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**EVIDENCE**

**Thursday, November 9, 2006**

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**Chair**

**The Honourable Diane Marleau**

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## Standing Committee on Government Operations and Estimates

Thursday, November 9, 2006

•(1110)

[English]

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

We welcome the Minister of Public Works, the Honourable Michael Fortier.

[Translation]

Thank you for responding to our request and appearing before the committee today.

You know how this works: we give you a few minutes to make your opening remarks and then we go directly to the questions.

Mr. Fortier.

**Hon. Michael Fortier (Minister of Public Works and Government Services):**

Thank you very much, Madam Chair.

[English]

Thank you for inviting me here today to discuss my department's work to transform government procurement. I obviously welcome the opportunity to update the committee on this project.

Let me first say, Madam Chair, that my department is carrying out a number of important reforms touching procurement, which is the topic today. Another of these reforms involves real estate, which we are also looking at, as you know. One could argue that real estate is as important as procurement given our significant foothold in the Canadian real estate world.

All this work is aimed at strengthening management and accountability, increasing transparency, and ensuring good value for taxpayers. Procurement reform is therefore only one element of the department's renewal agenda, and it is clear that procurement is an area that needs improvement.

[Translation]

Madam Chair, on October 19, this committee heard from industry representatives. The message that came out of the meeting—and out of the many consultations Public Works has held with the supplier community—is that in its current form, our procurement system needs improvement and our procurement practices need to be streamlined. Dealing with the federal government can and should be simpler.

Year in and year out, the Government of Canada spends some \$20 billion buying goods and services to support its operations.

PWGSC handles only about 10% of the total number of transactions, but these represent about 55% of the total value.

The transformation of federal procurement represents a big change, not only for the government, but also for its suppliers. A number of them have participated in the consultations held by Public Works and have helped to identify possible improvements.

And that is why I directed my department to undertake further consultations with suppliers and industry associations before proceeding with some elements of the initiative.

[English]

The new round of consultations was launched on September 20, and a broad range of procurement issues was discussed. The only issues not on the table were our commitment to reform procurement and our commitment to achieve value on behalf of taxpayers.

I'm also pleased to announce that we are following up on the request of suppliers and are creating new permanent government-industry committees in the areas of temporary help services and office furniture.

Madame Chair, we are also making procurement simpler and ensuring fair and open access for all suppliers—large, medium, and small—right across Canada. We are listening to what suppliers have to say. For example, in the furniture industry, suppliers explained to us the challenges imposed on them with orders coming in at the end of the government's fiscal year. As a result, we are finding solutions for them.

We must take advantage of the government's buying power. We will do this by consolidating the purchase of goods and services across as many departments as we can. This means buying fewer models of certain goods that are purchased by federal departments and agencies. Consolidation not only will make purchasing simpler for everyone but will also will lead to better prices.

In fact, based on the experience of other private and public organizations, we believe we can achieve important savings as well. Through these and other procurement changes, we will ultimately improve the delivery of services to Canadians.

[Translation]

Reducing the cost to Canadians is not the only objective of Procurement Transformation. Procurement savings will be reinvested for the benefit of all Canadians.

Our strategy to reform procurement is based on improved access to goods and services from competitive suppliers, more efficient purchasing for all government departments, and an improved ability to account for taxpayer dollars.

Businesses will benefit from having fair, simple and open access to compete for standing offers and other procurement opportunities across Canada. Winning a standing offer competition to supply the government will actually mean winning business.

[English]

Procurement transformation also means ensuring that social and economic considerations are integrated into the procurement process, such as encouraging green procurement, supporting aboriginal businesses, and ensuring that companies right across Canada have an opportunity to compete.

In terms of green procurement, we share a heightened responsibility to purchase products and services that have a lesser effect on human health and the environment when compared with competing products or services that serve the same purpose.

The transformation of government procurement also involves adopting procurement practices that reduce the cost of doing business for suppliers, regardless of their size. I am particularly committed to ensuring fair access to government business for small and medium-sized enterprises across Canada. In fact, my department has already taken a number of steps to address the specific needs of SMEs.

• (1115)

[Translation]

Public Works has established six new regional Offices of Small and Medium Enterprises to ensure that small vendors and vendors in all regions of Canada receive due consideration in bidding for government contracts. These are now all in place and ready to work with SMEs in each region of Canada.

PWGSC also previously reduced the cost of bidding by eliminating fees for the tender documents suppliers order through MERX, the Government of Canada's electronic tendering system. We have simplified the language in bid documents and contracts, and established a toll-free helpline and a website to respond to enquiries from SMEs. We have also developed procurement best practices, as well as training with the Canada School of Public Service.

[English]

The transformation of government procurement requires information technology so that the government can speed up the ordering process and eventually improve its ability to track what is being bought. It requires time and training, and it requires that departments adapt to new tools. My department will introduce two critical procurement-related tools that will help us save considerable amounts of taxpayer dollars.

The Government of Canada marketplace simplifies procurement by giving departments access to pre-approved goods and services using electronic catalogues. Public servants from all departments will be able to consult and ultimately order from a catalogue those goods and services they require.

The shared travel services initiative will improve the purchase and reimbursement of travel services within government.

[Translation]

I mentioned at the outset that improved accountability goes hand-in-hand with saving money as a fundamental goal of procurement transformation. As the Committee knows, the Federal Accountability Act will legislate the principles of equity, openness and transparency, so that they are permanently imbedded into federal procurement practices.

The Act provides for the appointment of a Procurement Auditor, and a Code of Conduct for Procurement is being developed to clearly outline for employees and suppliers what is acceptable conduct when contracting with the Government of Canada.

[English]

In closing, Madame Chair, let me reiterate for the committee that we are sensitive to the concerns that have been expressed in some quarters about the potential impact of procurement transformation on suppliers, and we will do our best to resolve those issues, but we will not take our eyes off the ball. We will achieve significant savings while also improving service delivery and ensuring that companies in all regions of the country are able to do business with the Government of Canada.

Merci beaucoup.

[Translation]

**The Chair:** Mr. Proulx, you have eight minutes, and that includes the answers to your questions.

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

Good day to you Mr. Minister and to your key staff members, and welcome. I am pleased that you spoke about SMEs, as that will save me at least a minute and a half, since I won't need to introduce the subject.

Mr. Minister, in the documentation you provided it says that SMEs are important to your department. Yet, suppliers tell us that almost all the Public Works and Government Services Canada bidding processes involve so much red tape that it is very difficult for them to consider doing business with the Government of Canada.

I presume that your reforms will take into consideration the enormous burden that all this red tape represents, because not only does it mean considerable costs for SMEs, it also costs a lot for your department to prepare all this paperwork and then analyze it.

Unfortunately, the Government of Canada has the bad habit of only considering businesses of a certain size or with certain total sales, arguing that, if by mischance, the business could not meet its commitments, the Government of Canada would be the loser. Your department is in the best position to put an end to this bad habit. Furthermore, smaller businesses are not being given the opportunity to build on or improve their expertise, or to win big enough contracts to be able to hire additional personnel.

We're shooting ourselves in the foot, because if we don't give SMEs a chance, they will never become big enough to do business internationally and to create a large number of jobs. We will have to do business with international or foreign companies.

The winter 2006 issue of that fine publication *Doing Business with PWGSC* refers to a well-protected piece of Canadian heritage, the Canadian National Vimy Memorial.

The Government of Canada refused to let the repair or renovation work on our monument in Vimy be done by Canadian contractors. It insisted that European contractors be put in charge of the work. If my memory serves, the contract was awarded to a Belgian contractor, even though Canadian contractors said they had the necessary expertise and as much access to the materials needed as any other contractor in Europe, as the materials were European. That was an opportunity for your department to help Canadian contractors be better considered by the Government of Canada.

I am listening very closely, because we do not often have the opportunity to hear you in the House of Commons. We do not ask questions about the Department of Public Works and Government Services because, even though your Parliamentary Secretary does the best he can, he does not have all the information. That's why we seize the opportunity when you are before us.

• (1120)

**Hon. Michael Fortier:** I am very proud of my Parliamentary Secretary, not just because he's 6'5" and weighs at least 50 kg more than me, but because I like him a lot.

**Mr. Marcel Proulx:** If he played hockey, he'd be a great goalie!

**Hon. Michael Fortier:** Thank you for your question. If you will permit, I will answer your first two questions at the same time, because I believe they are related.

