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

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**EVIDENCE**

**Thursday, February 1, 2018**

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**Chair**

**Mr. Tom Lukiwski**



## Standing Committee on Government Operations and Estimates

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• (1100)

[English]

**The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)):** I call the meeting to order.

The committee in front of us took a little bit more time than we had anticipated, so if we can get going, I would appreciate it. We are continuing, of course, with our examination of small and medium enterprises with respect to federal procurement.

With us today we have a couple of organizations. We have, representing the Information Technology Association of Canada, Mr. Nevin French and Mr. André Leduc. From Strategic Relationships Solutions Inc., we have Andy Akrouche.

Thank you all, gentlemen, for being here.

Without further ado—I think you all know how the committee operates—we'll have opening statements from at least two of you, followed by a series of questions from all of our committee members.

Mr. Leduc, you're first up, for 10 minutes or less, please.

**Mr. André Leduc (Vice-President, Government Relations and Policy, Information Technology Association of Canada):** Thank you, Mr. Chair.

Honourable members of the committee, it's a privilege to be here today to discuss the engagement of small and medium enterprises within federal procurement on behalf of the Information Technology Association of Canada, also known as ITAC.

ITAC is the national voice of Canada's ICT industry, an industry that includes over 37,000 companies, most of which are SMEs. This sector generates over 1.5 million jobs and contributes more than \$76 billion to the economy.

[Translation]

Beyond the economic contributions, the ICT industry creates and provides the goods and services that contribute to a more productive, competitive and innovative economy and society.

Over two-thirds of ITAC members are SMEs. It is in this spirit that we welcome the opportunity to support your review.

• (1105)

[English]

In recent years ITAC has been partnering with the Government of Canada in various fora to work on modernizing their IT procurement processes and contracting terms and conditions to enable the government to successfully leverage information technologies to execute on their digital transformation agenda, which is ultimately to improve the delivery of public services to citizens in a more cost-effective manner.

ITAC has engaged in this manner in the hopes of mitigating the risk of unsuccessful IT projects and wasted taxpayer money and to remove barriers for SMEs and diversity-led businesses in Canada's ICT sector to do more business with the government.

ITAC supports the socio-economic goals of the government with respect to SMEs; indigenous, minority, and women-led organizations; and the leveraging of procurement across a geographically diverse group of companies. There is a need to help grow and scale up our SMEs, and federal procurement is a vehicle that can be leveraged to support this growth.

As the government seeks to improve procurement frameworks, it must also realize its role as the largest customer of ICT in Canada. In doing so, the government can build a platform that fuels digitization and innovation, supports single-window mandates, and successfully delivers simple and secure citizen- and business-centric services.

There is no one-size-fits-all procurement methodology. Many different models exist, but at the end of the day, the common goal needs to refocus on open, fair, and transparent procurements that result in the best product at an acceptable cost. What is sometimes lost in the discussion is how being highly prescriptive about what the government seeks while attempting to drive down costs can have a longer-term negative downstream impact on the supply chain, which lessens the potential for positive socio-economic impacts and stifles access to innovation.

Better tracking data is needed to understand where government procurement currently sits. What is the current proportion of procurements awarded to SMEs and to indigenous, minority, and women-led organizations? What is the value of those contracts, and are these detailed by sector and subsector? Were the procurements the SMEs engaged in simple or commodity-based, or were they complex procurements? It would be nearly impossible to set new requirements, policies, or quotas without first understanding where things are at.

ITAC has also been calling on the government to better engage the ICT community earlier in the procurement process, at the outset of procurement discussions, not further down the line when the decisions on what to procure and what IT to procure have already been taken. We would do this so the industry might provide and share industry knowledge and expertise, which is expanding at an ever-increasing rate as new technologies and solutions are being frequently developed and deployed.

[Translation]

Last fall, we hosted a conference for federal government executives and managers so they might better understand the principles of agile procurement.

ITAC supports agile procurement processes in the government, ones that focus on business outcomes and solutions, rather than the procurement of a specific technology, where industry may not understand what the ultimate goals or usage will be.

A new focus on the goals and outcomes of projects, rather than current overly-prescribed technical specifications, would allow industry to provide intelligence that leads to innovative solutions, rather than the baseline supply of an IT product.

[English]

We have called on government to enter into partnerships with industry and to negotiate contracts rather than to continue to leverage take-it-or-leave-it contracting. Contract negotiations are required at a minimum in complex situations. Unbalanced contracts result in poor outcomes for the government, the taxpayer, and the private sector, creating a lose-lose environment. ITAC members are seeking reasonable risk-sharing as a priority, rather than off-loading and transferring all risk to the private sector via unlimited liabilities, over-prescribed terms and conditions, and strict security requirements.

I also wanted to note that in many regards the attempts of the government to mitigate legal and security risks in contracting discourages many SMEs from submitting bids. Impediments range from requiring multiple corporate references to proven case studies to security requirements to the length of time federal procurement cycles take. Setting quotas for SMEs means diversity-led and indigenous firms will not have the socio-economic impacts they seek unless we address some of these current impediments to SME procurement.

These issues, teamed with the length of time it takes for more complex procurements—in certain circumstances, well over a year—limit how many SMEs can afford to dedicate resources to procurements that take this long. As a result of these issues, we have SME members who choose not to take part in any federal procurement due to the complexity and the investments required. This limits the Canadian government's capacity to acquire the best possible or most innovative solution and leverage its procurement to support its socio-economic goals.

Other jurisdictions, including the U.K. and the United States, have operationalized procurements that enable supply of commodity products and services under the vendor's standard contract with a wrapper of government terms and conditions. They have set

platforms that allow the engagement of SMEs to explore innovations, business solutions, and applications.

ITAC believes there's a need for risk officers in government, a need to have someone evaluate how the inclusion of strict government terms and prescribed requirements are impacting the number of bidders on procurement.

How is the current procurement environment supporting industry growth, the expansion of the Canadian supply chain, the scaling up of SMEs, or industry partnerships and collaborative innovation? In short, setting a procurement environment that supports ecosystem partnerships, simplifies the procurement process, allows for the continuous refreshing of participants, seeks experimentation and pilots, and permits small, quick failures rather than longer-term significant failures will allow the government not only to access innovation but also to become a catalyst for innovation.

We believe some global best practices can easily be applied to the federal government. Government procurement is an avenue that can enable SMEs to grow, possibly moving from small to medium size and outgrowing the SME category altogether.

Fortunately, the government has been listening. We've begun a dialogue and we're discussing options to address many of these issues. The next step is action.

We'll be happy to take your questions.

• (1110)

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

Next up we have Mr. Akrouche.

You have 10 minutes or less, sir.

**Mr. Andy Akrouche (Managing Partner, Strategic Relationships Solutions Inc.):** Thank you very much for the opportunity to be here.

I'd like to give you a practical view of SMEs in action. I'd first like to talk a bit in terms of general feedback about the challenges that SMEs are facing when it comes to federal procurement, some of which have been mentioned. I'd also like to delve much deeper into large and complex procurements and how SMEs actually play into that vis-à-vis ITB policies from ISSED.

The most important thing to remember is that we're talking about SMEs, which represent 98% of the enterprises in Canada. The challenge, based on our research, is that 80% of these SMEs do not engage. A study done by the Canadian Federation of Independent Business showed that only 20% of SMEs actually engage with the government or try to do business with it.

The reasons are really simple. The first is that it's too long a process. It requires a long-term commitment to do anything. Even a small procurement takes too long.

