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**EVIDENCE**

**Tuesday, April 24, 2018**

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**Chair**

**Mr. Tom Lukiwski**



## Standing Committee on Government Operations and Estimates

Tuesday, April 24, 2018

• (1100)

[English]

**The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)):** Colleagues, even though we don't have all our members here—I'm sure the absentees will be on their way—I'd like to welcome all the participants today.

We have Dr. Chideock from London via video conference.

**Dr. Cass Chideock (Deputy Director, Small Business Policy Team, Crown Commercial Service of the United Kingdom):** Thank you.

**The Chair:** Thank you for being with us.

Before we begin, colleagues, I'll just say how wonderful it is to see all of you again. In particular, thank you to my colleague Madam Ratansi for pinch-hitching for me during the last several weeks when I was out attending to some medical issues.

Thank you, Yasmin, for chairing the meetings.

**Ms. Yasmin Ratansi (Don Valley East, Lib.):** I'm glad to see you back.

**The Chair:** I'm glad to be back.

I have to ask you, however; in my absence, was Mr. McCauley on his best behaviour? Sometimes he gets a little frisky.

**Ms. Yasmin Ratansi:** Oh, he was on his best behaviour.

**The Chair:** Good for him. I'm glad everyone was on their best behaviour.

**Mr. Majid Jowhari (Richmond Hill, Lib.):** I think the pep talk before you left worked.

**Voices:** Oh, oh!

**The Chair:** Patrick, will we be having others joining us by video conference?

**The Clerk of the Committee (Mr. Patrick Williams):** No, there will be just the one in this first half of the meeting.

**The Chair:** Okay.

Dr. Chideock, thank you very much. I'm sure you've been briefed appropriately. You know how our committee works. We'll be looking for a brief opening statement from you. Following that, we will engage in a series of questions from our committee members.

Without further ado, I would ask you to introduce yourself formally, make your opening statement, and we will commence.

**Dr. Cass Chideock:** Thank you very much.

My name is Cass Chideock, and I'm Deputy Director for the SME Policy Team within the Crown Commercial Service. I'm going to work on the basis that the committee knows that we at the Crown Commercial Service are essentially a trading fund that's part of the Cabinet Office, a buying agency for the British government. Within that body, we have a small policy team, and my team and I form the SME policy function, leading on the U.K. government's operational target to spend more with SMEs across the board.

I have been asked to provide a high-level overview of the U.K. procurement system and U.K. efforts to increase participation of SMEs in government procurement. I think an important part of the context in thinking about comparisons with procurement in Canada would be that the U.K. public sector buys according to EU procurement rules. We don't focus on specific quotas or set-asides, as I know some countries do. That would be illegal within the context of our legislation.

My focus is very much on levelling the playing field for small businesses so that they are able to compete with larger businesses. That varies: making sure that procedures are simple, that they have access, that they can find opportunities with government, and that government itself is able to work with small businesses in terms of engagement and procurement.

The U.K. government has had an aspirational target to spend with SMEs since the coalition government dating back to 2010. The first target was for 25% spent with small businesses. When I say 25%, that's direct spend, spent directly with SMEs but also spent in the supply chain to the first tier down from the prime contractor.

We use the OECD's definition for SMEs, and that's fewer than 250 members of staff with limits on turnover: a turnover of less than or equal to 50 million euros and/or a balance sheet total of less than or equal to 43 million euros.

As I said, we had a first target for 25% spent with SMEs by 2015, and that was met in the 2014-15 spend. We measured from April 1 to the end of March of the following year with a 27.1% spend. We currently are working on a target to 2022 for one third, for one pound in every three spent with SMEs—again, directly or indirectly.

I mentioned that we measure both this direct and indirect spend. Those are the terms I'll use, because those are the ones I'm familiar with. I think it's fair to say that what we spend directly with SMEs is considerably easier than measuring what our suppliers spend with their supply chain. I won't go into details, but I'll be happy to talk a bit about that, if it would be something that the committee would find interesting.

We measure spend right across central government, including defence spend and construction spend. Defence and big infrastructure projects are the two areas where it's most difficult to get SMEs in, particularly in terms of direct spending. We count arm's-length bodies for different government departments in that spend as well. At the minute, for example, for the Department of Transport, we're counting network rail spend and hiring agency spend.

Our current spend for 2015-16, which is the last year for which we have published figures—because it does take us time to collect and collate figures and make sure they're accurate—is 24%. We have experienced a drop since 2014-15. We are now at around 12 billion pounds spent in 2015-16 with SMEs, which is about 5 billion more than in 2011-12, the last time for which we've got comparable figures.

What have we done to get there? Some of what I'll be talking about will be before my time. I joined the team about three years ago. Up to about 2015, we had a series of payment targets in central government, because we know that payment is very important for small businesses. It's important for all businesses, but it's particularly important for small businesses where cash flow is a real issue. We have targets to pay 80% of valid invoices within five days and 100% within 30 days. We track those department by department. They were held in the central government on essentially a voluntary “we expect you to do this” basis.

• (1105)

We have a service called “mystery shopper”, which is a team established to investigate cases of poor procurement practice, and we use that to target and identify where, within the government procurement cycle, small businesses are experiencing problems. Payment, for example, comes up often. Bureaucracy and difficulty with accessing procurement are others.

We have a site that brings together, from across England and Wales, including local government, opportunities to sell to government, and that's called Contracts Finder. We had our first iteration created between 2010 and 2015, and there was quite a lot of work to simplify framework contracts. For example, you may have heard of G-Cloud, which is a framework contract now in its 9th or 10th iteration that creates a form of catalogue for public sector organizations to buy digital and cloud services from businesses, and we have very high participation rates from SMEs and high levels of spending with SMEs through that framework.

Since 2015 we've taken on further activities. One of the things we've done is banned pre-qualification questionnaires falling below the OJEU, the *Official Journal of the European Union*, threshold. We took that step out of the procurement process, and above that threshold, we've set up a standardized questionnaire so that small businesses engage with something they recognize from previous experiences.

We took the mystery shopper service and we put it on statutory footing, which requires that, in essence, if a question comes in about a particular public body, that public body is expected to comply with the mystery shopper service.

We rebuilt and refreshed Contracts Finder completely and made it much more user-friendly. We used an agile process to really engage with users of all kinds to make sure that it was working effectively, and we've required central and local government businesses to advertise opportunities on it. For central government, we have a threshold that any contract over 10,000 pounds should be found on Contracts Finder, and we expect to see opportunities flagged in advance, better notice for the opportunity itself to be open, and then publication of an award notice letting anyone who reads it know whether or not it was awarded to an SME.

Contracts firms are completely free to use this. It works across mobile, all kinds of tablets, and laptop platforms etc., and it's pretty user-friendly. It's very simple, but it's user-friendly, and it has an open API, so it's available to be used for open data.

Last, we require payment of valid invoices within 30 days, the measure I previously mentioned. We required that through law, and we required that to be passed down the supply chain, so we're now telling our key suppliers that they have to pay their supply chain in delivering a contract within 30 days, if the invoice is valid.

Just this last month, on April 10, we announced a few further measures. We announced a consultation on considering prompt payment performance in awarding public contracts. We're going to use this consultation to find out what would work for suppliers and for public sector organizations, and we're keen to identify a route by which we can use awarding public sector contracts in encouraging a prompt payment culture, because we believe that prompt payment culture is still not in the place we would quite like it to be.

We've also required, for larger contracts, provision of data on spending in the supply chain, which will help us. It helps us kind of drive that message of spending more with small businesses, and for opportunities in the supply chain that have not yet got an existing business delivering them to be advertised on Contracts Finder. Those two are open to small businesses that are able to go and find those opportunities.

There are other things that have worked well that the committee may wish to hear about. We do a lot of work within my team working with government departments. CCS is by no means handling all of the spending across the central government. We work with government departments to make them aware of the target, to require them to have sub-targets, and to develop trajectories toward delivery of that aspiration in 2022.

•(1110)

We have a person who holds the role of small business crown representative. To use a phrase I think we've used in the past, they hold the government's feet to the fire in dealing with small businesses. They really make sure we're paying attention and they act as the voice of small business in government. That post is currently held by a woman called Emma Jones, who's kind of a leading light in promoting small businesses in the U.K.

We have a group called the SME panel—

**The Chair:** I do apologize for the interruption, but we have a fairly tight timeline here, since we do have some other guests joining us by video conference.

**Dr. Cass Chideock:** Do you want me to—

**The Chair:** No, that's quite all right, but in my experience, most of the information transfer comes during questions and answers with committee members. I know our committee members have a great many questions, so if you don't mind, we'll go directly to our interventions.

**Dr. Cass Chideock:** Absolutely.

**The Chair:** Hopefully we'll get all of the information that you have to offer in that time.

We're starting with Madam Ratansi for seven minutes.

**Ms. Yasmin Ratansi:** Thank you very much.

I hope you are not sleep deprived. I guess it's six o'clock in London. It's not so bad. We're making you work overtime.

I understand from the papers we have here that the CCS is an agency that was brought about to consolidate the procurement in one area. In Canada, we have a similar situation, which is Public Services and Procurement Canada. You said something about small and medium-sized enterprises not getting direct public sector contracts, but they have to be subcontracted. Am I right in understanding this?

**Dr. Cass Chideock:** No, sorry. Perhaps I was misleading you in what I was saying. We do plenty of direct contracting with small businesses, but when we have this aspiration to spend a certain percentage, we can't both direct spend with SMEs and indirect spend. We take the view that SMEs will benefit in the supply chain, and often, for some businesses, that's a good way to start out in doing business with government.

**Ms. Yasmin Ratansi:** I'd like to bring to your attention a report that came out. I think you're very familiar with it. It's the report on Carillion and its failure. It says that the ministers have allowed procurement to become a cartel, using 30 or 40 large businesses to subcontract, to participate in the supply chain. Your auditor general has claimed that this does not seem to help small and medium-sized enterprises. The collapse of Carillion has shone light on this issue.

Could you comment on what's going on and how you measure the challenges of consolidating this procurement with the ability to be more transparent, more accountable, and more fiscally prudent?

