



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

45th PARLIAMENT, 1st SESSION

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# Standing Committee on Government Operations and Estimates

EVIDENCE

**NUMBER 009**

Tuesday, October 21, 2025

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Chair: Kelly McCauley





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• (1105)

[English]

**The Chair (Kelly McCauley (Edmonton West, CPC)):** I call the meeting to order.

Welcome to meeting nine of the House of Commons Standing Committee on Government Operations and Estimates, known as the mighty OGGO, the only committee that matters.

Pursuant to Standing Order 108(3)(c), the committee is holding a briefing session with the procurement ombudsman on his mandate and his most recent report on bait and switch practices.

I would like to welcome back Mr. Jeglic, whom I consider a great friend of OGGO. It's wonderful to have you back.

Also, there's another Kelly. We can never have enough Kellys here. Welcome, Ms. Kilrea.

The floor is yours for five minutes, sir. Welcome back.

**Alexander Jeglic (Procurement Ombud, Office of the Procurement Ombud):** Thank you very much, Chair.

I would like to begin by acknowledging that the land on which we gather is the traditional unceded territory of the Algonquin Anishinabe people.

Thank you, Chair and members of the committee, for inviting me here today.

As mentioned, my name is Alex Jeglic, and I have been the procurement ombud for over seven years. I appreciate the opportunity to appear before you to provide an update on my office's activities, including a summary of the findings in our recently published bait and switch review.

While I have appeared before this committee many times, there are new members around the table, so I would like to take a moment to briefly introduce our office.

[Translation]

My office is a neutral and independent organization, which was established in 2008 to help resolve contract disputes between Canadian businesses and the federal government.

[English]

We investigate complaints, provide mediation services and make recommendations to improve systemic procurement issues.

[Translation]

My office is at arm's length from other federal organizations, including Public Services and Procurement Canada. While I report to the Minister of Government Transformation, Public Works and Procurement, the minister has no involvement in my office's daily activities or in the content of my reports.

[English]

My annual report was tabled two weeks ago, and every year it tells a strikingly similar story: The demand for our services keeps rising.

In 2024-25, we received a record number of 670 cases, almost double what we saw at the beginning of my mandate in 2018-19, yet our budget has not increased since the office was created 17 years ago. This growing gap puts the fulfillment of my legislative mandate at risk.

My annual report also highlights systemic issues that persist year after year. Canadian businesses, procurement experts and parliamentarians regularly raise issues of overly complex processes, unclear accountabilities and fragmented rules. I also repeatedly identify these issues in my procurement practice reviews of federal departments.

These issues prevent the system from working effectively and negatively impact Canadians' trust in government. As I told this committee last December, band-aid solutions are no longer acceptable, and what is needed now are foundational changes.

To meet this challenge, my office, in consultation with industry leaders, procurement experts and key stakeholders within government, has identified the top five foundational changes needed to improve the federal procurement system.

Our first recommendation is the creation of a chief procurement officer at the federal level. Right now, procurement is fragmented across departments, with no single point of accountability.

[Translation]

Our second recommendation is the creation of a government-wide vendor performance management, or VPM, system.

[English]

A government-wide vendor performance management program would address the fact that departments have no formal way of using suppliers' past performance, good or bad, to inform future contracting decisions.

The third recommendation is the development of a single set of universally applicable federal procurement rules. We wrote about this in early July, and I'm hearing enthusiasm for the idea, which gives me cause for optimism.

The fourth required change is the use of artificial intelligence advancements to modernize federal procurement tools and systems.

The fifth is the establishment of a framework for procurement data collection to increase the transparency of federal procurements.

All five of these areas are critical to improving the fairness, openness and transparency of federal procurement, and the first one, a chief procurement officer, could and should take the lead in implementing the other four, and, most importantly, be accountable.

Just last week, my office published a report detailing the findings of our procurement practice review of replacement resources in federal professional services contracts, also known as bait and switch. This review stems from issues identified in previous reviews conducted by my office, as well as a request from this very committee to look further into this matter.

The review revealed mixed outcomes. We found that in more than half of the files reviewed, the practice of replacing resources was done correctly and did not impact the government's selection of the best-value supplier. However, in 41% of cases, replacement resources did not meet or exceed the qualifications of the original resource proposed to secure the bid, calling into question Canada's selection of the winning supplier and the fairness of the procurement process.

We also noted how recent policy changes made by PSPC, such as focusing on corporate rather than individual work experience, have largely eliminated the use of bait and switch tactics. However, these changes could cause other unintended consequences for some suppliers, including making it harder for smaller-sized firms to demonstrate the experience required to obtain federal contracts.

Before I close, I want to emphasize that as the procurement ombud, my office has a unique role. Unlike other departments involved in procurement, my office exists solely to focus on federal procurement, and we have a government-wide lens that allows us to see the full picture.

We hear directly from both Canadian suppliers and federal buyers. This unique perspective gives us valuable insight into the challenges and opportunities that the procurement system faces. My office will continue to work with all federal procurement stakeholders to improve the system and ensure that it is open, fair, and transparent and meets the evolving needs of Canadians, but we need a fair and reasonable budget to do this important work at such a critical time.

In the coming months, my office will be publishing our procurement practice review of indigenous procurement. We will also continue to push for the implementation of our five foundational changes. We also hope to launch a new review on construction contract administration.

This committee plays a critical role in promoting transparency and accountability, and I appreciate your continuing support of our office.

• (1110)

[Translation]

Thank you for listening.

[English]

I'd be pleased to answer your questions. Thank you.

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

I will start a six-minute round with Mr. Patzer.

Go ahead, please, sir.

**Jeremy Patzer (Swift Current—Grasslands—Kindersley, CPC):** Thank you very much, Mr. Chair.

Thank you to our guests for being here today. I really appreciate the work that you are doing.

I noticed in your "Bait and Switch" report—it's been getting a bit of attention in the media as well—that government officials asked you to remove an entire section from the report. Who was it that asked you to remove that section?

**Alexander Jeglic:** That's part of the formal process in the back-and-forth between ourselves and the department.

It was the department that asked for the removal formally in writing. We included their full response in writing in the report. We also included our full written response in writing.