The second reason is that it's complex and it's geared towards the medium or large enterprises. You have all these standing offers and supply arrangements. If you're an SME, to get on these supply arrangements is going to take you a while. You need to be in business for three to four years. You need to have a certain amount of revenue, and so on. These are artificial barriers that prevent small and medium enterprises from actually bidding on government business. If you're a small business, you can't just go bid on government business, because you have to be on a supply arrangement, and to be on that supply arrangement takes you a lot of time and effort. Sometimes there are qualifications, such as being \$10 million in size and so on.

The other thing is that the process itself is complex—the requirements, the mandates, the ratings, and so on. Even medium and large enterprises hire outside consultants to help them navigate and decipher this code. Small and medium-sized enterprises don't have this ability. They don't have the money or resources to decipher this code, and they can't even hire people like us or somebody else to help them win government business by getting through the complexity of the process.

A lot of research done by the Government of New York that showed that over 90% of procurement outcomes are determined before the RFP is issued. We'll talk a little bit about that. It's not a bad thing—it's a good thing, actually.

When an RFP is issued, most of the time the government doesn't know exactly how they want to issue the RFP. They don't know what and how, so they need to gain some insight into the proposed solutions out there. They need to gain what I call a practical, legitimate, and transparent way of having a buyer preference. They're saying, "I want to do something but I don't really know how to do it. I don't even know what to write in an SOW. I need input from the private sector." That long process is really where the buyer gains insight and intelligence about what should be in that RFP.

However, that's only influenced by the people who are engaged. If you're engaged in that process, you will see a good result. I'm not saying a procurement outcome only means winning. Even the eventual delivery of the project is determined way earlier in the process. If you engage the right people and you're talking to the right people who really know how to do their stuff, you're going to end up with a vendor who's going to do the work and is able to deliver that work. However, if you're engaged superficially with people you know, when you issue an RFP, you're going to get a vendor who's not going to be able to do the job and you're going to end up with a lot of problems. It's a really important point to say that SMEs don't have the mechanisms to participate in this very long process and to try to influence it.

When I think of SMEs, I think of specialties. I don't think of a big conglomerate that has all kinds of stuff. SMEs are there, and they're the core engine of the economy, but they are specialized. You are an SME because you do something very well, and what we find is that in most procurements they generalize that specialty, so you're going to lose your competitive advantage as part of the overall procurement.

●(1115)

The second thing I would like to talk about is the ITB policy in complex business arrangements. We have these billion-dollar projects, and we have a set-aside of maybe 15% that needs to go to SMEs. You're aware of that, right? Okay.

I was part of the initial team in 2007 that argued we should set up an SME office—which actually took place at PSPC—but this 15% is becoming counterproductive for the very same reason that we started it. We wanted to create innovation. We wanted the small and medium-sized enterprises to partner with the big firms so that the big firms could give them support and nourishment in the process of being innovative and providing what they are really good at. However, what's really happening with that 15% is that the big vendors in the big procurements are giving it lip service. They are trying to check the boxes: "Yes, I do have 15%, and here is my value proposition, and here is the ITB policy." After they win the contract, they get into a lot of battles with these SMEs about how to deliver this thing, how much they should have, what type of work they should have, and they tend to keep all of the intellectual property and the research within the big firm.

It's really acting as a counterproductive mechanism in terms of innovation, and the worst part is that we don't have industrial strategies for many of the sectors we have procurement in. For example, in the aerospace sector we don't have an industrial strategy, so the small and medium-sized enterprises don't know where to focus. We don't know where we want to be from a strategic perspective, where Canada needs to be, which areas of the sector we need to excel in so that we can drive the SMEs to go in that direction.

The other big thing is we seem to have this rear-view mirror model. The first thing we do is we build these artificial gates. Let's say we have a billion-dollar project that was recently awarded, let's say, to a company from France. We say that to qualify, they must have done this before, somewhere else in the world. Part of the qualification is that they must have done this before.

We usually get references from 10 years ago. We're qualifying people who get into these big deals based on something they did 10 years ago somewhere else in the world where the conditions are different. They can never do the same thing here, but we qualify them to play in the game based on 10 years of past information and old technology. When you look at the Canadian component, you see it's usually a satellite office, medium-sized.

What I'm recommending in that space is to relax these regulations. For the small and medium-sized enterprises that want to do business with government in a direct way, relax these SAs, these supply arrangements, and all this other stuff. You don't need those to bid on something. You can just bid on something.

On complex and large procurements, we should allow medium-sized companies in Canada to aggregate and form a super-enterprise. That's in the last slide over there, the last box on the bottom. Right now the model is we have a prime and we have all kinds of SMEs working for that prime. Why don't we allow a bunch of SMEs to create a super-enterprise and bid on those complex and large procurements? All you need to do is change the selection process, change the evaluation process. Evaluate these bids based on whether they can do the job, whether they have the capacity and the ability, not on some fictitious thing that was done in Australia or New Zealand 20 years ago.

Also, I suggest we start doing something about industrial strategy in key sectors of the economy.

I'm done. Thank you very much.

• (1120)

**The Chair:** You're very quick.

Colleagues, just as a reminder, at roughly 12:30 p.m. we will be suspending and then going into the subcommittee meeting on agenda planning for future committee meetings.

With that, we will start our seven-minute round of questioning with Monsieur Drouin.

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

I want to thank the witnesses for being here. It's really good testimony.

Mr. Leduc, you have mentioned that the Government of Canada has to adapt various procurement models. We've heard a lot about outcome-based procurements versus prescribed.

I would like your thoughts on that, and whether outcome-based procurement should be applied as a whole or only in certain situations.

**Mr. André Leduc:** As you've started to see—and the government likes to tout this fact—they've done one of them. They did the open-by-default procurement, and I guess it was about three months, tip to toe.

You bring the business unit that's actually going to use the technology, team them with the IT unit, team them with the procurement unit, team them with the legal unit, and put them all in a room together. That's as opposed to the business unit sending something to the IT unit, which sends something to procurement, which sends something to legal, which then says, "Oh, no, this part you can't do." Then they have to send the paperwork back and forth. That is what disrupts the time frame.

You get everybody working in a room. It's essentially the agile principle of go lean, get everybody in the room, and focus on what the outcome or the output is supposed to be. Don't focus so much on what you think the right technology is to provide the service, but on the outcome: "We want this to be able to do that". Then you're going to open up the door to more and more bidders.

There's no reason we should continue to see 200-page RFPs, and I've heard ministers declare it already: "No more 200-page RFPs." We should continue to see 200-page RFPs. We continue to see 300

and 400 IT specifications and requirements built into RFPs. The SMEs can't survive the amount of time required to invest into a procurement, to go through what all the requirements are and to review those requirements. It's taking them from what should be a three- to four-month window into something that goes well over a year, sometimes two years or even three years.

You need to focus on the outcome and say, "We need this product to be able to do this. It must meet these eight or nine requirements." You get out of saying, "The technological specifications are such and such," because these go on forever. What ends up happening when you specify the types of technology and say it must be this, that, and the other is that you cut away half the marketplace. Rather than inviting more bids and more innovation to the table, by being prescriptive and saying, "We want this type of solution, this way," you're going to cut out half of the marketplace, so you're cutting down. We're seeing procurements that we feel should attract 15 to 20 bidders going down to one, two, or three bidders.

Right now, it's almost a game of survival of the fittest, as opposed to an open, fair, and competitive marketplace that the government puts out by saying "We need this type of solution." Then you'd get multiple bidders on it.