•(1115)

**Dr. Cass Chideock:** I'm not able to comment in detail on Carillion, because that's not an area of my responsibility, unfortunately. I think more generally I can say, yes, there is a

tension in the U.K. government between getting efficiency gains by aggregating need for common goods and services and disaggregating to create smaller contracts and opportunities that might be more accessible to small businesses. That's the tension we have to work with. For the most part, we try to find opportunities where, instead of a win-lose situation, we're in win-win.

As far as the transparency...

Sorry.

**Ms. Yasmin Ratansi:** No, go ahead on the transparency aspect.

**Dr. Cass Chideock:** On transparency and accountability, I mentioned the website Contracts Finder in my preamble. That's our main route, at the minute, for making detail about contracting and procurement in government available to anyone who wants to explore it.

**Ms. Yasmin Ratansi:** Do you have any idea if the government responded to the National Audit Office where it says that the small and medium-sized businesses were excluded from the direct public service contract? Do you have any idea why the auditor general made such a comment?

**Dr. Cass Chideock:** I'm afraid I'm not familiar with this particular point that's being made.

**Ms. Yasmin Ratansi:** Not a problem; I have other questions, then.

We were studying the small and medium-sized enterprises and the challenges they face. The biggest problem they have is the request for proposal. We have very onerous RFPs, and they probably require a very sophisticated department to address or apply. Are you facing the same challenges from SMEs who say that the RFP process for public sector contracting is very onerous?

**Dr. Cass Chideock:** We don't use precisely the RFP process that I think Canada uses, but we do have small businesses saying they're concerned about the level of bureaucracy—the evidence, the questions they're required to answer, etc. We are doing what we can to simplify. As I mentioned, we took out this pre-qualification questionnaire, which was part of a two-stage process. We said, no, we're going to make it a one-stage process, under the *Official Journal of the European Union* threshold, in 2015. We're also doing quite a lot to simplify language, to move toward plain English, particularly, and to identify the kinds of questions that small businesses find most difficult to get their heads around and to answer.

**Ms. Yasmin Ratansi:** Is there an office that helps them prepare for applying for contracts with the government? Is there something for a small business office that helps them?

**Dr. Cass Chideock:** No, not really. I mentioned Emma Jones, our crown representative. She has published a kind of guide or tips on doing business with government, which is very high level. But no, we don't have an office that would walk businesses through the process.

**Ms. Yasmin Ratansi:** I have a final question in my last minute. I was interested in seeing the 10 billion pounds in savings that was shown in 2012–13. Could you walk us through how these figures came about? What was it that you consolidated, how did you get the efficiencies, and what sort of information do you give to the public?

**Dr. Cass Chideock:** I'm really sorry, but I'm not able to do that. That's not my area of responsibility, either, and I'm not quite sure whether—

**Ms. Yasmin Ratansi:** Okay.

With regard to the mystery shopper service, could you explain a little as to how you check to see that small and medium-sized enterprises...? I was quite intrigued by you guys going in and then people getting paid. What sort of checks and balances do you put in mystery shopper?

**The Chair:** If you could respond in less than 10 seconds, that would be wonderful.

**Ms. Yasmin Ratansi:** Well, then, it's okay.

You can respond later on.

**The Chair:** We'll move on, and perhaps one of our other intervenors will come back to that question.

Mr. McCauley, you have seven minutes, please.

**Mr. Kelly McCauley (Edmonton West, CPC):** That's great.

Thanks for joining us today and sharing your thoughts.

I want to follow up on what Ms. Ratansi was getting into about the issues we face in Canada with our SMEs, the difficulty making it through all the government paperwork, bureaucracy, and red tape. We've heard from both our procurement ombudsmen and a lot of witnesses saying it's just not worth it to bid on government business.

You mentioned that you have a different process for your RFPs. Can you walk us through it, briefly?

• (1120)

**Dr. Cass Chideock:** I can do it at a high level.

**Mr. Kelly McCauley:** A high level is wonderful.

**Dr. Cass Chideock:** For below the threshold that I've talked about, we'll have a standardized series of questions and we'll require small businesses to respond to those. We may have some checks that we put in place. We'll then run an evaluation approach and decide whether they meet the criteria we've set. Above the threshold, we will require this pre-qualification questionnaire that I mentioned. That will allow a form of shortlisting, and from that short list, we will then go through the same evaluation process.

I should say that Crown Commercial Service focuses on developing framework contracts. I don't know whether these exist in Canada. They operate kind of like catalogues from which public sector organizations can then buy. They will then decide whether they want to run mini-competitions or direct awards off that framework.

We set those up, but some public sector organizations will also be running their own processes, which they might run as a more kind of formalized EU-compliant process.

**Mr. Kelly McCauley:** Can you run through how you have your general procurements set up for the U.K.? You have it broken down by SMEs. Do you have a separate procurement area, then, for DND large projects, or DND defence?

**Dr. Cass Chideock:** We have different regulations operating for defence, for utilities, and then for public contracts broadly.

I don't know whether that answers your question.

**Mr. Kelly McCauley:** Are they all under the same general department, under the direction of the same general department and minister?

**Dr. Cass Chideock:** No. Approximately 25% of central government contracts will have gone through framework agreements that the Crown Commercial Service will have established. The remainder—and this is by spend, not number of contracts—will be very much defence contracts that will be run by the Ministry of Defence, and then other large construction contracts or utilities contracts. They will get run perhaps by the Department for Transport or other departments.

The Crown Commercial Service was set up to get efficiencies out of common goods and services. We do work to aggregate demand for fuels or office supplies, or marketing and communications spend, but where it starts to get more specialized, that kind of procurement process will typically be owned by department.

**Mr. Kelly McCauley:** Does your SME process allow them to bid on or easily access into, say, defence contracts or RFPs that come out?

**Dr. Cass Chideock:** We don't run a different process for SMEs. We are trying to move towards a world where as many opportunities as possible are open to businesses of all sizes. I think it's fair to say that defence is probably one of the hardest areas, because defence is obviously dominated by a number of typically big companies, and the defence contracts themselves are large.

**Mr. Kelly McCauley:** You mentioned that large contractors are allowed to post on the website for subcontracting out. Is that mandatory or is that voluntary?

**Dr. Cass Chideock:** We've been running a voluntary process for about a year, which has not delivered a great deal of opportunities, I should say. We've walked about 60-odd companies through the process. They've broadly bought into the idea, but we've not had any opportunities coming out.

**Mr. Kelly McCauley:** It sounds like a great idea, if it was your idea. They're just not taking you up on it.

**Dr. Cass Chideock:** It was me and my team. We're now beginning to mandate it.

**Mr. Kelly McCauley:** Do these subcontracts self-load?

**Dr. Cass Chideock:** Yes.

• (1125)

**Mr. Kelly McCauley:** So it's not done through your office. They have a portal, and they just load themselves?

**Dr. Cass Chideock:** Absolutely. This is Contracts Finder. We're teaching them how to do it. We're also asking the departments who are developing the prime contracts in the first instance to work with the prime in advertising the subcontracting opportunities.

**Mr. Kelly McCauley:** Do you see yourself going toward not a mandated system but a system where you're encouraging it?

**Dr. Cass Chideock:** Definitely. We think there is an opportunity there. It's not what every SME wants, but there is plenty of room for SMEs to develop in the supply chain. That's part of a healthy marketplace, in our view.

**Mr. Kelly McCauley:** It seems like a great idea. Our system is that if the SME wants it, they can find out who won the major contract, but they have to chase it down, as opposed to the contractor posting the subs on the site.

**Dr. Cass Chideock:** Yes.

**Mr. Kelly McCauley:** How much of the business that you post gets bid on by EU countries?

**Dr. Cass Chideock:** Oh, gosh. I think—

**Mr. Kelly McCauley:** Just ballpark-ish, if you have that.

**Dr. Cass Chideock:** I'm sorry?

**Mr. Kelly McCauley:** In general terms, do you have any idea of how much?

**Dr. Cass Chideock:** I know it for a couple of industries. There was concern about the steel industry a couple of years ago. I believe it was a very small percentage. It may even have been a kind of naught-point-whatever percentage. It's not a great deal. We see them bidding in. Obviously our opportunities must be open. We're part of the EU.

**Mr. Kelly McCauley:** I think I'm out of time.

Thanks very much.

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

Mr. Blaikie, you have seven minutes, please.

**Mr. Daniel Blaikie (Elmwood—Transcona, NDP):** Thank you very much.

As you moved towards simplifying your procurement process and setting up this system, were there surprises for you? What were some of the challenges you encountered that you hadn't anticipated?

**Dr. Cass Chideock:** I think the hardest thing has been that this is a change program. Ultimately we're trying to change thousands of decisions being made across any given year in departments. My relatively small team needs to reach out to the people taking those decisions—for each decision, there may be a group of several people taking that decision—and influence them. We're operating at a distance.

My feeling is that it's getting that message out there, and combining both carrots and sticks to make sure people change their mindsets. Similarly, it's ensuring that with the phrase we're using, “government is open for business”, SMEs understand we really are changing our ways, becoming less bureaucratic and easier to do business with. That is also sometimes challenging.

**Mr. Daniel Blaikie:** What advice would you give to a government that might be looking at trying to implement something like this in its own sphere, to be more successful—not that it hasn't been successful—and to reduce the kinds of lumps and bumps that you sometimes get in transition? What are things that a government that's new to this could be doing as part of its implementation?

**Dr. Cass Chideock:** I think the mystery shopper service has been very powerful. May I say one thing about the mystery shopper? It is a very confusing name. If anyone of you is familiar with mystery shopping as a thing, it's not like that. We ask businesses of any size, but they are quite often small businesses, to come to us when they have a problem with public procurement, and then the team

investigates. We don't have powers to turn that around and say, “You awarded this procurement to this guy, and actually you should have awarded it to these people”, but we learn lessons. We then have a sense of what's not working. That has enabled us to pinpoint the things that we really need to change, so I would say that's very powerful.

I think also that the target has helped to focus minds. Breaking the target down, putting a sub-target on each department, and requiring them to aim to meet that has been powerful.

**Mr. Daniel Blaikie:** Within your program, encouraging the participation of SMEs within the supply chain, have there been any efforts to target particular kinds of SMEs, whether they're owned by women or visible minorities? Is there an aspect like that at all to your program?

**Dr. Cass Chideock:** Not really. Obviously, we wouldn't want to shut out minority-owned businesses or businesses owned by women at all. We have considered it from time to time, but the focus has been very much on just the SMEs. We do reach out, for example, to trades organizations focused on, particularly, minority-owned businesses.