**Jeremy Patzer:** Building off that, at the end of the day why did you decide to keep that portion in your report and go against what the department asked?

**Alexander Jeglic:** That's a great question. The reason is that it's directly about the consequences of the change.

If you look at the report, you see it has essentially two effects. The first is through the first three LOEs, where we have a universe where bait and switch is in fact possible. Then you have the policy change that occurred as a result of a decision taken by the department. That scope period post change is quite short, but as we were writing the report we were also hearing from procurement stakeholders who were being impacted by that change. We didn't think it would be appropriate to not mention those potential consequences and also add accountability to the department and include transparency associated with what we were hearing about that change in the report, because we saw it as directly relevant.

**Jeremy Patzer:** Thank you for that.

To your point about accountability, trying to remove an entire section of the report about the consequences just strikes me as odd. Why would someone want that removed?

**Alexander Jeglic:** Again, I don't want to put myself in the shoes of the department, but based on the language that was used in their response, they believed that it was speculative and out of scope for the review, in the sense that the files we looked at wouldn't have dealt with those unintended consequences.

The report itself includes a response on a request for information. We also included the response from the department, which identifies a concern from a small or medium-sized business about what the consequence will be in terms of their ability to secure future contracts.

Then, simultaneously, we were hearing through other channels from small and medium-sized businesses about these same impacts. Rather than mute those voices, we thought it was incredibly important to have them represented in the report. The department disagreed, because they felt like it was too speculative to be included.

**Jeremy Patzer:** I'll talk about the "bait and switch" issue here. You talked about this in your opening remarks—41% saw unqualified or.... That's a pretty large number of projects that were impacted by this.

Can you spell out really quickly for the listeners what impact that 41% would have on projects? What concerns do you have about that going forward if it's unaddressed?

**Alexander Jeglic:** What I'll do is first address the impact on the procurement process. In that 41%, the actual attributes of the resource were a big part of the decision-making process as to who would ultimately deliver on that project. The quality of the resource was defined by the government as being important. When that resource is replaced, it's incredibly important that this important resource reflect those same attributes.

What we were suggesting is that in 41% of those instances, that resource didn't reflect those same attributes. What that means is a lower standard in many of these instances when a resource was provided, perhaps at a higher price point. Then, from a procurement standpoint, it could have potentially altered the sequencing in terms of who ultimately would have been the successful supplier.

**Jeremy Patzer:** Are there specific departments in which this practice is more widespread than others?

• (1115)

**Alexander Jeglic:** Of the seven, I can say that three were through GAC and three were through Shared Services. GAC, Global Affairs Canada, and Shared Services Canada were the two highest departments.

**Jeremy Patzer:** Again, for people who are watching this, how concerning is that?

**Alexander Jeglic:** I have to go back to a previous answer that speaks to the universe before and after the change.

If a change hadn't been made and these practices continued, I would be very concerned. The tone that I would be striking would be very different. As opposed to talking about unintended consequences, we could still be talking about the practice of bait and switch if left unaddressed. To pay the appropriate amount of respect to what the department did, it did seek to address the bait and switch issue.

I don't mean to half answer your question, but I'm not as concerned, given that the change has already taken place. Where my concern lies is now in the unintended consequences of that change.

**Jeremy Patzer:** Thank you.

I think I have only about 20 seconds left, so I'll wrap it up there.

**The Chair:** Thanks very much.

Mr. Gasparro, go ahead, please.

**Vince Gasparro (Eglinton—Lawrence, Lib.):** Thank you.

It's great to see you again. As I say to a lot of the public servants who come in here, thank you, both for your public service and for dedicating your career to helping our country.

Just to be clear, you believe that the use of subcontractors more broadly is a standard practice, and it's something that will continue.

**Alexander Jeglic:** I just want to clarify the question: Do you mean subcontractor or resources, because the bait and switch isn't necessarily about subcontractors; it's about the resources.

Is this a common practice? Absolutely. This is why there are methods of supply specifically geared towards this type of activity.

**Vince Gasparro:** That's right. It's a common practice, and it's something that will continue, and we will continue to have some flexibility built into the system.

What I don't want to see happen, and I know you're not suggesting this, is that there's a freeze on the use of subresources.

You're not suggesting that, but that's a practice that will continue more broadly.

**Alexander Jeglic:** That's right. Just to clarify, what we also say in the report is that many of the contractual tools necessary to mitigate bait and switch already existed in the previous universe, so it would just be more successful implementation of those tools to have addressed the issue.

That's also what we speak to in the unintended consequences section. We could, perhaps, have resolved this differently, but again, paying respect to the pressure that the department was under.... We're talking at the height of the ArriveCAN reviews, so the department was under pressure to react. This reaction resulted in a removal of the possibility of bait and switch in most circumstances.

**Vince Gasparro:** Great. Thank you.

Moving on to another topic, you mentioned AI.

How can the Government of Canada utilize AI to modernize our procurement process and help guide you and your office in improving efficiency?

**Alexander Jeglic:** It's a great question. Within our office, we are trialling all different facets in which we can use AI ourselves, meaning even vetting the recommendations that we make based on the information available when it's publicly available, to assure ourselves that we're looking at the right things and essentially to help us create rough drafts of documents that are overseen by humans.

In the larger procurement span, there are certainly things that can be done, particularly on repetitive practices. For things like statements of work that are somewhat generic in nature, can an AI tool be used to generate a statement of work and make modifications with human oversight? I think the answer is yes, the tools currently exist to do that.

I wouldn't suggest there shouldn't be human oversight that is able to identify errors made using the tools, but at this stage there are certainly implications for AI.

Moving forward, I think there's even more hope in terms of.... If the AI is incorporated into all facets of procurement, it could even identify the likelihood of success for suppliers bidding on certain prices, scanning the total environment of that acquisition over the last several years. That data would be incredibly useful from an efficiency standpoint if you were a supplier trying to figure out whether it's a worthwhile exercise to spend your time and effort bidding on a process where your win percentage is 1%, as an example.

