ESDC is the lead in terms of fleshing out what that fair policy looks like, so—

Mr. Kelly McCauley: I'm just going to interrupt.

Very quickly, it says this right in the Treasury Board Secretariat policy: "if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people". Everyone's mandate talks a lot about providing value, etc. I don't accept: "Oh, it's economic development's, and they're looking at it."

If PSPC is the purchaser; Treasury Board overlooks. I'm assuming you have to be involved in this. If you're not, you're scaring me very greatly, and not because it's Halloween.

Ms. Arianne Reza: I wouldn't want to scare you with my orange and black.

In fact, we are involved. In a sense, we are taking our cue from ESDC, which is looking at whether they are doing this through apprenticeship or are they doing it through whatever range of programs and training.... They are looking at fair wages. Once they have created that policy frame, we will be looking at how we manage our contracts.

In terms of fair wages, we right now have provincial legislation that we abide by when we are delivering procurement of goods and services in various jurisdictions. We have that as a baseline. Bringing fair wages into our contractual policy, making sure there are ethical.... If you look at the implications, they can be ethical in terms of apparel, no human trafficking.... There are policy statements and guidelines that have already been—

Mr. Kelly McCauley: It wasn't regarding human trafficking. We were talking about purchasing goods and services, paper goods, airline tickets, etc. The fair wage policy could effectively bar a fair amount of suppliers. I'd like to know how far along we are. From what you're saying, it sounds like they've barely even started looking at it.

Ms. Kathleen Owens: I think we can say that the policy work is under way in looking at options. No decisions have been made yet.

Mr. Kelly McCauley: So nowhere close...?

Ms. Kathleen Owens: I think we're going to come back to you with ESDC's timelines for this. They are the lead.

Mr. Kelly McCauley: I would really appreciate that.

The Chair: You have about a minute.

Mr. Kelly McCauley: On the PSAB, just quickly, I think you mentioned that there were \$112 million in contracts with aboriginal businesses. Do you know what proportion of indigenous business bidding is actually getting work? It seems to me that \$112 million is very low.

How are you reaching out? Part of our study is on aboriginal business procurement. How are you reaching out to let them know that this work is available, apart from just putting it on Buyandsell?

● (1200)

Mr. Desmond Gray: I can speak a little to that.

Mr. Kelly McCauley: Sorry, but can it be really short?

Mr. Desmond Gray: I'll be very quick.

We actually work with INAC and we've tried to coordinate our event planning and activities. Right now, we work with INAC and we target I think about 25 to 30 major events across the country.

In addition, my own organization, OSME, sets its own targets to engage indigenous and aboriginal communities right across Canada. We have six regional offices. Every regional office has a specific target that it must meet.

Mr. Kelly McCauley: Would you provide us with the regional offices...?

Mr. Desmond Gray: Yes.

Mr. Kelly McCauley: I think a lot of us would probably like to reach out to see how we can get more involved.

Mr. Desmond Gray: Yes, absolutely. In fact, we have an aboriginal engagement strategy, which is led out of the Pacific office of OSME for the whole country.

Mr. Kelly McCauley: Could you share that with us as well?

Mr. Desmond Gray: We can share that with you, absolutely.

Ms. Arianne Reza: They're co-located with the PSPC regional offices. OSME is part of PSPC.

Mr. Desmond Gray: Yes, we are.

Mr. Kelly McCauley: Thanks very much.

The Chair: Thank you.

We will now go to Monsieur Drouin, please, for five minutes.

Mr. Francis Drouin: Thank you, Mr. Chair.

I want to elaborate a little on PSAB and some of the issues that I've heard about. I'll go back to some of the barriers to entry for SMEs.

To put things in context, we know that indigenous companies are on the rise and are growing much faster than non-indigenous companies in Canada. In terms of some of the issues that we are hearing about from the SME communities, they say that while they want to bid on the bigger contracts, they're not allowed to bid on them, because for corporate references they need to have a minimum of five years. Even though they could partner with other SMEs and combined they would have that experience, they're not allowed to do that. Now I'm thinking about the indigenous companies, which in particular may not have been in business for a long time but can probably deliver the service.

I'm just trying to think of a way.... How could we ensure that we don't put those barriers in place for SMEs and allow them to bid on the bigger contract values of over \$1 million? Are there questions that we could ask them when we do ITQs, RFQs, and RFPs? For instance, can we ask if they're going to have the workforce in place and if they're going to have the financing in place?

I understand the risk that you guys are facing as well. There is a risk factor. I get it. But has there been an analysis done by your departments to see how we can allow SMEs to bid on bigger contract values?

Ms. Arianne Reza: I'm not sure if there has been a formal report, but we have done a fair bit of work in terms of understanding the barriers.

We look at joint ventures as a way to provide opportunities for SMEs to come together, partner, and look at ways to get some of the bigger contracts. We have a fair bit of effort going on in that way to make sure that we don't set the criteria and the limits so far out of range that they can't contribute, understanding that our supplier base is predominantly SMEs.

Mr. Desmond Gray: Could I add something?

Mr. Francis Drouin: Sure.

Mr. Desmond Gray: In terms of the procurement strategies, of course, that form the base of the procurement action plan, if you can put it that way—they include the consideration of exactly this, so that we can understand what the options are. One of them is to ensure that SMEs have access, but we can also produce meaningful tools that help SMEs be part of a supply chain. They don't necessarily have to be a tier one supplier, but they can be a very effective tier two or tier three. The trick is to build the partnership.

For example, on our Buyandsell tendering website, we have a feature now where anyone who goes in and looks at a tender can self-declare and say: "Hi, I'm Bob. This is my company. This is what I do. I'm interested in working with somebody else who would like to put a proposal around this." That is to actually facilitate this kind of matching of suppliers to other suppliers so they can start to consider options. This allows them to reach larger volumes and larger procurements that perhaps they themselves couldn't do but that in partnership with others they can.

The other thing we do through our Buyandsell website is give access to a huge amount of data that allows businesses to understand and analyze how the procurements were done previously and what the winning bids were. It gives them business intelligence that allows them to be more competitive and to be more effective when they go to bid.