If Amazon can go out and say, "We're going to spend"—I don't know how many—"billions of dollars and employ 50,000 to 55,000 new people," and do that in an eight-page RFP, which they sent out to cities, there's no reason we can't have 10- or even 15-page RFPs, as opposed to 200 pages.

**Mr. Francis Drouin:** Obviously there's an issue with the culture. Is legal getting involved and saying, "Well, if you don't put out prescriptive procurements, we're going to have a harder time defending it if there's a CITT challenge"?

**Mr. André Leduc:** Part of the issue is that everybody is trying to play a role. The legal unit will step up and say that we must eliminate all potential legal risk. They'll lay out all of the requirements, including something like unlimited liability, which, for a company that signs a \$75,000 contract, means you have to put up unlimited liability versus the government. That means that my entire company is up for grabs from the government if they decide to pursue me over a \$75,000 contract.

It's off-loading. What the government's attempting to do—and that's just one example of legal risk—is to off-load all of the potential risk onto that private sector entity. Nobody likes it, neither SMEs nor large companies. Nobody in the marketplace thinks that things like unlimited liability and prescriptive Ts and Cs are the best way to go, but legal is trying to do their best job, so they want to eliminate all potential risk for the government.

As well, procurement is trying to eliminate all potential risk for the government, so they're putting in the procedures and principles that have been in place for a long time to limit the amount of risk.

Well, when you do that—when you limit legal risk and you limit the risk from a security perspective and you limit the procurement risk and the potential for it to be challenged at a trade tribunal—what you end up doing is limiting over and over again the number of bidders who are going to be willing to take part in that procurement, because you're off-loading all of those requirements onto the private sector.

• (1125)

**Mr. Francis Drouin:** Do you believe that having shorter RFPs would shorten the procurement cycle? I'm talking about the procurement cycle because right now in some IT projects it seems a little long, and by the time the whole thing is done, the technology that they're asking for is already outdated. Are you having those conversations with government right now?

**Mr. André Leduc:** We have started to have those conversations. Mr. MacKinnon appeared when we had our “Going Agile” conference in Ottawa and we were speaking to this. The dialogue about moving to more simplified procurement, more agile procurement, has started to occur in Ottawa.

The idea is that if you have a 280-page RFP and you have 20 bidders, it's going to take the government nine, 10, or 11 months just to be able to evaluate those bids. The bids coming in are going to be hundreds of pages long. The incentive for the procurement officers is that they don't want to have to go through 20 bids of 200 pages. They don't have the resources to take that on, so what do they do? They create an environment that gets it down to one, two, or three bidders. Now it becomes more manageable for them in their process. If you move to a capped 10- or 15-page RFP process, the bids coming in will be 20 to 25 pages, and now you can review 20 to 30 bids.

Now we're comparing and contrasting the bids based on parameters other than just being able to meet all the technical requirements we've laid out in the RFP. It will enable the government to access innovation a little more readily. Oftentimes with the procurement cycles that we're going through now, you're cutting out the potential to access innovation because you're prescribing what technology you want.

**The Chair:** I'm sorry, but we've run out of time on that intervention. Thank you for that, and I'm sure we'll continue with this discussion as we go around the table.

Mr. McCauley, you're up.

**Mr. Kelly McCauley (Edmonton West, CPC):** Great.

Mr. Leduc, if you have a bit more to add to that, you can go ahead.

**Mr. André Leduc:** The principle is that if you prescribe exactly what you want and how you want it, that is the only thing you're going to get. You might not know that six weeks ago, or even six months ago, a Canadian start-up in Cape Breton had a wonderful application that they'd built on a cloud platform that would satisfy all your needs and wants, but they'll look at it and say, “Oh, we can't meet the technical requirements, so we're not going to bid.” They're self-restricting the capacity to engage.

Beyond that, you have SMEs who say, “Look, we don't even look at federal procurement, just because we know it takes this long to engage.” Francis points out that if a procurement is going to go on an

18-month or 24-month cycle or almost three-year cycle, only the very largest vendors can invest.

**Mr. Kelly McCauley:** I'm sure those are the shorter ones, as well.

You were talking about best practices. I'm sure you chat with people dealing with provincial governments. In your experience, is anyone in the country doing it provincially, setting a gold standard that we should look at?

I asked a procurement ombudsman and he gave me a couple of ideas, but I'd like to hear from you whether anyone is doing it.

**Mr. André Leduc:** We're beginning to see movement, especially in the agile procurement space. We're seeing some in British Columbia, where they've started to modify the way they're going about business. Ontario is at the initial stages of doing it. You're starting to see examples of—

**Mr. Kelly McCauley:** Is no one really far ahead yet?

**Mr. André Leduc:** Nobody has jumped far ahead.

Surprisingly, the municipalities are doing a pretty bang-up job of this, but they're smaller and more nimble and they're ready to engage directly with industry. A lot of it is around the smart city solutions. The vendors are going straight to the city and saying, “Hey, we could do this.” It's moving quickly and it's a little more nimble because they're not looking to drag out tech specs; it's just, “Oh, you have this type of solution that will better reference and integrate the signals at intersections.” They're leveraging that data.

One of the things we didn't point is—

• (1130)

**Mr. Kelly McCauley:** I'm sorry, but I'm going to interrupt.

In a lot of the meetings we've had with a lot of the other sectors we've dealt with and when we've done town halls, we've heard issues similar to the tech issues, but on different scales and different issues.

I'm just curious. From your association members, when you talk about SMEs bidding on government business, what dollar value is it generally at? Again, we've had meetings where we've heard that a lot of them are \$50,000 and below. What are the dollar values that you're dealing with from your members?

**Mr. André Leduc:** It will depend on whether it's a simple or commodity-based procurement as opposed to a more complex procurement. If you're looking at a broader IT platform for a department or multiple departments, you get into the longer, more prescribed tech specifications. On the smaller end, you'll see simply, “We're going to pilot this type of solution”, and it would be just a business solution.

**Mr. Kelly McCauley:** Do you have a ballpark figure in terms of dollar value?

**Mr. André Leduc:** Most of them would be under \$50,000.

**Mr. Kelly McCauley:** Okay.

You mentioned risk officers. It's a wonderful idea. Can you give me an example of who's doing that right now? Is it mostly in large corporations, or have you heard of it in the U.S. or if anyone else is using that?

**Mr. André Leduc:** Most corporations are engaging in hiring chief risk officers to be able to evaluate both sides. You could shut off the Internet and have 100% security; however, at the end of the day, you're only going to get to 97% or 98% security on the Internet. What do you do with the other 2%?

**Mr. Kelly McCauley:** We could turn off 100%, and the Chinese would still hack us, I'm sure.

**Mr. André Leduc:** It's that side of the equation. You have to be able to balance. Do we take a little more risk to get more business, or do we take less and less risk and shut down the door to business?

**Mr. Kelly McCauley:** Right.

**Mr. André Leduc:** There are firms with head offices in the United States that will set up a small shop of five or six employees in Canada and attempt to sell technology solutions north of the border. They aren't solely large multinationals, but some smaller firms as well. However, when there are legal restrictions like unlimited liability, the lawyers south of the border will say, "We will simply never sign on to a contract that has unlimited liability there."

**Mr. Kelly McCauley:** Okay, that's fair.

Do you hear any feedback from your members about the number of sole-sourced contracts being awarded by the government? I ask because we have questions on the order paper, and an answer came back from Mr. MacKinnon that we were sole-sourcing several thousand, a lot in IT, without going to bidding.