• (1120)

**Vince Gasparro:** Thank you for that.

In my past life—which, depending on the day, I now refer to as the good old days—I served on the board of directors of Postmedia. It made a bit of news for a Liberal to join that board, but that's another conversation as well. We talked about the utilization of AI. Some of the concerns we had then and that we had to manage a little were the safeguards around AI, copyright and a whole bunch of other things that were pertinent to the media industry.

In our case, there have to be some safeguards in place. Can you talk a little about that and the responsible nature of the integration of AI into your office?

**Alexander Jeglic:** What I can say is that this is a continually evolving space. What I say today may be obsolete in a matter of weeks or months. That being said, so long as the information is publicly available and is not protected in any manner, then we feel like that is appropriate to use to perform AI analysis.

What I mentioned before is that we did vet some of the recommendations that we've made in previous reports through an AI model to determine whether, in fact, we were providing accurate recommendations based on the model. With the limited sample size that we used, it did, in fact, confirm that the recommendations made were analogous with the recommendations made by the AI tool. That demonstrates a.... I don't want to say anything overtly positive about either ourselves or the office, but we were consistent.

**Vince Gasparro:** Thanks for that.

Is that my time? All right. Thanks.

**The Chair:** Thank you, Mr. Gasparro. We'll get back to you for more time, I'm sure, if Mr. Jeglic is not replaced by AI in the next hour or so.

We'll go to Ms. Gaudreau, please, for six minutes.

[*Translation*]

**Marie-Hélène Gaudreau (Laurentides—Labelle, BQ):** Thank you, Mr. Chair.

We're pleased to have you with us today, Mr. Jeglic.

This is new to me, but given all the recommendations you've made for a very long time and your relevant experience over the past seven years, that raises questions today, in 2025.

I will ask you this: Can we guarantee Quebeckers and Canadians that, when a contract is signed, the government is getting its money's worth? You may tell me that it is impossible to guarantee that right now.

I'd like to hear your comments on that.

**Alexander Jeglic:** I may not be able to guarantee that. By way of an answer, I will express my frustration.

As you say, I have been in this position for seven years. Hence, I have made a number of recommendations.

In a procurement process, there are a number of stages where there is a responsibility to do more training, provide more details and enable more simplification measures. In my opinion, the word “simplification” is probably the most important of all the recommendations, because the process has to be accessible to all Canadians. If you're a medium-sized supplier, you need to have the same opportunity to get a federal contract as a supplier from a large organization.

I don't know if that answers your question.

**Marie-Hélène Gaudreau:** Absolutely.

This summer, I met with some extremely competent people to help our interpreters. It is clear that, in Quebec, as a result of the interpretation courses, they had trouble entering the market to come here and work interpreting in both official languages. I think this issue is currently being studied by the Standing Committee on Official Languages, but it worries me.

That leads me to ask you the following question.

On Thursday, we will be hearing from the Minister of Government Transformation, Public Works and Procurement. I would like your opinion. Do you think the defence investment agency is going to address some of your concerns?

• (1125)

**Alexander Jeglic:** I hope so.

It's very important for us to make transparent recommendations. I've tried on a number of occasions to talk to people in Parliament and to the minister himself about the importance not only of suppliers, but also of those who make acquisitions on behalf of the government. They even have concerns about procurement. I don't want to repeat myself, but I think we need to focus on simplification or we will lose a lot of suppliers.

This isn't just true for translation; it affects a lot of people.

**Marie-Hélène Gaudreau:** My understanding is that, when the minister visits, he is expected to reassure you about transparency and about having the necessary staff and money to avoid getting caught in a trap. I wasn't around to see that happen with McKinsey, ArriveCAN and others, but I think there are huge conclusions to be drawn to prevent similar situations from reoccurring.

Let's talk about federal contracts and defence spending, which are of great concern to me.

Will the defence investment agency have everything it needs to monitor contract acquisition?

**Alexander Jeglic:** I will answer that question in English.

[English]

As I'm sure we're all aware, a new agency was created with a specific focus on defence procurement. Currently we've assessed that the new agency will form part of our mandate, so those procurements will be subject to review from the office.

What I think is an overt positive is that it's a recognition that things need to be done differently. We've spoken about the need for foundational changes. I think the recognition of creating a separate

agency for defence procurement recognizes that the old ways of doing things were not working effectively.

We would echo that sentiment, but what I don't want is for the rest of the procurement universe to be left behind, because, while we focus on defence procurement as a priority, the procurement universe will still exist. My hope is that many of the changes being thought about in defence procurement will equally be thought through as a whole environment to ensure that the positive changes reflect all of that.

The last thing I'll say, if I may, is that the five foundational changes we're putting forward should equally impact the defence environment as well, because, as you see, they're called foundational for a reason. They're not nuanced, and they're not specific to a sector.

I'll leave it there.

[Translation]

**Marie-Hélène Gaudreau:** Thank you, Mr. Chair.

[English]

**The Chair:** Thanks very much.

We'll go to our five-minute then two-and-a-half-minute round.

Colleagues, we do have a fair amount of time available to us today. If it's fine with everyone, if you can get your question in by your mark, if Mr. Jeglic's answering a question, we'll allow him to continue on past our regular five minutes, six minutes and two and a half minutes.

Go ahead, Ms. Jansen.

**Tamara Jansen (Cloverdale—Langley City, CPC):** Thank you so much, Mr. Jeglic, for your report.

I have to say, the fact that we're talking about bait and switch in government contracts today is outrageous to me, and it should be for all Canadians.

Canadians expect that, when their government signs a multi-million dollar contract, the people hired to do the job are the ones who were promised. Your report shows that, in many cases, companies win a contract by proposing top-tier experts and then quietly replace them with less qualified staff once the ink is dry. You describe this as “bait and switch tactics”, potentially violating procurement rules and possibly crossing the line into fraud.

Can you explain what you mean by bait and switch in federal contracting?

**Alexander Jeglic:** I don't want to be too nuanced, but I've described it somewhat as “bait and switch lite”, and then “bait and switch”, which includes the fraud element. The fraud element includes intentionality on the part of the supplier.