We're trying to make all of these tools available to the supplier community.

Mr. Francis Drouin: Quickly, for Treasury Board, having worked with some of the U.S. companies, I've heard a lot of complaints about terms and conditions. We always used to tell them that they had to get a Canadian lawyer. Can you expand on that?

Voices: Oh, oh!

Mr. Francis Drouin: That's so they really understand the Canadian law. Are there issues with the terms and conditions in Canada that maybe some of the suppliers don't understand?

Ms. Kathleen Owens: I think it's very true when reading contracts that some of them can be very opaque, and there is a real legal industry around contracts. I think that's very true.

From a Treasury Board perspective, terms and conditions in contracts are only relevant to the government contract regs where we have deemed terms and conditions that apply to all contracts, but other than that, Treasury Board does not set the terms and conditions of contracts.

I don't know if Arianne has anything else.

● (1205)

Ms. Arianne Reza: I would just note that we have work under way on our terms and conditions in general. We are looking forward to seeing the contract clauses that we need as the Government of Canada, because some of them are from years ago and need to be updated and more aligned with a modern comptrollership policy.

The Chair: Thank you.

Mr. Shipley, please. You're up for five minutes.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you.

I appreciate you taking the time to be a part of our study.

In terms of the aboriginal contracts that are out there for them to bid on and the opportunities that they have, I'm wondering, how is that publicized? In terms of small businesses, discussions always happen about how to access it, about they ever actually get in the queue. How do they do that?

For the aboriginal component of this, in terms of their businesses, is there a difference in how those contracts are looked at and opened in comparison to the general public? As we've heard, for the aboriginal ones there is very much a growing opportunity for them. Is it just part of that whole general public awareness for contracts? Or is there something specific put out for them? Are they treated differently?

Ms. Arianne Reza: There are several different streams in which we try to encourage aboriginal businesses to participate. The Office of Small and Medium Enterprises that Mr. Gray described has real key engagement in the local indigenous communities to demonstrate or show them how to apply where there are opportunities.

All of the PSPC's opportunities are on Buyandsell. The website clearly indicates whether there is a set-aside for indigenous businesses. Indigenous businesses are also competing for non-set-aside contracts and winning, so they do go to the same portal. We work hard to make sure that it's clear where the set-aside is invoked so they can see it, and they're also competing in general procurements.

Mr. Bev Shipley: That is interesting. This was raised earlier in terms of being able to bring together a partnership with other businesses so that you can fulfill the opportunity to be part of a contract bid, correct? Is there much of that happening in terms of them forming partnerships with, one, other aboriginal businesses or, two, other businesses that are not aboriginal? Is that a growing partnership you're seeing so that they are able to access more contracts?

Mr. Gray?

Mr. Desmond Gray: Yes, I can answer that. In a sense, it's linked to the opportunity. There is a certain amount that goes through PSAB, which is mandatory, so that defines a certain opportunity.

I have to say that you're absolutely right: when the policy was first introduced, it became an incentive for a number of first nations entities to create economic businesses that could fall within the PSAB designation. Of course, that's managed by INAC. When you

go to the website, you can find a list of all the companies on the web that are PSAB-designated. You have to be identified through INAC to be one of those companies so that you can actually be part of that set-aside.

I have to say that in my experience I'm seeing a further development beyond PSAB, because the opportunity is much greater than PSAB. We are seeing a maturation, I think, of first nations businesses, just as you were mentioning. They're developing greater capacity and a greater economic ability to actually succeed, to be competitive, to compete, and to win these contracts. They don't come in and say, "I'm coming in as an aboriginal business." They come in and say, "I'm coming in as a business". There are two streams they will access.

We have seen, in our engagement, a strengthening in many of the regional areas, where we are seeing more first nations developing businesses, and these businesses are becoming much more successful.

● (1210)

Mr. Bev Shipley: Is that across the country or are there particular regional areas where...? I mean, we have first nations all across this country, but is it working across the country?

Mr. Desmond Gray: What I can say is that in terms of our engagement, we engage right across the country, but of course the size of aboriginal businesses and communities is relative to the demographics across the country. For example, 50%.... We have a huge number of businesses in western Canada, especially in the Pacific region, because that's where the largest number of first nations are in Canada.

Mr. Bev Shipley: Thank you very much.

Ms. Arianne Reza: I will just add that we are coming back on November 3, and we'll provide more detailed responses on the PSAB piece.

The Chair: Thank you. That's much appreciated.

[Translation]

The Chair: Mr. Picard, five minutes, please.

Mr. Michel Picard (Montarville, Lib.): Thank you, Mr. Chair.

Mr. Ieraci, you talked about the files you helped to settle. It seems that the number of files or complaints that have been presented to you is relatively low compared to all the files you have to manage.

I'm curious about the nature of the complaints that have come to your attention, and I'd like to know whether you've received complaints of collusion or unfair competition for access to certain markets. Has the nature of these complaints been brought to your attention?

Mr. Lorenzo Ieraci: Thank you for your question.

We receive two types of cases at our office. The first one concerns complaints that are sent to us, and the second involves what we consider more as questions or issues that are raised and that we don't necessarily have the mandate to resolve.

On the competition side, we sometimes get questions from suppliers again. Most of the time, they are suppliers who have difficulty understanding or knowing what they need to do to do business with the federal government. In situations like this, we direct them to Mr. Gray's service.

The number of complaints and contacts we have are set out in our annual reports. Earlier, I mentioned that we are undertaking a number of activities to try to raise the profile of our office within the Canadian supplier community.

When I talk to suppliers, I first mention to them the number of contacts we receive each year. I tell them there are probably two reasons why this happens. The first is that the federal supply system is working perfectly and no improvement can be made. The second is probably because, if suppliers have a question or issue to raise, they don't necessarily know where to turn or don't know that our organization exists to give them a hand.

All this to tell you that, after a presentation, most of the providers I talk to tell me they weren't aware of our existence. That's why we hold a lot of activities to try to make our office better known.

Mr. Michel Picard: Your commitment is virtually purely administrative or clerical with respect to the management of these requests. Is that right?