Is that an issue?

**Mr. André Leduc:** It depends—

**Mr. Kelly McCauley:** A lot of them are getting awarded because of exclusive rights. I see ADP on 20 different companies, exclusive rights.

**Mr. André Leduc:** Yes, and if they're building on a legacy system that was instituted by that company, they don't have a lot of leeway or wiggle room to change from that.

**Mr. Kelly McCauley:** Going forward, how would we get around something like that, so we are making these contracts available to SMEs and also serving the taxpayer on the bottom line?

**Mr. André Leduc:** I think you get around it by—and we've talked about it already—renewing the focus not on the technology or the platform but on what solution the government is looking for. You ask yourself what the problem is that you're trying to solve by going about this procurement and then engage the industry in that side of the conversation.

What the industry sees is normally just the prescribed tech requirements from government, and then everybody is to go bid on that. Half of the industry would be ostensibly expelled from taking part because they don't meet those tech requirements, so they're going to walk away from it before it even gets under way.

There's also the fact that it takes 18 months. There isn't an SME in the country that can afford to spend \$600,000 or \$700,000 in resources to take part in one of these complex procurement processes that take over a year, so we can continue to say that it goes to larger businesses.

Andy talked about the 15% requirement for set-asides for SMEs on some of these ITB procurements. I think it might be better, rather than using a stick to provide incentives for engaging with SMEs on these and letting some of the larger vendors go out and access SME innovations, if the government isn't doing a great job of it, maybe the larger firms could go out and do it. They're dealing with a lot of SMEs and they're dealing to deliver to the private sector with a lot of these SMEs already.

**The Chair:** Mr. Masse, welcome to our committee, at least for today. It's good to see you again, Brian. You have seven minutes.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair. I appreciate it. This is good testimony. I'm coming from the industry committee, or the innovation committee, with its recent name change.

It's very pertinent to many of the things we've talked about with regard to manufacturing, innovation, and science. An interesting aspect that you talked about here is the network enterprises. I come from the tool and die mould-making industries, where CEOs and senior management are often running around in Europe and other places, securing the next bidding contract, versus trying to fill out paperwork forms and files.

One of the things they've noticed over the last number of years was the reduction in services, even to get through the changes—even, for example, SR and ED tax credits and other types of research things that are available.

In terms of network enterprises, have there been any models we can look at in the United States or Australia or New Zealand that they're doing with their SMEs that could be fast-tracked if there were support for something like that?

I see a lot of value in that, at least in getting some of the low-hanging fruit. That would be a good start for some of the businesses.

• (1135)

**Mr. André Leduc:** In terms of the platforms that could be leveraged, we're migrating to the cloud. The cloud could be leveraged like an app store on Apple or Google Play Store. A number of SMEs develop applications and solutions that they sell via these platforms.

In the U.K., they use the G-Cloud. Government sets up the platform. Now I think they have more than 2,000 SMEs delivering business solutions for government on that platform.

You could start using the platforms. Government is migrating from the BlackBerry units to iPhone and Samsung. You could leverage that marketplace and have business solutions that operate both on the cloud and on that mobile device. You have bureaucrats walking around town, so we can fix some of the back office side, and we can fix the front office side, which is providing services to Canadians.

Canadians want to be able to interact with their government on their hand-held device. It would be great if you could apply for a passport. You'd take a picture of yourself, apply for the passport, and send it in with the click of a button, instead of having to fill out paper forms and mail or fax them in. That is where a modern government needs to be heading; it's where we all need to be heading.

There are examples of some of these that have seen success that could be leveraged here in Canada.

**Mr. Andy Akrouche:** I haven't seen a lot of it in Australia or New Zealand, but there were a couple of situations in which the rules were relaxed in the U.K. to allow this kind of stuff.

You know, it's not really about technology; it's about creating the conditions for small and medium enterprises to team up together on opportunity. If we remove a few of these conditions on these large RFPs and we say we're not going to look in the rear-view mirror, at 10 years ago, then organically the SMEs will get together. We don't need to do anything; they will do it for themselves. They will find the opportunity and they will team up, because they can see it. They can see the opportunity to win and deliver a good service. It's just making the conditions available for them to actually do this. That's really the idea.

**Mr. Brian Masse:** If there is some resistance, I guess....

I suppose the old term is "red tape". I know the chair has been long enough around here to know that no matter what we do, there always seem to be endless streams and new rounds of it.

Would it be worthwhile to have some capable body helping to facilitate the development for SMEs, a network to do triage, so that if you're a small manufacturing business, there would be at least a base of service to help you cut down the weeds and get the expertise to ride through those types of barriers—the resistance that you have—to help facilitate, without getting another outside consultant or another accountant? It's the same with SR and ED tax credits. There's a cottage industry to help businesses fill it out, and they take a percentage of it.

Is that the type of thing that might perhaps be worthwhile?

**Mr. Andy Akrouche:** One of my recommendations is to create a network enterprise support office. That would be a good catalyst, if you like, to help the SMEs form these relationships. When there's a bid on the street, when there is a major DND procurement, when something is going on with the big guys teaming up with the little guys, somebody needs to be helping the little guys get together and create that super-enterprise that can actually do the work.

Right now within the government procurement, there's already a JV, a joint venture, kind of mechanism so people can team up. Joint ventures are created all the time to bid on these things. Even the large firms most of the time create joint ventures—they call them "special purpose vehicles"—to deliver a particular service.

The problem is not the procurement mechanism itself; the problem is the evaluation thing. They're risk-evasive. They want to say, "Hey, I'm not going to give this to somebody who has not done it before." They don't know how to assess the ability and the capacity of this new enterprise and whether they can do the job or not. They don't have mechanisms for that. Although there are a lot of tools available to allow them to evaluate it effectively, they haven't got there yet.

That's where the help is needed, for both the government and the private sector, through the creation of this network enterprise support office.

● (1140)

**Mr. Brian Masse:** When I had a real job, I was an employment specialist on behalf of persons with disabilities. The biggest barrier was the fact that employers always wanted experience. However, with a 50% unemployment rate and no experience, it was always a challenge.

It sounds to me to be a similar case. It becomes how much money they invest as a loss leader, trying to get that experience to hopefully bid on later contracts, which is very much a dangerous business model.

**The Chair:** We're out of time. We're going to have to perhaps get your response from some other intervenor.

We'll go to Madame Ratansi, please, for seven minutes.

**Ms. Yasmin Ratansi (Don Valley East, Lib.):** Thank you all for being here.

It's interesting to listen to you. When you said "real job", I thought, "Is this a dinoceras environment, or what?" I wasn't going to call it an elephant, because an elephant can run pretty fast.

I'm listening to you carefully and I'm trying to balance government and business. The business aim is to make profit. Business is agile; governments are not.

Mr. French, I think you have been within the government and you know how unagile it is.

When you were responding to my colleague's question about being agile and how it is the step forward, within the confines of what the government has to do to protect itself from a legal perspective, from a security perspective, how would you change the mindset?

You suggested a risk officer. You're putting another bureaucracy on top, and we have had enough, you know? How would you solve it in an agile manner?

**Mr. André Leduc:** The principle is that by putting the agile teams together, you at least put the barriers up front. By requiring prescriptive legal Ts and Cs and things like unlimited liability, the overall risk to project success is impacted. The chief risk officer would be able to evaluate all of these security requirements, all of these legal requirements, all of these technology specification requirements, and then evaluate that against how many bidders we are actually going to get. If the goal is to get 15, 20, 25 bidders, but we act in this way, we're actually diminishing the number of bidders that we're getting. Oftentimes you'll see RFPs with one, two, and three bidders, and it's in a market space that has 60 or 70 companies operating in it.