Just to clarify, our mandate is to review the practices of federal departments. It's difficult for us to assess the intentionality of the supplier. It would have to be putting forward resources with the intention of never having them perform any of the work. That's what gives rise to the fraud.

What we've identified in the report—in the 41% that you rightfully identify—is that there's still a risk to the procurement of that specific contract. How this plays out is that, in the selection criteria, typically, the methodology in many of these contracts is either balanced on an 80-20 or 70-30 split, with the technical being the 80 and the financial being the 20. This means that if you're evaluating resources, that factor ultimately is and can be the tipping point for the decision as to which supplier is successful.

Here, in the examples that we've highlighted, is where you have decided that the resource and their skill set matter. You've chosen to evaluate them. You do evaluate them. You base your selection on that evaluation, and then, in the actual performance of the contract, there's a replacement of that resource. That's the component that we identify as problematic.

• (1130)

**Tamara Jansen:** What does it say about the integrity of our system when companies can profit from taxpayers by offering one thing and then delivering something completely other?

**Alexander Jeglic:** To be fair, as we mention in the report, there are a number of reasons a replacement might take place. We want to make sure that's also clear to the viewers and to the members of the committee. There are a multitude of factors that could result in the replacement of resources, one of which is timing. What we put in the report is just to give you an indicia of how long it sometimes takes to go from the bid close period to awarding the contract, and then to the actual tasking.

The counterpoint to that is that everyone involved in the system understands that, so you're still attesting to the fact that you're going to provide these resources, knowing that there are going to be delays throughout the process, so it can't be an argument to say that delays in and of themselves are a surprise, because that's normal.

What I will suggest is that we essentially agreed that this is a highly problematic practice. The tools existed at the time to better enforce and prevent the incidence of bait and switch. However, the department has opted to go on the path that it has, which is to promote the use of corporate criteria as the new determining factor, so it takes away the emphasis on the individual resources and places the emphasis on the corporate entity and the experiences of the corporate entity.

**Tamara Jansen:** What your report shows is pretty simple. Companies are winning government contracts by promising top-notch experts, then swapping them out for people who don't have the same skills once the deal is signed. Instead of using the tools they already have to stop it, the government's main contracting department decides to stop checking the qualifications of the people doing the work at all.

Help Canadians understand this. Why would a department decide it's easier to change the rules than to enforce them? What does that

say to taxpayers, who just want to know that when they pay for quality, they actually get it?

**Alexander Jeglic:** Again, I obviously am not a spokesperson for the department, nor should I be, but based on the information provided to us as part of the review, the changes made also align with a broader change towards a solutions-based environment, meaning that the contracts we looked at were task-based. Internally, I've used the example to demonstrate the difference, and I was just waiting for the opportunity to tell it, so if I'm allowed, I will.

The difference between a task-based and a solutions-based opportunity, in laymen's speak, would be as follows: If I need my lawn cut on Tuesdays and I pay you on a weekly basis, that would be an example of a task. In a solutions-based environment, I tell you that I'm an individual who travels a lot and wants a nicely maintained lawn but isn't around to figure out how to have that done, and the solution offered would be to provide a solution to my problem, as opposed to the tasking.

Hopefully that centralizes the difference between a task- and a solutions-based.... The government is moving towards more of a solutions-based environment, where there's more emphasis on creativity on the part of suppliers.

Again, I'm not a spokesperson for the department. That's essentially the decision that was taken. I will say that there were subsequent changes made effective in July of this year, also around professional services, that include things like a cap for the total value of professional services that can be contracted.

I'll leave it there.

• (1135)

**The Chair:** Now we will have Ms. Rochefort.

Please, go ahead.

**Pauline Rochefort (Nipissing—Timiskaming, Lib.):** Thank you very much.

I found the report to be very thorough, very well done and very informative. Actually, I don't know if it's okay to say this, but I enjoyed reading it.

Overall, I found it was good to learn that Public Services and Procurement Canada has done a good job. That is how I interpreted the findings of implementing several process changes and improvements to address the procurement deficiencies you've identified or that have been identified in previous audits.

I particularly noted the finding that changes to professional services contracts have significantly reduced the risk of suppliers engaging in what I guess would be referred to as deceptive tactics, such as bait and switch. I have a problem with that term, because, overall, when I read the report and all of the incidents, I didn't find them deceptive in nature in any way. I find to some extent, like in the line of questioning we just had, that it suggests a mis.... I'm sorry. I have a hard time with this word.

**Jenna Sudds:** Mis-characterization.

**Pauline Rochefort:** Thank you for helping me with that term.

It suggests a deceptive tactic, which I did not find in your report, so, to some extent, I questioned the title of the report, “Bait and Switch”, but that’s not actually my question.

Like Mr. Patzer, I was very intrigued by the segment of your report on unintended consequences and possible solutions.

Related to your comments on small and medium-sized businesses, I did note on page 33 that the response from PSPC was that it did not feel this should form part of the report, and you’ve responded. I was going to ask you why, but you’ve responded to the question.

For me, what’s very important as well is the ability for small and medium-sized businesses, as Madame Gaudreau has just highlighted—and I suspect it’s the same for all of us—to participate in the purchasing and procurement process of the government.

I was just wondering if you are aware—and I’m sure you are—of why it wasn’t highlighted more that PSPC will be launching a new small and medium-sized business procurement program in the spring.

**Alexander Jeglic:** I think Kelly will agree with you in terms of the title of the report, because that was actively discussed within the office.

**Pauline Rochefort:** Thank you. Please make good comments.

**Voices:** Oh, oh!

**Pauline Rochefort:** Thank you for that.

**Alexander Jeglic:** In essence, I want to be able to respond to one part of your first comment, which was about good practices seen in the report as well. What I will say was a true, marked difference between what we saw in ArriveCAN and this report was the state of the documentation. There were a lot of inferences that had to be drawn when we were doing reviews, specifically on ArriveCAN, because the documentation was not of the quality that was expected. As a result of many highlighted issues and concerns, including recommendations from our office, the documentation in almost all of the files was excellent. That might not seem like a significant takeaway, but it really is from an accountability and transparency standpoint. I don’t want that to be lost from the report, but that was certainly a good practice.

