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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)): I call the meeting to order.

Welcome, colleagues.

Today we have three witnesses.

One is from the home riding of our member from St. John's. Welcome, Madam Sheppard.

We also have with us Mary Anderson and Stephanie Fontaine, from Women Business Enterprises Canada Council, WBE Canada. Welcome. Thank you for being here.

Madam Sheppard, I believe you have an opening statement. We'll start with you, and then we'll go to our in-house witnesses. We'll follow that with our normal round of seven-minute questions. Please proceed.

Ms. Paula Sheppard (Chief Executive Officer, Newfoundland and Labrador Organization of Women Entrepreneurs): Thank you very much for this opportunity to participate via conference. This is the first time I've done this, but it's a great opportunity for me.

Good afternoon. For those of you who aren't aware, I'm Paula Sheppard. I'm the CEO of the Newfoundland and Labrador Organization of Women Entrepreneurs here in Newfoundland.

We are the only provincial organization dedicated exclusively to women entrepreneurs, and we work with about 1,000 women every year in all stages of business development, right from the inkling of an idea up into perhaps selling their business. Our mandate is to connect and support women within Newfoundland and Labrador to start, grow, and advance their businesses.

At NLOWE, we believe that tapping into the growth potential of women-owned businesses is an economic imperative, which is why ensuring that these businesses are fully engaged in the government supply chain is so important. At the same time, we recognize that the federal government must work within existing laws, regulations, trade agreements, and so on, while still looking for ways to engage diverse suppliers.

I'm sure you're aware that in Canada nearly 47% of small or medium-sized enterprises have some form of female ownership. According to Statistics Canada, just over 15% of SMEs are majority female-owned. However, women-owned businesses make up less

than 5% of domestic and international suppliers to corporations and government.

In Newfoundland and Labrador, female-owned businesses are very small. In our client base, we call them micro-businesses. Most of them have one to four employees. In fact, 97.5% of all businesses in this province would be considered an SME.

Why are there so few women-owned businesses in the supply chain of the government? There are many factors at play, and I'm going to highlight some of them here for you today.

First, there's often a perceived lack of SME capacity, capability, or track record, and therefore they're often perceived as a higher-risk option.

Many SMEs do lack mature business processes and procedures, mainly due to their small size. The business owner is often the person completing the bids and tenders while also being responsible for the day-to-day operations of their business. This lack of developed processes and procedures often hinders them from getting contracts, but without getting awarded the contracts, they can't scale their businesses in order to grow successfully.

Complex bidding and contracting procedures, coupled with this lack of knowledge about the tendering process, are also a major barrier for SMEs. As I mentioned, they may already lack business structure and the supports that allow them to be the successful bidder. When the process is complex and time-consuming, many are not even bidding, because the process is too onerous. If they do bid, they may not be fully aware of the requirements to be successful.

Often there is a disproportionate bidding cost based on the size of the contract. Costs of supplying a performance bond or guarantee or of having a higher level of insurance than currently held cut directly into the bottom line of these businesses. Oftentimes these requirements can be adjusted, as they are based on previous contracts and tenders and not the current one.

Government often has lengthy payment intervals after the contract is awarded. Many small businesses struggle with cash flow, and adjusting payment schedules will make the contracts more accessible.

As you can see, current procurement models are not inclusive, because the bidding process is not targeted to SMEs. The process is complex, time-consuming, often targeted to the same suppliers, and often consists of large bundled contracts for which small businesses may be able to complete part of the work but not the contract in its entirety.

It is difficult to track process when it comes to supplier diversification, as limited monitoring and reporting is taking place. Tracking and monitoring are key. If it's not measured, you can't see if changes are impactful and successful.

At NLOWE's Women's Economic Forum series in 2016, participants communicated overwhelmingly that they expect government to buy from women-owned businesses to help build the supply and service community.

One of the recommendations we put forward in the resulting action plan is that government should expand its supply chain to include more women-owned businesses. For those who would like to read our full report, it is available on our website at www.nlowe.org/actionplan.

Women business owners often do not have the necessary contacts or networks that typically lead to greater business access, and they often face significant challenges because they are more likely to be undercapitalized than their male counterparts.

• (1105)

The Canadian Taskforce on Women's Business Growth estimates that a 20% increase in total revenues among majority female-owned enterprises will contribute an additional \$2 billion per year to the Canadian economy. Therefore, in our current economic climate, we cannot afford to overlook this untapped resource. We must fully engage women in the economy by building the capacity of women-owned businesses and opening up the supply chain to diverse suppliers. By not engaging this group, government is missing out on innovation and value, and as a result small businesses do not grow.

Given the potential positive impacts on community economic empowerment and capacity-building, NLOWE encourages the government to consider the following actions.

First, ensure that the procurement culture and strategies of government align with the growing diversity of the small business community and contribute to a healthy economic environment.

Develop and implement a supplier diversity strategy that includes procedures, goals, targets, education, and monitoring.

Develop policies and procedures that engage diverse suppliers. For instance, develop a policy stipulating that if three quotes are required, at least one of the potential vendors must be a female-owned business.

Offer programs for mentoring and supplier training to develop diverse vendors and build capacity so diverse-owned businesses learn how to improve their operations, their goods and services, and their approach to bidding on contracts.

Educate procurement departments and purchasing decision-makers about the importance of supplier diversity.

Simplify tendering and contract procedures. Oftentimes small businesses don't have the capacity or knowledge base to spend the time completing the forms required to bid.

Provide feedback to unsuccessful bidders. Businesses that are unsuccessful in the bidding process need to have constructive

feedback on why they were not successful in order to increase their chances of winning the bid the next time.

Implement early payment terms. Most small businesses struggle with cash flow. They are often unable to wait extended periods of time to be paid. Ensuring that contractors get paid on a timely basis will greatly increase the chances of engaging SMEs.

Finally, develop strategic relationships with supplier associations, such as NLOWE, to build and strengthen the supply database by including diverse suppliers. These associations can be used to help distribute bid notifications or connect government with potential suppliers.

Making changes to the current procurement processes would open the doors to female-owned businesses that may not have been able to bid on projects before. Gaining experience in bidding on contracts and ultimately supplying to a new market would help these businesses develop and scale to grow exponentially, which would spin off into the Canadian economy.

An additional goal is to have these companies sell to new markets and possibly export their products and services as a result of their increased experience in selling to the federal government.

NLOWE is pleased to play a key role in assisting with the development and implementation of these policies, and we look forward to the benefits as they drive growth in our economy.

Thank you.

The Chair: Thank you very much.

Now we will go to Madam Anderson for her opening statement.

Ms. Mary Anderson (President, Women Business Enterprises Canada Council): Good morning. Thank you very much, distinguished members.

My name is Mary Anderson. I am the president of Women Business Enterprises Canada Council, affectionately known as WBE Canada. I am here with Stephanie Fontaine, who is vice-president of business development.

First of all, I would like to commend Paula. We've been collaborating over a long period of time.

You've actually sort of started the whole process for me, Paula, so I'll just take over the next step here.

• (1110)

Ms. Paula Sheppard: Great.

Ms. Mary Anderson: I'd like to give you some insights related to individual women's businesses that are currently doing public and federal procurement to let you get an insight into these people themselves.

As Paula mentioned, we certify or verify a business 51% owned and managed and controlled by women. We call them WBEs, women business enterprises. Four provided us with some insights for your information today: Maureen Sullivan, the president of National Education Consulting Incorporated; Ema Dantas, the owner of Patry Law; and Donna Lee Smith, with both P1 Consulting and P3 Advisors.

We asked them three questions. The comments covered a range.

The first question was “What successes have you had in public procurement?” These were the answers:

I've been awarded contracts for every public procurement process that I've responded to but there aren't many RFPs for legal services as it's a category for procurement that is excluded from the trade agreements.

We are fortunate to have several contracts with the Federal government now and we have done it through public procurement—it only took us 17 years to get to this stage!

We bid on government contracts regularly, and have an excellent success rate at the provincial and municipal levels. We have not seen any opportunities for our services from the federal government.

I am the owner of 2 businesses. ... We are very successful on provincial and municipal procurements...but have not been very successful [with] the federal government.

The second question was “What challenges and barriers have you experienced related to public procurement opportunities?”

One of them explained, again, that it's difficult because of trade agreements. There aren't many RFPs, and they're difficult to find. As Paula mentioned, the federal government tailors some of the procurements to larger organizations that have already had experience, security clearance, and so on. It costs a lot in time and money to respond to federal government RFPs, so one has to think about it before engaging in that request for proposal preparation exercise.

Finally there's the idea of price. The government tends to look at price and not so much at value. That's becoming more of an issue.

Some feel it's the status quo, that it's easier to work with a certain supplier they've already had in a contract than to go with others.

They've tried to navigate the federal government tendering site for opportunities. They've found few that are relevant. They're difficult to find. These people are the experts already, and many of them are training public procurement entities, so if they're finding it difficult and they speak the language, they figure it's going to be incredibly difficult for smaller companies with less experience.

As one person said, they don't see any real barriers with their skill set, but the size of procurement really makes it obvious that the federal government is not interested in dealing with small and women-owned businesses; they would rather deal with larger entities.

What are some of the tools and resources that could support future success for public procurement opportunities?

The resources are there, but they're hard to find. The only things they can think of is more transparency in the contracts that are awarded, streamlined bidding systems, and efforts from federal bureaucrats to stretch their procurements to engage small business participation, perhaps complementing the roles of larger procurement. Simplified procurement requirements are mentioned again.

If I could summarize one point that I want to leave you with, women business owners who are here and doing business with public procurement are those risk-takers and job creators. They're the enablers. They are looking for some tools, and they're simple. They just want additional points of value for being women-owned. They

also want to consider value for those who are partnering with the larger entities that already doing business with women. Those are some tools for change.

• (1115)

The Minister for Public Services and Procurement Canada's mandate letter is very clear. It says:

...developing initiatives to increase the diversity of bidders on government contracts, in particular businesses owned or led by Canadians from under represented groups, such as women, Indigenous Peoples, persons with disabilities, and visible minorities, and 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

We have to work together. In working together, WBE Canada has had a track record of success and recognition from both corporations and public procurement.

Since 2009 we've been a non-profit organization that's worked to increase the participation of women-owned business and supply chains, and we are called a council. I've alluded to that before. We verify or certify that a business is 51% owned, managed, and controlled by women. Once certified, these women are connected with buyers in both corporate and public sectors that are seeking diverse suppliers and innovative products and services.

Beyond certification, we also work on education and training and capacity-building, but the focus is on that procurement lens.