Who's evaluating the risk to overall project success against the risk mitigation tools, which are often occurring in silos? Legal is looking at it purely from the legal perspective, security purely from the security perspective, and the tech guys purely from the tech perspective. You need somebody who's looking above and seeing that if we do all of this, nobody will bid. In fact, we have failed RFPs because nobody will bid.

**Ms. Yasmin Ratansi:** For example, we had the IBM situation. How would you have handled it differently?

Mr. French, from your experience, this comprehensive approach requires a huge cultural shift. How do you achieve it? We are all here in this room scratching our heads and wondering how we get it.

**Mr. Nevin French (Vice-President, Policy, Information Technology Association of Canada):** As you mentioned, I come from within the government at both the federal and the provincial level, and Andy's slide saying that 90% of procurement outcomes are determined beforehand, I think, should be a real wake-up call about how that giant process really narrows down the field.

I think what we're all in agreement on is that nowhere are we calling for any kind of reduction of standards and eliminating that red tape in the RFP process should not diminish the goal of this process, which is to get the best product for the Government of Canada at the best cost for the taxpayers.

At the end of the day, the government is the government is the government. There are certain requirements that they will be looking at and various hoops that firms will jump through, but uploading all of those requirements up front, as André has mentioned, so eliminates that field, and then perhaps, as André mentioned as well, there could be something like that Amazon approach of keeping the spectrum open, but with a smaller application process to enlarge the field of people who are applying.

I was about to make a comment in terms of the experience needed for the first job, but Mr. Masse stole my exact line about that. For SMEs, especially in fields that are transforming very quickly, such as cybersecurity, keeping those parameters open and not being too prescriptive allows for more people to apply, and then maybe the government could look at a round two, or something like that, to then narrow things down.

• (1145)

**Ms. Yasmin Ratansi:** I have a question for Mr. Akrouche.

You talked about a network of SMEs. How would they come together? What is the mechanism? Should they apply as loosely

contracted people, and what are some of the security risks that the government would have to bear?

**Mr. Andy Akrouche:** I will answer that. I want to make a comment on this whole outcome-based prescriptiveness.

There is no one size that fits all. At times, the government needs to be prescriptive; at other times, it needs to be outcome-based.

In every medium to complex procurement, you have three things. You have things that we call known knowns, you have things that are known unknowns—I'm trying to sound like Donald Rumsfeld here—and then you have unknown unknowns.

In the case of those things that we call known knowns, if there are things that you absolutely know for sure, you should prescribe them in your RFP. You should ask for them. You should even ask them for a fixed price—why not? However, when you don't know a whole lot of things and you list a whole series of assumptions and risks associated with that and you try to make that known, that's where the issue is.

In every procurement, there should be things that are prescribed because you need them now and you understand them fully. If you have a high degree of certainty about these things, you should prescribe them. When you don't have a high degree of certainty about these things, don't hide behind assumptions. Say, "I don't know", and then, at that point, you need to be outcome-based, and for an outcome-based approach to be successful, you need a relationship management framework, a stakeholder management framework, because you need to work together to resolve these unknowns and gain certainty over time so that you can do what needs to be done.

It's not about whether it's too prescriptive or not too prescriptive or this or that; it's really about how much of this procurement needs to be prescriptive or should be prescriptive and how much of it needs to be outcome-based. Maybe it should be outcome-based, but you don't know until you gain that certainty.

The other—

**The Chair:** Thanks very much.

Unfortunately, we are out of time on that round, but perhaps Mr. Kelly will be able to pick up on that thread.

Mr. Kelly, you have five minutes, please.

**Mr. Pat Kelly (Calgary Rocky Ridge, CPC):** Thank you.

I am new to the committee and somewhat new to the subject matter. Perhaps also to add some clarity for the record, I've heard references in both presentations about security risk and liability risk and references to the track record and things like that, things that are often inappropriate for the bid at hand and are barriers to small and medium enterprises bidding on government work.

Can you help me and provide, if not concrete examples from actual bids or non-bids, at least the types of bids or non-bids that both of you characterized as artificial barriers?

•(1150)

**Mr. André Leduc:** I think what goes on more often than not is that a procurement officer will dust off a similar procurement that happened a year or two ago and cut and paste 80% or 90% of that into this procurement. They'll bring all the terms and conditions from that one into this one.

If we try to eliminate all potential legal risk and all potential security risk for the government, it makes it very difficult for the industry to engage in a conversation about sharing the risk. Through that lens, the government is just trying to off-load all potential legal and security risk onto the private sector entity, rather than having a discussion about how to share risk and drive a product forward.

I could give you hundreds of examples and name a bunch of RFPs

**Mr. Pat Kelly:** Give one or two, please.

**Mr. André Leduc:** We'll use the example the government likes to tout the most, which was the open-by-default procurement. It's challenge-based. Great. It took three months, A to Z. That's great, but they migrated into it some of these old contractual terms and conditions. The SME that won the contract—probably unbeknownst to them, because they may not have hired a lawyer to look through the contract—signed up for unlimited liability. Essentially, you're putting up the entirety of your company. If you're a small business with 10 employees, and the company might be evaluated at \$400,000, \$500,000, \$600,000, \$700,000, you're putting up that \$600,000 or \$700,000 company against the government, from a legal perspective, for a \$75,000 contract.

In the private sector, when they deal with each other or when they deal with other municipal governments or provincial governments or state-based governments, liability doesn't usually exceed the value of the contract. How can I be unlimited in my liability to you when the contract's only worth \$75,000?

That's just one example of the old migrating into what was an attempt at a new type of agile procurement.

**Mr. Pat Kelly:** Mr. Akrouche, would you like to...?

**Mr. Andy Akrouche:** I can name many, but is this confidential? Is it recorded?

**Mr. Pat Kelly:** This is public record.

**Mr. Andy Akrouche:** Would the vendors hear me say this?

**Mr. Pat Kelly:** Yes.

**Mr. Andy Akrouche:** I'm going to only, then, talk about—

**Mr. Pat Kelly:** We have unlimited liability.

**Mr. Andy Akrouche:** I'm only going to talk about RFPs.

We participated in it. Just as an example, there was a PPP RFP. Our organization does public-private partnerships. We have a new model. I've written a book about that model. We have an alliance with KPMG. We are a small company, but we are very good at doing what we call adaptive procurements or adaptive relationships, the outcome-based procurements he's talking about. We've done it in many different areas in Ontario and here with the federal government, but then there was this PPP RFP. To get on this PPP,

you only have the big guys: KPMG, Pricewaterhouse, EY, and Deloitte.

The way the gates are set up, only these guys can make it, because they're looking for a global firm, somebody who must have done it before somewhere else, and they don't restrict it to Canadians, so it has to be somewhere else. A lot of these guys have done something maybe in Australia or in the Middle East, and they bring that experience. They went through that experience, but their local capacity or ability to do anything is zero.

They refer to something called “reach back to bench”, meaning that when you have tools, you reach back to get a tool from the bench to do something. This reach-back mechanism most of the time doesn't work, so they bring in somebody from the U.K., from Australia, to provide some high-end advisory stuff, but we know how to do this right here. That's one example.

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

[*Translation*]

Mr. Ayoub, you have five minutes.

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

It's extremely interesting to see the relationships that exist between goals.

You represent an association, SMEs or a particular sector.