In terms of what the departments themselves did in relation to some of the recommendations, that also was highlighted in the report. There were, in fact, good practices associated with the work of the departments. We highlighted an example of PSPC and ESDC working in tandem to ensure that, at contract award, there was a confirmation of the resources and their availability, which we identified as a good practice. Then, further, we noted a good practice where the replacement of resources was substandard, so it was the department that took proactive measures to ensure that those resources were replaced with, effectively, better resources than those that were being provided.

We did want to highlight those, because we think those are great examples. That being said, I think it’s really important to take a balanced view.

On the unintended consequences piece, we are acutely aware of the potential impacts of those unintended consequences to small and medium businesses. As I mentioned, they have been contacting us in other ways, identifying concerns that are aligned with what you would have seen in the RFI response in the report. Because we saw a consistent concern from small and medium-sized businesses, we thought, for accountability and transparency purposes, it was important to include that.

To be honest, the fact that this committee is highlighting it means it will be top of mind for the department as well. We could have highlighted this by way of a separate letter to the department, but it wouldn’t have had the same impact, so I honestly think the impact that we were hoping for has been achieved.

• (1140)

**Pauline Rochefort:** I expect that is my whole five minutes right there.

That was an excellent response. Thank you. I like the balanced approach in comments. I think that words are so important. Thank you for that.

**The Chair:** Ms. Gaudreau, go ahead, please, for two and a half minutes.

[*Translation*]

**Marie-Hélène Gaudreau:** Thank you, Mr. Chair.

I want to go back to the defence investment agency. Will your important mandate and the considerable expertise you have developed over the past seven years apply to this new organization?

**Alexander Jeglic:** Yes, but it will be different, because there should be no more bait-and-switch practices. We’ll see if any unintended consequences materialize. If not, then great. However, this recommendation requires transparency. Otherwise, I don’t think....

It’s important to understand that the work doesn’t end when we table our report. In two years, we’ll be going back to all the departments to look at their documents and see whether they have implemented our recommendations or whether there are still problems. After the follow-up review on the recommendations, we will fill out a report card for each department. These will be included in our annual report, which will be presented to Parliament.

**Marie-Hélène Gaudreau:** Looking at your report, I noted a few key points. In six of the 17 files reviewed, the resources initially proposed had not done the work set out in the contract. In addition, in 16 of the 17 files reviewed, there was no evidence that suppliers were involved in developing the requirements.

I’m thinking of taxpayers who are wondering where their money is going. How can the government show accountability, transparency and sound management of public funds?

At the outset, you mentioned that you were understaffed and underfunded. However, what you do is extremely important, and we want you to be able to do your work properly.

If we truly value transparency and accountability, what should we do?

**Alexander Jeglic:** I am very frustrated with our office's budget. I've been trying for four years to get more money to do the necessary procurement reviews.

[*English*]

As a public servant, I find it incredibly important to be a prudent, fiscally responsible steward of taxpayer dollars. I can assure you that while I've been with the organization, that has been a driving mandate. Nonetheless, I think we also understand that the expenditure of \$37 billion per annum requires a significant review function. We have a number of works in the queue that cannot be pursued because we do not have the resources. I have tried and tried, using different methodologies, including writing to all members of Parliament, meeting with ministers and meeting with deputies. Everyone understands the need for the money; nonetheless, I've never been successful.

I hope my next job isn't as a fundraiser, because I can tell you I've been ineffective at raising the funds. That doesn't change the fact that our office desperately needs these additional funds to do the reviews that are absolutely essential.

The second part of your question speaks to the taxpayers' trust in the system and being able to read the outcomes of this report and be confident the Canadian government is spending taxpayer dollars effectively. Again, a balanced answer is appropriate, because the report identifies two worlds. One is where bait and switch was possible. Controls existed and they weren't fully leveraged. We should ask ourselves why they weren't fully leveraged.

Then we have the transition point. A decision was taken that we were no longer looking at the basis of evaluation to be based on resources; we're now looking at the corporate entity. That does address the problem, but it changes it. We're no longer saying that what was valuable to us before is valuable to us moving forward.

Let's not kid ourselves. We can call them solutions, but they're still being delivered by resources. There is that component of this analysis that I think also requires some contemplation.

That being said, it's important to have safeguards, such as our office being involved in the process, because our involvement is to make the system better. My involvement isn't to create a scandal. I want the system to work better for future participants in the procurement process.

• (1145)

[*Translation*]

**Marie-Hélène Gaudreau:** Mr. Chair, I know my time is up, but I want to make sure that the interpreters heard correctly.

You've been fighting for four years for what you're talking about. Is that right?

**Alexander Jeglic:** Yes.

**Marie-Hélène Gaudreau:** That's great. Thank you.

[*English*]

**The Chair:** Thanks very much.

We have Mr. Gill, please, and then Ms. Suds.

**Harb Gill (Windsor West, CPC):** Thank you, Chair.

Thanks to the folks for being here.

I have a quick question following up on what Mr. Patzer was talking about regarding the bait and switch report in *The Globe and Mail*.

Have you been asked to remove sections of your reports in the past?

**Alexander Jeglic:** The structure of the back-and-forth with the department is actually contemplated as part of the procurement ombudsman regulations, so there is an aspect of us providing the recommendations and the reasons therefor to the department for 30 days for its comment. It's not unusual for departments to come back and make suggested revisions. I would suggest that oftentimes those revisions are made outside of the formal response of the department.

In this instance, the department chose to include it as part of its formal response, so what you see is a verbatim transcript of its response to the draft report in the organizational response section.

Your question was whether that's unusual. It's not unusual to request changes. I would say that a full redaction of sections of the report is not common. That's less common.

**Harb Gill:** It's never happened before.

**Alexander Jeglic:** I wouldn't say it's never happened before, because that's a standard where I'm sure that if I went back to the office, I would find that it has happened before, but it's not common.