Even though it isn't what it should be, the picture for small and medium-sized businesses isn't as dark as you think it is, even though, as I said, it could be better. According to the available information on the participation of small and medium-sized businesses in Government of Canada purchasing, SMEs make up 29 or 28% of the market.

I am pleased to say that a large number of these SMEs deal with PWGSC, but there is a 15-point gap in the SMEs' contribution to Canada's GDP. Our long-term objective should be to close this gap. If SMEs contribute 40 to 43% of the GDP and government procurement comes to \$20 billion, it would be a laudable and necessary objective to try to give SMEs sufficient tools to close this gap.

The goal is not necessarily to throw out statistics and say that since SMEs contribute 43% of the GDP, let's give them 43% of federal business. It goes beyond that.

I worked for 20 years in the private sector for a number of small and medium-sized businesses and I can tell you that they are very creative. We need their products and their services. We're not helping them, we're helping ourselves. That's why, when we launched the Office of Small and Medium Enterprises, I repeated during numerous press briefings that when I open offices, my objective is to give them many more opportunities within the federal system.

As for the documentation and contracts they are obliged to read, I need to be responsible and prudent in my reply. I'll give you an example in a few seconds, but let me assure you, Mr. Proulx, that I share your concern regarding the paperwork burden.

Department lawyers will claim that several contract clauses have been added, over the years, as result of court decisions. One article becomes 10, and 10 articles grow into 100. I experienced it myself this summer, when we launched the process to hire two advisors to give us information on our real estate properties. In the summer of 2005, your colleague and my predecessor, Mr. Brison, sent out a 300-page request for the same services.

It lapsed, because no one could qualify. I examined the document in question, which had at least 50 or 75 pages. We can try, and my officials have been informed that one of my goals was to streamline the paperwork. I appreciate your raising the question, which comes up on a regular basis, in fact.

I have no information regarding the Vimy monument. Perhaps one of my colleagues could—

• (1125)

**The Chair:** They will be heard later.

I turn the floor over to Ms. Thibault.

**Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ):** Thank you, Madam Chair.

Mr. Minister, thank you and your two senior officials for coming today.

My question is for Mr. Marshall and it is a bit off topic, but nonetheless very important.

Labour representatives have shared their concerns with me regarding your department's pay system. Has the situation improved? The unions are very concerned, and I wanted to take advantage of your presence here to bring it up. However, if you prefer that we discuss this at a later time, I will make an appointment with you.

I can see from your gestures that you would prefer discussing it at another time. It will be my pleasure to talk to you at another time.

**Hon. Michael Fortier:** Are people getting paid?

**Ms. Louise Thibault:** That's not the question: there were enormous delays in pay services. When someone is hired, for example, we all know that there is some delay before getting that first paycheque. You don't get paid right away, you may have to wait four or five weeks, but in the case in question, there were unwarranted delays. The same thing would occur with overtime pay: there really were problems.

Since you were there, I wanted to ask you the question. It's my privilege. I see that my colleague does not appear to agree.

[English]

**Mr. David Marshall (Deputy Minister, Department of Public Works and Government Services):** Madam Chair, I'd be happy to answer the question.

The situation, of course, arises because of the very complex pay structure of the government and the systems that exist, which we are addressing by changing and introducing a new pay system for the government as a whole. We have put on extra staff, and we're catching up the backlog. We're meeting with the unions to keep them informed. I think it's a widespread issue across government.

[Translation]

**Ms. Louise Thibault:** It's improving.

• (1130)

[English]

**Mr. David Marshall:** Yes. It is improving.

[Translation]

**Ms. Louise Thibault:** Thank you, Mr. Marshall.

Mr. Fortier, earlier, in your speech, you talked about the concern for the environment that is part of the procurement reform, and that is obviously a good thing.

How do you now ensure, and how will you ensure even more in the future, the Canadian content of purchased goods? That is the first question.

Here is the second question. In reference to the procurement process, I note that Conference Board documents provide figures concerning some provinces. I'd like to know if your department is also concerned with different regions. I'm certain that you are aware of the manufacturer's general status at the national level, and perhaps more in some areas in particular. You must understand that, like other colleagues, I come from a region distant from yours. Personally, I don't consider that we are distant.

Is there such a concern? These are my two first questions; I will have others.

**Hon. Michael Fortier:** As a rule, when it comes to procurement, we are subject to the treaties signed by Canada. So, other than in rare exceptions, when a call for bids goes out, it is usually open to everyone. I'm saying this in answer to your first question. What you may be concerned about, although I don't mean to presume, is that Canadian suppliers are not getting their fair share. I would ask you to examine the statistics on the identity of government service providers. You will see that a great majority of them are Canadian residents. So even if we open the doors, you know... Opening the doors is important. A short time ago, Mr. Proulx said he hoped that

small and medium-sized businesses would get large enough to play an international role. If that's what we want, it means we want them to get contracts in other countries, other jurisdictions. So we also have to accept the fact that other companies from other countries will also be entering our markets. However, a very large majority of suppliers are Canadian.

**Ms. Louise Thibault:** But even if they are Canadian, can the suppliers use materials that come from elsewhere, Mr. Minister? That's my question: if we talk of Canadian content, how does it work in terms of fabric, lumber, wood chips used for secondary or tertiary processing? We are all aware of the current crisis in the lumber industry. How can we promote the procurement of Canadian materials? It's a quasi-indirect benefit, but it should be a direct benefit.

**Hon. Michael Fortier:** I'll give you an example, and I hope you find it a good one. It involves the ads we put out this summer regarding military procurement. Having realized that some of the products the government was going to purchase would probably be manufactured outside Canada, we told potential manufacturers that they would have to invest a dollar in the same sector in Canada for each dollar we would give them—in this case, national defence and aerospace. Of course we are well aware of this situation, but in sectors other than the military sector, I would say that there are few products—because the services are almost all available here—that are not manufactured in Canada.

**Ms. Louise Thibault:** As for the consultations you held with stakeholders... We know what happened in the very beginning. Everyone is aware of the steps taken, quite legitimate ones, incidentally, by these people. We had the pleasure of welcoming some of them here as witnesses this summer and fall.

Are you entirely convinced that you consulted them the right way and that the action you will be taking further to the recommendations they made to you are appropriate? Will you be able to implement most of the recommendations that these very concerned business leaders or association presidents made to you? Do you think you can take them into account?

**Hon. Michael Fortier:** The government was in a particularly difficult situation when it entered into these consultations. And by "government" I mean the Department of Public Works. The department or client was also the one that made the regulations. It set the rules. I believe there was a conflict of interest there. I may be exaggerating the importance of the situation a bit here. Let's say there was an appearance of conflict of interest. I think it was a good idea for the government to take a step back and ask a third party—that's what we did with the Conference Board—to oversee certain consultations.

Am I pleased that we undertook these consultations? Of course, since I wanted them.

Of course, it was important for me to let the department interact with suppliers. There are 10,000 of them and they do not deal with a computer screen, but with real people. We gathered some impressions from our own employees who interact with suppliers, but it wasn't enough. That is why we asked the Conference Board to oversee these consultations. And in fact I believe that several representatives were here before the committee on October 19. They have made recommendations and continue to do so. We continue to take them into account in the implementation and execution of the reform plan.

• (1135)

[English]

**The Chair:** Mr. Kramp.

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** It's a pleasure to have you here again.

Many people over the years have stated that SMEs represent the backbone of our economy. Without small business, where would we be? Small business is innovative. Small business is flexible. Small business can adapt to change very quickly.

I'm going to focus a number of my questions on the relationship between your ministry and the opportunities and/or problems that have occurred and/or possibly the recommendations and the changes that you have made to affect SMEs in the process of procurement. Given my experience in my own particular field—thirty years in small business—I hope to be a representative voice for that community in directing my questions along that line.

This is my first concern and/or a question, which I'm hoping you can answer, Mr. Minister. In your process of procurement, how can you assure the small-business community and the SMEs that they actually have enhanced or increased opportunities to participate in the process?

**Hon. Michael Fortier:** Thank you for the question.

As I indicated earlier in French, this is a concern of mine. Like you, I come from that world. I'm more from the advisory front than that of running a business, but still....