Again, WBE Canada is a certifying council. I would also say that there's an ask I have of this group: extend your ideas a bit around who else could be considered under-represented. We already have certification councils for other groups, including the gay and lesbian community and veterans. It's important to consider all who could benefit from these ideas.

Again, I would say we work already with large corporations, the major financial institutions in Canada that have supplier diversity, and two of the largest automotive companies, Toyota and General Motors. We work with the telecoms, including Bell and Telus, and the largest municipality in Canada, the City of Toronto.

Leverage the tools that are there. Confirm the diversity requirements that you've already set out. Make sure that the business is certified, that they are women's business, and that they are able to support that public procurement eligibility.

Finally, there are opportunities for public policy. What a perfect time. You're in procurement modernization. This is the time to enable those activities that we've just been speaking to. The federal government can easily develop federal policy initiatives to develop bidders. You've identified them. Consider the options available.

There are point counts provided in RFPs to the bidders who are diverse or who intentionally have programs that recognize and measure and develop those companies that are already looking at and developing and working with diverse suppliers. You do it both ways, with the diverse suppliers and also the companies that are already doing business with the federal government, in recognition together.

We put ourselves up to be a convenor, to bring together the national councils that are doing diversity and certification to support procurement modernization

Incorporate the best practices. There are lots of great programs out there, from Canada's largest municipality to government to the Pan Am Games in the past, and to the U.S. government.

In closing, I say there are lots of great places right now in modernization to do this. There is an intent and a will to do it. There are a lot of good things available from organizations that are really already developing those procedures, like NLOWE. Bring this all together and you can be successful.

The Chair: Thank you so much.

Now we'll start with our seven-minute round of interventions. We'll start with Newfoundland's own, Mr. Whalen.

Mr. Nick Whalen (St. John's East, Lib.): Thank you very much, Mr. Chair.

As you can see, Ms. Sheppard, I was excited to have you here at the committee to learn your teachings, because it's my understanding from our meeting and announcement a couple weeks ago that the organization has already done a first-phase study. I believe some of the recommendations you provided us today have come out of that study, and now you're on a second-phase plan that we've helped fund with respect to gender-diverse procurement, at least at the provincial level.

Can you describe a bit for us the process of your first study, your second study, and what you hope to achieve?

• (1120)

Ms. Paula Sheppard: Sure. We just finished a three-year project with Status of Women Canada that was funded specifically to help women-owned businesses in Newfoundland and Labrador get business in the natural resource sector because of the Hebron project, the White Rose extension, all of those natural resource projects, and the mining and hydroelectricity projects that we had going at the time.

As we were working through those processes, a lot of the things we discovered were the things I talked about today—the size of the bidding, that it was not debundling for small businesses, that our businesses weren't a really good fit. There were hardly any tier 1 contractors. They were usually tier 2, 3, or 4 contractors within it.

As we started to evolve that process when we talked to these major operators, the first thing they all said was.... In Newfoundland and Labrador there are benefits agreements, so for a lot of those, especially around the Hebron project, they had to have a women's employment plan and a gender diversity strategy for procurement as well. They would come to us and say government is requiring us to do it, but government's not doing it themselves. Then the women-owned businesses were saying the same thing. They said that if you're imposing these sanctions on other people, you should be leading by example.

We did communicate some of that to the provincial government. Also, in that process we started having meetings with Memorial University. Two things happened here.

One was that as we started talking to the provincial government, we realized that the purchasing act in the province was being revised, finally. It's not in place right now, but they are working on the policies right now. There is one piece that talks about value and

gender diversity in the procurement process. They also are talking about best value versus lowest price, because that's also an issue, as Mary alluded to as well. We're working with them right now to help them develop and implement those policies.

The second piece is the university attended our economic action plan forum in 2016. The president came to us and said the university is one of the biggest buyers in the province, and we think there's going to be a fit and that, like the province, there's a responsibility of the university as the largest institution to buy locally. Buying locally, of course, includes these diverse suppliers.

The main thing with the new project is that we're targeting working with the provincial government and the university and two other corporations that we're in the process of identifying right now as a good fit for us. We're starting with how we can help them as a service provider, because like Mary, we've been working on supplier diversity policies since 2009.

We recognize that this is not a quick fix. This is not something that is going to happen right away. There are a lot of constraints in Newfoundland and Labrador, and of course the Atlantic accord and all these things come into play. Federally, of course, you have your trade agreements and all these different layers, so how can we as an organization with our expertise help bring these things in that are easy to do, lower cost, best value, and really stimulate the local economy?

Mr. Nick Whalen: Thank you very much. That's wonderful.

It's somewhat disheartening to learn that the federal government doesn't have the same gender and diversity purchasing programs that we expect of suppliers, and neither does the Newfoundland government.

These are plans we have been pursuing as a federal government—the previous government, and now ours as well—in trying to tackle these problems in a comprehensive way, so thank you for your help with that.

In terms of set-asides, is this something you are asking for as well, and if so, what's the shape those set-asides should take, either for women-owned businesses as the primary bidder or also for women-owned businesses as subcontractors to overall suppliers?

Ms. Paula Sheppard: This is always a complicated conversation. I will preface it by saying we feel very strongly about this.

What we've been doing all along hasn't been working, so I think the first thing is that you need to keep track of what you're already doing, get a good idea of what are you already doing, and make sure your data is gender-segregated already. Once you figure out where you are, then you can set targets for where you want to go.

When we did the research on the oil and gas industry in Newfoundland and Labrador, we realized that fewer than 1% of women-owned businesses were supplying to the natural resource projects in Newfoundland and Labrador. If we were going to go in with a procurement target of 30%.... We don't want to set anybody up for failure. We want to make sure that these things are successful.

I think the easiest thing to do to start, as I said, is to figure out where we are, but we definitely need—and Mary alluded to this as well—some sort of weighting scheme. All things being equal, we need some extra points to put towards the women-owned business. I think that's—

• (1125)

Mr. Nick Whalen: That's very interesting, Ms. Sheppard. I'm going to move forward because I only have maybe one minute left.

Ms. Paula Sheppard: Sure.

Mr. Nick Whalen: Ms. Anderson, when we talk about weighting, there's another way of weighting I have been mulling over in my mind, and I am wondering if your organization has given thought to it. There are businesses that are 100% women-owned, 75% women-owned, 25% women-owned, and the full continuum. Has your organization given thought to awarding points, not as a “yes” or “no”, a binary, but on a weighted scale, depending on how women-owned the businesses are? You're doing the measures for us.

Ms. Mary Anderson: We've looked at this, and we have decided to follow an international protocol. The reason we do this is really that our certification is also a door opener to other markets. By looking at the 51% owned, managed, and controlled, for many of our small and women-owned businesses that receive that certification, that certification is accepted in the U.S. market, so it's a door opener. If we change that criterion, we're probably not enabling engagement in the larger or wider place.

Mr. Nick Whalen: Thank you.

The Chair: Thank you very much.

Mr. McCauley, you have seven minutes, please.

Mr. Kelly McCauley (Edmonton West, CPC): Ladies, thank you for being with us today, and thank you for sharing your time.

Ms. Sheppard, I used to live in St. John's, Newfoundland, in Mr. Whalen's riding, so it's good to see someone here.

You have provided some very good information, and I appreciate that.

Following on Mr. Whalen's comments about the percentage owned by women, I'm wondering if you could give me your opinion on the value of a 100% women-owned company dominated by male employees or perhaps give that value against a company that is 100% male-owned, but largely run by women.

The reason I ask is we had a similar issue with indigenous business and what provides the best value. Is it one person winning, but we're not providing a lot of leadership opportunities internally in the company for women, or the other way around, or is there a way to balance that out in the point system?

I'd like to hear what you think.

Ms. Mary Anderson: Can I start, and then—?

Ms. Paula Sheppard: I agree with you.

Mr. Kelly McCauley: I'm sorry. I think Ms. Anderson was going to start.

Ms. Paula Sheppard: You can give it to her and then come back to me.

Mr. Kelly McCauley: Perfect. Thank you.

Ms. Mary Anderson: Thank you.

The certification process is a process that we follow, as I mentioned.

Mr. Kelly McCauley: Right.

Ms. Mary Anderson: It's been very valuable for us to look at, and to look at the rigour of it.

What we look at is that when there is ownership, management control, and independence, we are creating a business that has the philosophy of the owner and the manager who is controlling it, so there is value in those women's businesses being certified as such. That doesn't mean to say there aren't many we see in all the events we do who are men and who are in the business in different areas of the business.

I think the concept is that we are recognizing and focusing in on the lens of that leadership and management control, and 51% is a good place to begin.

Mr. Kelly McCauley: Ms. Sheppard, would you comment?

Ms. Paula Sheppard: I agree with the 51%, because as Mary just said, it's an international standard. It's what everybody else is doing, and if you're less than 51% women-owned, you're technically not a diverse business. At NLOWE we do service businesses, of course, that are less than 51%, but when it comes to procurement and tracking, 51% definitely is where you need to go.

With the issue of male-owned and women-led businesses, I agree with Mary. I think that if we're going to go on the diverse business side, we don't need to include those male-owned businesses that are women-led. There's a leadership piece for that, and I think that's a whole other side of it. When we did our economic forums last year, we did talk about the leadership side.

I think right now, for our procurement side, we do need to focus on the 51% women-owned, managed, and controlled, because then we know that business is completely led and the decisions are being made by the women in that business.

Mr. Kelly McCauley: Thank you.

Previous witnesses we had in the committee when we were with indigenous groups talked about issues similar to what you've had. They've had great success in the private sector, but difficulty in dealing with the government. They were having phenomenal success, holding up the oil sands and the energy industry as setting the gold standard without being required to, asked to, or forced to, providing phenomenal opportunities for indigenous businesses and indigenous leadership.

Can both of you give me feedback on who is setting the gold standard in the private sector that perhaps the government needs to look at closely to follow or copy their lead?

• (1130)

Ms. Mary Anderson: We have been fortunate to be supported by a number of corporations that have had a supplier diversity journey.

Mr. Kelly McCauley: Can you give a couple of examples so that we can look at them?

Ms. Mary Anderson: We've worked with financial institutions. BMO, for example, has a very established supplier diversity program with a focus on women. It is an intentional program internally and at the leadership level to be able to implement that and track it and look at it over time.

The other thing that I would say is that in the manufacturing industry, I would commend the automotive supply chain for the kinds of things that it's doing.

Mr. Kelly McCauley: I'm running short of time. Would you be able to provide to us later in email form some of these so perhaps we can follow up on them?

Ms. Mary Anderson: Absolutely. I'd be delighted.

Mr. Kelly McCauley: Ms. Sheppard, could you do the same?