**Harb Gill:** Did they provide you with any substantive evidence to support their claim that these paragraphs were speculative and outside your scope?

**Alexander Jeglic:** What was reflected in the report is the rationale provided for the removal.

As I've mentioned in a few answers, we believe that the information contained in the RFI that is included makes it directly relevant. That's compounded by the fact that other small and medium-sized businesses were contacting our office while the review was ongoing and indicating similar concerns. As an ombud office, we felt it particularly relevant to include it. For reasons of accountability and for reasons of transparency, we included it in the report.

**Harb Gill:** In other words, you had evidence to support your findings.

**Alexander Jeglic:** We have evidence to demonstrate that the potential for these unintended consequences exists.

**Harb Gill:** You said that this request was made formally. By whom was it made?

**Alexander Jeglic:** It would come from the departmental contact. We would write to the deputy to launch the review; however, we also asked for a departmental contact to be the main spokesperson for the department throughout the process.

• (1150)

**Harb Gill:** Is this included in the report as to the back-and-forth you had, the email chain?

**Alexander Jeglic:** The email chain is not. There is a formal component, a section entitled “Organizational Responses”, so the departmental response that was provided by the department is what you see reflected in the report.

**Harb Gill:** Would it be possible to get that email chain?

**Alexander Jeglic:** If there is an email chain that is in addition to the formal response, we can absolutely provide that to the committee.

**Harb Gill:** That's perfect.

**The Chair:** Just to interrupt there, we do have a policy in the committee that anything promised is received within 21 days.

Thanks very much.

**Alexander Jeglic:** Yes.

**Harb Gill:** Did your office consider escalating this matter to Parliament or another oversight body when this request came in? Did you find it troubling or not so much?

**Alexander Jeglic:** We wanted to be transparent in what's happening, so we reflected their response back, and we reflected that our decision was to include that section of the report, which I believe speaks to what you're asking about, which is the transparency component, so their language is included in the report. Our response was to include the language in the report. I think, had we not included the language in the report, you wouldn't have even been aware that there had been this dialogue.

Again, I think the issue that is so important is that this consequence to small and medium-sized businesses should be tracked, right? That's what we're asking for: to bring as much spotlight to this issue as possible. I think, in that sense, it's been effective in doing that.

**Harb Gill:** Given that 76% of ArriveCAN-related contracts involved personnel who never performed the work, do you believe this reflects negligence, wilful disregard or lack of capacity within PSPC to enforce compliance? Earlier, you mentioned that the controls were not leveraged. Why not?

**Alexander Jeglic:** It's a fair question.

In ArriveCAN, just to clarify, regarding that 76%, they were looking at slightly different things. When we did the ArriveCAN review, we weren't looking for bait and switch. What we identified in ArriveCAN was that, in 76% of the instances, some or all of the resources proposed did not perform work under the contract. To us, that was a shockingly high number, but we didn't have metrics underneath that overall percentage to be able to identify whether these were legitimate replacements. Even if you accept the fact that they're legitimate replacements, then something is not working in the system when the designed process results in a 76% replacement

rate. That was, in fact, the genesis of the report you see before you today.

In the report you see before you today, we were able to unpack or lift the hood on what is really happening. There are a number of reasons that resources might be replaced, some of which are legitimate and some of which are unknown or illegitimate. Concerning the illegitimate—again, not to repeat myself—there are two variants to this. There's what I would describe as “bait and switch lite”, which doesn't include intent, and then bait and switch with intent, which equals fraud. We did not see the bait and switch with intent, which equals fraud, but we did see the bait and switch that could impact the ultimate successful supplier in the procurement process.

**The Chair:** That is our time. We're past our time.

Go ahead, Ms. Sudds, please.

**Hon. Jenna Sudds (Kanata, Lib.):** Thank you, Chair.

Thank you both for being here and for the report.

I have one quick question based on this last line of questioning, before I move on to what I had intended to ask.

Is it, from your experience, improper or unethical for departments to suggest or ask for revisions in reviewing your work?

**Alexander Jeglic:** Because it forms part of the procurement ombudsman regulations to provide departments the opportunity to comment, I don't think there's anything inappropriate about the opportunity to comment. The requested removal of the report was a request made by the department that we thought important to transparently show in the report, and we reacted with our further justifications, which were, we believe, supported not only with the text in the report but also with information we gleaned during that same period while the report was being written.

Is there anything inappropriate about the department coming back to make a request? No.

• (1155)

**Hon. Jenna Sudds:** Thank you. I appreciate that clarification.

I would like to go back to some of the recommendations previously made to the government and ask specifically about your assessment of the work that's happened since those recommendations were made.

**Alexander Jeglic:** This question speaks to many of the procurement practice reviews we've done. What I will say, without elaborating too much, is that we did 17 departmental deep dives, in which we looked at the highest-spending value and volume departments in federal procurement and did an individualized assessment. We did follow-ups with almost all of those, many of which are in train now, so you'll see all of that reflected in our annual report, and there are report cards.

To directly answer your question of what we are seeing, we're actually seeing implementation of the recommendations. One positive—and I would describe this as a huge positive for us—is that we also tracked the top 10 issues year after year. One thing I used to really be upset about was that, year after year, those same issues reflected themselves almost verbatim. It meant we weren't making the course corrections necessary to address those long-standing static issues.

One of them was overly restrictive criteria, and that was, typically, number one. Through these 17 reviews, we made sustained efforts to make recommendations associated with removing overly restrictive criteria. This year is the first time restrictive criteria has fallen out of the top three. It's number five, so it's not as if it doesn't still exist as a problem, but that's a significant...I don't want to say "win", but it really is, in the sense that it demonstrates that sustained commitment in recommendations can have a positive effect.

Again, I'm not foolish enough to believe that we alone achieved that outcome, but we certainly played a part in highlighting this issue and making it highly relevant for all departmental actors to be acutely aware of the need to not create opportunities that were overly restrictive and limited participation.

**Hon. Jenna Sudds:** Thank you. Obviously, it's great to see the ongoing progress.

I want to ask, using a specific example that was in the report, about the changes PSPC made to the master level user arrangement. Can you explain to us what this change means and what the impact of that is?