Mr. Lorenzo Ieraci: I'm sorry?

Mr. Michel Picard: When you help a company that has problems, your commitment to managing these requests, in other words, all of your work, seems to be more administrative or clerical. It's not about fixing the problem of someone who notices, under a contract or a call for tenders, that something isn't working. In that case, it's not the person or the company that's going to turn to you, isn't that right?

Mr. Lorenzo Ieraci: Yes, the person or company can turn to us.

In a situation like that, we basically have two choices. It may be an issue that deals directly with awarding a contract in particular. If the complaint falls under the regulations, we can undertake a review of the complaint.

If someone raises a somewhat more systematic issue that demonstrates the possibility that one or more departments are in the process of undertaking a procurement practice that may be detrimental to fairness, openness or transparency, we take this into consideration when developing topics for review in our procurement practice reviews. We then review departmental practices more systematically to review their procurement processes and see if we can make recommendations to increase or improve fairness, openness and transparency.

Mr. Michel Picard: I'd like to raise a point about fairness. According to the document, the strategy is to increase federal procurement among aboriginal-owned businesses.

I think there's a fundamental problem with that. In fact, aboriginal people were not organized to respond to offers. Is it because the offers did not give aboriginal businesses enough openness to respond, or was it because the market just did not exist?

The strategy isn't only a pleasant idea, it must meet a specific need.

•(1215)

Ms. Arianne Reza: Please allow me to answer in English.

[English]

I would just note on PSAB that the issues and the strategy are that the aboriginal business is designated as such by INAC. First is to get those indigenous businesses that are looking for the set-asides through the INAC door in terms of meeting the program requirements, such as the education, the outreach. That takes place across Canada.

We have added the work that's done through OSME and other efforts in PSPC to ensure that indigenous businesses know, as part of the strategy, that our outreach is there. For PSAB specifically, there are certain program criteria they have to meet.

The Chair: Mr. Weir, we'll now have a three-minute intervention. Then we'll go back to where we started the hour for seven minutes.

Mr. Weir, you're on for three.

Mr. Erin Weir: My impression is that much of the aboriginal set-aside comprises contracts to provide goods and services in first nations communities. Is that accurate?

Ms. Arianne Reza: The PSAB program has I think two key components. One is the set-aside where it's mandatory, where the good is being acquired or the service is being delivered in a predominantly indigenous population. Or there's the other stream, where there is, from a voluntary perspective, an interest by the department to use it. There are two different streams.

Mr. Erin Weir: Yes, it would seem that in developing aboriginal businesses it would be very useful if they were able to compete successfully for the broader range of government contracts, not just for providing services limited to first nations communities.

Ms. Arianne Reza: I think that is actually happening. You will see that contracts are being awarded more and more outside of where that mandatory lens is, into departments using it as a voluntary lever across their procurements.

Mr. Erin Weir: Outside of that mandatory set-aside, is there any other support for aboriginal businesses in bidding on the broader pool of federal contracts?

Ms. Arianne Reza: I think we've heard from my colleague Mr. Gray that there is a lot of outreach going on. When we're trying to work with indigenous SMEs, just like with any other SMEs, we encourage them to bid on the broader collective of procurement opportunities so that they're not limited, as you proposed earlier, to the mandatory piece.

Mr. Erin Weir: Sure. In terms of how successfully that's happening, could you provide the committee with some figures? You've given us the sense that many of these non-set-aside contracts are going to aboriginal businesses. Is that something we can quantify?

Ms. Arianne Reza: I don't know about "many", but certainly we're seeing an increase, and again I apologize. I understood that today's focus was on the landscape of procurement and that we would have the opportunity to come back and speak about PSAB with INAC officials and on the various stats that would be helpful for you to understand the context.

Mr. Erin Weir: Absolutely, and if those stats are coming at a subsequent meeting, that will be much appreciated.

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

We'll now resume with our seven-minute interventions.

[Translation]

Mr. Drouin, you have seven minutes.

[English]

Mr. Francis Drouin: Thank you, Mr. Chair.

When I have two minutes, can you let me know? I will share my time with my good friend Vance Badawey.

I want to touch on the value proposition concept, which was introduced in the military procurement a few years ago—probably, Ms. Reza, you'd be the best person to talk about that—and also on the ITB policy we have and whether this is something that we could see being applied in other procurements. I'm curious to know if we would be limited by our trade agreements. Is that something your department would like to see?

For the benefit of this committee, can you explain the value proposition concept?

Ms. Arianne Reza: The value proposition concept, as well as the ITBs, which are I think the industrial and technological benefits, are two programs and policies that we see used often on the defence side, exactly for what you indicated in your narrative: they are most commonly restricted by the use of trade agreements. Trade agreements restrict our ability to use them on procurements from a government perspective where they have possibilities.

The value proposition and ITB look at investment in Canada and at regional investments and jobs and create that framework for investment in Canada through procurement. Notably, the national shipbuilding strategy will use ITBs and value propositions in their procurement strategy. They are exempt from trade agreements, so there's a bit more leeway in doing that. It's difficult for us to take these best practices and transcribe them into standard government and services procurements, which are not trade exempt.

• (1220)

Mr. Francis Drouin: If the committee would make a recommendation, the response would be "we'd love to, but we're bound by trade agreements."

I'd like to touch on another topic. We've seen this—not to put blame anywhere—in the supplier and vendor performance, and whether we should take this into account when procurements follow

up after we know, for instance, that company X failed to deliver on their promise to do x , y , and z . Is this something we should take into account? Also, can we take that into account in evaluating future bids when the same company makes an offer?

Ms. Arianne Reza: We're studying this issue in great detail at the moment. Vendor performance is a key issue for government as well as vendors. Vendors approach us as well. Nobody wants to see their supply chain impacted by a negative vendor performance.

How we take that into account in future bidding so that their vendor performance history is part of the future bid is something that we're currently examining and working on with our national supplier committee through our working group, in order to look at what would be the best possible set of policies and directives to guide this work.

Mr. Francis Drouin: If you failed to deliver on that particular contract, would you be looking at a scoring method or potentially completely refusing them to bid on the next contract or next bid offer or...?