The purpose of a business is of course to generate profit. There are major advantages to dealing with government, since you are sure to recover the money you spent, you are sure to get paid, and you establish a relationship. There is without a doubt something to be gained. So businesses incur less risk when they engage with government. As you mentioned, what is difficult is to initiate that business relationship with a government.

Since I have worked at the municipal level in the past, I can say this: the responsibility for contracts and decisions—whether at the municipal, provincial or federal level—is entirely shouldered by that government. Consequently, where decision making is concerned, the risk is not financial, but involves relationships and reputation.

There is one obvious current example. Indeed, dear colleagues, the elephant is in the room; it's the Phoenix pay system. We talk about it every day, and who is accountable? It is the government. Members in every party in the House in fact make it their business to point that out.

How can we integrate small and medium businesses into procurement? The government's social mission is to try to help enterprises. It has to do business with small and medium enterprises to ensure that wealth is distributed throughout Canada, and that enterprises can do business with the government.

Should the bids be smaller? Perhaps. Should we ask that one contract stratum be allocated to those small businesses? We would need to set a goal of a certain percentage of contracts, and ensure that we reach the objectives. Unfortunately, I think it is an illusion to think that we will never again see 200-page bids, but they could be divided up.

As I already mentioned, when I worked in municipal government, we asked people to not divide up a contract, because that was against the law. All of these things are interconnected, and you have to protect everybody.

How can we find solutions and make sure everyone is happy? My preamble was long, but I'm asking you to try to answer it. There are two minutes left.

• (1155)

**Mr. André Leduc:** With regard to the risks, I think you have to ask yourself what objective the government is seeking to attain. Is its purpose to minimize risk as much as possible and acquire technology? Is it to have the best innovations and the best solutions? Or is it to ensure that procurement causes beneficial socioeconomic ripples throughout the country?

At this time, the procurement environment limits the government's ability to generate that socioeconomic effect. We don't have the data showing how many SMEs are awarded government contracts, what type of contracts are awarded, or to what extent the businesses in question are culturally diversified. We don't know.

What is the government's objective? If you change procurement methods and specify the technology you need to meet the needs, you will obtain a larger number of bids. The participation of SMEs in complex procurement is limited because of the investment involved. If it takes two years to obtain a project, I can't have three people working on it, especially since I might not get it. There are no guarantees, basically. For about 20 companies that take part in the process, only one or two will win.

**Mr. Ramez Ayoub:** What if a certain percentage of bids were allocated to small and medium businesses? Could that be a solution?

[English]

**The Chair:** Unfortunately, we'll have to leave it at that.

Mr. McCauley, you have five minutes, please.

**Mr. Kelly McCauley:** Thanks, gentlemen.

I just want to get back to the unlimited risk and liability. Can you give me an example of when you think that would be valid?

**Mr. André Leduc:** I don't know that it's ever valid. The industry standard—

**Mr. Kelly McCauley:** Let me just follow up, and Mr. Akrouche can answer this as well.

In the industry standard in the real world, as they call it, the private sector, what would be typical on a large project or a small project for liability?

**Mr. André Leduc:** It's the value of the contract. If you contract me for a project that's worth \$10 million, the liability clause will be for a maximum of \$10 million.

**Mr. Kelly McCauley:** In your opinion, we should just get rid of it entirely.

**Mr. André Leduc:** The other thing that's interesting about it is—

**Mr. Kelly McCauley:** It doesn't sound like there's a reason to keep it.

• (1200)

**Mr. André Leduc:** It is a mechanism that scares away a multitude of firms in our sector. They simply will not bid on the contract. Often they get really upset when they participate in the first couple of phases of an RFP, the invitation to qualify, and they're going through the triple R phase, which is refining the requirements. Then, when it gets to the RFP, they find out that there's unlimited liability, and they have to walk away. Well, they've just invested nine months taking part in this.

**Mr. Kelly McCauley:** Has unlimited liability been used in the private sector?

**Mr. André Leduc:** I haven't seen it. That doesn't mean that it doesn't exist.

**Mr. Andy Akrouche:** Actually, the federal government—

**Mr. Kelly McCauley:** No, I mean in the private sector. Have you seen that?

**Mr. Andy Akrouche:** Usually in the private sector what I've seen is 12 months' revenue.

**Mr. Kelly McCauley:** I just want to get back to what you were talking about.

I think, Mr. French, you talked about copy and paste in the RFP. They copy and paste. Is that just again protecting ourselves? Is it laziness? Is it that this is our standard that we have to use?

Just to follow up, Mr. Akrouche, you talked about having to find a company with international experience. Again, is it the same kind of reason? Is this just because we've always done it this way and we don't know anything else?

**Mr. Nevin French:** Part of that copy and paste is just the speed of getting it done. As Andy mentioned earlier, at times with procurement, certainly from what I've seen, if you know who you want and they have the experience and you just want to go ahead and do something, and yet you're still required to go through a certain process, it will delay things. I believe you mentioned sole-sourcing earlier.

**Mr. Kelly McCauley:** I was going to say that it's pretty clear they don't need to go that way, because they just go and sole-source and come up with a reason.

**Mr. Nevin French:** You kind of have the worst of both worlds there, because you'll end up.... In my experience, you go with a sole source if you have the exact perfect person. It will be under a certain amount, and you can just go ahead and do it, often for speed and efficiency and under the pressure to just get it done.

Then you have situations in which it has the appearance of an open general bid process, but as seen on the slide earlier, 90% of the time it's already landed with someone. There you've gone through this epic process and ended up with the winning bid that people could have predicted earlier. You have all the worst of that happening.

**Mr. André Leduc:** I've laughed a couple of times because.... We talk about references. I'm waiting for the first government contract to come out that says we need an artificial intelligence platform developer or application developer with 15 or 20 years' experience. We joke around when we have meetings in the office, and we kind of joked about this. The problem with what's going on is the government is also the largest contractor of professional services and consultants, and they constantly ask for 15 or 20 years' of experience.

**Mr. Kelly McCauley:** Let me interrupt quickly. Is that again because that's what we've always done?

**Mr. André Leduc:** You want the best. You're the biggest. You're the government and you want the best possible talent to come in and do this work for you, but there are implications further downstream. There are graduates coming out of Ottawa U., Carleton U., and Algonquin. They can never get work because they never have that experience, so where do they go? They go to Montreal or Toronto to garner that experience. What we're going to end up with is a bit of a vacuum behind this crew that we have currently working, who are all age 45 and up. We don't have a lot of young IT consultants moving into the government because they're constantly asking for 15 or 20 years of experience.

**Mr. Kelly McCauley:** Is there any valid length of experience that we should say, or is it just item by item? Again, as with AI, we can't be asking for 15, but sometimes it's valid, and we can't blank it out.

**Mr. André Leduc:** What you want to be doing is calling—

**The Chair:** It's unfortunate, but we're going to have to turn this over to Madam Mendès. She may want you to expand and complete your answer.

You have five minutes, Madam Mendès.

**Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.):** Thank you very much, Mr. Chair, and thank you all for being here.

It's an interesting part of the question, but I do have another one, and I'm going to share my time with Mr. MacKinnon, if I may, Mr. Chair.

I sit on the public accounts committee too. I'm here with both hats. In public accounts, for the past two and half years we've heard constantly from the Auditor General about the outcomes we should be looking at when we do procurement. The most important outcome we have to look for is what we deliver to Canadian citizens. However, we're not looking at how we deliver services, how we deliver what a government is supposed to deliver.