Ms. Paula Sheppard: I can try to do the same. I think, specific to my market, supply diversity in terms of the market is... Mary's market is based in Toronto, so she has a lot of these larger corporations and head offices in her market.

What we found and learned from the Hebron project and all of these oil and gas pieces that came in is that the first thing we need to do is manage expectations. If the federal government is going to roll out a policy or anything like that, it needs to manage the expectations. What happened with the oil and gas industry here is that everybody thought that with the benefit agreements, they were automatically going to get some of this business, which they didn't get, so it set some things up. There was some mismanagement of expectations.

What I think we really need from a supply and service community is the mentorship and the communication. We recently talked to Nalcor Energy, which is the crown corporation here. What Nalcor did right away was bring its procurement people into our office to meet with some of our business owners one on one. They could just ask questions directly: what is this? What is that?

I know the federal government has some of that, but it's important to have that question-and-answer accessibility and training piece because what's holding a lot of people back is that they're just afraid of it. They're not sure what's happening with it.

Mary talked about this, and I talked about it as well. When you have a small business that has four employees and you're the person who's running it, and then you have to spend three business days working on a bid and you're unsuccessful, and you went out and purchased extra insurance or extra bonds or had a lawyer look at it... I mean, in a lot of these instances, the requirements are way above what they need to be. If it's a \$100,000 contract, really, what requirements do you need to have?

Mr. Kelly McCauley: That's my next question, but I'm out of time.

Ms. Paula Sheppard: Okay.

Mr. Kelly McCauley: I'll get back to you on the next round. Thanks.

Ms. Paula Sheppard: Sure.

Mr. Kelly McCauley: I would ask that if any local businesses are going above and beyond and we can learn from them, could you provide that information to our committee?

Ms. Paula Sheppard: Sure.

Mr. Kelly McCauley: Perhaps we can follow up and learn from them.

Ms. Paula Sheppard: Absolutely.

Mr. Kelly McCauley: Thank you.

The Chair: Thank you very much.

Mr. Weir, you have seven minutes.

Mr. Erin Weir (Regina—Lewvan, NDP): Thanks very much.

Like my colleagues, I'm interested in knowing more about the certification process and criteria to determine that a business is women-owned.

Ms. Anderson, would you like to address this?

Ms. Mary Anderson: We've been following the protocol where it began, in the United States. We were mentored by an organization called WBENC, Women's Business Enterprise National Council, and were provided the documents to begin. We've customized that to the Canadian marketplace.

In our protocol, we look for documentation related to the business itself. Today, almost at this time, we're doing a certification audit, in which we ourselves capture data almost with 32 data points. Then we have an oversight committee of corporations that are leveraging the certificate, and they question us on our procedures to make sure that we've done our due diligence.

It's not meant to be overly onerous. It's meant to confirm that the business is what it says it is.

Mr. Erin Weir: I guess one reason I ask is that a lot of smaller enterprises are owned by families or by couples. I can imagine if there were a procurement preference for women-owned businesses that a family or a couple might decide to put the business in the name of the woman, but that's presumably not the goal. Do you have some criteria or process to prevent that type of approach?

Ms. Mary Anderson: Absolutely. More and more, when it becomes important to use the certificate, we're also finding that others are attempting to use it exactly as you've said. In the past, we've had assessors—now we call them site visitors—verify information and documentation and confirm that the women actually have a role, and their eligibility. This is to make sure that it isn't pink-washed and that they're actually who they are and what they're doing.

• (1135)

Mr. Erin Weir: We heard about this from indigenous business as well—the problem of shell companies being used to acquire contracts for other enterprises that might not be aboriginal. I just wanted to explore the same question.

I don't want to exclude people coming in by video conference. Ms. Sheppard, do you have anything to add on these points?

Ms. Paula Sheppard: Yes.

I've had experience with Mary's certification and others across Canada. With the issue you just brought up, the companies in name only, the certification will ensure that doesn't happen. Our staff were the site visitors, as Mary said, so I'm well aware of what they're asking for.

One of the first things they're looking for when they go into that business is that the woman is the decision-maker and is the one actually running the business. It's very easy to tell when you visit a company whether that person is running it. One of the things that the certification will do is to move away from the name-owned businesses.

I don't think you'll have an issue with that early on, but as you start to purchase from smaller diverse businesses, then you will maybe see that, and you will need to look into making sure they are verified.

Mr. Erin Weir: Okay.

Ms. Anderson, you mentioned the notion of adding some points for a business being women-owned in federal procurement.

Is that the type of system you have proposed, or are you looking for perhaps a set-aside for women-owned businesses, as exists I believe in the United States? I'm wondering if you could speak to those options and the pros and cons of each.

Ms. Mary Anderson: I'm going to invite Stephanie to respond to that.

Mr. Erin Weir: Perfect.

Ms. Stephanie Fontaine (Vice-President, Women Business Enterprises Canada Council): We have talked about that. In terms of the points, that would be to encourage, as Mary said earlier, both the suppliers and the corporations that are doing the supplier diversity programs. In terms of the set-aside, I agree with what Paula said earlier: we need to see how we're doing first, so that we can then set realistic targets.

However, we'd like to present an alternative view of the set-aside: instead of using a percentage, you could set aside categories or areas that may be most readily suitable for this kind of engagement to begin with. That could be where some of the women businesses are already operating and doing business. We know that in a lot of the

women businesses—I think it's 62%—more women go into businesses that are service- or retail-related, so that may be an area to look into. It's setting aside a category or area, as opposed to a percentage.

That's just something more innovative to think about.

Mr. Erin Weir: Okay.

In that type of model, are you convinced that there would be a lot of competing bidders in the set-aside category? Is there any risk of picking an area where a given business already has the contract, and then setting it aside and thereby reinforcing an existing supplier to the exclusion of others?

I know one of the concerns that I believe you expressed—

Ms. Stephanie Fontaine: That was one of them, yes.

Mr. Erin Weir: —previously about federal procurement is that sometimes the federal government gets comfortable with an existing supplier and just keeps using them and doesn't give the opportunities to others.

Ms. Stephanie Fontaine: Yes, that's a good point.

However, I think it's about doing the outreach and breaking the barriers and finding those other suppliers. As you were saying, it may not be the ones who are already there, but it's the women we talked about or others who have something to offer, but they've chosen not to bid on a contract because it's too complicated.

Once we address some of those areas, I think you will find there will be others who will come forward and there will be new opportunities, but your point is well taken.

• (1140)

The Chair: Thank you very much.

Madam Ratansi, you have seven minutes, please.

Ms. Yasmin Ratansi (Don Valley East, Lib.): Thank you very much.

Please let me know when there are two minutes left, because I'm sharing my time with Ms. Ludwig.

Thank you all for being here. It's quite interesting to hear about women's businesses and what you're doing to help women's businesses. When I was in Bangladesh, they were talking about how women's enrolment in business, or empowerment in business, would contribute 3% to the GDP. Thank you for bringing that figure from Newfoundland's perspective.

I find there are a lot of challenges that women are facing, and having been a small and medium-sized enterprise myself who worked with business owners, I know it is very difficult to figure out how to go through government contracting.

I'm wondering whether any of your membership, as you're advocating on their behalf or training them, have looked at OSME, the Office of Small and Medium Enterprises.

I'm going to give you two questions, and maybe you could address them that way. There's also the innovation fund. Are they approaching that fund to be more innovative?

From a Newfoundland perspective, you talked about micro-businesses, and I guess Royal Bank used to be very supportive of micro-businesses. How do you get those micro-businesses synergistically so that they can bid on programs?

My last question is, would you like an American system whereby they set aside 5% of the government procurement for women-owned businesses?

Ms. Paula Sheppard: First, with regard to the 5% set-aside, for percentages of set-asides, you have to be careful. I would like to say yes, that I would support the 5% set-aside, but we need to find out who's available to supply. One of the issues that we had here in Newfoundland and Labrador was that we didn't want to go out and say you had to do a certain percentage of business with women-owned businesses if we didn't know that they existed in terms of being able to supply.

What is your supplier capacity versus the contracts you're putting out? That's a very big information piece. Is there a match? If only 1% of businesses can even bid on these contracts and you're asking for a 5% spend, you might be setting yourself up for an unsuccessful project. Really, it's about fact-finding and making sure there's a fit between them.

On the other part of your question on the innovation fund and OSME, yes, we do use OSME. We find OSME is very helpful when it comes to outreach. I think there's a larger role for OSME, us, and our business owners, and I think that's going to have to be spearheaded. I mean, we do it all the time, and we do bring OSME in, and they do work with them, but what's missing in that equation is the knowledge about possibility. If they think it's more possible, and we take down some of those barriers and make it easier to do the work with the federal government, our members will be more likely to then come and bid on those projects.

In that connection, our businesses are very small here—one to four employees, I would say. Revenues are also less than \$200,000 for most of our members, so what we've been encouraging.... It's taken us a long time, and this is a cultural thing. I think Mr. Whalen would be able to support me on this, but traditionally Newfoundlanders have been holding things very closely and are very secretive and tight, because they don't want someone else to know what their business is and know what's going on.

We see this in a lot of markets. We've worked very hard over the last few years to let these people know that if you're a small business with one to four employees, you may never have the capacity to do this on your own. You have to partner with somebody else. We've done a lot of development on our side to help our businesses learn how to consult a lawyer to get a partnership agreement, how to team up on contracts, and how to be successful in that piece, because if we don't encourage them to work together, sometimes they're not going to be able to get it on their own anyway.

With regard to the innovation fund, yes, we are aware of it. What I don't like about some of the programs that the government has is that they're very sector specific. If you're looking at innovation tech, ocean tech, or aquaculture, those are not the sectors that women are in. WBE Canada talked about that as well. Most of them are in the service sector, and they are highly under-represented in the

innovation and tech sector. We need to work on that. I think we're 10 years away from it.

I see you're going to cut me off.

• (1145)

Ms. Yasmin Ratansi: I have two minutes and I have to give it to Ms. Ludwig.

I'm sorry. You can answer the question if Ms. Ludwig wants you to answer it.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you.

Good morning, ladies. This has been a fascinating conversation.

Looking at the fact, Ms. Sheppard, that you spoke specifically about micro-businesses, and Ms. Anderson, that you spoke about limited contacts, networks, and under-representation, I have two questions here.

One, is there a possibility, or does it exist, for an online workshop on the procurement process, specifically addressing the resources, the eligibility, the networks, mentoring, and supplier training, as well as the potential and the opportunities with partnerships?