Ms. Arianne Reza: There is a whole suite of possibilities that we are currently examining, including a scoring one, as you alluded to. That's what the Americans do. There is also debarment if the quality of the goods or the product and the services were delivered in such a way that it caused harm to the government and the citizens. There's a whole slate of possibilities.

Just as with vendor performance, there are also incentives to ensure strong vendor performance, and they're being examined as well.

Mr. Francis Drouin: That's great.

Vance, you have the floor, my friend.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Mr. Chairman and Mr. Drouin.

Understanding, ladies and gentlemen, that you are at arm's length from government, and having discussed a lot of the infrastructure needs within indigenous communities just this morning with the indigenous caucus, I have to ask this question, because of the inconsistency of trying to align and communicate the needs throughout the entire nation. That's what I'm going to gear towards.

I'm going to talk about two PSABs: the PSAB referring to the Public Sector Accounting Board, and the second PSAB, which is the one we're talking about today with respect to the procurement strategy for aboriginal business.

With that understood, is there a cross-ministerial connection to help facilitate and/or align infrastructure procedure—procurement—within a disciplined, sustainable structure? That means identifying capital assets—Public Sector Accounting Board requirements, at least for provinces—and then from there, after identifying those, having a proper asset management plan for both existing and future needs—water and waste water.

Where I'm going with this is the opportunity to align both those PSABs, both those acronyms, within a disciplined process with indigenous communities and indigenous business, and also the establishment of a consistency in that infrastructure—again, water and waste water—in indigenous communities across the entire nation.

Ms. Arianne Reza: From a PSPC perspective, I do not know of a strategy that has those elements aligned within it. I'll defer to my colleague.

Ms. Kathleen Owens: I agree. I have no knowledge of how those are connected.

Mr. Vance Badawey: You are going to be coming back to this committee with future dialogue. If I may, I would recommend that the dialogue start where you have Infrastructure Canada and the Minister of Infrastructure, Indigenous Services, and Indigenous Affairs all connected, in order to start discussing PSAB when it comes to identifying the capital assets and the second PSAB as it relates to strategies for aboriginal business, and lastly, a funding envelope that would be made available to actually maintain those assets, build those assets, and sustain those assets through their life cycle—through their maintenance programs through the life cycle—and then finally, after 30, 40, or 50 years, the replacement of those assets so that they can be continuing in those indigenous communities.

• (1225)

The Chair: Thank you very much.

Mr. McCauley, you have seven minutes, please.

Mr. Kelly McCauley: Great.

I want to read a quote from the Canadian Federation of Independent Business. Dan Kelly states:

Attempts by small and medium-sized enterprises to access federal procurement are consistently hampered by a confusing application process, excessive paperwork and a complex system of rules.

They've commented that it's the “gold standard” for red tape.

Mr. Ieraci mentioned it quite a bit in his ombudsman report. Actually, I was able to find, in speaking to Bill C-344, 31 different items that Mr. Ieraci pointed out that would make things more difficult.

What are PSPC and Treasury Board doing to proactively address this? This is a non-partisan thing. This existed under the past government. It exists under the current government. It existed three governments before. We still have this issue where small businesses are struggling, very clearly, to access this. It's why we're studying this.

What are Treasury Board and PSPC doing to reduce that red tape and everything else?

Ms. Kathleen Owens: I'll speak first and give the Treasury Board's perspective.

As I indicated in my opening remarks, one of the key things we're doing is looking at the rules. Those rules, from a TB contracting policy perspective, are focused on departments, but maybe a lot of those rules don't need to be there. That's what we're really trying to do in terms of our policy—resetting the policy and the guidance.

Mr. Kelly McCauley: Can I interrupt? When you say “looking at” it, are you doing anything besides looking at it?

Ms. Kathleen Owens: Absolutely.

Mr. Kelly McCauley: I'm sorry if the question sounds very aggressive; I know you're looking at it and you're studying it, but have we made steps to actually address the issues that Mr. Ieraci brought up, to say, “This is a mess, we're going to do this, and we've accomplished this”?

Ms. Kathleen Owens: We did a version of the new policy that we consulted with departments on and that reduced the contracting policy from 300 pages to 30. There was a significant reduction in a lot of the duplication and verbiage in the existing policy.

The second thing I want to mention is around the community. I think we can say...and you talked about how some of these issues around risk aversion and the desire for extra process are endemic to the community. I think we want to look at the community from a government-wide perspective: are we getting the right skill set in the procurement—

Mr. Kelly McCauley: The whole-of-government approach.

Ms. Kathleen Owens: In the procurement community, are we recruiting the right people with the right skill set?

Mr. Kelly McCauley: Right. Are you reaching...like, Dan Kelly at the CFIB, which I think represents 144,000 businesses? Have you involved them? Have you involved small, big, medium businesses in this process, to actually hear—

Ms. Kathleen Owens: In the policy process, or in the—

Mr. Kelly McCauley: In the red tape reduction process: have you involved the procurement ombudsman's office as well?

Ms. Kathleen Owens: At this stage—

Mr. Kelly McCauley: I guess what I'm saying is this: are we getting out of the echo chamber to actually listen to people who are —

Ms. Kathleen Owens: This is the next stage. We have feedback from within the federal family, those departments that actually do the procuring, and then we'll have to reach out to suppliers and other people to see if it makes sense.

Ms. Arianne Reza: On this, I would add that we have a national suppliers advisory group at PSPC. The Canadian Federation of Independent Business is a member of it, and they're active.

I'd say what's interesting there.... You asked for actual concrete examples of what we're doing, and I think a couple—

Mr. Kelly McCauley: No, I haven't asked for individual things; I'm asking if you're making progress. You mentioned 300 to 30. That's fantastic, but I want to make sure we're doing more than just looking at it. That's what I'm getting at.

Ms. Arianne Reza: I went to “concrete”—my word—in that, you know, we're looking at how we can “lean” the process. It's like when you buy a car and you end up with an envelope full of paper. I mean, the government has a lot of contracting rules; not just rules, but in practice as well.

Mr. Kelly McCauley: Yes. I understand what you mean.