In the context of IT, how would you see government changing the way we look at these outcomes for Canadian citizens? How do we go about opening up the procurement process to SMEs? I believe that would be one of the best ways to encourage the change we need. How do we improve and deliver on our commitment to Canadian citizens?

• (1205)

**Mr. Andy Akrouche:** From my experience, the critical factor in a successful initiative is managing the relationships among stakeholders. What we see, though, is misalignment between government departments in working towards these outcomes and in deciding what the expectations are. It's not about the ability of the vendors to

do specific work or use their capabilities in their project. Rather, it's about coordination and alignment between the public sector parties, and later, alignment between the public sector and the private sector parties.

We can talk about being outcome-based and all this other stuff, but unless we have better models for working together within the government, with industry, and with that selected partner, we can't put together successful projects. Most of the time, when we hire vendors, as soon as they come in, they walk into a firefight. They get confused because the internal government departments are not aligned on what they want or what the outcomes should be. In a lot of these cases, you get a year or two of inaction. You win a contract, but you end up with two years of inaction. Nothing happens.

**Mrs. Alexandra Mendès:** I want to press on the—

**Mr. André Leduc:** I think the concept needs to be earlier engagement with industry. It's hard for me to set out a procurement to access an innovative product if I haven't engaged with the industry that delivers this innovative product.

Sometimes before the procurement process even starts, we've made a decision on what we're going to procure; that technology might already be outdated, and never mind the fact that it's going to take us three years before we start implementing the technology.

If you engage the industry earlier on, the industry will be able to say what it's doing today and what it will be able to provide in the next generation in the way of an application or solution.

**Mrs. Alexandra Mendès:** Mr. Chair, I would like to give Mr. MacKinnon a chance.

**Mr. Steven MacKinnon (Gatineau, Lib.):** This won't really be a question; it will just be some observations.

I want to thank Mr. Akrouche and ITAC. As Mr. Leduc acknowledged, we've had many an interesting conversation over the past little while. I've spent an enormous amount of time on IT modernization and procurement in Canada's public service. An awful lot of things occur to me. An awful lot of things have to do with—and I say this in the most non-partisan way possible—the maturity of governments and oppositions and their ability to tolerate failure, including the ability of oppositions not to engage in “gotcha” tactics and the ability of governments to take calculated risks.

I am intrigued by the whole movement toward agile procurement. I know the government, as in many things, is several years behind in this. Still, I've had interesting conversations about some successes, not only in the IT community but also in the enterprise community. I don't know that it applies to every possible procurement, but I do know that it is a way to ensure that we have the best and the brightest working on specific segments of issues. I also know that it's a way to get more SMEs and more innovators involved in the process.

I now have to apologize for leaving you no time to comment on this. If in a further segment you wish to take this up, you're more than welcome to. I'll finish how I started. It's an ongoing dialogue, and this is a very important subject for this committee to be considering.

Thank you very much.

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

We'll go to Mr. Masse for three minutes, please.

**Mr. Brian Masse:** Thank you, Mr. Chair.

One of the interesting aspects about the planning notation you have is the idea of this ongoing commitment—I guess almost similar to the network that you've proposed—of regular services to engage the SMEs and make that investment. That was the case for the auto sector for many years in Windsor and Essex County, where there were federal supports to help bring along the industry and to educate folks, especially when things changed. They didn't get just an email. There were workshops. There was activity.

There was preplanning done three years in advance so that it wasn't just seen as a gamble but as part of long-term business development, especially for tool and die and mould-making. In fact, some of the recovery we've had in that field over the last number of years has been outside of automotive, but it came with supports to transition to medical devices and other types of industries, with an engagement with the government.

Could something like that be done, or is there a pilot situation that can be done? I'll leave it at that.

• (1210)

**Mr. André Leduc:** Steven mentioned risk aversion, which I believe is probably at an all-time high in the bureaucracy. Nobody wants to be in the newspapers. You have all-time high risk aversion and a calling on the government to start experimenting and piloting.

If you want to help an SME, bring in that SME to run a pilot or an experiment or at least show you how the product works. There's a call, and there's an understanding. We have some of the right change agents in place throughout the bureaucracy who are calling on the government to start.

Run 10 small pilots. Seven of them might work and three of them might be complete catastrophes, but they're pilots and they're small. We're not going to implement this across government. Then you scale up. You think, "Okay, it worked well in this department, so we can run it in three or four other departments."

You start piloting and experimenting. You're bringing them on. They're small contracts at first, because you're proofing them. You're getting them to test the product to see if it's going to function on that government framework. Then you can experiment with the SME. You get government collaborating with industry, saying "If we could only do this", and then industry goes off and tries to make it happen.

The discussions are taking place. It's in its infancy, but it's really about... I think we need to get away from "Take it or leave it; we're the government. We're an elephant; this is what we want, and this is how we want it" and get into more of this partnership, the

conversation, negotiating the contracts, seeing what we can do by working together, and sharing risk.

It's a massive opportunity. If you want to have those socio-economic benefits, that's going to come with changing the manner in which we're doing business.

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

Colleagues, we'll have time for two more interventions, I think, before we suspend.

We'll start with Mr. Jowhari, please, for seven minutes.

**Mr. Majid Jowhari (Richmond Hill, Lib.):** Thank you, Mr. Chair, and I'd like to thank the witnesses.

I'd like to start with you, Mr. Leduc. You mentioned, as an ex-Big Five employee in Deloitte, some of the impediments around doing business with the government, and that most of the value propositions that we put on the table to be able to secure these contracts are now considered impediments for small businesses to be able to bid on these things.

You've also talked about a method of open procurement. You've talked about "agile". You've talked about the pilot, which is a very interesting topic. What I want to know is this: which jurisdictions have been successful in transferring from the model we have to a model that's agile, a model that's pilot-based? What were the challenges they faced? How can we partner with an organization such as ITAC to facilitate that transition?

**Mr. André Leduc:** Thank you for the question.

We talk about jurisdictions. If we look back, we're seeing some jurisdictions doing this the right way, and they haven't been doing it for 10 years. For Estonia, the catalyst was the fact they got hacked by a neighbouring country. They said, "We really need to change the way we're doing business in order to protect ourselves", and they decided to go modern and digital across the board.

There are some apt lessons to be learned. It's an economy of 1.8 million people, not 37 million or 38 million people. They don't have a large bureaucracy to deal with, so it's an easier ship to turn, but they went down the right path.

The U.K. looked at the rule book. Our rule book is the SAC rule book, which covers the various types of clauses that should be included in a procurement. There are potentially 6,000 different clauses in the SAC manual. What the U.K. essentially did was throw out the manual. They said, "This isn't serving either party. This isn't serving government; it's not serving the private sector. Let's throw this out the window and move to an outcomes-based model, shorter procurement time frames, more piloting, more experimentation. Let's see what works and what doesn't, and then we can ramp up on what's working."

There have been jurisdictions that have done it and are seeing successes. There are some lessons learned—nobody hits a home run out of the gate—but those are two countries that I would point to that have really transformed the way government is doing business with the industry. It's more of an ongoing relationship, as opposed to, “This is what we want. You guys can take it or leave it.”

• (1215)

**Mr. Majid Jowhari:** Would it make sense if we as the government initiated an initiative? Let's call it a pilot. We bring all the stakeholders together to do two things. First, we try some new technology that we are experimenting with, such as blockchain. Second, also during the process, we look at how we can change our policies. How can we make sure that our risk policies and our procurement policies are taken care of? How can we make sure that cybersecurity is taken care of? Could we use the concept that you're talking about as a pilot to be able to design or redesign all of these elements to move into a more agile and open procurement?