Two, because these are micro-businesses, many of them with one to four people, what's the best way for the federal government to promote such a workshop and to reach them with their limited contacts and limited networks? In some cases these women are working in their basements or in isolated situations, and we want to pull them out of the basements and get them to experience more.

Thank you.

Ms. Paula Sheppard: I'll answer that very quickly because I know we're short on time.

Absolutely, yes, we do offer things by webinar all the time, and I know Mary does as well.

The best way to get that information out is to contact organizations like NLOWE. I'm part of an organization called WEOC, the Women's Enterprise Organizations of Canada. It's a group of organizations like NLOWE that formed an association. Our reach is more than 100,000 women in Canada, so just sending it to me means I can send it to them, and Mary as well, I think, would answer the same.

Ms. Karen Ludwig: Thank you.

The Chair: Unfortunately, you're out of time.

However, our next questioner for five minutes will be Mr. Shipley. He may want to follow up on your lead.

Mr. Shipley, you have five minutes.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you very much to both of you. I've been out to Newfoundland two or three times from Ontario. It's an amazing part of our country. Thank you for being here.

When we talk about so many micro-businesses and small businesses, they're often in rural small towns and villages. How big a role does perception play in terms of women's businesses, as compared to the affording of contracts to non-women's businesses? That question goes to both of you.

Ms. Paula Sheppard: Can you define what you mean by "perception", and how big this perception is?

Mr. Bev Shipley: Is there a perception that women's businesses can't deal with it, that they don't have the resources or the abilities or they haven't been in business long enough? Is there the perception that women can't do it as well as the companies that are owned by men? Do you see that as a barrier and a perception that you need to overcome?

Ms. Paula Sheppard: Definitely. We definitely see confidence as an issue. Statistics will show you that a male entrepreneur will fail at least three times. The business of a female entrepreneur sometimes will fail once and she'll give it up.

In order for businesses to be successful, they need to fail at least two to three times, so that's where some of those numbers are coming from—

Mr. Bev Shipley: They give up after what? Help me. I'm sorry to interrupt, but why is that? Is it because of that intimidation?

Ms. Paula Sheppard: Yes. It has to do with confidence. It has to do with lack of support around you, lack of networks, again, and just basic inherent confidence issues. If a woman's business fails, lots of times she'll attribute it to her own personal characteristics: "I'm not cut out to be a business owner", "I should be spending time taking care of my elderly parents", or "I don't know enough about the financial side", whereas in the male-owned businesses, they'll attribute their failure to "It just didn't work out for me this time" or "They didn't understand my product and I'm going to do it again." There is that inherent cultural bias that happens.

What we find in Newfoundland and Labrador, especially because a lot of our businesses are rural businesses, is that there is a really big need for support networks. At NLOWE I have nine business advisers, but seven of them are in rural areas of Newfoundland and Labrador. What's really been our success model is that our business advisers will drive out to the businesses and they'll meet with the business owner at their place of business.

As well, then we create networks. We create peer mentoring groups, we create training opportunities, and we do a conference every year, and those are the supports they need. If you look at the basic skill set, one thing that comes back to us a lot from our business owners is "I don't know enough about business." Well, I would say that 90% of business owners don't know a lot about business. They're just really good at one thing and they make it into a successful business, but they had the wherewithal to hire the people to do that. That's what we're really teaching people.

• (1150)

Mr. Bev Shipley: Thank you for that.

Mary, maybe you can expand, but I think that for businesses in rural areas, it's a challenge across our vast country—

Ms. Paula Sheppard: Definitely.

Mr. Bev Shipley: —in our rural communities to make sure we have the vehicles to provide those resources. The training and the encouragement is a lot of it, quite honestly.

Ms. Paula Sheppard: Absolutely.

Mr. Bev Shipley: Mary, just top it off, but then I do want to get to the issue of federal procurements.

The Chair: You have one minute left.

Mr. Bev Shipley: Could I jump to that, then? Can you tell me what some of the biggest issues are? You're meeting municipal and provincial contracts. In fact, Mary, you talked about 100% success, but zero on federal procurement.

What are the barriers that are there and should not be there that are allowing your businesses to be successful in the lower-tier governments?

Ms. Mary Anderson: Some of them are to create innovative ways of tackling this. I would point out something like the City of Toronto and social procurement. They've just pushed ahead and done it. They've tried it, and they're working through the model.

One of the things that you asked about was training and making sure that people are confident. The city developed a diversity fair where they had their buyers come to meet with diverse suppliers a week or so ago, including women-owned businesses. They did this to create confidence that the businesses themselves are capable suppliers and to disprove the concept of ineligibility.

The federal government needs the same, and we've also been working with the federal government on online training. When they tackled the issues related to the new ideas around service procurement and really tailored that to our needs, there was a great deal of uptake in knowledge, so I think it's a matter of fine-tuning both to work together.

The Chair: Thank you very much.

Our final five-minute intervention will go to Monsieur Drouin.

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

I want to thank all of you for being here today, and you who are live on TV from Newfoundland.

I have a quick question on the certification. The international standard is essentially that it has to be 51% women-owned. How do you see that?

Obviously we'd want to see that as a potential requirement in some of the government RFPs. Is that how you would see that we could measure success in government procurement?

Ms. Mary Anderson: I think it's good to have a standard that you're working with that is consistent. The standard is already there, so why not use it? It has already been established.

Mr. Francis Drouin: Okay. Is there anything to add in Newfoundland?

Ms. Paula Sheppard: No. I would agree. You know, Mary and I represent women-owned businesses, but we always say that because we're the strongest and have the largest groups, we also sort of sub-represent the other communities. That's what the other communities would use as well, so I definitely think staying with 51% is key.

Mr. Francis Drouin: Okay.

Obviously we have no idea how many contracts women-owned businesses have within the federal government. Do you have those statistics, or do we not track this, to your knowledge?

Ms. Mary Anderson: No, but I think we're working on that.

Mr. Francis Drouin: Yes.

Ms. Mary Anderson: OSME has been doing an outreach to capture that knowledge with the data that's available and we're certainly supporting outreach questionnaires related to the community, but we don't have the substantive information that's available in other jurisdictions. It's unfortunate, because it's really difficult to do policy without that data.

Mr. Francis Drouin: We're doing policy in a blind world, right?

• (1155)

Ms. Mary Anderson: We have to work with what we have.

Mr. Francis Drouin: Yes.

Ms. Mary Anderson: With more information, we'd be better informed and better able to do it.

Mr. Francis Drouin: Okay.

You mentioned that the City of Toronto is doing a good job at ensuring that they have a diverse supplier base. What are they doing differently from the federal government? Do you know? Are you aware?

Ms. Mary Anderson: Yes. They've only had a few months' practice, so they're just starting the journey, and it is a journey. I would say that corporations are probably your best bet, based on business, and they will share that knowledge with you.

In terms of the city, they worked on the Pan Am Games, which was a precursor to the program that has been developed there. A lot of that idea had already been developed, and it's still developing. The first part is to verify that you have diverse suppliers and to make sure of it, so they recognize certification councils and invite diverse suppliers to participate in groups of bids.

Interestingly enough, of our women-owned businesses, it's unfortunate, but not 100% want to do business with public procurement, so not all that are certified identify themselves to do business.

There's a secondary requirement. The city asks for a database, which we've developed and regularly update on a monthly basis, of those who want to do business. For any business between \$3,000 and sometimes \$100,000, depending on the division, one in three would be a diverse supplier that's presented for that procurement opportunity.

Mr. Francis Drouin: Okay, that's one in three.

You've talked about developing capacity for current and new suppliers. How would you develop capacity? What would be the advice that you'd give to government to develop capacity of current

suppliers? Again, if the standard is 51% managed and controlled with current companies, are you talking about developing a higher participation of women-owned businesses or making sure that women have access to owning particular businesses?

Ms. Mary Anderson: I think we start out where we are. Right now there's a lot of government contracting that takes place. We need to make those who are already contracting with government aware of this goal of having a diversification of their supply chain. We need to enable them to recognize how to start it and how to implement it, and then reward them for doing it by giving them extra points on their procurement opportunity.

The second side is the diverse supplier. We must develop and engage them. Those who are already qualified use the resources that are available across Canada, like Paula's fabulous network, and those other women business organizations that do this.

We home in on one thing. We home in on a transaction. What we've developed over a period of time is knowledge related to those corporations that are buying. They share that insight to create better access and better acumen when you're doing business together.

There's a great deal of information out there. What we found is that our corporations are quite willing to share and there's no competition. RBC, TD, BMO, and CIBC all share how they're doing it.

The Chair: Thank you very much for your comments. To all of our witnesses, Ms. Sheppard, Ms. Anderson, and Ms. Fontaine, thank you so much. It has been extremely informative and extremely helpful.

I would add that should you have additional information that you think would be of benefit to our committee as we conduct our ongoing study, I would ask you to please submit that information through our clerk, so that any of your recommendations or suggestions will ultimately end up in our final report. We thank you for presenting today. You've been great witnesses.

Colleagues, we will now suspend for just a couple of moments while our next witnesses approach the table. Thank you.

• (1155)

(Pause)

• (1200)

The Chair: Colleagues, if I could ask all of you, including our witnesses, to approach the table, we'll try to get going as quickly as possible.

Colleagues, we'll convene once again with our new panel of witnesses. We have with us Dr. Sue Abu-Hakima. Also, representing SageTea Incorporated, we have David Long and Scott MacGregor. Finally, from Spartan Bioscience Incorporated, we have Mr. Lem.

Thank you all for being here. I'm sure that you've witnessed how this committee operates. We'll start with opening statements from all of you. I hope that you can keep them to 10 minutes or less, so we will then have enough time for several questions from our panellists.

With that brief opening, I will begin with Dr. Abu-Hakima.

Dr. Suhayya (Sue) Abu-Hakima (Co-Founder and Chief Executive Officer, Amika Mobile Corporation): Thank you very much.

Good afternoon. I did prepare so that I could be succinct and to the point.

By the way, this is the second time I am a witness—not at this particular committee, but I did a witnessing in 2011 as well. Maybe you'll get a bit of progress in 2017.

My name is Dr. Sue Abu-Hakima. I am co-founder and CEO of the Amika Mobile Corporation. Our company in its current form was founded in 2007. This is my second start-up, my second company, my second SME. The first one we built was an AI company that was actually a spinoff from NRC's government R and D labs in 1999. We built it up as a compliance company. It was acquired by Entrust, which is a secure messaging corporation, and it had 18 patents behind it.