It seems to me that we, as clients, are the big losers, and ultimately it's because of our economy. As taxpayers and as Canadians who want to create more wealth in our communities across the country, it seems to me that we should have more of these folks at the table, bidding for business and winning business. Not in all respects, but in many respects, they are quicker to turn around and quicker to adapt their products or their services to our needs, because our needs are changing. I also believe they are more constructive or more creative in terms of pricing goods and services. So that sounds like a winning formula to me in terms of a client-supplier relationship.

We have created those offices, and I certainly don't expect that by the mere fact that we have fifteen people around the country calling themselves heads of small and medium-sized enterprise offices, that will do the trick. These people have been instructed to be proactive, to go out there, to meet chambers of commerce, to meet small business leaders, and to help them access our business. We haven't done that in the past. It comes back to what Mr. Proulx was saying. It also has a direct link to plain language and simplifying the contracts that we're proposing these folks enter into.

**Mr. Daryl Kramp:** Some people are saying we need less bureaucracy, not more, yet you've now established regional offices.

**Hon. Michael Fortier:** We have, but in terms of the folks we've hired as additional full-time public servants, the net result is quite modest, and this is a great investment for us. Adding a few bodies will make a difference in bringing people to the table and saving us money at the end of the day.

• (1140)

**Mr. Daryl Kramp:** So you feel these regional offices will obviously have the adaptability to be flexible to the regional needs and to address the concerns of the people in those areas.

**Hon. Michael Fortier:** They're headed by people from those regions, so they know their regions well. We have not sent out people who aren't from their respective regions.

And they're not staffed with fifteen people per office. It's a very modest staffing platform. There are one, two, or three people per office, and those people are going to be out there selling the message and explaining to folks how to actually do business with us.

In the months that I've been here, in speaking with many small and medium-sized business enterprises across the country, what I've discovered is that many actually didn't even know they could do business with us, which is amazing. That tells you a lot about our communications message.

So it's a good investment for us, because as I said, it's in the long term that as buyers of goods and services we will reap dividends, and we will also benefit as taxpayers wanting to create wealth in our communities across Canada.

**Mr. Daryl Kramp:** I have two questions.

Where are these offices going to be?

**Hon. Michael Fortier:** They are in Halifax, Edmonton, Montreal, Vancouver, and Toronto, and there's one here in Ottawa.

**Mr. Daryl Kramp:** What type of marketing and/or public knowledge planning or preparation is there to let the SMEs realize that they have an asset there that they can use? Is there a program, some planning, or a layout to be able to get the message out that there's a resource there that these folks can use?

**Hon. Michael Fortier:** There is a communications plan in place. Through various industry associations, Mr. Kramp, we are informing small and medium-sized business owners across Canada of our existence. But that, to me, is only part of the solution.

The other part is that we need to be proactive. We need to have our people from those offices going out there to meet small and medium-sized business owners through all sorts of associations, on the ground floor. This is what they're supposed to be doing.

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

There's one thing that I was impressed with. We had the suppliers' group in here at a previous committee meeting, the representatives from the manufacturers. I will say that they basically did give a thumbs-up to your department and to the ministry officials for finally involving them in the process; for the level of consultation they had with your ministry; and for your flexibility in recognizing that they have changing needs and that the entire scope of government is changing.

Is that consultation process now complete? We see that you've moved to various suggestions and/or policy processes from that, but is that now a closed door, or is this going to be an ongoing process?

**Hon. Michael Fortier:** You're talking about the consultation process for recruitment. As I said in my opening statement, we're actually going to have permanent committees for office temps and furniture. In my opinion, I think consultation should never cease. This will be a live wire between us and those industries, and if we feel there's a need to have more of these permanent committees between us and other industries, we will do it.

**Mr. Daryl Kramp:** I want to flip back to one other question. There's been some discussion on the reverse option. For the benefit of the committee, and of course the public who would be watching this right now, might I ask you to offer the department's explanation as to why you discontinued them. Some of the public may be under the perception that if the option is there, the government is going to get the best price. If the best price is the prime motivating factor for the government, then why did they not go through with the reverse option process?

**The Chair:** Please give a very short answer.

**Hon. Michael Fortier:** Do you want me to answer later? I think this deserves more than a short answer, if I may say so.

**The Chair:** I don't want you to take too much time.

**Hon. Michael Fortier:** Do you mind if I answer later?

**Mr. Daryl Kramp:** If you answer later, I'd be pleased, as long as I get the answer. Thank you.

**Hon. Michael Fortier:** Thank you.

I hope you don't mind, Madam Chair, but it's—

**The Chair:** I don't mind. I don't want to take away time from some of the others.

Mrs. Nash.

• (1145)

**Ms. Peggy Nash (Parkdale—High Park, NDP):** Thank you, Madam Chair.

Good morning, Mr. Minister, and good morning to the other witnesses, guests, we have this morning. It's a pleasure to see you.

It's important for us, obviously, to have the opportunity to find out what your plans are with respect to the changes that seem like they're quite substantial to the procurement process and the way government does business in purchasing goods and services, and, as you rightly point out, managing real estate on behalf of Canadians.

I want to ask you bigger questions about that, but I do want to begin by raising an issue that occurred sometime back in the summer. There were media reports about a contract that was initiated

under the previous government last November, awarded to A.T. Kearney Inc., and when that contract was finally completed, the costs had gone up, according to media reports, almost fourteen times what the contract was worth when it was awarded. It had gone up to \$24 million in nine months. Now, that's a lot of money.

We had the President of the Treasury Board in here a few weeks back, and I was asking him about the \$2 million that was cut for the entire funding for the court challenges program, which is an important program on behalf of people who want to secure their rights within Canada under the Charter of Rights and Freedoms. That \$2 million was completely cut, but \$24 million was awarded to A.T. Kearney in nine months.

I guess more troubling were media reports that a person named Mr. Rotor, who was identified as a special adviser to you, Mr. Marshall, had been with a colleague, Mr. Tipple, in London, studying public-private partnerships and the British experience with these. There were meetings with British officials that were cancelled or postponed, and ultimately Canada's Deputy High Commissioner felt compelled to send letters of apology to those parties who had meetings with these folks that never took place.

At the time, Mr. Minister, you had said that you would get a report on this—the media reported that. I'm wondering if you did a get a report on the specific visit that I was describing and also the overall report with this contractor. Can you share that with our committee?

**Hon. Michael Fortier:** Let's deal with the gentlemen and the visit to London. I had a report from the deputy on what the business trip was about, and I'll let him talk about this in a second.

With respect to A.T. Kearney, there is no report. They were hired, as you pointed out earlier, more than 18 months ago through a fair RFP open process. Big numbers. I totally agree with you. Where I come from, \$19,000 is a lot of money. The original contract was for \$19 million with the ability to go to \$24 million. The media reports talk about the contract being seven or eight or nine or ten times what it was supposed to be. The reality is it was signed by the former minister, and the number that he authorized is the number that was spent.

I will let the deputy address the back end of your question.

**Mr. David Marshall:** Maybe I could just add a bit. The minister has pointed out correctly that the firm of A.T. Kearney, an international procurement expert, was retained under a competitive process in November 2005.

The amount authorized for the contract was \$19 million, and not a lesser amount. Instead of issuing a single contract for \$19 million, we began the process by issuing a small contract for \$1.75 million. Then as the scope became clearer and new tasks were apparent, we authorized the subsequent expenditure.

But technically or legally the first contract is called “the contract”, and every subsequent increase is called “an amendment”. But it's not really an increase in the authorized amount, which was \$19 million with the option to go to \$24 million. That's what we've kept under, and it's been done with proper authorization.

•(1150)

**Ms. Peggy Nash:** I understand that was over four years, and their work was completed in nine months. So I'm wondering what you got in nine months for \$24 million.

**Hon. Michael Fortier:** If I had been at the controls at that time, I wouldn't necessarily have done it this way, and I'll explain why. We're running a large procurement operation, and the fact that the department would hire consultants is not a shock to anybody. A lot of companies do that, as do states in the United States and countries in Europe. I think that's something we all understand.

What perhaps was different from what I would have done was that the previous Liberal government, Minister Brison, and the Treasury Board decided what the projected savings would be before they hired the consultants. So they picked a number from thin air and decided that would be the savings. Then they said, oh, I guess we need consultants.

In my humble opinion, the way to do this would have been to hire consultants. I'm not against consultants. This is a very significant procurement operation we're running, and it's reasonable to have people help us intellectualize some of these issues.

**Ms. Peggy Nash:** Excuse me, Mr. Minister, you say there was no written report that came out of this \$24 million contract. What did come out of it?