• (1130)

**Mr. Daniel Blaikie:** Do you think your approach would be adaptable to that kind of targeting as well? If so, what kinds of adjustments do you think you would need to make if you were interested in trying to pursue those kinds of targets within the program? Do you think it would be more appropriate to have some other program alongside this one? How would you see that working in your framework?

**Dr. Cass Chideock:** I am speculating now, but I think the key question for me would be what are the barriers? What we have done has been very much focused on the specific barriers that we think SMEs face. I suspect the barriers that, say, BAME-owned businesses or women-owned businesses face are different. They are more to do with unconscious bias, perhaps. That may manifest in, perhaps, mini-competitions, in which you are having presentations, say, from the businesses.

I don't know; I'm not sure, in all honesty. Certainly, speaking for myself, I try to run an evidence-based approach in making policy and in making changes, so I would want to investigate what the barriers were in the first place.

**Mr. Daniel Blaikie:** Do you think your mystery shopping model might play a role in something like that? I'm thinking in terms of having those kinds of businesses approach your team and say, “Hey, look, we think this is the reason we can't get through. Can you follow up or investigate?”

**Dr. Cass Chideock:** It could do. One thing about mystery shopper is that it's anonymous. We know that a lot of small businesses are always concerned that if they make a complaint about a process, they'll somehow get blacklisted. I think that is a barrier to businesses of all kinds complaining about experiences they have. I think that might be helpful.

**Mr. Daniel Blaikie:** Great. Thank you very much.

**Dr. Cass Chideock:** My pleasure.

**The Chair:** Thank you.

For seven minutes, Mr. Jowhari, go ahead, please.

**Mr. Majid Jowhari:** Thank you, Mr. Chair.

Thank you for your comments. We've heard from a number of presenters and witnesses that simplification of the process is always supported, but we always need to find a balance between managing the risk associated with the simplification of the process, specifically when it comes to making sure that we have all the qualifications and all the requirements clearly indicated.

I want to hear from you about how you have managed to balance simplifying the process with risking missing some requirements or missing some qualifications. As you know, we are using taxpayers' money to pay for these services.

**Dr. Cass Chideock:** Taxpayer value comes first and foremost for us, even with the target, and we make that clear in everything we talk about. I think we have done our best to move the point at which you ask for qualifications or insurance, say—that has been a real concern—to the right point in the process.

If you're running a competition and looking at seven, 20, or 30 suppliers, you don't need to know they all have insurance in place at the point of competition. You want to be confident that the moment your chosen contractor starts the job, starts delivering whatever they're delivering, that they have insurance in place or they have the necessary qualifications. You want to choose the right place in the process.

In the past, we've asked for qualifications or membership of a particular group or insurance at an earlier stage, and that has been a real barrier to SMEs in participating in different markets. We now tend to ask for them up front at the point at which the service starts being delivered or just after—

**Mr. Majid Jowhari:** To an extent, then, you're also using an agile process for the qualification of your suppliers.

**Dr. Cass Chideock:** Yes.

**Mr. Majid Jowhari:** I would like to talk about prompt payment. It's easier to be able to achieve 100% within 30 days if you are working directly with the SME. But as you've said, a lot of large contracts are subcontracted to the SMEs. How do you ensure that those SMEs, which are level two or level three or sub-subcontractors, still benefit from the 5% payment within five days and 100% within 30 days?

**Dr. Cass Chideock:** The targets do apply only to direct contracts.

**Mr. Majid Jowhari:** Okay.

**Dr. Cass Chideock:** At the minute, they're not going in directly, and I think that is a problem we're absolutely grappling with at the minute, particularly in light of the Carillion liquidation. We have a number of different routes in place. Very briefly, first, we have the prompt payment code, a voluntary code in the U.K. There are several thousand members. They are public and private sector organizations, and they sign up to meet certain standards. That has some value.

I mentioned that we have recently announced this consultation on considering prompt payment in awarding government contracts. Do you have a record of being really bad at paying your subcontractors? If so, we will take that into account. Now, we are—

• (1135)

**Mr. Majid Jowhari:** So you're including that as part of your qualifications for your tier one suppliers.

**Dr. Cass Chideock:** We're consulting on that.

**Mr. Majid Jowhari:** Okay.

**Dr. Cass Chideock:** The consultation will run till early June, and then we'll take a look at it. Finding an approach to do that, that also fits within our legal framework, has required some careful thought.

Finally, I would mention—I'm going to sound like a stuck record—the mystery shopper. We ask people to shop cases of poor payment to—

**Mr. Majid Jowhari:** That was a great segue for me to start talking about the mystery shoppers, and I still have one more question after the mystery shoppers.

You've demystified the whole concept of mystery shoppers. This is a platform for suppliers to be able to give you feedback anonymously. You said it's been effective because it has helped in simplifying or making your processes more efficient. What were some of the issues that were raised regarding your mystery shopper program?

**Dr. Cass Chideock:** They vary enormously. A lot have to do with prompt payment. For example, let's say I've been chasing this council for months—typically for quite small sums, 1,000 pounds or a few hundred pounds—and not getting any results: “Can you help me?”

One I particularly enjoyed was at Crown Commercial Service. We had let a series of lots for a particular framework agreement over Christmas. We chose some quite family-unfriendly times to do that. We required all the applications to come in on January 1 or something. The whole of the holiday season, we were all going on leave and expecting our potential suppliers to complete documentation for us. The complaint came in, and we said, “Oh, okay. We hadn't thought about that. We can stagger the responses and we can give extensions.”

So quite often it's to do with the time period. It's also to do with whether financial thresholds, or requirements for insurance, or requirements for a particular kind of accreditation are reasonable and fair. Lots of different kinds of things come in. It's essentially anything that could go—

**Mr. Majid Jowhari:** I have one minute left, and I want to actually go back to the Contracts Finder. In the briefing note provided to me, it says the U.K. is the first G7 country to implement the open data contracting standards for contracts administered by a central purchasing authority.

In 40 seconds or less, can you talk about what type of contracting standards and what type of data are actually allowed to be displayed there? I'm sure defence wouldn't want some of the information to be published on that platform.

**Dr. Cass Chideock:** No. We put limitations in place for security reasons.

In a nutshell, the open contracting data standard is a standard established by the Open Contracting Partnership. At the minute, I think five or six countries are signed up to it.

**Mr. Majid Jowhari:** Is Canada part of that? Is it for European countries?

**Dr. Cass Chideock:** No.

**Mr. Majid Jowhari:** It's for European countries.

**Dr. Cass Chideock:** It's France, Mexico, Colombia, Argentina—

**Mr. Majid Jowhari:** Okay. So it's not European only.

Sorry, Chair. I know I'm over.

**The Chair:** We'll have to stop it there.

We're going to Mr. Kelly for five minutes, please.

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

I'm going to ask some more of the high-level questions about walking us through the process. For starters, if I understood your answer to Mr. McCauley, defence is not part of what Crown Commercial Service deals in. Defence is procured separately. Is that correct?

**Dr. Cass Chideock:** Big defence projects are not something we deal with. If we're buying facilities management services, including for defence, we might work with the Ministry of Defence in helping them buy those. Does that make sense?

• (1140)

**Mr. Pat Kelly:** Defence would choose, then, whether to put something to you for procurement?

**Dr. Cass Chideock:** Yes. We would not buy ships or planes or tanks. They would do that. But we might buy common goods and services for them.

**Mr. Pat Kelly:** Okay.

Regarding the national housing services, if a hospital is going to be built, would you handle the procurement of the construction of a hospital?

**Dr. Cass Chideock:** I don't believe we do cover that, no; that would fall outside. Again, it's common goods and services, so in terms of housing and construction, it's much more along the lines of facilities management, security services, cleaning, and that kind of stuff.

**Mr. Pat Kelly:** Okay.

I want to come back to the differences and how we can learn to improve our own systems here through your process. You don't have a request for proposal system. You have your open data procurement. Once a department identifies a need it has, how does it communicate to you to put something on your portal for bids? Walk us through how we go from a need of a particular department or agency of the national government to having a contract signed.

**Dr. Cass Chideock:** I should have said at the beginning that I'm not a procurement expert, so I don't know all the detail here. However, broadly speaking, if it's a common good or service along the lines of the things that I've already said that Crown Commercial Service buys on behalf of government, we might work with a department to help them buy, let's say, facilities management

services. We would work with them to understand what they needed and what we were establishing in terms of the framework agreement, and then they would be able to buy it through our framework agreement.

If they were buying something else—let's say, an element of what network rail delivers—then they would run that procurement themselves. In terms of getting it onto Contracts Finder, if I'm right in answering the question this way, they then have the facility to post their opportunity on Contracts Finder. We don't get involved, other than running the website.

Does that answer your question?

**Mr. Pat Kelly:** Perhaps. So it's really just a portal.

**Dr. Cass Chideock:** Contracts Finder is an advertising portal, yes. It's not a procurement system in and of itself. Procurement systems of different kinds will tap into Contracts Finder to advertise the opportunity and then the award notice afterwards.

**Mr. Pat Kelly:** Okay, but there is some standardization. This is the idea, that one that bids for government work will have a similar process regardless, or a shared or common service, from one department to another.

**Dr. Cass Chideock:** Yes, I would say so, although departments will differ in how they choose to operate.

**Mr. Pat Kelly:** Thank you, Mr. Chair.

**The Chair:** Thank you.

Mr. Peterson, five minutes.

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

Thank you to our witness for being here.

I'm going to take a high-level approach to my questions. Here in Canada we're undergoing a review of our procurement strategy. You are, obviously, intimately aware of one model of procurement strategy. Could you perhaps let us know the three things that worked the best in the strategy, the model, that you're using? What things, if you were suggesting, might need improvement from a high level, just to set the foundation here?

**Dr. Cass Chideock:** I would start with communications and awareness, both internally and externally. It's changing the way the government procures. It's a change program. You've got to get people to buy into what you're doing internally, because they're the people who are going to be delivering it on the ground.

You want your market outside to be fully aware of what you're doing. You need to be talking to the small business world to make sure that they understand what the government is aiming to achieve and that they are pushing from the outside and making it difficult not to comply.