Over my 17 years as an entrepreneur, my companies have contributed over \$21 million to the local economy. This number is based on investments and M&A results in terms of selling our compliance business unit, the first acquisition, as well as revenues. We've created approximately 250 high-tech jobs over the years, which, according to Invest Ottawa, you can multiply by four, because each one creates four spinoff service jobs. That's a total of about 1,000 jobs that I personally would have been involved in.

The current company is Amika Mobile. It is self-funded by angel investment and focused on critical and emergency communications for public safety and security, including integrations that leverage automatic detection of mobile devices in public places. If you had my product today, I could discover your mobile devices and take you to safety if, heaven forbid, all hell breaks loose, as happened in Parliament in 2014.

Amika Mobile has had approximately \$3.5 million's worth of angel investment, which is not a lot, given our output. Our current senior team participates as angel investors, and as such, we are all very committed to the company. We would raise \$5 million in investment if we could, but there continues to be an absent venture capital market in this country, especially for women-owned businesses, so we accept it. I've been at it for 17 years. I know how to work through it.

You should know that only about 4% of all companies typically get venture-backed, and female ventures, sadly, get only about 0.1%, which is a really sad number. That's very little. According to a report published by Janice McDonald and Claire Beckton, eight out of 10 women get rejected by banks in terms of financing, even though we run approximately 46% of the SMEs in this country, or close to 950,000, according to their report as well as the Startup Canada numbers.

We are noticing that BDC is starting to be more active with women in terms of loans, but they have very steep terms and a very small equity fund directed at women, in comparison to their \$8-billion budget, which they typically focus on male-led ventures. That's a discussion for another day.

Let's talk about procurement.

We certified as an international women-owned business this year. I noticed that earlier you had witnesses on the Canada version of what we did. We've done international certification. That's going to open a lot more corporate customers to us, as they all have set-asides of 20% to 30% procurement for women, which is a huge number. Walmart, in particular—I was at an event last week in Toronto—has announced \$20 billion's worth of procurement from women's businesses for 2018. That is fantastic for us. We are already excited and talking to them about it in terms of procuring our products.

We have a multi-million-dollar quotes funnel, so please don't feel sorry for us if we can't get venture capital. We do it through revenues, with many opportunities from the United States government, which also has a set-aside of 20%. We have over 150 global customers active in our company funnel, but I'm going to skip all this.

We have also won a lot of awards, and we have about 12 patents to our name. This year, we were selected for a third year in a row as the best emergency communication solution by the U.S. Govies, and FEMA has also picked us for a top award. As I mentioned, we have innovative and unique technology. We can do automatic discovery at airports. We are being used in United States stadiums now, and we are growing.

In terms of government programs that we've leveraged—and I'm sure this is the kind of stuff you guys are curious about—we've certainly benefited from government programs such as SR and ED, PRECARN, IRAP, BCIP, and CIIRDF.

I've been an entrepreneur for 17 years in tech, in Canada, as a woman, and with no venture capital accessible, I've been very good at ferreting out other programs for both the start-ups that I've done in tech.

● (1205)

IRAP, I would have to say, was a godsend for quite a while, but at some point they aligned themselves with BDC and stopped funding women, which is ridiculous. They've gone through a review, and now they have a new president. I would like to give him kudos. I'm happy to report that he's supporting women and trying to remove gender bias from NRC, so hats off to him.

SR and ED has also, of course, been a godsend for us, because we're so innovative. We've also partnered with and supported universities and colleges through collaborative research funded through the Ontario centres of excellence, PRECARN, and NSERC to help train students and make professional research more relevant.

CIIRDF is another program that has been a more difficult grants program because of their processes that seem to penalize the SME in terms of workload and administration, but they've allowed us to work with a good partner in Israel and fund a project.

I also wear a community service hat. I served as the vice-chair of the board of directors of the Ontario centres of excellence and I was also an adviser on NSERC's private sector advisory committee in terms of the national centres of excellence. I do understand research. I understand trying to do clusters. I understand trying to build the innovation capability in this country. The reason I do this is I'm trying to encourage more men and women to go into STEM, especially young people. Both of my kids, by the way, are STEM graduates, so I'm very proud of that.

In terms of government procurement, we've responded to at least 50 RFPs from the Government of Canada over the last 17 years. That's a lot of RFPs, and they are a lot of effort. We have not won a single one. That is ridiculous, but it's true. Even in our first company, which was a compliance-based company with content analysis, our products were always selected as the top technical innovative products in an RFP, but we still didn't win the contracts. We were never awarded the contracts.

You're not necessarily going to like me for saying this again, and I'm sure everybody else says it: the reason for this, I have to tell you, is that I'm an SME, and nobody gets fired for buying IBM. We could add Bell to that, or CGI.

• (1210)

Mr. Kelly McCauley: Or PeopleSoft.

Dr. Suhayya (Sue) Abu-Hakima: —or PeopleSoft, or any of those large companies, despite their deployments not working. Once Entrust acquired my business... Entrust was a secure messaging company that used our content analysis to see what was in an email before deciding to encrypt it and send it off. By the way, you use it in the Government of Canada, and have for a number of years. Once Entrust bought our compliance business—we were selling a compliance server that dealt with email and sensitive content in email—it essentially turned around, and the Government of Canada bought our product. Remember, AmikaNow!, my first company, was a spinoff from NRC that did AI and content analysis. I couldn't sell to the government, so as every other software entrepreneur has done, I eventually had to exit. I built it up and I exited. Then Entrust turned around and sold a site licence to the Government of Canada, 250,000 users, for approximately \$5 million. Now I have to tell you that you still benefit from this today, and it still benefits from this today. As an SME, I went in with the golden handcuffs, did my time—my three years—came out, and started a new company. We certainly don't benefit from it today, and this is many years later, about 13 or 14 years now. That's a really good example of our technology certainly being good enough to get into the government, but you don't buy it.

Luckily, in 2010 we finally found out about a new program called the OSME program, the Office of Small and Medium Enterprises, which is part of PWGSC. We went there, and we were very excited. Thank you very much for setting them up. We signed up for their training.

Then they announced through OSME, I think, the CICIP, which was the precursor for the BCIP, the build in Canada innovation

program. In my opinion—and I've now been an entrepreneur for 17 years—it is a fantastic idea. It is the natural next step in getting innovative technology in trial with federal government departments, especially for someone like us, who has leveraged IRAP and SR and ED. We benefited from your other programs to do the innovation and the leading-edge stuff, and now we can take it into the government.

When they were in trial with us, while the testing labs at CRC in Shirley's Bay were in the BCIP with us, they had their first haz-mat emergency. Isn't that a good way to test if an emergency communication and safety system works? Obviously, they finished the testing. We were successful. They bought the products and they've been paying us support now since 2011, so they're a customer.

The second example is...it helped us understand the process.

Just give me 30 seconds. I won't give you more details on that.

We tried again to reply to RFPs. Again we were not successful, so we innovated again. Again we applied to the BCIP, and this time we were successful with some more work. We actually chose a completely different department, CBSA. I'm happy to report that CBSA has been our customer since 2014 because of BCIP, not because of any responses we've done to RFPs. Again, we integrated with gunshot detection, which is leading edge. The RCMP wanted it, etc., but nobody would buy it. We applied to the BCIP, innovated again, and now the RCMP is testing it through BCIP.

The bottom line, to me... I know the BCIP is \$40 million. I honestly think it should be a \$250-million program, very similar to IRAP. I have said before that we keep throwing money at the banks, but that's not where we should go.

I'll stop there.

• (1215)

The Chair: Thank you so much.

Next up we have Mr. Long, from SageTea Incorporated.

Could we have your opening statement, please?

[Translation]

Mr. David Long (Chief Executive Officer, SageTea Software): Good afternoon. Thank you for your invitation.

[English]

Good afternoon.

My name is David Long. I am the CEO of SageTea Software, an Ottawa-based software company. Our mission is to be a global standard for software development. We have won two build in Canada innovation program awards. Our sales to government are approximately \$1.25 million to date. When you consider that we are only a little over five years old and started in my wife's basement, I think most of you would consider that quite an accomplishment.

On that note, my wife has said that I never mention her in any of my public statements. Thanks, Tandy Yull. We would not have made it without you.

Voices: Oh, oh!

Mr. Kelly McCauley: And this is in camera.

Voices: Oh, oh!

Mr. David Long: The purpose of the build In Canada innovation program is to help Canadian companies move their state-of-the-art goods and services from the lab to the marketplace by giving the company that first major reference sale. The Innovation, Science and Economic Development website states that:

Between 2011 and 2013, small businesses accounted for 27 percent of total research and development expenditures, spending \$13.0 billion over the period... Lacking both a credit history and the collateral needed to secure a loan, over 80 percent of start-ups used personal financing to finance their new businesses.

I know there is a need for checks and balances to ensure that government money is spent wisely. As a small businessman who wants to do business with the government, I would also appreciate anything that can speed up the process.

Across Canada, the risk that is taken by entrepreneurs is shouldered, in my view, largely by individual Canadians and their families. Risk stifles innovation, a key theme about which I will make several points and recommendations.

Government should reward risk-takers within its ranks. BCIP may cover the financial risk by paying for the innovation. The test department also takes risks by providing the human and physical resources during the test. These people also have full-time jobs, and agreeing to take part in these tests means taking on extra workloads. For a program like the build in Canada innovation program to be really successful, there needs to be a way to recognize and reward the efforts of the test departments and their people.

Our first BCIP award was for Text-to-Software, our software development platform. To achieve this award, we first had to try and fail our first build in Canada attempt. This was an expensive lesson to learn, and we took out of it the need to hire outside expertise to write our first proposal. I would estimate our investment to make the attempt and win cost approximately \$50,000. For a small business, this is no small sum, and we took considerable risk at the outset with only a limited expectation of winning.

While recent process changes have brought improvements, it can still take more than a year from the start of the application process to the awarding of the contract. Small businesses can easily launch and go out of business if they fail to secure sales targets after investing in those opportunities.

This is an example of risk and how it plays into whether a firm can even make it through a BCIP procurement.

Happily, we did win on our second BCIP attempt.

I would recommend that when an entrepreneur is arriving with a new product, service, or solution, it should be a government-wide policy that everyone in government, from director to manager to employee, be required to welcome the innovator in every way they can. Further, after a successful BCIP test, an automatic transition to an internal government incubator, specifically for these successful products, would be an effective way to accelerate innovation. Currently BCIP winners still need to hunt for their next client. This problem could be solved entirely if BCIP companies were automatically connected with demand under an automatic procurement program.

Many bright stars in government have helped us along the way.

One of them was Bruce Covington, a key advocate and our first client for our innovation at Public Services and Procurement Canada . He and his group were very supportive and proactive throughout our first BCIP experience.