**Hon. Michael Fortier:** They were advising the department in three or four specific areas. One was to actually look at these savings and see how they could be generated. They were looking at \$20 billion of procurement through 50 to 60 departments, and they were helping the department literally collect data and strategize on the reform itself.

The reform is not just about saving money. We've talked about it. It's about proceeding with procurement in a smarter and more transparent fashion.

**Ms. Peggy Nash:** When there were reports of the two representatives who spent a week in London and cancelled meetings—I don't know if they actually succeeded in meeting with anyone there—the media reported that you had asked for a report. Did that happen?

**Hon. Michael Fortier:** I spoke with the deputy. The deputy reported to me on what the situation was.

**The Chair:** Mr. Alhabra.

**Mr. Omar Alhabra (Mississauga—Erindale, Lib.):** Thank you, Madam Chair.

Good morning, everybody. Minister, Mr. Marshall, and Mr. Bennett, it's good to see you all back here.

We're discussing a very important topic here, and I want to start by asking you a question, Minister. To whom do you feel you're accountable?

**Hon. Michael Fortier:** I'm accountable to Canadians and obviously to this committee, which is why I'm here this morning.

**Mr. Omar Alhabra:** It's an important question to ask, given the fact that we don't see you in the House of Commons. The Senate is not allowed to ask you questions about Montreal, especially about the fact that you were a minister of Montreal.

You are in charge of the expenditures of one of the largest departments in the Government of Canada. You were talking about accountability, which of course all of us are big supporters of. You are trying to implement some measures, many of which are positive and probably will help Canadians and our government improve its accountability. But some people have this cynicism or skepticism when they don't see the minister take the opportunity to demonstrate his commitment to accountability.

Recently there was an opportunity to run in the Montreal area and you decided to pass on that opportunity. Maybe this is an opportunity for you to ease some of those questions and address them.

•(1155)

**Hon. Michael Fortier:** Well, I don't feel the urge to ease them; they've been eased and they've been addressed several times.

What I would say, Mr. Alhabra, is that I'm here to talk about procurement. As you know, you could have had several briefings from my department on procurement. My understanding is you haven't had one. You haven't sought one.

This morning I'm here to talk about procurement. I would be very pleased to answer questions about procurement, but perhaps you don't know much about procurement, because you haven't come to my department to get the main briefings—which you can get any time, any day, believe me.

**Mr. Omar Alhabra:** Minister, I think the patronizing attitude is not helpful to this discussion.

This is very important. We're talking about procurement. A lot of the suppliers who came here last time asked me this question in private, and on the record it was stated that they've never... Mr. Ingle said that as a supplier for Public Works for the last twenty to thirty years, he has never seen it at the level it is now—much more complex and much less friendly. They're saying—and I'm not saying it was Mr. Ingle who said this to me—that they have a hard time squaring the circle.

This is a minister who has not been elected by Canadians who's talking about accountability, but we'd like to see him walk the walk. I think it's relevant to the procedure and to the direction in which you want to take the government. I'm saying some of it is probably very positive, but in order for it to gain credibility, we need to put this skepticism to rest.

**Hon. Michael Fortier:** Well, if you've had private conversations with folks who believe I should be running sooner rather than later in the general election, and that as a result thereof, procurement will be the better, allow me to doubt that.

I can tell you what some have told me privately, though. Over the past five or six years, as a result of, among other things, the ad scam, they've indeed seen this department being immobilized, with ministers who would do nothing except play rope-a-dope. The previous minister, frankly, was the best example of that, spending all of his time answering questions on Gomery in the House of Commons and doing nothing to move the ball with these people.

When I became minister, I found a set of people in the upper echelon hoping that for at least the next several years ahead they would have somebody who would actually be implementing things, rather than playing defence.

I'm happy to answer...I will run in the next general election; I made that clear. Once I've said that, I'm happy to answer questions about procurement. I understand you probably don't know much about it because you really haven't spent the time, unlike others among your colleagues, who have received briefings. You believed that not to be necessary, so I guess for you, discussing whether I will run in this riding or that is more interesting.

**Mr. Omar Alhabra:** That's exactly the problem. You are treating this process with a very cynical and dismissive attitude and you're not willing to answer these questions.

You still have not answered the question. The issue of accountability is really why you would be much more....

This is part of democracy, so if you think democracy is a hindrance to your doing your job and answering questions and being accountable to one, that's really disappointing.

It's an opportunity, not just to decide what you want to do based on ideological reasons or some preconceived notion, but also to explain and justify to Canadians, to business owners, why you're doing these steps. You still have not answered the question I'm asking. It is that many people are asking how you square that circle. You're not accountable, while you're asking everybody else to be accountable.

**Hon. Michael Fortier:** I have answered the question, and I'm here to answer the questions you have about procurement. I have given....

Since I've been sworn in and been asked to be responsible for the department, very modestly, I would tell you that I've moved the ball much further than your previous colleagues in the past several years. That's accountability. I'm working for taxpayers, working for Canadians, and I think I'm doing a good job, but I understand that for partisan reasons you may not believe so, and I respect that.

**Mr. Omar Alhabra:** Do I still have time?

What's the percentage of small business suppliers to large business suppliers to your department?

**Hon. Michael Fortier:** As I said earlier, the data we currently hold tells us that the SMEs have a market share of about 29%.

•(1200)

**Mr. Omar Alhabra:** At the time when some representatives from small businesses were here, they told us there was a push not to do business with small suppliers because the department has encouraged them to consolidate or create consortia to give them the opportunity to supply business to your department. Is that accurate?

**Hon. Michael Fortier:** No, it's not. Actually, it's just an option. We're giving small and medium-sized enterprises the option to do joint ventures so that they can actually win more business. It's not an obligation. We're not collapsing them into a system in which they have to do joint ventures.

**Mr. Omar Alhabra:** If they were not to do that, would it affect their business?

**Hon. Michael Fortier:** Not at all. This is a platform to allow them to have more, not less.

**Mr. Omar Alhabra:** Are you planning on keeping track of the percentages between small business and large business, to make sure there is a balance that is maintained?

**Hon. Michael Fortier:** As I said earlier, my objective is to take this segment of the supplier world much closer to what they contribute to our GDP, which is in the 43% range.

**Mr. Omar Alhabra:** Do you have a plan to get there?

**Hon. Michael Fortier:** Yes. We've started with these offices that we've opened. This is going to take a little while, but the first step is to open offices. We have people on the ground and we're communicating with and reaching out to the SME world. I have every confidence that we will do this in the next little while.

**Mr. Omar Alhabra:** In five years, what do you expect that percentage to be?

**Hon. Michael Fortier:** Right now, it's 29%, which is where you had left it when I showed up. We're going to do our best to take it to 43%. I know our people are going to work very hard, but I can't give you a timeline.

**Mr. Omar Alhabra:** But you'd agree that setting targets always helps an organization accomplish things, right?

**Hon. Michael Fortier:** I believe that setting targets helps people to focus. That's right.

**Mr. Omar Alhabra:** Would you agree that, based on targets, it's reasonable to put in a plan for what you expect these percentages to become in the next few years?

**Hon. Michael Fortier:** I don't think you can. This is not an exact science. We should have that objective and we should be striving toward that objective, but to set that objective over the next two, three, four, or five years would not be something I would support.

**The Chair:** Thank you very much, Mr. Alhabra.

Monsieur Poilievre.

[*Translation*]

**Mr. Pierre Poilievre (Nepean—Carleton, CPC):** I'd like to begin with a question for the Deputy Minister, Mr. Marshall.

[*English*]

We've heard a lot of noise around "The Way Forward" initiative, of which the procurement reforms are a part. When were "The Way Forward" and these procurement reforms that we are discussing today first initiated?

**Mr. David Marshall:** Madame Chair, "The Way Forward" is just a general description that is applied to two major initiatives that are going—

**Mr. Pierre Poilievre:** I don't need a definition; I just wondered when it was initiated.

**Mr. David Marshall:** I would say it was initiated quite earlier, but things were crystallized and presented in Budget 2005.

[*Translation*]

**Mr. Pierre Poilievre:** That was in the 2005 budget. So it was under the former Liberal government?

[*English*]

**Mr. David Marshall:** That is correct.

[*Translation*]

**Mr. Pierre Poilievre:** The reason why I ask this question is because we've heard a lot of fine words, especially from the Liberals, who are trying to convince people that they are against these changes.