A third thing, depending on where your government would be in its life cycle, would be something like mystery shopper, which enables you to understand the barriers as they are experienced by businesses on the ground, or perhaps focusing on bureaucracy. Governments love bureaucracy. Businesses don't.

• (1145)

**Mr. Kyle Peterson:** What barriers or things would you like to improve, or see improved, or think we ought to improve as we implement a new system?

**Dr. Cass Chideock:** From my own experience, because I don't know the Canadian system, we still have a lot more to do in terms of transparency and openness. I've just come from a meeting talking about compliance. I'm talking here about what Contracts Finder has achieved, but I would be lying if I said it was fully compliant and we had all the notices on there that we expected. That's an area of further development for me.

Some of the work on pushing down in terms of prompt payment, and really tightening grip on that, particularly in the supply chain, is of real concern to me. I would come back again to communications and awareness. That's an area of focus for me and my team, going forward.

**Mr. Kyle Peterson:** Thank you. That's very insightful.

The target was set in 2016, I think you said, that by 2020 to have 33% of the procurement spending to benefit SMEs. Is that correct? Have I got the dates right? Is that the goal?

**Dr. Cass Chideock:** It's 2015 to 2022 now.

**Mr. Kyle Peterson:** Okay, 2022. I think a year or two ago the procurement reforms of 2015 came in, and tried to make it simpler, faster, less costly, and more effective.

**Dr. Cass Chideock:** Yes.

**Mr. Kyle Peterson:** That was generally speaking in procurement. These reforms, I would suggest, would lend to the participation of more SMEs in the procurement process. Has that been the experience in the 18 months or so since these reforms have happened?

**Dr. Cass Chideock:** It's hard to tell. I would say it's possibly too early to tell. I think the reforms were in the right space. Implementation is always the tricky part. The data we were able to collect was not always of good quality as we would have wanted in order to tell whether it really made a difference.

**Mr. Kyle Peterson:** I appreciate that.

I know you said there were no set-asides for diverse suppliers or anything like that, but in your assessment, does supporting SMEs generally tend to support a diverse supplier pool in your country during your process? Are you helping groups that otherwise wouldn't be participating just by opening it up to SMEs as well?

**Dr. Cass Chideock:** I believe so. For me, the focus on diversity is good for the business world in the U.K. It drives competition. It means we are buying from a wider marketplace, which has to be good value for the taxpayer, businesses, and society alike.

**Mr. Kyle Peterson:** I'm out of time, but I appreciate your insight. Thank you very much.

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

We have Mr. McCauley for five minutes, please.

**Mr. Kelly McCauley:** Great.

Again, thanks for all the information. It's proving very helpful.

Is there a process—I'm just curious—for people in the U.K. to access EU jobs? Do they have a similar portal that shows available work to bid on?

**Dr. Cass Chideock:** There is a similar portal. It's called TED, which I think stands for "tenders electronic daily". That is the one place for all the EU jobs to be advertised, above the threshold.

**Mr. Kelly McCauley:** Okay.

Is there not a lot of back-and-forth just because of the smaller size of the SME contracts? Do you think that's why EU people are not bidding on a lot of the ones that you were posting?

**Dr. Cass Chideock:** Possibly. To be honest, I don't know, I'm afraid.

**Mr. Kelly McCauley:** Can you walk us through how you handle sole source contracts? What's the threshold, what's required to award sole source?

**Dr. Cass Chideock:** That's more an area for defence spending and not an area I'm familiar with, I'm afraid.

**Mr. Kelly McCauley:** In terms of a small business, you list a contract on your Contracts Finder, or a department comes forward and awards it, for certain reasons, without bidding. I assume you allow that? Or don't you allow that?

**Dr. Cass Chideock:** Oh, I see. I'm sorry, I misunderstood.

**Mr. Kelly McCauley:** Sorry; I was not clear on sole source.

**Dr. Cass Chideock:** I'm not entirely sure what the thresholds are for sole source, and we do regard best practice as being about running a competition.

• (1150)

**Mr. Kelly McCauley:** Has it become a complaint issue at all among people bidding?

**Dr. Cass Chideock:** Yes and no. It's not high on the list of complaints. It does occasionally come up.

**Mr. Kelly McCauley:** Okay.

What is your complaint resolution process over there? We have a procurement ombudsman who can handle complaints from people who believe a contract has been awarded incorrectly. It goes up to a certain threshold and then, of course, there's a different area. How do they do it on your side of the pond?

**Dr. Cass Chideock:** We have the mystery shopper process, but that's not a formal complaints resolution procedure. We don't have a procurement ombudsman in quite the same way, but there are a series of procedures set out through the public contracting regulations that have come from the EU and that set out how you go through the process of complaining.

**Mr. Kelly McCauley:** Can you just walk us through it on a high level? Is that possible? What is the process?

**Dr. Cass Chideock:** I'm sorry, no, it's not something I can do.

**Mr. Kelly McCauley:** Okay.

How long has the Contracts Finder existed? Is it a relatively new process? Has it been in process for a while?

**Dr. Cass Chideock:** The first iteration came in in 2011, and then it was completely rebuilt, as I said, for 2015. It's been developed under the agile methodology, so it's constantly being reiterated. It's been around for seven years or so.

**Mr. Kelly McCauley:** We have a very similar system, "buyandsell.gc.ca". The U.S. has a program called GSA Advantage!, which almost mirrors an Amazon. If I'm looking for towels, I go and put in towels, and it brings up all the suppliers, and the prices are all listed. Have you considered that process, where, like their system, you go on and you choose, it prints out a purchase order, ensures payment, shows delivery date, and everything as opposed to a bidding process alone?

**Dr. Cass Chideock:** We're exploring this, yes. We're piloting something that internally we've been calling the crown marketplace. Externally, we're calling it the purchasing platform. It's very much in pilot stage, but it is essentially something along the lines of a model of Amazon for government. At the minute, I think the kinds of products on sale on it are mostly tech-related. It's something I believe my colleague Matt Denham has spoken about to some of your colleagues, possibly, or other parts of the Canadian government.

**Mr. Kelly McCauley:** You may not know this, but is there a specific reason why you're looking to, say, tech products right now? Does it just happen to be the area you chose for the pilot, or is it because there is simplicity, or the tech items have a lot more of a commodity pricing?

**Dr. Cass Chideock:** I suspect it was for a number of reasons. Yes, it was probably the right time in the life cycle to choose that market. It's probably a market where users on all sides are relatively familiar with using electronic procurement systems. It was the right time and the right place, I suspect.

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

Our final intervention will come from Madam Ratansi for five minutes, please.

**Ms. Yasmin Ratansi:** Thank you very much.

I have two quick questions. The U.K. has set a target of approximately 33% of central government procurement to use SMEs. Canada does not have a set-aside.

In the U.S., \$3,500 to \$150,000 must be exclusively set aside.

What sort of set-asides in dollar terms do you know you have in the U.K.?

**Dr. Cass Chideock:** We don't use set-asides. Though our targets are always aspirational, we'll aim to hit the target through levelling the playing field rather than by—

**Ms. Yasmin Ratansi:** So how do you track it? How do you track your success or failure?

**Dr. Cass Chideock:** My team and I spend a lot of time analyzing what is being spent in central government directly or indirectly with SMEs. That's how we track it.

**Ms. Yasmin Ratansi:** Okay.

A procurement policy note on supply chain visibility, published by CCS, says that all procurements over five million pounds should update their terms and conditions to include subcontractors. I'm trying to figure out how you pursue that. What are some of the venues in which that becomes transparent and people can see that subcontract for people in contracts over five million pounds in which they have put a subcontractor in? How do you track that? Do you have a tracking mechanism?

• (1155)

**Dr. Cass Chideock:** We require them to publish on Contracts Finder. Contracts Finder is effectively our tracking system. We will also be working with departments to follow up. The public procurement policy note puts the requirement on departments to work with their successful suppliers to make sure that process will happen.

**Ms. Yasmin Ratansi:** Do you actively go out or does the procurement department go out and encourage SMEs to apply? Is there a networking session that you do? Is there any way that you can fully engage the SMEs? We're trying to engage SMEs. There are lots of SMEs, especially women-run SMEs, and we're finding.... I was just in Halifax, and women were saying that they didn't know about our study and they'd like to participate. Despite the fact that we give out information, we're finding challenges. What sorts of challenges are you finding?

**Dr. Cass Chideock:** I think one of the hardest things is reaching out and communicating the message, as I said earlier, that government is open for business. I'm not going to say that we are as successful as I would like us to be. We use a lot of social media. We use Emma Jones, our crown representative. She runs free webinars, and we advertise them on social media and on our websites. We engage with trade organizations, the Confederation of British Industry, the federation of small businesses, and a tech-focused one called techUK to try to get them to spread their message.

I'm continually looking for new opportunities to get that message out. I think we're just touching the tip of the iceberg in terms of reach.

**Ms. Yasmin Ratansi:** Do you have any last thoughts on how we could learn from your experiences or from the challenges you face?

**Dr. Cass Chideock:** I don't think so. I would say that I feel there are questions I've not been able to answer. If the committee would like us to follow up with written answers, I would be more than happy to take that on, if that would be helpful.

**The Chair:** Thank you very much. In fact, I was about to say in conclusion that if you have any additional information you think would be of benefit to our committee as we complete our study, I would encourage you to submit all of your comments and suggestions to our clerk.

We'll be, probably within the next two to three weeks, actively finalizing our report, so if you can get your comments, suggestions, and recommendations to our clerk as quickly as possible, that would be much appreciated.

Dr. Chideock, I know we've probably imposed on your personal time for you to be with us here today. We thank you very much for that. Your testimony has been extremely helpful.

Colleagues, we'll suspend for about five minutes as we set up for our next video conference witnesses.

Once again, Dr. Chideock, thank you very much and have a great day.

**Dr. Cass Chideock:** My pleasure. Thank you.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (1200)

**The Chair:** Colleagues, let's reconvene.

We have two witnesses with us today as we continue our study on small and medium enterprises in federal procurement.

In person we have Madam Verschuren, Chair and Chief Executive Officer of NRStor Inc. By video conference we have Elyse Allan, President and Chief Executive Officer of GE Canada.

Thank you both for being here. My understanding is that, Madam Verschuren, you will be starting testimony by giving a brief statement, approximately five minutes, and then we'll go to Madam Allan. Is that correct?