**Mr. André Leduc:** I think you're starting to see it. There have been a couple of blockchain pilots at the federal level that are either awarded or under way. You're starting to see the application of new technologies to federal frameworks.

From a purely procurement standpoint, how are we going about engaging those? When we talked about “open by default”, it was a challenge-based procurement. Tip-toe it was two and a half to three months, so we can hold that up as an example of a new practice in town that seems to be working.

It's a bit slow to ramp up in terms of adoption, because we have been doing things the other way for a hundred years. The change management side of it is significant.

**Mr. Majid Jowhari:** Yes, it's huge.

**Mr. André Leduc:** However, we are seeing departments and PSPC working on contracting for pilots, contracting for experimentation, and starting to do it. We are seeing it.

**Mr. Majid Jowhari:** This is exactly where I wanted to go. Now we are seeing it with blockchain. We're getting the pilot. I'm not sure whether we are expanding the scope of that to make sure that we have the procedures on all of those things taken into account, because not all of the contract elements are going to be applicable to something like blockchain, such as 15 years.

Therefore, going back to what my colleague, Mr. Ayoub, started talking about, for some of the procurement that is commodity-based, yes, we can go to that prescriptive model. For some of the ones that are leading edge, probably we should go into the collaboration and to the pilot model and probably start with those and change some of our policies and procedures.

My last question is going to go to Mr. Akrouche.

The idea of a network of SMEs to create a super-enterprise was a very interesting concept. By way of transparency, I've managed a number of large enterprise business transformations where I had a lot of different suppliers coming in. One of the challenges, one of the big risks that I always had to mitigate, was how to manage when something goes wrong. Who are we going to hold accountable?

What do you see in that? That was my biggest challenge in my previous life.

**The Chair:** There's about a minute left.

**Mr. Andy Akrouche:** Yes, that is definitely a challenge. The higher the number of stakeholders, the more complex are the relationships. That's true also in any prime-led relationship. You still have all these stakeholders working with the prime, and you have no visibility of them. At least in the other part, in the network model, all the partners are visible. You know what all the partners are actually doing, what they bring to the table, versus the prime-led model, where you really have no idea. You have no visibility. You have no line of sight to this stuff, so the risks are much higher than in that “one throat to choke”, if you want to put it that way. There's a lot of risk of associated with that, and I don't really recommend that in a complex procurement.

• (1220)

**The Chair:** Thank you very much. Unfortunately, we're out of time.

Mr. Masse, you can finish us off.

**Mr. Brian Masse:** I appreciate it. I'll be very quick.

Mr. French, I believe you had something to add to the last question they had, and then I have one last question after that.

**Mr. Nevin French:** I think Ms. Mendès asked about how this can be introduced. I think governments could also look at allowing for flexibility from one department to another and not applying the cookie cutter, not saying “Thou must use solution  $x$  to whatever problems.” As André mentioned, I think it would be useful to create some kind of field of competition to test some trials and errors in small, controlled opportunities within different departments.

Government is government. It's a giant machine, so allowing some flexibility from one department to another could go a long way in introducing some of these new technologies.

**Mr. Brian Masse:** I know there's lots of controversy with single-source procurement. Forgive my ignorance on this if it does happen, but is there a process whereby if you've been on a contract, perhaps in that contract there's some type of waypoint that may lead to another procurement, the point being that there's a benefit if you reach that benchmark?

I used to work on programs for persons with disabilities, youth at risk, and new Canadians finding employment, but I was always having to renew contracts. We had a 90% success rate in their finding employment or going back to the workplace or going back to school, but we were renewing the contract every six months. We did that for six years. A lot of energy was gone there. I understand that there needs to be accountability—and there was—but it was almost at a point where it was draining the resources and the capabilities of the investment.

Is there any type of a hybrid model that perhaps could extend it or give some earned benefit for experience, but with high expectations and measurables and accountability? For example, if you invested in this procurement and you got it, another window could be extended a lot more easily for renewal, versus running the entire process again, which can be quite draining.

**Mr. André Leduc:** I recently had a conversation with a bunch of members about having the right person or the right solution in place, and when the contract runs out, the government will go back and RFP it again. In certain circumstances there's an opportunity to roll over and add another two years. When we move to things like software as a service, do you want the contract to sunset and then go back out to tender with a new RFP if that software and everything is functioning properly? Can we not just roll that in, roll it over, and go for another two years using that solution? If everybody's satisfied with that, it's the best possible outcome. Why can't we do that rather than having to go back out for a full RFP again?

What ends up happening nine times out of 10—but it's probably closer to 99 times out of 100—is that if I have hired an IT consultant and he's doing a great job but I have to go back out to tender on an RFP, I'm wasting my time, the government's time, and the industry's time, because I will make sure that the only possible winner for this RFP process is this guy. I will make the experience requirements so drawn out and based on his experience that I'll make it prescriptive and only he can win, and when the rest of the industry looks at it, they wonder who could possibly satisfy these requirements.

There's a balance between rolling over.... Once I do a pilot, wouldn't it be great if we could just roll right into a contract? The pilot went great and we'd like to apply this over here, but we have to go back out for a full RFP again.

There is the opportunity to be able to do it. We do a \$50,000 pilot, and if the pilot goes really well, we can open that up to a \$100,000 contract. You can run on that. There's an opportunity to do it. There'll be resistance to it—legal, procurement, the rule books, the policies, the regulations—but we're starting to find out that not all those rules are written in stone.

**The Chair:** You have a couple of minutes if you wish.

**Mr. Brian Masse:** That was supposed to be my last question, and I apologize for that.

If the industry knew about that when bidding and the process moved in that direction, do you think they would feel there's favouritism or that there would be resistance?

Especially if it was, for example, one renewal or it was very much prescribed as part of the original bidding process and you met these things at such-and-such a benchmark, the process might kick in. If after that there was a fixed date that concluded in a definite sunset so others could feel there's more competition later on, would we have so much resistance in the industry? I don't know.

• (1225)

**Mr. André Leduc:** It's a balancing act. If you are transparent and up front about it, you'll say, "We are going to run this pilot at this amount of money with the option of doubling down and running an extended contract." That's part of the procurement on the front end. If the pilot fails, then I go back out and start over again, but if the pilot runs well, why would I try to go back out and design an RFP when I know who I want to win and I want to continue working with this group?

It's a bit of a balancing act. If you're transparent and open about it on the front end, what are they going to challenge on the back end? You would pilot it for \$25,000 with an option for \$100,000. You're not immediately going out for that \$100,000 investment, in case it goes wrong.

**Mr. Andy Akrouche:** I'd like to comment on this, if I may.

There's an existing mechanism within the procurement process. It's called the rolling wave. You can have a 30-year relationship with a firm, but that relationship continues based on the performance of the vendor. If the vendor is still doing well and everything is fine, you keep getting more years. There's a mechanism already in place to do this kind of stuff; it's just maybe not implemented universally.

**Mr. Brian Masse:** Thank you.

Thank you, Mr. Chair.

**The Chair:** Thank you.

Gentlemen, thank you so much for coming here; it's been excellent conversation and very informative. Should you have any additional information you think would be of benefit to our committee as we continue our study, please provide that information directly to our clerk. Any information you provide in addition to the testimony you've given today would be much appreciated. Thank you again.

Colleagues, we will suspend. Those of you who are not on the subcommittee on agenda are excused, and we will suspend for about three minutes.







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