**Alexander Jeglic:** Kelly can jump in to correct anything I'm saying.

The biggest change was that large task-based contracts with multiple resources could no longer assess the individual characteristics of the resource but would now evaluate the corporate entity and the past experiences and performance of that corporate entity. That's probably the most significant change. You'll see that part of the report in this section actually speaks to definitions. When you use the term "large", what does "large" equate to? We were probing each department that was subject to the review to say, "How have you interpreted 'large'? Have you mitigated the concern?" In three of the five instances we found appropriate mitigation measures that would align themselves with this shift, and two were still working through this definition of "large". You'll notice one of the recommendations we made was for PSPC to actually define this term and to provide for standardization.

If I may get on the pulpit for one more second, standardization is also something that is sorely lacking in procurement. There are two schools of thought about individualization versus standardization, but I can tell you that suppliers often don't just sell to one singular department: They sell to multiple departments and jurisdictions, so the more standardized the process, the more cost-effective the whole process is, meaning they don't have to spend inordinate amounts of time preparing their proposal, because certain terminology is static and they know what to expect. When they have to hire a proposal writer or a legal adviser in order to facilitate responding to a federal opportunity, that immediately limits the pool of available suppliers that are likely to participate in that process.

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

Mr. Patzer, go ahead.

**Jeremy Patzer:** Thanks again.

I want to build off that, even, a little. On recommendation two, which is that you want them to write in their replacement resources, qualifications and experience that meet or exceed those obtained from the originally proposed resource, PSPC disagrees with you. I'm just wondering, why would they disagree with you on that? It seems that one of the best ways to prevent bait and switch from happening would be to require them to match the qualification they originally bid for.

• (1200)

**Alexander Jeglic:** For this one, I think there is a relatively straightforward answer. What they were pushing back against was the location where this change should be implemented.

When we originally drafted this recommendation, we wanted it done at the master level, meaning at the master-level user agreement level. They pushed back by saying that it's inappropriate to include it within the master-level user agreement itself, but it should be a part of all the templates that are part of that master-level user agreement. They didn't disagree with the substance; it was just in terms of the structure and design.

We ultimately agreed with them that it was better positioned as part of a template and not as part of the user agreement itself.

**Jeremy Patzer:** Within your mandate, do you actually have the ability to definitively and concretely say that something is fraud if you find an instance of it?

**Alexander Jeglic:** No, because again that has criminal implications. If we were to see fraud, what we would do is alert the RCMP, and they would ultimately take over whatever investigation was necessary to make that determination.

**Jeremy Patzer:** Okay. You put out the possibility of fraud, but how are we supposed to take the next steps to fully investigate it?

I know you just said you'd refer it to the RCMP, but are there more measures that your office could be taking to kind of advance the ball further down the field?

**Alexander Jeglic:** There is an opportunity for departments to request confirmation that the resources themselves have certified their availability. If we had seen instances in which the department had asked for that certification but it had not been provided, I think that would have raised the red flag for us. That would have been a circumstance that would have caused concerns in line with the fraud that you're indicating.

**Kelly Kilrea (Senior Risk Advisor, Office of the Procurement Ombud):** If I may, I just wanted to mention as well that the new master-level user arrangement has also now incorporated that term—that all resources proposed, outside of large tech authorization-based contracts, must provide a digitally signed proof of consent with their bid. That should also help mitigate that issue.

**Jeremy Patzer:** How close have you come to identifying fraud in this? If 41% didn't meet requirements, that obviously gives you a pretty big amount of substance to look at. Surely to goodness, some of these were close to being cases of fraud. If it's that rampant.... I don't want to directly imply intent here, but if there are that many of them, obviously a systemic issue does exist. Would you not agree with that?

**Alexander Jeglic:** What I would suggest is that these aren't the same suppliers in each circumstance. Each one of these is a unique supplier. This 41% isn't instances of the same supplier doing the same things. Also, we're looking at different departments. I believe you previously asked which departments were implicated, and there were some that were implicated more than others.

However, in terms of the considerations we're looking for, it's things like timing: When were the resources replaced? Were they replaced immediately? Was it a replacement of one or all of the resources? Were reasons provided? Were reasons requested and not provided? Were reasons required and not provided? Each one of those would provide indicia.

Plus, there's the factor that I identified, which is what the department asked for, and then the suppliers themselves attest to the fact that the resources provided are available. Did the department go back and ask for proof of those attestations? That's something we didn't find. As I said, that would have been the red flag.

The other factors I identified are what I think you are probing on: What indicia would we be looking for to walk us down that path?

**Jeremy Patzer:** Yes, that's it exactly. It feels like there's a loophole that might be in existence here. Is there a loophole that exists, and if there is, can it be closed?

• (1205)

**Alexander Jeglic:** I'm not sure I fully understand in terms of the reference to the loophole, but what I would say is that we're certainly open to having a meeting with the RCMP, should they have interest in looking at whether any of the instances that we have identified require additional investigation on their part.

**The Chair:** Thank you.

Mr. Gasparro is next.

**Vince Gasparro:** Thank you.

Can you remind us about the differences between Procurement Assistance Canada and your office?

**Alexander Jeglic:** Absolutely.

I can speak very positively about Procurement Assistance Canada, because this organization has a mandate to help Canadian suppliers ultimately be successful in winning government contracts. They provide training to suppliers, including things like one-on-one coaching, interpretation, and assistance doing preliminary and basic research on how to identify opportunities, using the systems that

exist within the federal government. They also do a lot of outreach. You'll see them at venues where small and medium-sized businesses are participating in conferences or trade shows, talking about the benefits of becoming a federal supplier. Part of their *raison d'être* is to expand the federal supply chain.

Our mandate is to resolve issues. We equally feel it's our responsibility to help grow the federal supply chain. You'll see in our work that we have many times worked in tandem with Procurement Assistance Canada, because as they're encouraging those suppliers, we want those same suppliers to be aware of what has tripped others up in being successful. They should be aware of those issues. That's what we do in that top 10 list. Typically, in presentations I give, that's a slide I can easily spend an hour on, breaking down what prevents suppliers from being successful in federal procurement opportunities. Also, when we're not present, Procurement Assistance Canada helps demystify what is or is not a real issue.