**Ms. Annette Verschuren (O.C., Chair and Chief Executive Officer, NRStor Inc., Canada-United States Council for Advancement of Women Entrepreneurs and Business Leaders):** Yes.

**The Chair:** I think you know the process, Madam Verschuren, so the floor is yours.

**Ms. Annette Verschuren:** Thank you very much.

Do we have 10 minutes together or just five minutes?

**The Chair:** We'd like five minutes each, if you could.

**Ms. Annette Verschuren:** Absolutely. We planned for this.

Thank you very much, committee members, and thank you, Mr. Chair, for the invitation to appear in relation to the study on small and medium enterprises in federal procurement.

Let us provide some background about ourselves and our work with the Canada-United States Council for Advancement of Women Entrepreneurs and Business Leaders, and the role that federal procurement can play in creating a strong and vibrant economy.

I am Annette Verschuren, and I am the Chair and CEO of NRStor Inc., an energy storage development company. Prior to this role, I served as president of Home Depot Canada and Asia, overseeing the growth of the company's Canadian operations from 19 to 179 stores between 1996 and 2011.

My colleague Elyse Allan, a great friend and partner, is President and CEO of GE Canada and Vice-President of GE. Elyse leads GE Canada's growth across its business portfolio while also building GE's innovation and digital capacity.

Led by top executives in the United States and Canada, the women's council has a mandate to develop advice to help boost

women's economic engagement. We share the many inspiring stories of progress and successful women to motivate others to follow their lead.

Extensive research proves that there is an economic advantage in female leadership in the workforce. Being a female leader in the workforce for 41 years, I can guarantee you that. Our work, divided into five pillars, will contribute to the increased economic growth, integration, and competitiveness of Canadian and U.S. economies. To date, the women's council has released three pillars. They are supporting and growing women-owned businesses; increasing the number of women in science, technology, engineering, and math; and attracting women entrepreneurs, encouraging women to start businesses. Two additional pillars—increasing women's access to capital and the advancement of women as leaders in the private sector—will be released in the coming months.

As the champions of the first report, "Supporting and growing women-owned businesses", we identified the following barriers affecting women business owners. They include access to growth capital; lack of access to talent, networks, and expertise; the pressure to choose between entrepreneurship and family obligations; and the persistent social and psychological biases.

Today we will focus on how the government can support women-led SMEs through implementing a supplier diversity program. We will also highlight the power of procurement to spur innovation, as discussed in the Advisory Council on Economic Growth's paper "Unlocking Innovation to Drive Scale and Growth", released in February 2017.

There are challenges and barriers for women in business, but multiple studies show a strong business case for investing in women entrepreneurs. Research has found that businesses observe 15% in additional profit when the share of women in leadership positions rises from zero to 30%. Companies with at least one female founder outperformed all male-founded teams by 63% over the past 10 years.

Several studies, including those done by RBC and the Center for Women's Business Research, found that increasing the number of women-owned small businesses in Canada could add \$198 billion to Canada's GDP. Yet, despite starting nearly half of all new businesses, women owned fewer than 15% of businesses with 100-plus employees in the U.S. and Canada. Just to be totally accurate, it's 15% in the U.S. and it's 7% in Canada.

Access to growth capital is critical for success. In both Canada and the United States, firms with at least one female founder received less than 16% of all venture capital funding. There are too few women in decision-making roles in the financial services, asset management, and private equity sectors, and only 7% of partners at leading venture capital firms are women. Women have a smaller pool of fellow entrepreneurs, technical talent, and informal advisers to tap as they start and scale companies. This makes it harder for women to get introduced to potential customers, partners, and investors, and as a result grow their companies.

Elyse.

• (1205)

**Ms. Elyse Allan (President and Chief Executive Officer, GE Canada, Canada-United States Council for Advancement of Women Entrepreneurs and Business Leaders):** Thanks, Annette.

I would like to thank the committee for accommodating the logistics and allowing me to participate by telepresence.

I'll talk briefly about targeted procurement. Procurement programs are really a very important way for growth-oriented businesses to access capital and networks. In the United States, small businesses that became suppliers to large corporations and governments saw their revenue grow by 250% on average and their number of employees grow by an average of more than 150%. Large contracts such as those that are offered by government and large companies can also serve as collateral, which allows the entrepreneurs to secure loans. If you will recall, Annette mentioned that access to capital is one of the barriers we see facing many women trying to scale their businesses. Procurement programs also give entrepreneurs more credibility when they're seeking this outside capital, and it helps them also link into larger supply chains.

Our work has highlighted the benefits of increasing access for companies that are 51% or more owned, operated, and controlled by such under-represented groups as women. For example, Accenture and General Motors are terrific examples of large companies that have used such programs to drive better results for the bottom line. At Accenture, having a diverse supply chain has been a strategic priority for more than 20 years. Through their program, Accenture now spends about 30% of total procurement on diverse suppliers, with 6% to 8% of that going to women-owned businesses.

There's a strong business case for targeted supplier programs. Reports by the World Economic Forum as well as Canada's Conference Board outline important benefits. These include things like increased customer satisfaction, because the customers see you working with a diverse supplier base; higher revenues; better employee retention, because of the connection employees see to that reach-out in terms of a diverse and targeted supply chain. You also generally have a more robust supply chain, more competition, and increased access to new markets.

Implementing targeted procurement programs in Canada is something that we think is incredibly important. In the United States, action on targeted procurement programs started nearly 50 years ago. As a result, as Annette and I discovered, it's actually quite advanced. The U.S. government itself has a goal of procuring 5% from women-owned businesses, and over 95%—that's 95%—of Fortune 500 companies have their own targeted supplier programs.

Closer to home, we're very heartened by commitments in the 2018 federal budget, which highlighted how federal procurement can drive business growth. We look forward to hearing further details about this commitment, which seems somewhat similar to the U.S. women-owned small business program we've learned about. As the budget states, the government will "set an objective of increasing the participation of women-owned small and medium-sized enterprises... in federal procurement so that they constitute at least 15 per cent of SMEs procuring the Government of Canada."

As the government moves toward implementation, we offer four considerations that we think will be vital to success. One is to set viable goals. The second is to collect and use data. Third is to reach out to women businesses. Fourth is to verify eligible companies. I'll just briefly articulate around all of those.

Around goals, we commend the government's commitment to 15%. By the same token, there is a big difference between awarding 15% of total nominal SME contracts and awarding 15% of the total available funds. We think the most effective way to effect change would be to create a set-aside reserve to award to women entrepreneurs based on a percentage of total available procurement funds.

The second area is about data collection. We certainly believe we need a strong baseline of current government procurement won by women-owned businesses, broken down, if possible, by industry sector and issuing department. This could be used to chart the progress of any initiatives going forward over time.

• (1210)

The third area is about reaching out to women-owned businesses. Another major portion of our report actually focused on the role of the private sector in expanding their own targeted supplier programs. Our suggestions to business, which include efforts such as attending conferences and summits, and working closely with networks, accelerators, and incubators, should also be applied to government. Basically, how do we get the word out so that women learn about these programs and actually engage?

The final area is to verify eligible companies. The government must provide clarity on the threshold for what qualifies as a women-owned enterprise. We suggest establishing, or actually endorsing, a program of third party certification to minimize abuse. There are a number of different organizations that already do this. Certification should focus on substantive management and control rather than necessarily ownership.

Beyond those specific measures, the committee should also consider the recommendations that were made by the growth council.

There were a couple of recommendations that focused on procurement. There are four basic approaches to strategic procurement that seem to be used in other countries, which might guide the formulation of a strategic procurement program here in Canada. One is solution-based procurement, which actually specifies the outcome you desire, rather than specifying specific equipment or services that are to be purchased. It's outcome-based.

The second type of procurement is called "supply push". It opens the procurement process to unsolicited offers, exposing the government to innovative ideas and options that officials might not know exist. Basically, it encourages innovation and new approaches.

The third type is set-aside reserve, a share of government spending for certain types of suppliers, such as small business. This could include what we're talking about today, a pool of capital set aside specifically for women entrepreneurs or women-managed businesses.

The final type is demand-pull programs. This is where agencies intentionally create demand for new or nascent technologies.

Those are a few ideas around implementation. Annette and I certainly thank you for the opportunity to address the committee, and we welcome your questions.

•(1215)

**The Chair:** Thank you very much for your testimony. We ran a little over time, but it was important testimony, so I was very pleased to hear all your comments and suggestions.

We'll start now with a round of questions.

Madame Mendès, you have seven minutes, please.

**Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.):** Thank you very much, Mr. Chair.

Thank you to both witnesses for being with us. I really appreciate it. I think it's fascinating, the report, as is being able to hear you in person.

I'm very curious about the social and psychosocial barriers, particularly the issue about networking for women, the social implications of networking for women.

**Ms. Annette Verschuren:** In term of networking, there is such a small number of women in business today that finding that ability to network is challenging. Studies have also been done indicating that men are getting more concerned about networking with women in meetings, in private meetings and breakfasts and so on. That is a big challenge that women face.

In terms of unconscious biases, they are everywhere. We see that in many situations. Studies show that, for instance, in venture capital, when people ask entrepreneurs venture capital questions, if they're in front of a panel, the questions they ask women are very different from the questions they ask men. The questions they ask men are very proactive and encouraging them to have a positive approach. The questions they ask women are more of a how-to and put them in more of a defensive and less confident position.

Those are some of the things that really need to be changed in our society, and the criticalness of gaining confidence through network-

ing. One of the recommendations of our committee was to accelerate the number of women in accelerators and incubators across our country. Only a few organizations do that. For instance, at MaRS, 30% of the entrepreneurs are women. That is not the case across Canada. We're asking, in one of our recommendations, "Please collect the data. Follow that." Once you report—it's amazing in business, and I expect in this type of environment—people will respond.

**Mrs. Alexandra Mendès:** Do you have something to add, Ms. Allan?

**Mrs. Elyse Allan:** I would simply say that the tendency is for women to build networks among women. One of the things we really want to encourage is that we're not looking to necessarily create accelerators just for women. We actually want to do whatever we can to encourage women to network in safe environments formed with men, so that they can build their network and build access to more business.