Ms. Arianne Reza: I alluded earlier to the contract simplification. We have 1,300 standard clauses. We're doing a review to shorten it and to see which ones we actually need, which ones need to be mandatory. I myself have pored over these solicitation agreements to see what isn't needed in there. The statement of work is key. We want to show SMEs what the contracting clauses look like and what they're getting themselves into. We want to make sure the conflict of interest is clear. We want them to see how we bid on it.

•(1230)

Mr. Kelly McCauley: That's very good, but Mr. Drouin referred earlier to a study of being “agile”, where we talk about the outcome as opposed to the process. I want to make sure we're just not ticking boxes and saying, “yes, there's a problem, hey look, we studied it”, but that we're actually getting concrete reduction in red tape.

I'm going to throw Mr. Ieraci under the bus here in front of you, unfortunately. In his report, he says that federal government organizations “do not have sufficient procurement staff or have staff that do not have experience or knowledge needed to tackle the volume and complexity of procurement”.

Sorry, Mr. Ieraci.

What are we doing to address that? Do you believe that's correct? What is PSPC doing to correct that? We've heard that about defence procurement as well. We just don't have the specialists we need.

Ms. Arianne Reza: I think from the PSPC perspective our workforce is a key risk for us. On the one hand, we actually have the bodies we need; we have approximately 1,300 procurement specialists, so I think Lorenzo's report was really looking system-wide—

Mr. Kelly McCauley: I'm running out of time. Mr. Ieraci needs to speak, I think.

Mr. Lorenzo Ieraci: Really quickly, the point in the annual report was really about all the federal departments and agencies that fall within our mandate.

Mr. Kelly McCauley: Oh yes—

Mr. Lorenzo Ieraci: A number of them—not PSPC—talked about the limited capacity they have, particularly in the medium and senior levels of procurement officers, so there is a system-wide need.

Some federal organizations are in good shape; others, not so good. It's the ones that are not in good shape, to use a colloquialism, that really need the help in terms of being able to hire additional staff and get them trained up to make sure they can deal with all the complexities that were spoken about by my counterpart.

Ms. Kathleen Owens: I can speak from a Treasury Board perspective. We have 12 departments involved in a collective staffing process to recruit procurement officials, including from outside the federal government.

Mr. Kelly McCauley: I'm going to interrupt you here. I'm sorry, but I have to get to other business.

I want to introduce and discuss my motion that I submitted on October 5. I'll read it into the record:

That the Committee invite the Chair of the Working Group of Ministers on Achieving Steady State for the Pay System to provide a briefing to the Committee on the working group's progress;

That the meeting be held outside of the Committee's regular schedule if necessary;

And that the meeting be held no later than October 31, 2017

I realize that's a difficult timeline. I invite one of my colleagues to perhaps propose an amended date.

The reason we wish to discuss this, obviously, is the Phoenix issue. Today is the first birthday for or anniversary of the hard deadline set by Ms. Lemay and—

The Chair: Colleagues, I'm sorry to interrupt.

Just to let all colleagues know, particularly since we have some new members at committee, the motion has been received and is in order. We're establishing a speakers list now.

Mr. McCauley is beginning to speak to his motion. I have Mr. Weir and Mr. Shipley who have indicated they would also like to speak to it. I think you are getting the motion distributed to you as I speak.

Sorry for the interruption, Mr. McCauley. Back to you.

Mr. Kelly McCauley: Thank you.

As it's the one-year anniversary, you'll recall that Mr. Weir, a couple of others, and I met in an emergency meeting on Phoenix a year and a half ago, on July 28. At that time, Ms. Lemay stated that October 31, a year ago today, would be a hard deadline for clearing the Phoenix backlog. On September 19, 2016, before that deadline, Ms. Lemay said, “We have made a commitment to the backlog, and I am told we intend to meet that date.” On October 6, Ms. Lemay said that we're on target, next month is a big month, we're going to get to that target, and we're going to meet that target. Ms. Foote at the same time agreed that they were going to meet that target, and of course we missed the target. Things have blown up. Things are getting worse. I think we're now at a backlog of over 200,000 employees and over 300,000 to 350,000 individuals.

I want to read for you some of the letters we've received from people affected by the Phoenix system to really emphasize how important this issue is and the fact we're not getting anywhere, and why we need the working group to appear before us to explain what they're doing to fix Phoenix.

Very recently, it was in the news that a public servant waited until his two children finished their university exams to tell them he was dying. He was 61 years old. He passed away. Due to Phoenix, they were not able to get his pension cheque. It wasn't until the family went public that the money was actually provided.

I have a letter here: “My name is Sebastian. I’ve been a public servant since 2014. In April I took leave without pay for medical reasons. My pay should have been stopped and wasn’t. I received an overpayment and notified my manager immediately so I could try to resolve the issue. I returned to work in June, reduced my hours, and continued to be paid full-time. I took additional leave without pay in 2016 and continued to be paid. I spoke repeatedly with my manager to resolve the issue. I didn’t want to receive payments I wasn’t entitled to. In October, I suddenly didn’t get a paycheck—no notice, just no pay. It had been clawed back to apply to other overpayments.”

Here’s another one: “I went on maternity leave. My son was born eight weeks early. He spent three weeks in neonatal care. I should have spent the whole time holding my son, the only care we could provide, instead of spending hours, first from the hospital bed following my emergency C-section, and then from the hallway outside the NICU, calling and calling and trying to get my record of employment so that I could actually receive income during this stressful period. I was told at that time that it would take six months. I eventually received an email copy of a handwritten ROE but never received an original one to submit. I continued to contact my pay centre to resolve my overpayment. I was working with one compensation adviser who advised me my overpayment was about \$15,000, which was close to what I had calculated, when he suddenly stopped responding to me. I called back again. It was \$7,500 and then \$22,000 was owed. No one would tell me why or how these amounts were calculated. I was still getting paid. I was a category 3.”

Keep in mind that she is on maternity leave and still in care, having delivered a baby son two months early. She was in the lowest priority.