Mr. Proulx, for example, talks like the great defender of small and medium-sized businesses. He is now opposed to these changes, but they were initially proposed by his party and his government. I would like it to be clear: these changes were implemented by the former Liberal government. The discussion must be an honest one. If we want to talk, all the facts must be on the table.

I never heard a single Liberal MP express opposition to these changes when the Liberal government was setting them up. That is an important fact that must be acknowledged.

[*English*]

I would also like to speak on the question of reverse auctions. Was the idea of reverse auctions considered in the original "The Way Forward" changes to procurement?

•(1205)

**Mr. David Marshall:** No, this is a technique that, at that level, was not planned originally, but access to introduce the latest and the best techniques that industry was using was part of the plan. As we became aware of it, we considered it.

**Mr. Pierre Poilievre:** It was just something that came under consideration progressively over time.

**Mr. David Marshall:** Correct.

**Mr. Pierre Poilievre:** But, Minister, you have made the decision that reverse auctions will not be part of procurement changes.

**Hon. Michael Fortier:** That's right.

**Mr. Pierre Poilievre:** I just want to be clear about that, because I have heard a number of complaints from my constituents about the prospect of reverse auctions.

A lot of my constituents are small and medium-sized suppliers of goods and services to the government, and there seemed to be a bias, particularly under the previous government, against those small and medium-sized enterprises. I had this debate with the former Treasury Board president, Mr. Alcock, and the former Public Works minister as well, who both presented a bias toward large enterprises.

I'm glad to hear that you've shifted, that there is a new mentality in your office. What I've heard from you today is that you believe the future is with small and medium-sized enterprises, and that you have actually put together a target for increasing market share of

government procurement for small and medium-sized enterprises. Is there any data that you can help provide to all of us on the competitiveness of small and medium-sized enterprises, compared to the larger enterprises that were favoured by the previous government?

**Hon. Michael Fortier:** Thank you for that question, Mr. Poilievre.

In terms of the data, we can provide that to you later. Just to make things clear, we believe—I believe—that it's important to give them a larger market share because we will all benefit. We, as a client, and we, as Canadians, will be creating more wealth in our communities.

Just taking up on what Monsieur Proulx was saying, in French they're called PME's and in English they're SME's, and then they're out of SME's and they become large enterprises. That's exactly what we're doing with the military procurement. We're insisting that these moneys be invested in Canada in aerospace and defence, because we want to create champions that can bid on international G-8 or NATO contracts in those particular industries. We want to create wealthier, larger, more profitable companies in Canada that will not only supply us with more creative and better goods at better prices, but will be able to supply other clients around the world with the same goods and services.

[*Translation*]

**Mr. Pierre Poilievre:** But the situation in which you find yourself is very difficult. As you have just said, you inherited a situation in which small and medium-sized businesses only made up 29% of suppliers. That is a situation you inherited from the previous government. I wish you good luck in your work. It is very important for the small and medium-sized businesses in my riding.

[*English*]

My constituents are hoping you succeed with the transformation that you are proposing, in order to give them a greater chance, a fairer chance, at procurement business. I think it will be good for taxpayers and it will be good for job creation. I'm very pleased to see the departure that you have taken from the approach of the previous government, which favoured the very large multinational corporations. I just want to congratulate you on behalf of my constituents for that.

**Hon. Michael Fortier:** Thank you.

**The Chair:** I'm going to tag on a little bit here, because I'm hearing such wonderful and wild things. Having been in your job, I know how difficult it is, but everyone talks about small and medium-sized enterprises. Can you tell us what your definition is of small and medium-sized enterprises?

**Hon. Michael Fortier:** It's not my definition; it's the definition of industry, and it's the definition that is used across the board in government. An SME is a company with less than 500 employees.

**The Chair:** Does that include companies with ten employees?

•(1210)

**Hon. Michael Fortier:** Sure.

**The Chair:** Is there a tendency to go more with the higher numbers?

**Hon. Michael Fortier:** No, it includes companies with less than 500 employees.

**The Chair:** I hear that you've opened some regional offices, but your regional offices are, of course, all in capitals. I define regions as not only capitals, so will you give them an order to go away from the capitals and go into other regions?

I represent an area in northern Ontario that is not close to the capital, but it does have small and medium enterprises. I'm sure there are a lot of other regions outside of Montreal in Quebec. And we can go across the country. If I may suggest it, I think you should try to reach out further than just Toronto and some of these regions, because if the people in Toronto don't know how to do business with government, there's something very wrong somewhere.

**Hon. Michael Fortier:** Thank you for the question.

If I left that impression with you, I misspoke. These offices are based in those cities for two reasons. One is that there are rather large clusters of SMEs around those cities. In terms of saving money as well, we already had offices in some of these cities and we could move people.

But as I said earlier, Madame Chair, I made it clear to my people and to the people running the Office of SMEs that they're supposed to be on an outreach program. I want them to go out there and meet as many boards of trade as they can, reach out to SMEs to tell them we're open for business, and explain to them how they can access the MERX system, which is our electronic tendering system.

And by the way, we have eliminated the fee for MERX. Under the previous government, there used to be a fee to access MERX, but there isn't one any more. For people accessing MERX, it doesn't cost them a penny. They can do it from their home, their business, or their basement.

So that message has been transmitted to the people running the office.

**The Chair:** Thank you.

[*Translation*]

Mr. Proulx.

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

Mr. Minister, I have a few small comments to make. Earlier, when you spoke of the savings that could be achieved by changing procurement processes, you said that the previous government had pulled numbers from thin air. If you are referring to Treasury Board and the Department of Public Works and Government Services of Canada, I do not believe they were inventing numbers. There must certainly have been recommendations, studies by economists, experts in the field, to lead them to conclude that such savings could be achieved and the ways to do it could be found. In any case, I greatly appreciate your statements of good intentions, of good will, and I hope they reach the lower ranks of your department, so as to be applied in the day-to-day work.

Mr. Minister, could you tell us how much money has been spent by your Department up to now, since January 2006, on public opinion surveys? That's part of your department's mandate.

**Hon. Michael Fortier:** Since February, since we're in power?

**Mr. Marcel Proulx:** Let's say since—

**Hon. Michael Fortier:** If you will allow me, I will ask Mr. Bennett to answer this question. I don't have this information at my fingertips.

Mr. Marcel Proulx: O.K.

[*English*]

**Mr. David Marshall:** Madam Chair, I'm afraid I don't have that number exactly at my fingertips, but we will be able to get it for you.

**Mr. Marcel Proulx:** Would you be kind enough to submit it through the clerk?

**Mr. David Marshall:** Yes.

**Mr. Marcel Proulx:** At the same time, Mr. Marshall, what is your department's attitude or understanding with regard to syndicated polls, or is there a policy?

**Mr. David Marshall:** In terms of syndicated polls, we would encourage participation in order to reduce costs for a government department that needed the information. And we certainly watch to ensure that these are not partisan political involvements. I think that's pretty much a policy that we have.

[*Translation*]

**Mr. Marcel Proulx:** Mr. Minister, the question period is about the procurement of services. We're going to widen the subject a bit to include office space, buildings, etc. in services.

A few months ago, your government entered into a review of the policy on the sharing of procurement contracts, in the National Capital Region, between the Ontario side of the river and the Quebec side. Before you leave, I will give you a copy of the motion I had tabled in November 2005, motion M-316 that I am certain you know well, to the effect that the calculations are based on the wrong numbers. I don't mean that the numbers are false, but that all the numbers about Government of Canada-related jobs were not included in the calculations.

I give you the example of the Canada Mortgage and Housing Corporation, of Canada Post, of the various museums that are not included in the calculations of the Department of Public Works and Government Services because the latter is not in charge of finding them premises. Moreover, Treasury Board does not consider these bodies as coming under its rule, so that employees of these Crown corporations or agencies do not report to Treasury Board as their employer.

Could you please tell us where you are regarding the sharing of contracts between suppliers on both sides of the river, a division that will be set, one hopes, at 75%-25%? You made a decision that had an enormous impact on the balance wanted when you proceeded to lease, or rather purchase, the JDS Uniphase building for all sorts of reasons that seemed good to you. So, where are we?

• (1215)

**Hon. Michael Fortier:** Let's begin at the end. With regard to this property, we did a call for bids.

**Mr. Marcel Proulx:** Excuse me, Mr. Minister, but the Auditor General did not find that the way you proceeded constituted a public call for bids.