That's one of the areas of focus in the recommendations around accelerators and hubs, that while there might be special training or areas of focus for women where we do see they could use some help or additional development, in fact what we want to do is help women and men network together—

**Mrs. Alexandra Mendès:** Yes.

**Mrs. Elyse Allan:** —so that we broaden their network.

**Mrs. Alexandra Mendès:** From what I read in the report, it's creating that safe space so that both women and men feel they could network.

**Mrs. Elyse Allan:** Correct.

**Mrs. Alexandra Mendès:** That's a big challenge. That seems to be a big challenge, no?

**Mrs. Elyse Allan:** The Consul General in New York, when she spoke to us in one of our round tables down there, gave some excellent examples of the programs that they are running in New York City for Canadians and for Canadian women. That did allow, to your point, safe networking, and we think that's a vital role that accelerators and hubs can play. They can facilitate and help build and create that trusting environment. That's ultimately what we need to do, create more and more trust between men and women so that they're comfortable doing business together.

•(1220)

**Mrs. Alexandra Mendès:** Together, yes, and definitely increase the 7%. That was quite a shock to find out that it's only 7%.

**Ms. Annette Verschuren:** Yes, of women-owned businesses of more than 100 employees. That's a big challenge.

**Mrs. Alexandra Mendès:** Yet they are 50% of the founders.

**Ms. Annette Verschuren:** They are 50% of new businesses that are started. Many of them are service-oriented businesses; we have to look at the sectors very much. It is true, and the profitable performance of these companies is also very positive relative to male-owned.

**Mrs. Alexandra Mendès:** Do you mean those 7%?

**Ms. Annette Verschuren:** The 7%.

**Mrs. Alexandra Mendès:** The profitable portrait is very different

**Ms. Annette Verschuren:** Yes, the profitability of companies that have women founders is 63% more profitable, from a 10-year study, so we know it can be done. It really can.

One thing I would like to say is that the engagement of men is so extraordinarily important in this discussion. You have no idea. Women talk to women too much about this. One of the things that Elyse and I did was start a hashtag, #WeNeedBoth. We have asked women to say, "Look, I'm not going to sit on a panel and just talk to women without a man with me." We're asking men to say they will participate in this. The discussion needs to go beyond women. This discussion needs to be much more honest, direct, and frank with men. This is something we really feel strongly about.

I see that we have many men in this group. I really want to say to you all that we need to talk about this, because this is an economic opportunity to bring more leadership in our community, bring more participation of women. There is a direct economic impact that will help our productivity in our country and help our economy. The participation of men is one thing that Elyse and I really want to deliver home to you.

**Mrs. Alexandra Mendès:** We have the collection of data on the business world. Now we need to start collecting data on the government side, if I understand correctly.

**Ms. Annette Verschuren:** Yes.

**Mrs. Alexandra Mendès:** That has not been done.

**Ms. Annette Verschuren:** I don't know.

Elyse, is the data on the private sector side that rigorous in terms of collecting data on—

**Mrs. Alexandra Mendès:** Women and—

**Ms. Annette Verschuren:** —procurement programs or diversity programs?

**The Chair:** Could we have a fairly brief answer, please?

**Mrs. Elyse Allan:** I don't know the answer offhand. I think we did find that in the States there was some good data that the government had and through the women-owned businesses, the people who have participated in the federal women-owned business program. That's why it's driving data collection.

**Mrs. Alexandra Mendès:** We do have a lack here in Canada.

**Ms. Annette Verschuren:** Correct. That is one of the recommendations.

**The Chair:** Mr. McCauley, you have seven minutes, please.

**Mr. Kelly McCauley:** Ladies, thanks for being with us today. You've offered a lot of stuff. You've answered my questions mostly in advance. I wish we'd had you earlier in the study.

Let's talk about set-asides. We've had other people before us talking about set-asides for first nations and others. What we're also hearing is that, even with set-asides, it's difficult to access government business because of the onerous red tape, the difficulties. We heard comments that it's pointless to even bid because they have to put so much into it for a small contract.

Is that something we should tackle first before we look at doing a set-aside? I don't want to call it putting the cart before the horse, but I hate to set us up for failure, so we'd have a set-aside and then still make it impossible for anyone, it doesn't matter who, to dig through the government paperwork unless they're a CA or a masochist.

Is that a bigger problem?

**Ms. Annette Verschuren:** It is a big problem. One of the biggest problems for SMEs across the country is the amount of regulation on everything. The complexity of applying for these things is extremely important. As we design anything in our government, I really believe the execution may be more important than the strategy.

So I think you're absolutely right. Elyse can comment on the set-asides, but I think the execution of those set-asides is extraordinarily important. Making it easier for companies and smaller companies, particularly, to access that is critical.

**Mrs. Elyse Allan:** I would just add that I would hate to delay progress in terms of moving forward on the idea of set-asides because of the red tape, but rather use the execution and the implementation of a set-aside program, perhaps to drive the reduction in the complexity around whatever new program would be introduced, so in fact try to combine them together. Use one, maybe, as a forcing function to drive progress in the other.

• (1225)

**Mr. Kelly McCauley:** I have a great fear that if we do a set-aside of, for the sake of argument, 10 or 15, it will only benefit a certain amount within that set-aside, because it's so difficult to get through the paperwork. We've heard other witnesses, and a lot of the women-led SMEs are one to 10 people, and they don't have the resources. I fear that, if we do a set-aside as a be-all and end-all without fixing our process, we're not going to benefit the greater community and the greater number.

**Ms. Annette Verschuren:** Maybe if you had more women involved in making those.... I believe in Elyse: we need to make these investments now. We need to drive our economy and grow our economy. If we wait until we get the system perfect, it's not going to happen. But you could establish—

**Mr. Kelly McCauley:** We have to fix both at the same time.

**Ms. Annette Verschuren:** Yes, exactly, both at the same time, absolutely.

**Mr. Kelly McCauley:** You spoke about it very well, but I just want to chat a bit more about verifying. We've heard, again from other witnesses from other targeted groups, about whether it's good enough to have, say, female ownership but all men in management versus male ownership. Where is the best balance that delivers the best value for Canadians, the best value for women? Have you heard from other groups about having—and I don't want to use the word “token”—almost like a placeholder in order to get bids?

**Mrs. Elyse Allan:** Yes, we certainly heard in some of the round tables, particularly from the U.S. women who were participating, that there was some risk, as there often is, in various programs of people gaming or working their way around the system. Based on that and the amount of work we have done—granted, there's probably a lot more that could be done—our sense of this is that we should be focusing on management and control versus purely ownership. That was a recommendation that came from the women who had participated in the States around that. We don't have a lot more data other than this, which is more anecdotal. It certainly came up in a couple of the round tables that it's something we should be wary of and should be looked at before one would write the framework.

**Mr. Kelly McCauley:** If you have any of those minutes from those meetings you could share with the committee, I think that would be appreciated, just so we can round it out a bit more or flesh out some of our—

**Mrs. Elyse Allan:** Certainly. We could look at that to see if it's documented in those minutes.

**Ms. Annette Verschuren:** Our recommendation of third party certification is key. If we establish the rules correctly and fairly, and then have a third party certify that, I think that could make it easier.

**Mr. Kelly McCauley:** The last question I have—and you've covered it—is about reaching out to women-led organizations to let them know. This is a problem across all demographics in Canada. When I talk to SMEs, very, very few people know about this huge segment of business available. What is the best way to get that out to SMEs, all SMEs, and in particular women-led SMEs or women-managed SMEs?

My wife has a small business. She's formed her own women-led group to promote within the wine and restaurant industry, but how do you get it out to the regular person who may not be involved in the chamber or who may not be at senior levels?

**Ms. Annette Verschuren:** I think it's a really important question. One reason Elyse and I have taken time out of our work is that we really believe in this as a great opportunity for our country.

I think that women networks, business networks, can talk about this. We need to educate our society about this once we have established what the recommendations are. We need to do various different things. Whether it's social media, direct intervention, or talking with all the chambers across the country, if we do have a strong program, I think we could communicate it very effectively.

**Mr. Kelly McCauley:** It sounds to me like we need to involve the chambers and women networking groups in how we do the advertising, just as we need to involve them in setting up the set-asides and other small businesses as well.

**Ms. Annette Verschuren:** Absolutely.

**Mr. Kelly McCauley:** Again, ladies, thank you very much. It's been very informative.

**The Chair:** Mr. Blaikie.

● (1230)

**Mr. Daniel Blaikie:** Thank you very much.

I was hoping you might be able to expand a little bit more on the idea of third party certification and on exactly what setting that up looks like.

**Ms. Annette Verschuren:** There are third party certifications.

Elyse, what are the names of the two that we know of?

**Mrs. Elyse Allan:** I can look it up here....

**Ms. Annette Verschuren:** Just off the top of my head, they are in the U.S. and they're setting up chapters in Canada.

**Mrs. Elyse Allan:** Yes: it's WEConnect International and WBE Canada. They are the ones who go through and have the different certifications. It's very helpful.

Something we might want to consider, when we go and look at that certification, is that we try not to create a difference between the U.S. and Canada. The certification process in the States has been working very well and has been in place for a while. Eventually, we could see some integration of the programs across the U.S. and Canada. To the extent that we had similar certification requirements, that would facilitate women-owned businesses in Canada having access to the bigger market in the States. It's something to consider.

**Ms. Annette Verschuren:** This was something that Elyse and I really pushed hard on. We would love Canadian and American women-owned companies to trade more aggressively. For women in Canada to access procurement in the United States and vice versa, we need trade, and we need to export our goods. It's one way of scaling up and growing women-owned businesses.

**Mr. Daniel Blaikie:** So the third party certification acts as a requirement to access the set-asides?

**Ms. Annette Verschuren:** Correct.

**Mr. Daniel Blaikie:** Part of the discussion so far around here has been about barriers to accessing procurement. I guess I'm just curious to know how cumbersome, relatively speaking, the certification process is.

**Ms. Annette Verschuren:** It isn't. It works quite well. I think we interviewed hundreds of people, and they are very, very responsive. I think the government side likes them and I think the people who participate, who look to get certified, find it an easy process, and a process that works.

**Mr. Daniel Blaikie:** Go ahead, Ms. Allan.

**Mrs. Elyse Allan:** It's been going on for a number of years in the States too. That program started in 2011. It originally was initiated in 1994, so you have a bit of history there. I think they've had a chance to work it out. I think there's a lot to be learned rather than starting from scratch.