She continues: “He would not even take a message and have someone call me back. I ended up sitting at my desk in the middle of my call centre, bawling my eyes out while trying to talk to someone at the pay centre. I was being told no one knew what my overpayment was, but my pay stub said \$22,000 and they might just try and recover that. In 2017, I received my T4, followed by an amended T4.”

If you recall, I think it was in November, over a year ago, that we had another meeting with Ms. Lemay and Minister Foote. We brought up the issues of the T4s, and we were told not to worry about it and that everything was in hand. I think it turned out that 70,000 T4s were delivered incorrectly—“in hand”.

I might as well continue.

This letter says: “By my calculations, I received \$50,000 in 2016. I should have received \$35,000. I received a T4 for \$20,000. I requested a new T4 many times, but so far have no success.” Keep in mind that income recorded on the T4 affects your benefits, such as the child care benefits, the next year.

Again: “Working with a new compensation adviser, he advised me that my overpayment was now \$30,000 because Phoenix had generated additional payments of \$15,000, which was never actually paid to me. Of that \$15,000, I received \$6,800. The remainder was

paid to CRA for taxes. I’m told I am expected to repay the entire \$15,000 and will wash out all tax at that time.”

It still goes on: “Here is my issue. Because my T4 was low, I had credits I wasn’t able to use. I have two other children who qualify for the disability tax credit.” Keep in mind that the CRA has also changed their rules. That’s probably going to affect her children with regard to the disability tax credit.

● (1235)

She continues: “When I couldn’t use those credits, my husband claimed them. Now when I get a new T4 those credits aren’t available for me to claim and this creates an expense for me in the form of additional taxes” that should have been her husband’s. She says, “The child tax benefit has been calculated incorrectly and I’ll be left with an overpayment to pay there as well. I understand that we’re able to submit up to \$200 relating to our prepared...”.

This nightmare story goes on for three more pages. I’m not going to continue with it. I have quite a few others that I would like to read out.

Here’s one where a federal government employee spent three months fearing she would lose her home after missing a \$750 payment as a result of a massive government mess-up. Unable to meet her financial requirements, she missed a payment to the Bank of Montreal. At first they said no worries: you have the government apologizing for an error. Later, the bank said, “We don’t care that you’re facing these hardships, we just want our money.”

On and on we go with the Phoenix problems.

This next letter goes on for four pages. It reads: “Life through the eyes of a federal employee in Canada and the failed Phoenix system”, and continues: “Would you work for a company that told you they would not pay you for the job you do? So many of us already do. Imagine that you have a job you spent years working towards, a job that requires you to work days, nights, weekends, but you do it because you enjoy it and it gives you a chance to provide for your kids. Imagine one day that your boss tells you that due to an internal issue the pay is wrong. He promises it will be fixed and tells you it isn’t that bad, it isn’t affecting many people, which is also what they tell the media. Months go by without answers. You realize that most of your co-workers are in similar situations. You ask your boss what’s going on: we don’t know, they’re working on the problem. There’s no set date for the foreseeable future when the pay will be fixed.”

One of my constituents came in about a pay issue. She was told that we have the levels 1, 2, and 3, and if you get your emergency pay your issue is sent to the very back of the queue. They’re paying you, so “don’t worry, you’ve got emergency pay, and we’ll cover you for this time”. The second you access your emergency pay, you’re sent to the very back of the queue behind 200,000 other people and your pay is again messed up the very next month.

We've all heard the stories about people who are being affected and losing their cars and losing their homes.

Here's one that was sent in: "What the F is going on?" This gentleman, Brendan, is working flat-out on a special project the federal government claims is one of its key priorities. He says, "It's just not a high enough priority for them to pay me properly."

Here's another one. A 36-year-old policy analyst returned from paternity leave in May. His first paycheque, which he had to wait 10 weeks for, was missing two weeks' salary. A few weeks after returning from leave, he left one department and switched to another, and of course the pay did not follow him.

Here's another one. Shannon went on leave about a year ago to care for her young children. She's been on the run and in hot pursuit of her employer, the federal government, which is sending her paycheques that she's not owed. The person who prepares her tax returns, she said, suggested that "I close my bank account to stop the direct deposits". She's been getting overpaid. If you recall from one of their earlier meetings, the government is not even able to tell who's getting overpaid and how much they're getting overpaid by. This employee has actually reached out. The government kept paying her so her accountant said to just close the bank account.

Federal employees are entitled to five years of unpaid leave to care for a preschool-aged child, a feature that's been in place for decades, but one that the Phoenix system doesn't seem to accept. Biweekly payments towards her annual salary of \$70,000 as a project manager have thrown a massive wrench in her life. She can't spend the money because it doesn't belong to her, but those deposits have meant that she can no longer qualify for the child benefit. I mentioned this earlier. Again, it goes on your T4, and money received this year affects your benefits for the next year. Here's someone who's caring for her child but can't get the much ballyhooed child tax benefit because she's getting overpaid. She tried to stop the overpayments and the government won't stop paying her—a nice problem to have—but now she can't get her child benefit.

This goes on and on. You can see me flipping pages. I have more stories.

Here's one from a gentleman who worked for the Food Inspection Agency and was moved to an acting position various times and was paid. Then he was told he was overpaid—which he wasn't—so money was taken back. He was underpaid or not paid at all between February 2016 and August 2017. In consequence, he's had to borrow money from family to make mortgage payments. His credit rating has been destroyed because he maxed out credit cards and an overdraft that will take years to restore, not to mention the stress caused by having to contact the Phoenix pay system over and over without getting anything straightened out.

• (1240)

I don't know if you recall, but about a year ago we heard from Ms. Lemay and Ms. Foote that we were almost at a "steady state".

A gentleman who worked for Ag Canada for 33 years and retired in May of 2016 has still not received all the money owed to him as of a couple of weeks ago. He's unable to contact the Phoenix pay centre because no one answers the calls. José had agreed to return for a 90-day period in January, February, and March, but when the Phoenix

pay system failed to pay him in February, he resigned. As of October 11, he has not been paid for that period either.