**Hon. Michael Fortier:** If you will allow me, I will answer your question.

The procedure is called a contract award notice. It is a very useful tool, because it allows all the competitors to know exactly what the customer—in this case, the Government of Canada—wants and the data that needs to be taken into account when purchasing and leasing property. You are aware of it, since you noted it, but I would like to stress that I doubled the period during which the contract award notice was in effect.

I'd like to get back to your question about the balance of land ownership. Mr. Proulx, you were part of the party in power, and what I inherited as Minister of Public Works and Government Services—our friends from the Bloc Québécois often refer to fiscal imbalance, and we speak of it too—is a great real estate imbalance. You had 13 years to resolve it. I therefore inherited a distribution of 77%-23%, and now you ask me to consider the geographic location of Crown corporation buildings. The fact that we don't take the real estate property of the Canada Post Corporation and other Crown corporations into account, is not a whim. This is the way it is because during your government's administration, you decided that in terms of governing, these corporations would be dealt with at arm's length.

We have to exclude these corporations from our calculations because we can't say on one hand that the Canada Post Corporation is autonomous, and on the other hand tell it to set up its offices on the corner of First Avenue and Twelfth Street in L'Ancienne-Lorette. That makes no sense. These corporations operate at arm's length or they don't.

However, because I know what you're getting at, I firmly believe that there will be improvements in the balance in favour of the Quebec side of the Ottawa River, if only for economic reasons. We will probably need to expand our real estate portfolio. All things being equal, the possibility of our going to the Gatineau area is very good, given the financial terms offered. I would like to remind you that I inherited a situation that could have been much better, and I am sure you will agree with me on that.

• (1220)

**The Chair:** Mr. Fortier, it would be best not to talk about heritage, because we inherited a very difficult situation in 1993 too. It's one reason why things are not as perfect as they should be. When you take over from a government with a \$42 billion deficit, it's not something that is easy to deal with.

**Hon. Michael Fortier:** If you will allow me—

**The Chair:** I simply wanted to point out that one must be fair.

**Hon. Michael Fortier:** I just wish that Mr. Proulx had tabled his motion two years ago.

**The Chair:** It's no use blaming each other, we need to be constructive.

[English]

**Mr. Pierre Poilievre:** I have a point of order.

The chair has a right to offer—

**The Chair:** What is your point of order?

**Mr. Pierre Poilievre:** I'm about to tell you. The role of the chair is to preside over the meeting, not to pounce in and offer opinions at any given time, for any given reason. If you wish to offer opinions, it's fair. But just put yourself on the list like the rest of us, because we all have to wait our turn, and we would hope that you would as well. Being chair does not absent you from that.

**The Chair:** Mr. Poilievre, I am the chair and I have the right to speak when I decide to speak.

**Mr. Pierre Poilievre:** And that's my point of order.

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

Monsieur Nadeau.

[Translation]

**Mr. Richard Nadeau (Gatineau, BQ):** Thank you, Madam Chair.

Mr. Fortier, Mr. Marshall, Mr. Bennett, good day.

Today's meeting is about a specific point: the Department of Public Works and Government Services' new procurement strategy. There are people in the room whose livelihoods are at stake. I would like to debate this question and make sure we can continue in this vein.

Mr. Fortier, last summer, people who work for businesses that provide services to the government—I am thinking, in particular, about temporary personnel services—had a shock when they learned in June that there would possibly be changes in the way that businesses deal with the government. It was such a shock that they told us that they felt the government was treating them like adversaries. This is obvious upon reading the minutes of the October 19 meeting. The relationship of trust was disrupted.

My intention, and that of the industry, is to find solutions with the government, so that everything is done properly. We have seen your objectives, and they are very laudable. There were references to reducing the time spent on procurement processing by up to 50%, reducing the in-house costs of procurement by 10%, etc. However, when the industry asked for details—and I'm thinking here of A.T. Kearney—, it was told that there was a report and it could not be made public for certain reasons.

If I understood you correctly, you said there was no report. The fact remains that people—responsible people—made an access to information request. It would have been helpful to tell them what was what at that point.

I want to know why your department did not approach the industry directly. End-of-August deadlines were announced in June, which is very difficult, especially in summer. That's a deadline that even the government considers too short.

I'd like you to explain to us how you tried to find alleged solutions that involved losing jobs. It was calculated that about 5,000 people were involved. Was your goal really to reduce the number of temporary help agencies from 144 to 7? That's catastrophic. How did you come to put forward and put into practice this type of thinking?

**Hon. Michael Fortier:** If you will allow me to make the following suggestion. We can spend time—and I would be pleased to do so—talking about the situation that prevailed before we began the consultations through the Conference Board. Is that the period you are referring to? I think that since we asked the Conference Board—

• (1225)

**Mr. Richard Nadeau:** You mean since early October?

**Hon. Michael Fortier:** In fact, we had announced them before that, but the consultations began at that point. I am prepared to go back into the past, it doesn't bother me, but I would respectfully submit that it is more important to look at the results we will get rather than the disasters that could have happened. You mention them, but they were never on my drawing board.

**Mr. Richard Nadeau:** You understand, Mr. Minister, that I didn't invent what I'm talking about. The industry reported this, as you can see in the documents submitted—

**Hon. Michael Fortier:** These people also said they were pleased with the consultations, that they felt an openness and that they were being better listened to. I have that in the notes before me.

**Mr. Richard Nadeau:** Are you telling me that temporary help agencies don't have to worry about the survival of their industry under the process you are setting up?

**Hon. Michael Fortier:** I am saying that before any decisions are taken that will impact this sector, and not just this sector—

**Mr. Richard Nadeau:** I am thinking of this sector.

**Hon. Michael Fortier:** It applies to everyone. If you want to target that sector because there are people here who represent that sector, we will, of course, take their lobbying into account before finalizing the call for bids. Mr. Nadeau, it's not a question of not taking them into account, but neither is it a question of not applying the new rules to this sector. These people will benefit from the advantages of this major reform, and the parameters that will be involved will apply to them like everyone else.

**Mr. Richard Nadeau:** Very well. Let us go on. Is it true that your department, or people from your department, intended to tell people that if they didn't fit into the new ways of doing things, they should just merge or work with other businesses for bids, despite all the problems involved in such operations?

**Hon. Michael Fortier:** Thousands of employees from my department deal with hundreds of suppliers every day. If one employee suggested, in writing, orally, or by other means that a supplier to merge with another firm, as you propose—

**Mr. Richard Nadeau:** I am not proposing anything. This was suggested to industry representatives. It was presented to them as a way of dealing with their problems.

**Hon. Michael Fortier:** The suggestion did not come from me.

**Mr. Richard Nadeau:** Thank you.

**The Chair:** Mr. Nadeau, your time is up.

Mr. Albrecht, it's your turn.

[*English*]

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

Thank you to the witnesses for being here.

Just so we don't run out of time on this question that was raised by one of my colleagues, Minister Fortier, could you just answer the question about why you decided to cancel the reverse option process? I was given to understand by Mr. Marshall that possibly this is a normal industry practice, and I'd be interested to hear your response on that.

**Hon. Michael Fortier:** Whether it's a normal practice or not, I'll let others judge. I think if you have as your only objective to take the last penny off the table, with absolutely no care, no compassion, and no consideration for the quality of the product, where the people are based, whether it's green or not green, then that's what you're going to do, and that's not the way I believe we should be running this. I think counting our nickels is not a bad idea, but I think we need to be smart in the way we do it.

So when I was told that the department...and I'm not knocking the department. I think Mr. Marshall and his people presented a menu, and this menu was discussed with suppliers. I think this indicates that there was a level of discussion and some dialogue taking place. But once it was discussed with me, I didn't see the need, in the context of this transformation, to keep reverse options. We can accomplish our objectives of saving money for taxpayers whilst not using reverse options.

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

I had a number of questions regarding the regional offices, in terms of where they're located. Those have been addressed.

Have you been able to track any changes at this point, in terms of the number of SMEs that are currently accessing the procurement stream? Is there an increase, or is it too early in the process?

• (1230)

**Hon. Michael Fortier:** It's too early. It would be anecdotal. I could tell you that we're noticing that there are more folks in this particular space who we've never seen before, but to take credit because two months or three months ago we put somebody in Edmonton...I could take credit for it, but I'd rather be respectful of you and your colleagues and say I think it's too early to say.