**Mr. Daniel Blaikie:** This goes back a little bit in the conversation to Ms. Mendès's comments about networking. Are there ways in which procurement can be leveraged to provide better access to networking opportunities for women-owned businesses or women-managed businesses? Is there a way to try to use procurement for mentorship opportunities that might be useful?

**Mrs. Elyse Allan:** Annette, maybe I can take a stab at that.

I think there's a great example in the report of Accenture. It talks about how, in this case, as a private sector company, they've combined all of those aspects within their supplier program. I know that even at GE we do a lot where we bring suppliers together. We help develop them. Once somebody gets into a larger company's supply chain, it's actually in the best interest of the company to invest in this company and to help make sure they're progressive, able to grow; the leadership gets mentoring, if they need it; and they get exposure to other suppliers. It's part of what I could call a healthy supply chain system and supply and procurement program.

The feedback, certainly in the examples from Accenture, General Motors, and I think a lot of the other major companies, because they've been at it so long in the States, is that they want a healthy supply chain. You get a lot of benefits by being part of it.

**Mr. Daniel Blaikie:** What do you think that looks like from the perspective of government, which in itself isn't part of the supply chain but is hiring companies and wanting the companies it hires to foster those kinds of relationships? What can be done on the procurement policy end to try to have that outcome in the private sector players that are working together to fulfill government contracts without being so cumbersome that it turns prospective contractors away because they feel it is too much of an encroachment on their existing model?

**Ms. Annette Verschuren:** Elyse, you can start.

**Mrs. Elyse Allan:** Sure.

I think in the growth council we certainly spoke a lot about how, again, some programs that could be done by government have been done different levels of government, almost like a concierge program that has helped bring together businesses that are targeted to scale. The scaling businesses can make quite a difference both to the economy, as Annette spoke about, and take advantage of procurement programs.

To the extent that one can target those companies and help them, they'll in fact then help other women-owned businesses. There's a bit of a village. If we can work with the ones that are a little bit stronger and able to go after these procurement programs and can deal with maybe a bit more of the complexity, they can also help work through some of those challenges but also then reach out to the women business community, get word out, and bring them in maybe as secondary suppliers. We talk in the report about tier one suppliers, but there's also an important area for smaller businesses in being a tier two supplier.

• (1235)

**Ms. Annette Verschuren:** Perhaps I can add something from a policy perspective. Elyse talked about the market-driven or the solutions approach. There's a new economy happening out there. If we can link those smaller businesses to larger businesses, the acceleration of that.... In our procurement policies we may say, look,

it's important to have this percentage of women-owned businesses and SMEs in innovative areas. I think that could really help the country. It is a longer-term perspective, but I think the benefit of that is much greater than sometimes just thinking only of cost in the short term.

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

Mr. Peterson, you have seven minutes, please.

**Mr. Kyle Peterson:** Thank you, Mr. Chair. I appreciate the time.

It's an honour to be here with two great witnesses. We have a member and an officer of the Order of Canada, both at once. We should feel very honoured to have you both here.

**Ms. Annette Verschuren:** Both of us are, yes.

**Mr. Kyle Peterson:** That's awesome.

There's so much we can talk about here. I'm trying to focus my mind on the study, which of course is small and medium enterprises vis-à-vis federal procurement. I see access to federal procurement as a possible way for women entrepreneurs to address all four of the barriers that were identified in the report: access to capital, access to talent, the dynamic between wanting to be an entrepreneur and family obligations, and the social and psychological barriers that exist.

Am I correct in saying that federal procurement can help alleviate all these barriers if it's properly implemented?

**Ms. Annette Verschuren:** We think so. There are other parts, such as the VCAP that's going to be adopted in this government. I worked with Jim Flaherty in the previous government, and he asked me to be on a panel of that VCAP. We invested \$400 million in the fund-of-funds and in incubators. There weren't any women around the table when we interviewed them. At the time, I said, "Look, can't we take 20% of these funds and invest them in women-owned businesses?" I saw it so clearly.

I made the recommendation to this government to do the same thing. There are ways in which we can filter our thinking to allow this to happen. Access to capital is probably the most difficult. It's the number one barrier that Elyse and I discovered. This is really critical. We have to push here. We have to find ways on the procurement side.

Scaling up is so important. It was the first assignment. How do we get entrepreneurs to scale up? Contracts allow people to scale up. You can go to a bank when you have a contract and get working capital to bridge your company. You can go to an investor and say, "Here: these are the contracts I have to get further equity investment in your company." These are such important parts of how we can grow this part of our sector.

Elyse.

**Mrs. Elyse Allan:** In answer to your question, there are a number of specific reports, whether it's the Ernst & Young report, the Conference Board of Canada report, or even the World Economic Forum report. In all three cases, not to mention the anecdotal and sometimes quantitative measures that we learn from some of the big businesses like General Motors and Accenture and others, to your point, those programs did in fact address those barriers. I think a lot of evidence shows this in different ways.

Going back to Annette's point on capital, part of it is that when you have this order from the government, a purchase order, you have the ability to take that to the bank and get financing because you have a long-term supply contract. It's incredibly powerful. It gives you collateral that you otherwise wouldn't have. It also brings you something to walk in to other customers with. The one thing we heard at both this study and the growth council is how come our own government, at any level of government, isn't a first customer? If we're trying to grow and are putting all this investment through ISED and other places into innovation, into trying to develop new businesses and scale them, why don't we have the governments really stepping up in creative ways to ensure that they are first customers for these companies? I must say that time and time again we've certainly heard about the cases where we have companies here and their first customer is in the United States.

To your point, I think it does give them access to additional supply chains, so it helps them build their customer base and their network. It gives them access to capital that they seem not to have to the same degree that male-owned companies do. Also, of course, there are all the benefits that Accenture, General Motors, and others have identified, where it brings employee engagement, it helps you on hiring, and it also helps you in terms of access to more customers who are proud to do business with somebody who looks towards diversification in the supply chain.

Yes, I agree with you that there are a number of benefits if you have the federal government as your customer.

●(1240)

**Mr. Kyle Peterson:** Thank you for that.

I just wonder if there's any data or any theory that either of you might have when you look at the problem of access to capital. At the same time, you see women-owned businesses being more profitable. In my mind—my naive mind—I always think that capital follows profit. They want the biggest return. Why is there the gap between marrying those two?

**Ms. Annette Verschuren:** We're really good at starting businesses and keeping them small. We're not so good at scaling up. That is the big dilemma we face. That is what we're trying to address in the first pillar report. It is a big problem. Some of those jobs, and a lot of the perhaps bigger company jobs, are in STEM. They are in the technologies, the heavy equipment, the machinery, and the big investment in capital. There's a hesitancy, and there is less experience in the STEM area. You'll see that in the second report that we came out with on STEM and technology and trying to get more women involved in that.

That will change things as we grow and get more women educated and involved in these jobs. We know that women have a great capacity to build companies, but there are just not enough of them.

**Mrs. Elyse Allan:** I'll add to that.

Why don't they have access to capital? I think we go back to what Annette talked about, too, in terms of that network. The fact of the matter is that when you look at financial services and at venture capital, still the majority of the decision-makers are male. One of the things we've found is that when there is actually a woman involved in the decision-making process at the venture capital firm or the financial institution, the allocation of funds towards women businesses actually changes.

Until we have more women in those decision-making roles... Certainly, one of our calls was to get more women into venture capital firms, and a lot of them are now trying to bring women into the decision-making process, but that's an issue.

**Mr. Kyle Peterson:** Thank you very much.

**The Chair:** Thank you.

Mr. McCauley, you have five minutes.

**Mr. Kelly McCauley:** Ms. Verschuren, you were talking about scaling up. It leads me to believe more and more that we have to fix our procurement system to allow access, because we'll never have anyone scaling up if they can't access the system.

You talked about the importance of long-term contracts in being able to go into a bank to get funding. A lot of the SME contracts on Buyandsell are one-offs and short-term contracts. Do you see a solution in there to the set-asides? Maybe we can set it so that we're setting aside longer-term contracts? How would you see that set up so that we're making these more important contracts that are going to deliver more value and help build scale? How would that be set up?

●(1245)

**Ms. Annette Verschuren:** It's a really good question.

**Mr. Kelly McCauley:** I get one good question a day. That's probably it.

**Voices:** Oh, oh!

**Ms. Annette Verschuren:** Elyse and I haven't designed the procurement programs. We haven't had the time. We talk about challenges, and we talk about recommendations.

I will tell you, I started this business, NRStor. I'm a developer of energy storage projects. My first success was when I got a three-year contract with the IESO for a flywheel installation in Ontario. That gave me the credibility to go to BDC and get a loan for half of that capital. I paid it off before it was due.

That started me, honest to God; it allowed me to go to the next project. It allowed me to invest in other stuff. This is how it actually works. It gave me the confidence to go look for money. For one of the companies we had, I had to go to Switzerland to get the capital. I got my equity in Canada from LiUNA, which is a great labour union pension fund, but I had to go to Switzerland to get the money for the expense, \$120 million.

Again, it's building that. If I have a contract, if women-owned businesses have contracts to support that, that really accelerates it. There are situations where people get one-year contracts. I realize that, but maybe in the set-aside you can define what's in that set-aside and figure out how to allocate it.

**Mr. Kelly McCauley:** Thanks. That's why I'm asking. I'm worried that we tend to simplify things. I would hate for people to think, "Oh, we have a set-aside, so it's fixed", when we have this huge bureaucracy that prevents people from bidding.

**Ms. Annette Verschuren:** Yes.

**Mr. Kelly McCauley:** What's the point of a set-aside if we're setting aside maybe for a placeholder that's not benefiting women, or a bunch of tiny, little contracts? Maybe we should focus on a smaller set-aside but a larger, longer-term contract that's actually going to develop the capacity that we need.

**Mrs. Elyse Allan:** You have to think of the transactional cost of getting ready for the bid, right?

**Mr. Kelly McCauley:** That's what we hear a lot.

**Mrs. Elyse Allan:** To your point exactly, if that cost is just too overwhelming.... It's true for big companies too. I mean, you're always comparing how much time and effort to get what prize. Like, what are you going after?

I think if in designing the program you think about the outcomes you want—maybe you want to give access to capital and you want to give collateral—then hopefully that will lead to a design that allows for longer-term or bigger contracts, or renewal processes or something.