In July 2015, a gentleman employed with the Canada Food Inspection Agency for 17 years lost his job because of cutbacks. His problem arose with trying to transfer his public pension, which took 18 months and caused considerable stress. In December 2016 he received a letter informing him that, due to system upgrades, excessive payments will only be paid in January 2017, which he considered not acceptable and, he said, "would create a situation where there would be a massive personal tax penalty incurred by myself if this payment is deferred until 2017." The matter was resolved quickly after he threatened to go into the office.

Now, one of the issues is people coming in and making comments to the MPs' offices. We're following up—we have a direct line—but even now it's taking three months to get a simple response to our queries, leaving our constituents on hold. Again, that gentleman I just talked about is another situation with regard to the T4s or getting paid in the wrong year.

Another one is a student who worked for Parks Canada at Radium Hot Springs for two summers in a row. Because of delays in payment for 2016, he wasn't fully paid until May 2017. As of October 5, he's still owed almost \$3,000 for his employment during the summer of 2017. The young man is responsible for payments for expenses while attending university, but is finding it difficult when he's not being paid on time. The office was called three times and he has spoken to three different officers, who claim to be sending messages for processing. However, each time the staff are told that there's no record of his previous calls—this is right from an MP's office.

I have some constituent quotes here from an MP's office: "I'm a new mother. I do not have enough money. My savings account covers six months' worth of living expenses. I'm at a loss. I'm scared to lose my home, my vehicle, and everything I've worked so hard for."

A gentleman, Ross, said: "I'm currently at the wrong rate of pay. All of the members of my team have moved to the correct pay scale and I have not. Rather, I'm stuck at a pay scale from two years ago."

Adam said: "I have suffered financial hardship over the past year due to the Phoenix pay system. As a young man with a family, you can assume that this money is very important to me. I called numerous times without avail, sometimes spending upwards of three hours on hold or waiting to speak someone, only to get, 'We are working on it.'"

This is from Doug: "I have worked for the government from 1985 to 2006 in the human resources profession, ironically, and taught as a casual instructor from 2014 to 2016. As a non-active employee, my fear is that my life will remain last in priority, despite unpaid hours and incorrect pay being more than a year overdue. This is doubly problematic, since I need a proper and complete ROE in order to qualify for EI."

Nicole said: "I'm a single mother with two children in elementary school, and I'm dependent on my income for myself and my children. With not having any income, I am finding it very difficult to keep up with expenses. I'm now in a dire situation."

At this time last year, we were getting phone calls and inquiries from people who were struggling to find money to buy Halloween candy and costumes, and, a bit later, to provide gifts for their children for Christmas.

From James: "I'm in bank overdraft having to pay for interest while I wait at least five pay periods."

From Camilla: "An overpayment on a biweekly basis, yet a negative impact on my 2016 tax filing will have a negative impact on my 2017 filing until such a time as it's resolved."

Sheila said: "I worked for the Department of National Defence for over 30 years and retired in July. I'm still waiting for my severance pay." That was in July 2016.

From Mark: "I'm frustrated, as my wife is ill, and one of my only reasons I accepted a higher-paying position was to allow for her to work less. I joined the civil service to serve Canadians and take pride in what I contribute. By no means did I expect to face this continued embarrassment."

From Krista: "After 17 years with the government, I've never felt so disregarded as what I do now."

From Nicole: "I've been requesting an amended T4 since early February. It's very frustrating, especially since my husband's work has slowed down due to the economy in Alberta and this tax return would alleviate a lot of stress in our family."

From Terry: "I'm extremely frustrated and wonder if there's any point in continuing my employment with the federal government, because there seems to be a lack of respect from the government in handling my concerns."

From Shannon: "I'm still not being paid my full entitlements on my paycheque and do not have dental coverage after nine months of employment. I put my life on the line every day and I go to work as a correctional officer. This job is hard enough. I worry about how I'm going to feed my family and pay my bills on top of this. It's ridiculous." This is from someone who works in Correctional Services in a prison. I won't go into full details on her background, but it's not a pleasant job to work inside the prison system.

•(1245)

Those last 15 or so that I've read to you are from one MP in Edmonton. If you think about it, there are 338 of us around the country, and these are from just one MP, in just the last six months.

Am I running out of time, Mr. Chair?

The Chair: Mr. McCauley, you have as much time as you need until one o'clock.

Mr. Kelly McCauley: I will keep going. I have more cases here.

A constituent, after their last day of work, continually received their pay deposit for over five months. Again, it's a nice problem to have unless you're honest and you want to return the money and not get taxed. While the constituent has done everything in their power to work with the Phoenix pay system to get this issue resolved, the issue is still ongoing. It has affected their ability to file their taxes properly.

This has caused extreme stress, and it is taking countless hours of their personal time to try to properly resolve the issues. They've been instructed only that they will need to repay the gross amount even though they only received the net amount. It will balance out when they do their taxes, but in the meantime, they're being inconvenienced further by needing to repay money that they never received. You can imagine that the taxes deducted over five months would come to a significant amount. To date, the pay centre has still not provided them with the accurate amount that needs to be repaid. This is now a full year after the individual stopped working for the government.

In another case, a constituent has not had any EI premiums deducted in 2017. They are concerned that they will now need to pay the EI maximum contribution when they file their taxes in 2017. There's also a concern that this could affect insurable hours on the record of employment should they fall ill and need to take sick leave. This error was noticed by the constituent, who has spent a considerable amount of personal time in trying to get this issue resolved.

In case three, a constituent retired in January 2017. He had to wait until this week for his severance pay and an additional 400 hours of leave time that was to be paid to him. He retired in January, and this information is from just three weeks ago. He worked closely with the pay centre, but was told that he was not a hardship case so his only option was to wait in a queue to get this issue resolved. He is retired and not getting his severance payment and his pay, so I'm not sure how that is not a hardship case, but this is something that is going on every single day with our public servants.

There are others. There are several cases specifically for individuals who worked in Correctional Services Canada. They include issues with inaccurate deductions, not receiving top-up pay, being paid at the wrong pay level even though they were working at a higher pay level, and not being able to add children to the benefit plan in a timely manner, so on top of all this, they're having to pay out of pocket for dentists and pharmaceuticals.