I therefore recommend that BCIP winners should be able to rate and recommend their test departments on an official list. If the government were then to have a policy of recognizing and rewarding the top innovative test departments, then it's likely we would see the pace of innovation inside the government accelerate.

Text-to-Software automatically creates customized software from text. In our first build in Canada innovation program test with Mr. Covington and his team at PSPC, we were able to create a customized data classification system for 22.5% of the internal PSPC budget. We showed that going codeless works, completing the project on schedule despite a three-month delay.

It's fair to say that all of us felt that the result of this BCIP test could have gone further. We learned from that experience and have been working with our partner, Meyers Norris Penny, to leverage all the BCIP results we have achieved into new cloud-based services designed for government. These are now available to government departments on the software licensing supply arrangement. BCIP can be thanked for enabling efficiency-minded C-level managers with our new codeless solution.

•(1220)

Also, it was Mr. Bruce Covington at Public Services and Procurement Canada who first recommended that we work with a larger partner. This is what began the relationship we have with MNP today, our largest private sector partner and Canada's largest Canadian-owned accounting, tax, and business consulting firm. With MNP as the lead applicant representing SageTea, last month we were even able to achieve an SLSA, a software licensing supply arrangement, win for all of our BCIP program-tested products. Often a smaller company needs to have a bigger one help it along when doing business with the government. I therefore recommend that the government do more of this by getting private firms, big and small, to work together in complementary ways.

We utilized the BCIP program follow-on sales program to test Text-to-Software at the Department of Fisheries and Oceans. There, using Text-to-Software, we built two customized software applications in only five weeks. These are now available to the Department of Fisheries and Oceans as well as across government through the SLSA.

Today we are just beginning the test of our second BCIP innovation, SageTea Link, with Employment and Social Development Canada as the test department. SageTea Link is an ETL—extract, transform and load—tool. What that means for most of us in the room is that with SageTea Link you can automatically migrate and link valuable data from unsupported expensive-to-maintain systems to new supported ones. This is a huge problem in government.

A key component of our current BCIP innovation is artificial intelligence. SageTea has partnered with Lemay Solutions, an Ottawa-based AI company that is a subcontractor with MNP on the current BCIP test. As a result, we are also now including a new artificial intelligence module with SageTea Link. This new product, SageTea Link Deep Learning, enables our customers with easy-to-use artificial intelligence. MNP is doing a security audit of our software to ensure it meets the government's IT security requirements.

Our experience with the BCIP program and the Office of Small and Medium Enterprises has been exceptional. The build in Canada innovation program is a terrific program. It has made an incalculable difference to SageTea Software's mission to be a global standard for software development.

Thank you. *Merçi.*

The Chair: Thank you very much.

Our final opening statement will come from Mr. Lem.

Mr. Paul Lem (Chief Executive Officer, Spartan Bioscience Inc.): Hi, everyone, my name is Paul. I'm the CEO and founder of Spartan Bioscience Incorporated. I'm a medical doctor by training. My specialty was in infectious diseases and microbiology.

For my company, Spartan Bioscience, our vision was bringing the power of DNA testing to everyone. What do I mean by this? The analogy I like using is you guys have seen how mainframe computers went to personal computers, which went to the smart phones that everyone carries around in their pocket. That smart

phone gives you instant access to information on anything you want—app store, iphone, all that stuff.

Right now the standard around the world is mainframe DNA analyzers, so everyone's samples across all sorts of applications get sent off to a central lab. It could be in a hospital or in a big lab. Then you wait, days, weeks, or months to get your results back.

We have commercialized the world's smallest DNA analyzer. It's about the size of a coffee cup. It's taken us 12 years of R and D. In the last 12 years we've been competing against over 200 companies around the world. Every big multinational since the human genome project has been investing hundreds of millions of dollars in their divisions to try to make this device. It's GE, 3M, all those sorts of people. Our strategic investors are Canon. The leader in cameras and copiers spent over \$200 million and used 200 people over 13 years in trying to make this, and failed. That's why they invested in us.

We reached this about two years ago. Now that you have this—

•(1225)

Mr. Kelly McCauley: Pass it around.

Mr. Paul Lem: Feel free.

Dr. Suhayya (Sue) Abu-Hakima: I was going to ask, “Now what do you do with it?”

Mr. Paul Lem: Exactly. Right now we're hand-building them in Ottawa for \$2,000. We're about to get mass manufacturing that will probably drop it to less than \$1,000 to about \$500. Again, back in the days of mainframe computers and personal computers, I remember when I used to spend \$5,000 on a computer, but now of course you have your smart phone that's \$100 or \$200. The question is, what do you do once you have this platform?

What happened a year and a half ago was with was this company called Brookfield. You may have heard of them; they are one of the world's largest asset managers. They manage thousands of government buildings. Brookfield said to us, “You guys have made this incredible device, and we have the perfect application for you; it is *Legionella* testing of every government building.” I said to myself, “Right. I remember I've treated patients with legionnaires' disease.” This is basically a severe pneumonia that you get by breathing in water vapour that's contaminated by *Legionella* bacteria, so I said, “Right, I remember this disease, but why are you talking to us?” Then Brookfield said that the main source that infects people is cooling towers. That's part of the air conditioning system of every office building. They said that the federal government has passed... it's probably this building.

Mr. Kelly McCauley: Right.

Some hon. members: Oh, oh!

Mr. Paul Lem: This might be one of the buildings we test. It's pretty crazy.

Dr. Suhayya (Sue) Abu-Hakima: Can you test it?

Mr. Paul Lem: I could, but I didn't bring any cartridges.

Brookfield told us there are government regulations that apply to all these federal government buildings, whereby they have to be tested every 30 days by something called bacterial culture—you know, in petri dishes, as in high school biology. Brookfield told us that they know the petri dish approach takes two weeks and is not very accurate. They wanted a DNA test that was possible to undertake on site rather than by sending it off to a lab, so we made it for them.

Then they walked us into Public Works and Procurement Canada, and public works—who sets the standard—said to us, “This is exactly what we've been waiting for for years. We always knew that culture testing sucked. Finally, here's the technology we want.” Then they said there's a thing called BCIP that would be perfect for funding the definitive scientific study to show how good DNA testing is vis-à-vis culture testing.

PWPS told us they've been wanting to fund this study for years, but they don't have the budget themselves, so BCIP allowed them to do it. Thus \$500,000 has now funded, over 12 weeks, 51 cooling towers in Ottawa, Toronto, and Montreal. The results are about to be released in a few weeks, and I can tell you they are explosive. It's coming, then, but I can't tell you what the results are.

What is happening now is that DNA testing is going to become the standard for testing every office building, hospital, school, shopping mall—every building that has a major air conditioner. We're talking about a multi-billion-dollar global export opportunity, and it's going to be driven by standards, because people don't want to die, especially public sector employees. They care about the quality of the buildings they work in.

Public Works and Procurement Services, for example, has asked us to help them update the standard. It's going to apply to all the government buildings. It's going to be released probably in January or February. We're now talking with the Standards Council of Canada and commercial real estate guys. It's probably going to be rolled out across the world.

We find BCIP was an amazing success for us. If it didn't exist, we wouldn't have this billion-dollar opportunity in which we're probably going to be the world leader. It's going to be incredible.

The thing we're finding now concerns what happens after BCIP. We'll probably be able to engage a government relations firm that's going to help us on the procurement side, because to navigate all the acronyms and who we talk to, such as Treasury Board.... We're just learning all this for the first time.

That would be our one suggestion. After companies graduate out of the BCIP, how do we get help on procurement to roll it out in Canada to every province and municipality, worldwide, to New York—all that stuff?

Thank you.

The Chair: Thank you very much.

We will start now with our seven-minute round of questions, with Mr. Peterson as our first intervenor.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you, Mr. Chairman.

Thank you, everybody, for being here with us this afternoon. The presentations have all been very interesting. I'm sensing a consistent theme here. BCIP is obviously a good program.

I want to pick up on a couple of consistencies in some of the presentations. I think, Sue, you mentioned that no one is fired for choosing IBM in an RFP. David, you mentioned that we don't reward risk-takers in departments enough; I think that's a similar concept that you're speaking of.

Is BCIP the exception to that rule, in your sense, and is that perhaps why it's as successful as it is?

Dr. Suhayya (Sue) Abu-Hakima: Do you mean in terms of bringing innovation to the government?

Mr. Kyle Peterson: Yes.

Dr. Suhayya (Sue) Abu-Hakima: Certainly it is from my experience. Don't forget that Entrust was a publicly traded corporation, and I went in there as a vice president, so I got to see us selling to major institutions such as Citibank, Capital One, the U. S. government, the Canadian government, etc.

I would say that what I think is exciting about BCIP for any innovators in Canada, and I would recommend.... Personally, I think there should be more marketing of this program, because I'm always giving speeches and talking about it to the audience. I think the reason it is so successful is that people are working in their garages, in their basements, in the labs, in their medical offices, and coming up with incredible ideas, and procurement is like a stone wall in the federal government. I have to tell you that 17 years of trying is a pretty bad record. BCIP has been the only way we've been able to bring this innovative technology to multiple departments.

I'm not sure whether that was what you're looking for. That would be like a “yes”.

• (1230)

Mr. Kyle Peterson: Yes.

Mr. David Long: I would say that it's true. It's a very valuable program.

I was invited to speak at a BCIP conference in Toronto. It was amazing. They had all the successful companies that year, and many of the departments were there, at a one-day conference. The energy in the room was amazing. On one side you had civil servants who had always needed something and just wanted to talk to somebody who could get it for them, and you had all these companies there that had something that they'd built, and all they wanted to do was get customers. The type of energy in the room, without the heavy weight of procurement and RFPs—just customers and providers talking—was amazing to see. I've never seen anything like that, working with government. I think you can definitely do more with this.

Mr. Kyle Peterson: That's good to know.

Mr. Scott MacGregor (President, SageTea Software): In fact, perhaps I could simply add to that and touch back on what David said about a government accelerator. Once you do have a successful BCIP test, you've proven to government that you bring value, but then what happens generally is "Thank you very much." You now can sell three more contracts, if you can get through the door. When you're trying to get through the door, you're getting through the door of an IT shop that's already run off its feet and doesn't completely understand the rules now with Shared Services and everything else, and they're trying to figure it out. Generally the door is closed because they don't have the time or the focus for innovation. If we could actually change that focus so it is innovative and is actually looking for ways to bring value to government and to Canadians, it would be really helpful to the companies that did come up with an innovation and jumped through the hoops and proved that it worked. Let's prove it works a whole bunch more times and save even more money.

Mr. Kyle Peterson: Okay. That's good to know. Thank you for that.

