

The Way Forward

News



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The Government of Canada spends approximately \$20 billion a year on various goods and services – everything from specialized goods such as military equipment to commonly purchased goods and services like information technology, temporary help, furniture, cars, hotel rooms and airline tickets. The common goods and services category accounts for over \$1 billion of spending per month, representing \$12 – \$14 billion per year.

Why transform procurement?

Like any other program or service, the government has a responsibility to improve how it buys goods and services. As a public institution, the government also needs to adhere to certain principles including accountability, transparency and fairness in dealing with suppliers, and ensuring equal access for businesses – large and small – across Canada.

As the lead department in undertaking procurement transformation, PWGSC is committed to:

- Ensuring increased transparency and accountability in the procurement process;
- Making it easier and less costly for suppliers to do business with government;
- Improving access for SMEs to compete for procurement;
- Considering economic and social impacts (Aboriginal, regional and environmental);
- Consulting with affected industry sectors.





How are we proceeding?

PWGSC is working to develop new procurement tools for a variety of commonly purchased goods and services – tools that will make it easier and less costly for departments to meet their procurement needs. In developing these new tools, PWGSC will adhere to the following procurement practices:

- Functionality rather than brand, technical and supplier based specifications. This allows suppliers to propose innovative products and solutions to meet functional needs.
- Fewer models and configurations. The goal is to reduce the range of goods (e.g. from hundreds of models of chairs to a few dozen), but maintain reasonable choice.
- Factoring value into the evaluation of goods and services. This means quality and other factors are considered, not just price.
- Active price competitions and taking advantage of market prices. This is not new. It gives suppliers an opportunity to update their prices periodically to reflect changing market conditions.
- Supply continuity with the qualification of multiple suppliers for certain goods and services.
- Ensuring that government operations in every region have access to local support where this is needed (e.g. printers).
- Level competitive playing field and open, fair

competitions that reduce the cost of bidding. For instance, testing for furniture will be performed after successful award of business rather than as a requirement to bid, and testing will be conducted on far fewer models.

- Steps to make it easier to compete and conduct business with the government. For example, joint bids from consortia of small firms will be treated equally to bids from large firms.
- More business for suppliers who win competitions.
- Faster execution of orders. Using standing offers will result in procurements being done in 1-4 days rather than the current 30-60 days.
- Using electronic tools to have more information about who buys what, when, at what price and from whom. That information will then be used to negotiate even better value for Canadians.

In addition, PWGSC is working to improve access for SMEs by:

- Increasing opportunities to bid;
- Addressing possible barriers for SMEs to compete; and,
- Reducing the complexity and costs of doing business with the Government of Canada.

For more information on procurement transformation, visit: www.pwgsc.gc.ca/transformation/proc/text/index-e.html.

Some frequently asked questions

Following are some frequently asked questions and answers on procurement transformation.

Will the changes to procurement turn the government into a kind of Wal-Mart where the lowest price wins?

Best value always comes first when the government buys goods and services. Best value is not just about price. It includes quality, the ability to meet the government's spe-

cific requirements and experience. The government will continue to weigh a variety of factors to determine best value on the goods and services it buys.

At the same time, it doesn't make sense for the government to continue haphazardly buying common goods and services like computers, printers, office furniture, office supplies and temporary help services. The changes will ensure Canadians get the best value for their tax dollars. This is what taxpayers expect.

Aren't you simply centralizing procurement?

No. We are standardizing what government buys (fewer configurations of chairs, for example) and developing common tools (Standing Offers, for example). Departments will have an increased ability to do their own purchasing without the involvement of PWGSC, since they will draw from a pre-approved pool of suppliers who have already competed for the right to sell to the government. For the most commonly purchased goods and services, departments will choose from a catalogue shared across government.

Will the changes mean fewer contracting opportunities for small and medium size enterprises (SMEs)?

In fact, the changes will help SMEs by providing them with even greater access to government procurement opportunities. For example, we are structuring many of the tools to increase bidding opportunities for SMEs and, where appropriate, requiring that SMEs be included in major contracts. We are reducing the cost and complexity of doing business with the government, and addressing other potential barriers to their participation.

PWGSC also recently opened six regional offices of the Office of Small and Medium Enterprises as an entry point for doing business with government and to help address the concerns of SMEs. We will continue to monitor the impact of the procurement changes on SMEs and address issues as they arise.

What are reverse auctions and why are they being scrapped as part of the changes?

Reverse auctions are a live on-line tool to conduct price competitions where suppliers bid against one another to provide the lowest price. PWGSC took them off the table because suppliers had major concerns about the impact of reverse auctions on their ability to provide best value to the government. The use of reverse auctions was never a central component of the government's savings

strategy and as such, it will still meet or exceed its savings commitments.

Why did PWGSC spend \$24 million on advice from A.T. Kearney? Media reports say this contract ballooned out of control. What is the story here?