Here's a comment from one of the staffers: "There's no system in place that allows an MP to assist with Phoenix cases that are not classified as hardship cases. So we have someone who retired and it was nine months and they still haven't received severance pay and 400 hours' leave, but that's not termed 'hardship'. So even when they are a hardship in reality, they're not termed 'hardship'. It's a catch-22. The constituency offices cannot deal with anything and push things up the line that are not called 'hardship' by the government."

I think it's very much like this attack on diabetes sufferers. You have diabetes but you're no longer getting the tax credit for it until you actually suffer for it, but if you suffer for it, you don't get it.

Our office has been informed that the only real option constituents have is to submit their complaint and wait till it's their turn. There are over 200,000 individual cases outstanding already. I can't imagine how long it's going to take to, quote, wait their turn.

I have another couple of cases here.

This individual says: "From April 8, 2016 to December 31, I was on parental leave. However, my ROE was not sent to EI until the end of November. I ended up receiving regular pay the whole time. In December 2016 I received EI benefits in the amount of \$18,200. I sent the money back to the Receiver General per the Phoenix call centre. Please note I was informed to return ASAP so I would not be issued a T4E, which subsequently was issued. In April I received a phone call from the pay and benefits adviser stating I was overpaid approximately \$50,000 by regular pay instead of EI and parental top-up and I'd have to pay the gross amount back even though I only received \$40,000 net pay."

Again, it's overpaying by x amount, reducing the taxes.... You're getting overpaid by \$50,000 and you're only getting net \$40,000, but the government is asking for the full \$50,000 back.

The individual continues: "In addition, the pay adviser informed me that I was owed \$30,000 gross in top-up pay for my parental leave for my benefits. I requested that these monies be kept by the employer because I was already owed around \$50,000 and the gross amount could be applied to my overpayment. Unfortunately, the payment was already sent. I was taxed at the 50% tax bracket because of payment received in one lump sum, receiving \$15,500 from that. If I return the extra monies received in 2016, why would they not reverse this pay situation?"

It again goes back to the T4s, which we were told a year and a half ago not to worry about because everything was in hand.

• (1250)

I want to go over one last one. I have about 40 more, but I see we're losing time and I want to leave some time for my colleagues to comment on this.

It reads: "My name is Michael. I work for the Department of National Defence at Borden, classification is PIP09C2. Phoenix no longer considers me a C2 even though that has not changed in the 34 years of service, and I'll be turning 65 on August 5. I would very much like to plan my retirement, but I'm being held hostage, so to speak, by Phoenix. When I talk to the Phoenix pension people and do a pension calculation estimate, all that is seen is the wrong information from the Phoenix pay system. When I retire from the

civil service neither I nor my personal support clerk will have Internet access to Phoenix. Thank you for listening to my issues. I'd like to get this fixed and move on with my life."

I know that I've used up a lot of time, but quite literally these are only about a third of the issues. Half of these are issues right from my office. On the one from Borden, people have reached out to me because their MPs in their areas have not been able to get Phoenix and because they've seen us on committee and have asked us to take it up.

I'm going to turn over the—

• (1255)

The Chair: I have a speakers list, Mr. McCauley. Mr. Weir is next on my speakers list once you've concluded your remarks.

Mr. Kelly McCauley: I will conclude my remarks and let Mr. Weir have a moment.

Mr. Erin Weir: Thank you.

Just on a point of procedure, if I want to move an amendment, do I have to do that right away or can I do that at the end of my comments?

The Chair: You can move it at any time, but once you move the amendment, that amendment then is open for debate.

Mr. Erin Weir: Okay. Fair enough. I'll speak first and then I'll move an amendment.

I think Mr. McCauley has done a good job of outlining the gravity of problems with the Phoenix payroll system. Recognizing that we're very short on time, I won't add to the litany of problems that Canadians have had with Phoenix. I will speak to the motion just to say that Phoenix is well within the mandate of our committee, and I think it's unreasonable that our committee has not yet heard from the new Minister of Public Services and Procurement or from the head of the ministerial working group on Phoenix.

The argument we've heard from the government side of the table is that we shouldn't study Phoenix until after the Auditor General reports. I certainly think it's good that the Auditor General is looking at Phoenix, and our committee will be eager to examine the results of that report. If the Minister of Public Services and Procurement does not want to appear until after the Auditor General reports, that's probably fair enough.

However, it also makes sense to hear from the head of the ministerial working group on Phoenix. It would be entirely possible for that minister to report to our committee on the work they've done to date before the Auditor General reports. There's really no need to wait until after the AG's report to get some sort of an update on what this ministerial working group has been doing and what it has achieved.

I speak in support of the motion. However, I would now move to amend the motion to change "October 31" to "November 30".

The Chair: I need to suspend for a very few seconds to consult with my clerk to make sure that this amendment is in order.

We'll reconvene. The amendment is in order. You may speak to the amendment. I have a speakers list now, for the 30 seconds or so that we have left, on the amendment.

I have Mr. McKinnon, on my list, but I also....

Mr. Weir, have you concluded?

Mr. Erin Weir: Just to speak to the amendment, I would note that today is October 31, so I think it's only reasonable to allow more time to invite the chair of the ministerial working group to come and testify. I believe that a full month is a more than reasonable length of time to arrange that testimony. Also, as I've already explained, our

committee does need to hear from that minister on what the working group has been doing and what it has achieved with respect to Phoenix.

Thank you.

The Chair: Thank you.

Since the amendment is in order and we're speaking to that, although we only have, by my count, about 30 seconds left, I will entertain anyone who wishes to speak to the amendment.

Mr. Shipley.

Mr. Bev Shipley: Thank you.

Again, in our minds, this does certainly meet the purview of OGGO to be studying it—

The Chair: Colleagues, it being one o'clock—I'm sorry for the interruption, Mr. Shipley—I will adjourn the meeting, but before I do so, I would like to thank our witnesses for being here. My apologies; however, for the last 20 minutes or so, even though you haven't been able to speak to the subject material that you had come here prepared to speak to, I hope that you have been informed by some of the stories about your colleagues in the public service.

Thanks to all of you for your attendance. We are adjourned.

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