Paul, I'm looking forward to the results of your Brookfield test. I spent most of my life in a Brookfield building—

Mr. Paul Lem: You and every one of us.

Mr. Kyle Peterson: —and prior to this, I was working in Toronto, so hopefully the results are not too scary.

Mr. Francis Drouin: Wear a mask.

Mr. Kyle Peterson: It's great to hear all your success stories, but it's always good to see them first-hand and learn how they evolved over the process.

I just want to follow up with you, Paul. Is this your only product? Is this it for your company, or do you—

Mr. Paul Lem: This is our first non-medical product. Because I'm a medical doctor, we already have FDA-approved, Health Canada-approved medical products.

Mr. Kyle Peterson: Are they medical devices?

Mr. Paul Lem: Yes, so it's like this platform, except it's for drug testing or genetic testing.

Mr. Kyle Peterson: I just wondered how you initially got involved. What sorts of obstacles were there at the beginning for all your other products? How did you come to this?

Mr. Paul Lem: It was 12 years ago. On the medical side, it's highly regulated. It requires FDA approval, Health Canada approval, so we had to gain our expertise on how you actually get regulatory approvals on that side. That took many years to figure out. The BCIP procurement seems like a cakewalk compared to all that we've already done.

Mr. Kyle Peterson: Good. You're obviously a big proponent of BCIP too. I agree. Maybe it should be.... I think you said \$250 million of funding would be—

Dr. Suhayya (Sue) Abu-Hakima: Honestly, take some of the money you give to BDC and give it to BCIP. BDC is not an equal, gender-diverse bank. Those would be my two cents. Michael...the president of BDC will probably be mad at me for saying that, but....

Mr. Kyle Peterson: That's good.

I hear you a lot on the lack of venture capital. It's not really related to procurement, but it could be, in a way, because procurement's sometimes a cash-intensive operation of the business, and if you don't have the venture capital, you're not going to even bother procuring or bidding on some of these.

Dr. Suhayya (Sue) Abu-Hakima: Even if you take me as an example company, BCIP in 2011 gave us our first substantial sale. Then the U.S. government looked at what I did in Canada, so now I have U.S. government customers because of the BCIP program. Then when I closed, the second BCIP was with CBSA. I now have border security in the U.S. and in other countries looking at us because Canadian border security services are using this. Now I run a profitable business, several years later. I have to say that they gave us the first substantial opportunity in terms of a sale. I think that's pretty major.

• (1235)

Mr. Kyle Peterson: Absolutely.

Dr. Suhayya (Sue) Abu-Hakima: Even if we had raised venture capital, maybe we would have gone under without a sale. I don't know.

Mr. Kyle Peterson: I think I'm out of time. I could spend another hour, but thank you so much for this.

The Chair: Thank you very much.

Mr. McCauley, you're up for seven minutes.

Mr. Kelly McCauley: Thanks for joining us. It's been fascinating.

Mr. Lem, maybe your next product should do radon gas metering.

Mr. Paul Lem: It could be asbestos, radon, all that stuff.

Mr. Kelly McCauley: I have shares in Brookfield Asset Management, so thank you. I'll disclose that right now.

Dr. Abu-Hakima, you talked about Walmart, about their plans.

Dr. Suhayya (Sue) Abu-Hakima: Yes.

Mr. Kelly McCauley: Do you have any more details you could share with us? This came up this morning, and then with indigenous.... The private sector always does such a phenomenal job, but we as government just seem to stumble along.

Dr. Suhayya (Sue) Abu-Hakima: I know we don't always like to praise them, especially these days, but one of the amazing programs the United States has had for a long time is the set-aside program. The set-aside program is really interesting in that there are companies that are designated as 8(a) programs, which then, if you are a woman- or a minority-led business.... Paul, you would qualify. I'm sorry, but—

Mr. Paul Lem: Well, thank you.

Dr. Suhayya (Sue) Abu-Hakima: —the rest of you guys would not qualify.

Some hon. members: Oh, oh!

Dr. Suhayya (Sue) Abu-Hakima: Anyway, if you're a minority-led business or a woman, then if IBM wins a major contract, or Lockheed Martin, or General Dynamics, or even any of the ones I was working with at Entrust—

Mr. Kelly McCauley: Walmart is not a big receiver of federal government—

Dr. Suhayya (Sue) Abu-Hakima: No, wait; I'm going somewhere with this. I'm sorry.

Essentially, the set-aside is 20% for the federal government of the U.S. What the corporates have—we call them “corporates” in We Connect International now—Walmart, Pfizer, RBC, and TD, so some of the Canadian companies are in it now too—is also a set-aside of 20% to 30% of their procurement budget earmarked for women and visible minority procurement.

Walmart has said that women are going to be generating...I think the number I heard was \$18 trillion, but you can't quote me on that; we can try to verify it for you. They're going to be generating that much money in terms of their buying power. Walmart decided they need to take a step to show that they as Walmart have a really good corporate hat on. Since women typically buy lots of stuff from them, they decided they should have a set-aside. They declared that set-aside to be.... It becomes \$20 billion, so maybe that's 20% of their procurement budget.

Mr. Kelly McCauley: Oh, excellent.

Dr. Suhayya (Sue) Abu-Hakima: With respect to the Government of Canada, I think we have to start. There should be some sort of procurement policy that starts—

Mr. Kelly McCauley: I worry, though. I see Walmart doing it obviously for a return, but also it's smart business and smart governance. I'm wondering how they're able to do it. If you go through procurement, it's, as you mentioned, red tape, roadblock, red tape, blockage.

Dr. Suhayya (Sue) Abu-Hakima: Don't forget that Walmart also sells retail products. They could buy—I don't know—maybe some of these DNA kits, then put them in their stores and make them available there.

Actually, that's not a bad idea.

Some hon. members: Oh, oh!

Dr. Suhayya (Sue) Abu-Hakima: They probably would go for it.

Mr. Paul Lem: Probably.

Mr. Kelly McCauley: We hear about—I think one of you used the words—hitting a stone wall with government procurement.

How much is red tape? How much is it their just being risk-averse?

Dr. Suhayya (Sue) Abu-Hakima: I'm going to just give a quick answer, because I would like my colleagues to answer as well.

For me, if we've done 50 responses, that's really bad, and it says there's something broken somewhere. We've been through the OSME training and still can't win a contract. The only way we can get our products in is through a BCIP-type program, and we're very innovative. We actually should be the poster child for—

Mr. Kelly McCauley: It scares the hell out of me when you talk about being so risk-averse that you had to sell your company to a larger company for them to—

Dr. Suhayya (Sue) Abu-Hakima: I did. That's what happened with the first company. It was an AI company that I spun out of NRC in 1999. I went to BDC, and they asked where AI was going to go. Everything is about AI now; that's a boat that sailed.

In this case, I'll do my best to just keep growing this company. The reason I went to We Connect International is that I saw that they have all these set-asides. This is a natural way to sell my product. It's great, because they have to buy not necessarily from me, but they have to buy from women. There are not all that many women in tech, so it's great. It should help.

• (1240)

Mr. Kelly McCauley: From talking to all the witnesses so far and from people I've talked to in Alberta, it's not a gender thing. It's difficulty with the procurement process, period.

Dr. Suhayya (Sue) Abu-Hakima: Yes, maybe.

Mr. Kelly McCauley: A set-aside, then, will help, but it sounds as though we have a lot of other barriers—red tape and others—thrown up.

Mr. Scott MacGregor: Have you seen the BCIP application?

Mr. Kelly McCauley: No.

Mr. Scott MacGregor: It's one of the easier ones to respond to with government, and we spent, seriously, about \$50,000 on advice to get it filled out properly.

Mr. Kelly McCauley: That leads to my next question. It's for all of you.

We were hearing about how good the BCIP is. Have you looked at other countries whose programs we should perhaps take a look at? I imagine Israel has something similar, and the States. We hear it's a good program and we need to expand it, but do you have ideas from other gold standards to make it better?

Mr. David Long: When I was speaking at the BCIP conference in Toronto, the head of the BCIP program spoke. He told the audience that in the United States the government supports innovators from technology readiness level 1. For the BCIP program, you have to be at least at level 6 or 7. To put it in layman's terms, level 1 is basically an idea that could be just on a napkin—that's how far you've taken it. In the United States you can be only at that level, and they will fund you. They will take you all the way through to the end.

Mr. Kelly McCauley: Do you agree that maybe the U.S. is a country we should take a look at, or is there a different country you think has a better program that we should look at?

Mr. Paul Lem: With regard to the health care, life science, and biotech side, we notice that a lot of our competitors over the last 10 years have taken advantage of the U.S. SBIR grants. We've always been quite envious of that because, unlike you, Sue, I raised VC for my very first biotech company. On this one we raised it all—angel, strategic, bypass, VC—every one. It would have been helpful in the early days if there was some sort of SBIR-type program.

Mr. Kelly McCauley: What does the acronym stand for?

Dr. Suhayya (Sue) Abu-Hakima: Small business innovation research, maybe. They have several programs in the United States. Even in our world, which is public safety and security, they actually have.... I was just at a two-day thing down here where the Americans were talking about NIST being involved in it, and FirstNet, where they used the auction to raise \$7 billion to build a public safety network. AT&T has come along and said they could use its \$180-billion infrastructure for this network and get all the states involved. They're just doing more innovative stuff with respect to trying to leverage things. In this country, we could probably leverage the licences, as well, to do more.

The Chair: Thank you.

Mr. Weir is next.

Mr. Erin Weir: We heard a bit about how Amika emerged out of the National Research Council. I'm curious about the origin of the other two companies and whether they have any roots in government agencies or federally funded research.

Mr. David Long: I initially worked as a consultant and a programmer here in Ottawa for about 10 years. My first job was working at Shirley's Bay in defence research. From there, I went on to work at Nortel. Then I worked on Wall Street at Merrill Lynch. At that point, I just had this "aha" moment when I realized that the job of programming software is repetitive and dull. Anything that is repetitive and dull is just begging to be automated. From there, I took what I was doing and came up with this idea that you could make apps from text. We raised about \$3 million, and we created this prototype. That's how the company got started.

Mr. Erin Weir: What was it that brought you back to Ottawa? You had worked other places.

Mr. David Long: It was 9/11.

I was doing really well on Wall Street. Along with 6,000 other people at Merrill Lynch, I was laid off after 9/11. At the age of 30, I had to start my life over again, so I decided to start a business. From then to now was about 10 years' work.

Mr. Paul Lem: I got into medical school here in Ottawa. When I graduated from medical school, I got the award for the person who skipped the most classes in medical school and still graduated. What I did all that time when I skipped class was spend time in the lab. I was always trying to invent stuff.