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

One other item you mentioned was that you've reduced the paperwork load, in terms of the process of being involved in trying to make it less burdensome for SMEs. I'm just wondering, you said you've reduced it from 380 to roughly 50 to 75 pages. How does that compare with other large corporations that do procurement? Are we still heavier? Are we about equal? Are we smaller?

**Hon. Michael Fortier:** Just to be specific about what I said earlier, that was with respect to the RFP we put out this summer seeking assistance on our real estate portfolio. I was very concerned, given how my predecessor basically couldn't even get anybody to qualify. I do not suggest you should do this, but I actually read the thing that went out in the summer of 2005, and, frankly, I don't know who could have qualified. It was just basically a half-baked RFP. It was just a bad document.

We're not there to not get people to respond to our RFPs. Actually, if we put stuff out there, it's because we want people to actually help us and supply services. For that particular one we managed to cut the paper supply quite significantly. The folks who bid for this, my understanding is, when they were speaking with the department, actually commented on this, and said, my gosh, it was really a pleasure to be able to read fewer pages. But the problem is not yet tackled to a degree where I'm happy.

**Mr. Harold Albrecht:** So there's still work going on in other areas as well?

**Hon. Michael Fortier:** Yes. In terms of expectations, it's a mix of legal.... Perhaps some clauses in there stem from the fact that there have been judgments and what have you, but there are also some clauses in there that we could do without. It's a question of getting our legal team in Justice happy with the type and form of contract.

As somebody said earlier, and I totally agree—I can't remember which side of the table it was—larger companies have the luxury of having people who spend 100% of their time figuring out how to do business with us. They have whole departments. Many of them are here in Ottawa. These are not just lobbyists. These are expert lawyers, expert people in the trade, and they know every single clause, every single contract; they know exactly what to do, which website to go to. The smaller guys don't. So we need to provide a shortcut to the smaller guys, and that shortcut is to collapse the size of our contracts.

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

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

We'll go to Mr. Alhabra, five minutes.

**Mr. Omar Alhabra:** Thank you, Madam Chair.

If you could time me, I want to give the last minute to Mr. Proulx.

Minister, I want to build on what Mr. Nadeau had discussed earlier. We had a representative of small business suppliers come to speak to us; they wrote to us before. They tried to be positive and they had a positive attitude about what could happen next, but I felt, and I think the majority here felt, the gist of their presentation was that they have serious concerns about the direction and the approach of the department.

It would be a shame if we didn't give you the opportunity to respond directly to those concerns, concerns of a lack of consultation, concerns of a shocking pressure to consolidate, concerns of unwillingness to have a discussion with stakeholders. I think those were real. They wrote to us. They came to talk to us about them. I know you said they were happy about some of the issues, but that wasn't everything they said. They have real concerns. So would you please respond to those concerns?

**Hon. Michael Fortier:** I totally understand how some of these businesses, not just in this space...but you will notice that a lot of noise with respect to the transformation came from this particular space. These are very small businesses, many of which are based here in the National Capital Region. I put myself in their shoes, and I totally understand that if you've been doing business with the same client for several years, if not decades, and the processes you have followed have worked fine.... For many of them this very important client—it could be your only client—proposes to transform the way

it does business, and I totally understand that for some of them this can be very much a concern.

I can't comment on what people said to what people. Mr. Nadeau mentioned earlier the question of mergers. It didn't come from my office. I wouldn't encourage people to merge to do business with us. I've made that clear.

On the lack of consultation, as I said earlier, we have thousands of people who deal with suppliers on a daily basis, and initially these were who the deputy was getting his feedback from. We interact with those folks on a daily basis. The time came for us to take a step back, because we can't be the client and the rule maker and everything and have the right objectivity. Initially, we probably did, but having the Conference Board running this consultation process was a good idea. I believe many of them were reassured by the fact that we did launch this process.

• (1235)

**The Chair:** Thank you.

Monsieur Proulx, you have two minutes.

**Mr. Marcel Proulx:** *Merci, madame la présidente.*

Mr. Marshall, I'd like to address this question to you, sir. You mentioned, and I think you're right...with regard to the contract for A.T. Kearney, you mentioned \$19 million. I think the call was for... was it \$15 million? It was \$19 million, except that \$19 million was for four years. How could you let a company bill the government in one year, or less than one year, \$24 million? What was done? What happened?

**Mr. David Marshall:** Madam Chair, when the contract was put in place, it was given the scope to take the whole period of what we thought the transformation would require—five years and maybe even a bit longer—so that it didn't restrict us from accessing that resource. At the same time, the contract specifically provided that if we had needed to re-profile it and accelerate work, that was envisaged and authorized to take place. If we look at the general view about what the transformation would cost over five years in the budget of 2005, a provision of about \$90 million was made for that period. It was provisionally allocated to take place at about \$20 million or \$25 million a year over four years.

As we got into it and understood the magnitude of what needed to be done in the early years in order to be able to reap the benefits of transformation—the government, as the minister has pointed out, is a very complex and large organization—we prepared business cases and received Treasury Board approval to spend \$76 million of the \$90 million in the first two years. That's a signal that showed it was necessary to build up the transformation in the first two years in order to be able to reap the benefits later.

Of course, A.T. Kearney advised us during that period in making a number of changes. To describe a bit about what they did, they had over 60 people, consultants, on our premises through long hours over a six-month period. They brought in experts, including from their European and U.S. operations, without charging us for travel, in order to advise us. What they contributed to us was the very complex analysis of what the government is spending—because the systems are not there to tell us that—in order to be able to analyze how to improve procurement. For \$20 billion of spending, 12 million transactions, 51 departments, they built the analysis. They gave us guidelines and helped us consult with specific departments to see what the pattern was in those departments. Then they helped us shape our strategies for 11 major categories of goods and services that covered almost \$4 billion of government spending. There was an enormous amount of value obtained.

I should also point out that this kind of transformation work is very hard to undertake with our regular staff, who have, at the same time, every day, to process thousands of transactions.

• (1240)

**The Chair:** Thank you, sir.

Mr. Warkentin.

**Mr. Chris Warkentin (Peace River, CPC):** Mr. Poilievre has a couple of questions that he'll take first.

[Translation]

**Mr. Pierre Poilievre:** Mr. Minister, it must be very frustrating to see people now criticizing and attacking the very things they did themselves. We have seen three examples of this today: the changes in procurement policy were undertaken by the former Liberal government; the agreement with Minto for the leasing and purchase of the JDS Uniphase building in Nepean was accepted in writing by the former Liberal government—we have the written proof, and can show it to any reporter—and the contract with A.T. Kearney was signed by the former Liberal government. Some MPs didn't say a word when the decisions were made, and now they're trying to play politics by attacking us and changing their minds.

Do you find it a bit bizarre that MPS who supported these three decisions change their minds six months later?

**Hon. Michael Fortier:** Thank you for your question, Mr. Poilievre.

As you know, I am a senator, so my partisan side is less well developed than it is in other people. I try to remain above the melee. I made a few comments to Mr. Proulx a short time earlier, but I didn't want to point a finger at him any more than at others. Since I have known him, he has always been interested in the balance in real estate between the two sides of the river. I may be wrong, and I know he'll correct me if I am, but I think this is a newfound interest, that manifests itself much more often since we are in power.

**Mr. Marcel Proulx:** Excuse me, Mr. Minister, but you are wrong.

**Hon. Michael Fortier:** I reassured him earlier that I knew that in the end, what he wants is for things to improve regarding the Government's real estate presence on the Quebec side of the Ottawa River.

As for the A.T. Kearney contract, I saw Mr. Proulx throwing his hands in the air when my deputy minister told him we had obtained the services of A.T. Kearney employees who came from overseas without submitting the invoices. It should be remembered that his colleague Mr. Brison signed this \$24 million contract without really thinking, as I said, of giving instructions to the consultants. The consultants should have come before the objectives were set. That is how it should have been done. In this regard, I have to deal with what was left to me, Mr. Poilievre, but as you know, I do my best and I try to remain above the mêlée.

**Mr. Pierre Poilievre:** I understand. I gave three examples of decisions concerning which Mr. Proulx did not say anything when he was part of the Liberal government and about which he changed his mind. I'd like to talk about another example.

Has he ever suggested another location for the RCMP? Has he ever suggested a place where they could move, or did he just complain about the decision to move them to Nepean, a decision made by his own government? Did he ever suggest another location to your office?