**Ms. Annette Verschuren:** I would also say that with innovation, it's the same thing. Elyse addressed a lot of the stuff. We have the same requirements for regulation for a big company and a small new company trying to introduce innovation in our country. We need to accelerate that. We really need to find another sandbox in which we can get this new technology.

The Americans have done it extraordinarily well in CARPA and ARPA and in other major programs that they have introduced. We need to get quicker at this. Women-owned businesses can really take advantage of that.

We have the same track for everything. A big company like GE has to fill out the same procurement material as a little company with 12 people. It's wrong. It's not working.

**Mr. Kelly McCauley:** No, and that's what I wanted to get on the record—

**Mrs. Elyse Allan:** We don't want to do it either.

**Voices:** Oh, oh!

**Ms. Annette Verschuren:** I know, Elyse. I know how hard it is. I'm through this. I get it. You don't want it either.

I get it, but it's even worse. You're restricting growth.

**Mrs. Elyse Allan:** I totally agree.

**Ms. Annette Verschuren:** It's restricting growth.

**Mr. Kelly McCauley:** That's why I'm saying we have to fix the ease of procurement as a first step, almost.

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

Mr. Jowhari, you have five minutes, please.

**Mr. Majid Jowhari:** Thank you, Mr. Chair.

Okay: I'm going to stop laughing now.

Elyse, I want to go back to your closing comments. You talked about the strategic procurement, and you highlighted four pillars, as I call them. One was solution-based procurement—basically outcome-based—which is great. We've heard a lot from other witnesses on it. You talked about supply push. You categorized it as unsolicited offers. Then you talked about set-asides, which we've talked a lot about here. Finally, you closed with the fourth pillar, which is a demand-pull program.

I'm new to the committee, and those two I have not heard from other witnesses in the forms that were discussed. Can you expand on supply push and the demand-pull program? How can we effectively use those for procurement, SMEs, supporting women, and supporting the target we have of going from 7% to at least 15% so that we are compatible with our neighbours down south?

• (1250)

**Mrs. Elyse Allan:** Sure. I'll do my best.

Some of this came through the work on the growth council. I know I won't do it justice, but there's more in the reports of the growth council, where it was really a way to try to drive innovation. The supply push is really about the idea of how we make sure that the procurement process is open to unsolicited offers. If you have a good idea—let's say at GE, which is close to home—about how we can bring power in a new and different way to the north, who do you go to and where do you go to for that? I don't mean to use that as a specific example as much as to try to articulate it better. If Annette has a new battery storage idea that's perfect for northern or rural communities, there are not necessarily easy open doors to bring an unsolicited offer.

Let's say the government isn't looking for this, but you have a great solution. Where can you take it? Who's there to listen who can potentially do something with it as well? It's not just having the open door to pitch it; it's having an organization that's able to respond.

**Mr. Majid Jowhari:** It's very interesting that you mention this. I have a lot of different interest groups come to me and talk about blockchain as a new technology and how blockchain could help solve some of the government challenges or bigger challenges. Now I can relate to what you mean by supply push.

Annette, did you want to speak on that?

**Ms. Annette Verschuren:** I'm good.

**Mr. Majid Jowhari:** You're good on that one? Okay.

On the demand-pull program, can you help me with that?

**Mrs. Elyse Allan:** The demand is where the government might say, if we could come up with a really cool new idea.... I think the IESO example that Annette gave would be a good one. Let's say they said they wanted to try new forms of storage capability on the grid. But what is kind of new? Government, which has the biggest capacity to actually take risk, in some ways, is oftentimes—

**Mr. Majid Jowhari:** Well, we're taking a risk with your money, but that's okay....

**Mrs. Elyse Allan:** —the least likely to take risk. On a nascent technology, sometimes you think about the cost benefit of it, but there is the opportunity on energy saving or conservation. I think we have examples of where governments encourage it, but how do we do more of that? That's where we're creating the demand, demand pull, because we're saying that we're looking for creative ideas in this area.

**Mr. Majid Jowhari:** I think that one goes nicely with the first pillar, which is basically outcome based. The government might be able to explain what the outcome is that they're looking for without having the detail.

**Mrs. Elyse Allan:** That's right.

**Mr. Majid Jowhari:** This is such a new approach in technology that all the details might not be there.

**Mrs. Elyse Allan:** Right. We saw that when I was on a panel for the Ontario government last year that was specifically on procurement in health care. I think one of the key recommendations that came out of that was that we tend to be very prescriptive in what we're looking for as opposed to—to Annette's point—allowing these small businesses that have these really creative, interesting ideas like we see at MaRS.... We're both on the board at MaRS. They don't have a place to bring them, because somebody has already prescribed the solution as opposed to letting blockchain ideas be proposed.

**Mr. Majid Jowhari:** I'd like to thank you, because now the four pillars really make sense to me, at least going from an outcome base and using the fourth pillar, which is a demand-pull program, to make sure it is outcome based rather than very prescriptive. Then there is the supply push opening that environment for support of innovation, which is the government's agenda, and then the set-aside, which basically establishes a target. Then, when we get into the targeted procurement, collecting data and reaching out to the women and removing all those barriers that they talked about, they all nicely fit together now. I'd like to thank you for that.

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

Colleagues, we have time for one more intervention of five minutes.

Mr. McCauley and then Madam Ratansi.

**Mr. Kelly McCauley:** I have just one question, but I suspect you may need the whole five minutes.

This is with regard to the four pillars of issues that are barriers. From your time down in the U.S. at the round tables, are these the same issues they're experiencing there? Are they doing anything specifically different that we should follow up on here? One of them is the entrepreneurial side versus the family side. That's a much bigger, complex issue than we're going to be able to tackle. Are they

doing something specifically down in the States that we should look at immediately here?

• (1255)

**Ms. Annette Verschuren:** I have worked for U.S. companies. I have worked in the States for a couple of years. They're advanced in terms of their procurement programs. They're advanced in terms of their innovation programs. They use the Department of Defense and EPA very effectively. There's a lot more activity in the United States than in Canada, on a per capita basis.

We do a lot of research in Canada, but we cannot bring it to commercialization effectively. We invest less in ICT in Canada, by 40% relative to U.S. small businesses. We also invest 30% less in machinery and equipment. We need to accelerate on these challenges that we have. The American women had about the same issues, with maybe less access to capital. They're fighting the same things we are, but they are a bit further ahead than I believe we are.

I saw that experience when I was running Home Depot. I ran the Expo Design Center in the U.S. We had two people assigned for women diversity programs. Every time we bid on a federal government contract, we would teach, we would have seminars, we would have conferences and bring women in. They do that more.

Elyse said that 98% of the private sector has diversity programs. It's not the case in Canada, so our government and our private sector are behind.

**Mr. Kelly McCauley:** It would do us well to study—

**Ms. Annette Verschuren:** Yes.

**Mr. Kelly McCauley:** —their processes a lot more.

**Ms. Annette Verschuren:** Absolutely. I think they do a lot of good things. That's why Elyse and I are not recommending creating anything new here. Let's take the best of what we can see around the world. Particularly, we've spent more time in the United States looking at this, and we see successes that we need to bring back to Canada.

**Mr. Kelly McCauley:** Do you have anything, Elyse?

**Mrs. Elyse Allan:** No, I think Annette answered it well.

**Ms. Yasmin Ratansi:** Could I take two or three minutes?

**The Chair:** Yes.

**Ms. Yasmin Ratansi:** Thank you very much for being here. You are two powerful women who have broken the glass ceiling. I remember my days in receivership, when I was the only female in receivership, and I was going, "There's nobody around."

Do you mentor women entrepreneurs, and do you sit down and mentor men entrepreneurs as well? The young people are very interested in integration. I went to a STEM camp in my riding. It was women leading the STEM camp, and the creativity they brought and the students who participated were fantastic.

Is there a mentorship program that you guys run?

**Ms. Annette Verschuren:** Oh, God; we do it as a part of our lives. I wrote a book two years ago just about leadership. We're inundated all the time. We have mentors. I mentor men, I mentor women—more women than men. Elyse and I over-mentor, I know. But sponsoring is really important too. There's a difference between mentorship and sponsorship.

**Ms. Yasmin Ratansi:** Yes.

**Ms. Annette Verschuren:** We need to sponsor women. The men around the table have women in their organizations. They need to sponsor them at the executive tables when decisions are made on careers. There has to be much more of that.

We do it one on one. We do it collectively. We do it as much as we can.

Elyse.

**Mrs. Elyse Allan:** I'm meeting with people weekly, answering questions. With pretty much any student or anyone who has called, I don't think I've ever not either taken them on as a mentee or not met with them and at least provided initial guidance or set up other mentors. I think it's very valuable for a lot of women, whether they're in the corporate or the entrepreneurial world.

The second thing is that, as a company, we've done two things that I love. One is that we have worked very closely with an organization called Actua, which focuses on trying to get young people into STEM. They also have specific programs for both indigenous communities and women. GE has a whole host of volunteers in volunteer group that works with Actua to help try to get those young people, particularly young women, engaged in STEM.

**Ms. Yasmin Ratansi:** I just want to make one more comment.

**The Chair:** Please do.

**Ms. Yasmin Ratansi:** When you are mentoring men versus women, you probably find that the men think, "Oh, yes, I'm entitled to it", and the women think, "Oh, my God, can I do it?"

• (1300)

**Mrs. Elyse Allan:** There is a difference.

**Ms. Yasmin Ratansi:** That's the challenge we are facing as well.

Thank you very much.

**Ms. Annette Verschuren:** We need to become more confident—

**The Chair:** To both of our witnesses, on behalf of the committee, I want to thank you very sincerely for your testimony here. It's been fantastic.

To underscore what Mr. McCauley said earlier, I wish we would have had you earlier in our deliberations. As a final point, I make the offer to all of our witnesses—and I'm quite sincere when I make it to both of you—that should you have any additional information, recommendations, or suggestions that you think would assist this committee in its deliberations before we craft our final report, I would sincerely ask you, and encourage you, to submit those recommendations to our clerk so that it can form part of our final report.

Your testimony has been informative and helpful. Thank you once again for taking the time out of your very busy schedules to be with us today.

**Ms. Annette Verschuren:** Thank you.

**Mrs. Elyse Allan:** Thank you very much.

**The Chair:** The meeting is adjourned.

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