The government needed outside expertise to help achieve its goals, including analyzing approximately \$20 billion of government spending across 51 departments and agencies and developing a database of over 12 million records. The department has received significant value for the work completed by A.T. Kearney: four years of work was performed in less than one year and it remains within the budget allocated for this project.

More specifically, there has been some misunderstanding about the way the contract was managed. The department had the authority under this contract to allocate up to \$19 million, but awarded the funding in stages as the work was identified. It also had the authority to increase the contract to \$24 million to complete additional work, and to accelerate the pace of the work. All these decisions were critical to moving forward on procurement transformation.

Has the department consulted industry on the changes?

As part of the government's procurement reforms, PWGSC is issuing a series of standing offers with suppliers for commonly purchased goods and services, known as Requests for Standing Offers (RFSOs).

PWGSC has consulted extensively on these RFSOs and will continue to work with industry to identify and address concerns. For three specific and complex industry sectors (temporary help services, informatics professional services, and furniture), the department has asked an independent third party – the Conference Board of Canada – to conduct formal consultations.

In addition, PWGSC will take steps to ensure the other RFSOs are implemented effectively by consulting with the industry sectors affected prior to issuing each RFSO. This ranges from issuing Requests for Information (RFIs), meeting with industry associations, and holding bidders' conferences to seek industry input and feedback. This process is now underway.

It should be noted that the department has already successfully negotiated RFSOs for goods such as office supplies, where savings of 18 percent were achieved while significantly increasing the participation of small and medium enterprises and Aboriginal businesses.

Improving how government real estate is managed

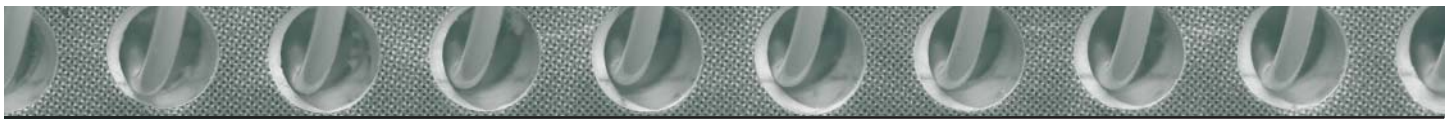
PWGSC recently awarded a contract to BMO Capital Markets and RBC Capital Markets Real Estate Group Inc. to provide the government with recommendations on 35 of its 325 Crown-owned real estate assets.

PWGSC faces many challenges in managing its real estate portfolio including recapitalization needs estimated at \$4 billion, ensuring the portfolio meets the environmental standards it has adopted, and low vacancy rates in certain large urban areas.

The work by BMO Capital Markets and RBC Capital Markets Real Estate Group Inc. includes looking at a broad range of options to find the most cost-effective and efficient ways to accommodate federal government departments while generating savings. The recommendations are expected by year-end.

The work is part of a larger reform PWGSC is undertaking to improve its real property management.

For more information, visit PWGSC's Web site at: <http://www.pwgsc.gc.ca/text/index-e.html>.



What's Happening

Better purchasing:

How you can help the Government of Canada save

✓ Prepare a Statement of Work

Define the work to be done or the products to be acquired in clear and concise terms. If a requirement cannot be clearly defined, indicate the objectives and performance criteria to be met. Look for opportunities where you can cooperate with others who have similar requirements. Also, be sure to order standard items whenever possible.

✓ Use Available Tools

Know what procurement tools are available to you and be sure to use them. Some tools that exist are standing offers, the Standing Offer Index (SOI), MERX, plain language documents, the Vendor Performance Policy, and the Shared Travel Services Initiative, as well as tools available from your department. Also look for updates to current tools like the SOI, and the introduction of new tools like the Government of Canada Marketplace (GoCM).

✓ Know the Standing Offer Process

If you are buying something from the core supply categories, and if PWGSC has a standing offer that meets your needs, then you are to use the standing offer. If there is not a standing offer that meets your needs, you should follow the laws, regulations and policies that normally govern your departmental procurement process.

If you have questions, call the Acquisitions Help Desk at 1-866-664-6609.

For a complete list of the core supply categories, visit: <http://www.pwgsc.gc.ca/transformation/proc/text/overview-e.html#supply>.

For more information on government purchasing tools visit: <http://www.pwgsc.gc.ca/acquisitions/text/e-tools-e.html>.

The Way Forward News

The Way Forward News is published periodically to inform other GC departments and agencies about the changes and progress being made to procurement and other changes to services provided by PWGSC. We encourage you to pass on this information to those who may be interested. An online version of this newsletter, containing direct links to more information on the issues covered, can be found at: www.pwgsc.gc.ca/b2k5/newsletter/text/news-e.html

To contact us or to receive copies of this newsletter, please e-mail: questions@pwgsc.gc.ca

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