The guys over at the microbiology department of the Ottawa Hospital were very helpful. I ended up inventing some new way to do DNA testing. Then the University of Ottawa tech transfer office helped me commercialize that and raise venture capital. From the ashes of that company—as we shut it down—came Spartan Bioscience, which we started 12 years ago.

• (1245)

Mr. Erin Weir: In terms of BCIP, we've already mentioned the threshold of \$500,000 for non-military innovation. I believe it's \$1 million for military innovation. Do you think those thresholds are appropriate, or would you change that aspect of the program?

Mr. David Long: I think they should be much more money, for sure.

The amount that we've spent.... I think most of the companies here would agree that we can easily spend that much. Maybe it has to be staged, but I've always come to the end of the budget, and the customers too, on every project on which we have wanted to do more. I can't tell you exactly how I think you should do that. However, I can tell you for sure that when we got to the end of our budget, the client was panting for more, and we just had to stop. That's why we needed to think really carefully about our next stage in procurement. That could be filled in much better.

Mr. Scott MacGregor: I think you can also say that under the BCIP rules, you could do three more sole-source contracts. I think that's something that could be looked at as well. I don't know who came up with the idea of three more contracts, and it has to be done in two years. Sometimes it can take a year to get a contract in place, if not more.

Maybe you could look at making it so that once you're in BCIP, you're in BCIP, and that you can continue for a longer period of time and in more contracts.

Dr. Suhayya (Sue) Abu-Hakima: I want to say that the way we used it was a little bit different, perhaps, in what we focused on: getting this innovation into this department and getting them to test the heck out of it. Let's make it really useful for them. Let's make them really love it. Then let's make them take it on as a commercial product after that and pay support, and let's continue with them.

So far, two out of three of the ones that we did have stayed with the project. We're not sure about the third one yet, because it's not complete. The strategy has been different. We know that they're typically under the gun to do more. If there's a way to structure the licence so that they can continue with it and continue to pay support, then we can continue with them on the project.

Mr. David Long: Perhaps I could add to that for a moment.

What we found is that when it's BCIP money that's being spent, it's relatively easy to convince a department to be a test department, but the step then is that sometime during the year, they would then need to come up with their own funds from the department side, and that creates a financial conversation, and they would already have their plan for the year. Therefore, if there was some way that they could, during the year, allocate departmental funds if it were for a BCIP program, and if that could happen with the CFOs inside the departments, it would make answering that question easier.

They already have their budget planned for the year, and in the course of the year, if they then want to try to procure something else, the ship's already sailed, so they have to wait for the next budget cycle.

Mr. Erin Weir: Okay.

There have been some major IT projects in the federal government that haven't gone very well—the Phoenix pay system, Shared Services, the Canada.ca initiative—and one of the proposals that our committee has heard as a solution would be an agile approach to IT projects whereby you try to tackle them in smaller, bite-sized chunks and learn lessons from that and proceed accordingly. Is that an approach that you would endorse, and would you care to speak on it?

Mr. David Long: I would say that the private sector has already realized that this is pretty much how you have to do it, and I've worked in huge companies. The approach, then, for the people running an agile project is to prove to me, every day, why I should keep your project going. That's what "agile" means. When you get a team of people, and every day they come in, and by five o'clock they have to have shown the managers why they should be allowed to come back the next day, you get results. That's how "agile" works in the private sector, and I think that's what the government needs to do too.

Dr. Suhayya (Sue) Abu-Hakima: We've been using agile software development for a number of years. Because of the company and the background and the fact that we were doing AI for so long, and the platform, we have to do rapid prototyping, rapid commercialization, rapid deployment. The word "rapid" really underlined it.

I don't know if this is the answer in the Phoenix debacle, if it's because they're using more of a waterfall model. I have no clue. I have no idea. I haven't looked closely enough as to why it's such a disaster.

I think one thing that we can say on the SME side, especially on the software side, is that we see the government spending a lot of big bucks on big projects, and I think what we're saying is that they should be taking some smaller projects on and perhaps growing them that way. Maybe they are too impatient, so it has to be all 250,000 civil servants at once or something. Maybe they don't have the luxury to do it in smaller pieces.

• (1250)

The Chair: Thank you.

Our final intervention will be Mr. Drouin.

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

I want to thank all the witnesses for being here.

Sue, Francis. Francis, Sue. We're good on a first name basis. I'll give you a shout-out. I know you were really involved with Startup Canada, which is an organization that my better half continues to be involved in and that I used to be involved in, but now can't, obviously.

It strikes me that for 17 years you've bid and were not successful. Have you ever gotten any feedback from the public works department or the organizations? Over 17 years the department of public works wouldn't have handled all of the procurements, but did you get any feedback as to why?

Dr. Suhayya (Sue) Abu-Hakima: I don't think we always get the luxury of a debrief. Actually, I was talking recently to somebody from OSME, who was telling me that you always have the right to get a debrief, but when you're a small business, you have to understand that you have to not just pick your battles, but you have to go where the money is. One of the things that we clued in to early is that—and I clued in to this with my first start-up—you can't sell your first products in Canada. You have to go to the U.S. or abroad.

It would be nice to be able to sell it into the government. The BCIP is a bit of an anomaly there. With respect to debriefs, we can ask for them. We've had a couple of debriefs, and they tell us that

we're extremely innovative, that we're the lead in terms of the features and the capabilities of the product, etc, but they end up going with someone else. Sometimes they go with American players and sometimes it's just larger Canadian players.

Mr. Francis Drouin: It's the same old suspects.

Dr. Suhayya (Sue) Abu-Hakima: One of the recommendations I would make, which is maybe different also in the United States, is that the large players have to have the set-aside of a subcontractor that is a smaller player. In the United States, you have to have that smaller subcontractor there. That may be helpful. I don't know.

Mr. Francis Drouin: I would be curious to find out.... What I am looking at as well are some of the barriers to procurement, especially on the IT side. I keep hearing about corporate references and that you have to have 15 years of experience, as opposed to, "How will you prove to me that you can do the job we require you to do?"

You may not have examples, but if you do, I would ask you to provide them to the committee.

Dave, you seem to want to say something about it.

Mr. David Long: I think we are a very good example. We had exactly that problem. We are a small company. Going to the bottom line, I think what is needed is an ecosystem led by the government that has both large and small companies.

When we made our first SLSA attempt, we failed. We did not have the financials. We went to our partner, MNP, and we asked them to do it. We have a giant company: MNP makes about \$700 million a year and has about 6,000 employees. I think we have 10. On the other hand, we are a software company; they are not. They are an accounting and business consulting company. We are actually natural allies, even though they are vastly bigger than we are, so we set up a business deal. They did the bid. They have the financial capabilities. They won. They make revenues off everything they sell, so they win and we win. That's good business.

If you build allies between small businesses and really large ones.... You could do this with Microsoft. You could do it with IBM. Marry them up with small companies and let each company do what it's best at. The small companies are better at innovation; let them do that. The big companies are better at showing financial capabilities and following processes. They have all those qualities. If you marry those together, I think you can get lots of small businesses doing business with the government. They need that big partner.

• (1255)

Mr. Francis Drouin: The Government of Canada has always adopted a prescriptive RFP model, where we are trying to.... I believe it should be an outcome-based RFP model, as opposed to "Bring us a solution and then we'll score you on this", with whatever scoring method they use.

Do you have an opinion on an outcome-based procurement model? Have you had experience in the U.S.? Your example was of your first sale in the U.S. I've worked with companies that are start-ups, with the first sale in the U.S. It's shameful. The Government of Canada is not encouraging our own Canadian-owned businesses.

Dr. Suhayya (Sue) Abu-Hakima: It's just the red tape. It's really bandwidth. There is a lot of red tape.

Mr. David Long: I would say that if you really do it, be ready, because you would get surprisingly good outcomes. If you had outcome-based RFPs, you would see Canadian companies that you never thought of coming out of the woods and delivering huge value, and your problem would be suddenly realizing this huge success you have.

They are itching for a chance, and if you put out the right kind of outcome-based RFPs, you might see winners defeating the incumbents. I think that's what would happen.

Mr. Scott MacGregor: That's as long as, for the RFPs, you don't need a Ph.D. or a legal degree to fill out the forms. People who are innovators don't necessarily understand the bureaucratic model of responding to an RFP.

If the government can come up with a way that will actually help people get through this, that would be a huge benefit to a lot of the innovators. If people did what they do well...but small companies.... As you said, we have 10 people. We do not have a proposal response team; we are the proposal response team.

Mr. Francis Drouin: Paul, how quickly does that little machine produce the DNA results?

Mr. Paul Lem: It's 30 to 45 minutes, depending on the test, as opposed to hours with the big mainframes.

Mr. Francis Drouin: Have you spoken with the Chicken Farmers of Canada and the CBSA? I can tell you that they are looking to identify spent fowl that's coming in from the U.S., essentially egg-layers as compared to broilers.

Mr. Kyle Peterson: They are retired egg-layers.

Mr. Francis Drouin: Yes.

They are looking for a quick test at the border, so that's something you should entertain.

Mr. Paul Lem: Thank you, Mr. Drouin.

The Chair: Thank you very much.

Gentlemen and Dr. Sue, this has been fascinating. I know that other members of the committee here have questions they would

love to ask you, but unfortunately we are out of time. However, I would ask that all of you, if you concur, be readily available to receive some of the written questions from our committee—

Dr. Suhayya (Sue) Abu-Hakima: Sure.

The Chair: —and respond in kind.

It has been a really great panel. We thank you so very much.

Dr. Lem, good luck.

Mr. Paul Lem: Thank you.

The Chair: I hope that in the next couple of weeks we can all—

Mr. Paul Lem: We all want to be safe. We don't want to die in our buildings.

The Chair: Right.

Voices: Oh, oh!

The Chair: Also, in addition to the written questions that some of our members will be sending to you, if you have additional information, particularly recommendations or suggestions that you think would be of benefit to our committee, I strongly encourage you to please submit them through our clerk.

Dr. Suhayya (Sue) Abu-Hakima: Okay.

The Chair: As you know, we're in the middle of doing a fairly major report now, at least a study, on the procurement process.

Dr. Suhayya (Sue) Abu-Hakima: Sure.

The Chair: I think that your testimony today has been invaluable and will help us greatly. Please submit recommendations and suggestions, because it would be extremely helpful for this committee.

Once again, thank you all for your participation and your presence here today.

Dr. Suhayya (Sue) Abu-Hakima: Thanks.

The Chair: Colleagues, the meeting is adjourned.

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