**Hon. Michael Fortier:** I know that Mr. Proulx and others expressed their concerns when this move was considered. You said it, this move was considered long before we came to power. However, I couldn't tell you if Mr. Proulx made suggestions or not: I don't know, I have no idea.

[English]

**An hon. member:** Do I have any time left?

• (1245)

**The Chair:** You have no time left, but I'm going to say....

[Translation]

I've been Minister of Public Works and Government Services. I can tell you that Mr. Proulx's interest is not new. I can tell you that he has been talking about it for a long time and so have the others, it's nothing new. You should be careful Mr. Poilievre. You tend to be quite—

**Hon. Michael Fortier:** If you will allow me, Madam Chair, Mr. Proulx and other colleagues from his party tabled several motions between 1993 and 2006 that are similar to motion M-316.

**The Chair:** I am not in the House, but I can tell you that a lot of interest has been expressed in the issue of the 75%-25% distribution. There may be others, I don't know, I don't know who. However, I can tell you that when I was minister, there was lively interest in that issue. It's not new.

We will go on to Ms. Thibault. We must be fair.

**Ms. Louise Thibault:** Thank you very much.

I would like to make a comment addressed to the committee members. At the start of this legislature, when we met for the first time, Mr. Kramp and I said that the worse thing that can happen to a committee is that the members behave in a too partisan manner. That is a personal comment. We hear witnesses and it must be rather distressing to see that we spend 20 to 25 minutes simply exchanging partisan remarks with them during a two-hour meeting. Obviously, Mr. Poilievre is not a permanent member of this committee.

I wanted to ask you, Mr. Minister, if you are aware of the article that appeared in the *Globe and Mail*. This isn't too much of a digression, because in your opening remarks you spoke of the fact that your department has undertaken major reforms. You also spoke of the Shared Travel Services Initiative. I would like you to tell us something about that.

Furthermore, the budget of public servants—members of the armed forces or other public servants—who travel to a new home is also considerable. I was wondering if this was a good opportunity for you to give a few explanations about the article in the *Globe and Mail*. Are you thinking of doing another call for bids? It is my understanding that the report will be released at the end of the month, but since there have been leaks, will you agree to go to the second, third—?

My third question is the following: how will you make sure this type of thing does not happen again?

**Hon. Michael Fortier:** I want to make sure I understood your question properly. You began by talking about travel—

**Ms. Louise Thibault:** In the beginning, you talked about—

**Hon. Michael Fortier:** I thought you were referring to the policy on the reimbursement of travel expenses and the policy on employee travel. Then you referred to—

**Ms. Louise Thibault:** I began by asking you if you could say a few words about the Shared Travel Services Initiative you referred to in pages eight to ten of your speech, and then about the article in the *Globe and Mail*.

**Hon. Michael Fortier:** Thank you.

With regard to the platform for employee travel, I believe it is important that we have an electronic tool available to the largest possible number of government employees. Obviously, the majority of them do not travel. However, it would be useful if these who are called upon to travel have a tool that would enable them to make airline ticket reservations, if they travel by plane, reservations for an automobile, if they are driving, or reserve a hotel room, using an easily accessible system. The system should also enable them to be reimbursed quickly and efficiently, without having to fill out all sorts of forms that must be submitted to the supervisor. In my opinion, the time it takes for people to be reimbursed, in some cases, is not reasonable. It is the paperwork involved, especially, that bothers me.

As for the travel expenses, I believe I spoke of it earlier to this committee. If not, I will talk about it now. It seems to me that we should insist that employees use the government American Express credit card. We negotiated an agreement with this company further to a call for bids. I find it regrettable that employees reserve vehicles and take out insurance using their own credit cards, when the insurance is already included in the agreement we have with American Express. We're not talking about billions of dollars!

I'd like to get back to the point Ms. Nash raised a bit earlier. Nineteen thousand dollars, that's a lot of money. One hundred ninety dollars, that's a lot of money. Employees are not using government credit cards for all sorts of reasons, and it's unacceptable. We will have to find a way of ensuring that these men and women do it because, in the end, they are travelling at taxpayers' expense.

With regard to the leak in the *Globe and Mail*, you will understand that I have no intention of commenting on a leak from a report that will be made public at the end of the month. It will be my pleasure to come back and talk to you about it, once the report—

• (1250)

**Ms. Louise Thibault:** Can we put your name down on the agenda right now?

**Hon. Michael Fortier:** You can. I simply wanted to add that it won't be necessary to send out a press release insinuating that I didn't want to come, like Ms. Nash did. Be aware—and I say this openly—that I will always be available to come to see you. It is not necessary to issue a press release and cause a commotion. As far as I know, I have always accepted your invitations and I will continue to accept them as long as I am Minister of Public Works and Government Services.

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

I turn the floor over to Ms. Nash for five minutes.

[English]

**Ms. Peggy Nash:** Thank you, Madam Chair.

Mr. Fortier, it is difficult to be able to ask you questions because—and I'm saying this frankly—you're not in the House, so we do appreciate that you are here today.

I would like to say that because of the changes.... And I didn't just put out a press release; I got the support of this committee to get a motion passed. We would like to see you again, because I'm sure I'm not alone in having a number of larger questions about procurement and the direction of your ministry, which, as they evolve, we would like to be able to discuss with you.

And I do want to ask a question, but I want to finish with my line of questioning in my earlier few minutes, just to say that I find it really troubling that at a time when moneys are being cut from programs that are important to women, to people who are studying literacy programs, to the court challenges program, to arts programs, museums, etc., there is a contract for which, according to reports I have seen—and I haven't seen the original contract—the final implementation was almost fourteen times what it was when it was awarded. To see then the mismanagement of that contract because people were off supposedly attending meetings but didn't attend meetings—and we don't have a report of that investigation of their trip. We don't have a report of the actual contract for the \$24 million. I find this troubling, given that this contract was designed to save the procurement process money.

You have answered questions here on this, and I would like to use the remainder of my time to ask you about the broader procurement strategy of your government, because I believe procurement is obviously important for Canadian business, large and small. It can stimulate business. There were concerns expressed here by others that perhaps there was going to be a greater consolidation of the contracts so that the large enterprises would disproportionately benefit, and perhaps some of those contracts then might increasingly go to companies south of the border or offshore. There were concerns about job loss. And obviously these contracts can stimulate the economy. They can also stimulate investment in green technology. You had briefly mentioned that before.

Maybe you can just tell us about how the changes, the reforms, you want to make to procurement policy will actually work with a broader strategy, what it will mean for jobs in Canada, and what it will mean for environmental progress.

• (1255)

**Hon. Michael Fortier:** If I may just address very quickly the onset...I would suggest that you go back to your press release because it did give the impression that I was not available. When we first met, I told you, you could call me anytime. We had a coffee. You never phoned me. I will always be available to meet with you, and I am making this statement today—

**Ms. Peggy Nash:** We could not get you to this committee until the end of the month, and frankly, we felt that the nature of the changes was such that we should have you here.

**Hon. Michael Fortier:** But your press release gave the impression that that I was ducking this committee. Although some people have issues with how I was appointed and perhaps how I am running this department, I will never duck this committee. I have too much respect for all of you, and I will always be available.

**Ms. Peggy Nash:** We appreciate that you're here.

**Hon. Michael Fortier:** And I would like you to draft your press releases accordingly in the future, if that's possible.

That being said, I will say that with respect to the procurement transformation, what we are trying to achieve, which we've discussed already for the past two hours, is basically to recalibrate the way we interact with the suppliers to make it simpler for them to do business with us, and that obviously includes the smaller guys. I've explained how we're going to get there, but also at the same time compressing the number of standing offers we were managing concurrently. It's impossible to reap dividends when you're managing so many standing offers at the same time. You're buying 77 types of printers, 85 types of computers, and stuff is not compatible when you move it from building A to building B, so you need to collapse a lot of them and do it in a much smarter and streamlined fashion, which is what we're trying to do.

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

**Ms. Peggy Nash:** Five minutes goes very quickly.

**The Chair:** Thank you, Mr. Minister, for appearing with your officials before us.

To everyone, I wish you a good week. I want to remind everyone that our next meeting is November 21. We are going to invite the Clerk of the Privy Council, if he can make himself available. We will be dealing with the supplementary estimates at that time.

Thank you very much. The meeting is over.

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