In my response to Madame Gaudreau, I provided a response about simplification. I think that has to be the guiding light as we migrate into a new world of procurement. If we don't make processes easier to understand for all suppliers.... Overlaying additional policy is not the sole answer; it has to be done in tandem with simplification.

**Vince Gasparro:** As a former banker, I hear synergy. Does it make sense to have two offices doing similar work? Is there a way that you can work more closely together or merge?

It's not that I'm trying to put you out of a job, just to be clear. I'm just....

**Alexander Jeglic:** I would suggest, perhaps, that I didn't draw enough of a distinction, because our office also has to act with independence from the department, as a by-product of who we are and what we do. We also receive complaints from suppliers. We do ADR, where we offer mediation services, and then we do these systemic reviews. It would not be appropriate for an entity to both encourage participation for suppliers and then review complaints lodged by those suppliers about the practices of government departments.

**Vince Gasparro:** Great. Thank you.

Moving on to something else, what lessons can the Government of Canada learn from other jurisdictions when it comes to vendor performance management systems, etc.?

**Alexander Jeglic:** Vendor performance management is in the top three things I'm passionate about. There are a number of jurisdictions, both domestic, within Canada, and international, that we can look to. Within Canada, you need look only as far as the City of Ottawa to see a successful vendor performance management framework.

You also have a pretty robust vendor performance management framework within Infrastructure Ontario, a provincial entity that has a long-standing record of involvement in large-scale infrastructure projects and dealing with complex issues in vendor performance, including joint ventures and consortia, where it's not just the individual score of a singular entity but multiple entities working in tandem. The importance of this, which I'm sure you understand, is having the ability to prevent poor performers—those who have historically performed poorly in federal contracts—and having that be a negative repercussion to their being successful in winning future federal contracts. Equally, create incentivization for good performance and ensure that good performance also has positive implications on the likelihood of being a successful supplier in a subsequent process.

● (1210)

**Vince Gasparro:** Great. Thank you.

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

We have Ms. Gaudreau, please.

[Translation]

**Marie-Hélène Gaudreau:** Thank you, Mr. Chair.

Your mandate is to find solutions. Earlier, I wanted to check something.

You've had concrete proposals for a 180-degree turn for four years. Before I express my frustration, I would like to know one thing: Over the past seven years, how many recommendations have been heard and implemented?

This is your work.

**Alexander Jeglic:** I need to give you a clear answer, because I don't think I properly answered your last question. I thought it was about the gap between the amount of the budget we're given and the funding we've requested over the past four years.

We only made the fundamental recommendations this year. That makes a big difference.

The most important question is this: How many recommendations made by our office were not followed by the departments?

That's why we include report cards in our annual report. Most of our recommendations have been followed. However, not all of them were. For example, a department's response is to implement only half of a recommendation. We're not satisfied with that kind of response, and we'll note that in our annual report through the report cards.

**Marie-Hélène Gaudreau:** Mr. Chair, the only thing I want to say is this. How can they do exceptional work without the necessary financial resources, when the recommendations implemented have a direct impact on accountability and transparency?

I'm thinking of our taxpayers.

Thank you.

[English]

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

Next, we have Ms. Jansen and then Ms. Rochefort.

**Tamara Jansen:** I understood you to say that under this new approach to procurement, more of the responsibility is going to shift to the supplier. They'll be expected to be more creative in delivering the work, rather than the department itself clearly outlining what the job requires.

Canadians have seen what happens when government contractors get a bit too creative. We get ballooning costs, missed deadlines and nobody taking responsibility when the project fails.

If departments stop setting clear expectations and start leaving it up to suppliers to figure out, how do we avoid turning this into a dog's breakfast where no one is accountable, taxpayers are going to pay more, and Canadians are left wondering who is actually running the show?

**Alexander Jeglic:** I think that a solutions-based environment won't allow the cost escalation, because, at the end of the day, the contract would have its associated value. It's a question of whether the solution was a complete solution to the problem that was identified.

In a task-based environment, it's much more important for the department to be able to identify how all of these tasks would align to create an ultimate solution to whatever issue it is they are trying to resolve as a result of these tasks. An individual with this specific skill set is being hired or brought on to resolve or address, probably, a known problem.

The creativity component kind of speaks to allowing the supplier to take advantage of their knowledge, rather the department being prescriptive in saying, "Do it this way." Perhaps that methodology is dated, is no longer relevant and is not how it's best done by industry, so industry is able to bring those best practices.

That being said, I'm not trying to suggest that I see the solutions-based environment as an oasis either. To answer your question, I think active contract management is what's so important. That's why, in my opening remarks, I highlighted one of the reports we're hoping to launch in the near term, which is looking directly at contract administration practices. With the emphasis on economic efficiency, we believe that there are economic inefficiencies in contract administration, and we believe that a fulsome review in this area is absolutely necessary.

● (1215)

**Tamara Jansen:** You also mentioned that you used the term "bait and switch" on purpose. It's my understanding that it is to finally get the attention of the departments. That's kind of telling. After seven years of warning about these problems, it's reached a boiling point, yet instead of fixing what's broken, we're seeing workarounds like this new procurement system. Those workarounds are going to make it worse.

Let me ask you plainly: After everything your office has uncovered, will Canadians finally see real, positive change to a system that's been failing them for years, or are we just dressing up the same old problem with new language while trust keeps slipping away?

**Alexander Jeglic:** I think this goes back into my opening statement around the foundational changes necessary. Certainly, the recommendations we made within this singular report are to address the previous practice of bait and switch and also to make sure we're keeping tabs on the unintended consequences in the environment as we move forward.

More broadly speaking, when you mentioned those seven years of frustration, that lies with what we see across all issues in federal procurement. That's why last year our annual report was entitled "Time for Action". We also perceive ourselves to be part of the solution. That's why we brought to the table the foundational changes that we believe are necessary.

I wrote to all parliamentarians, provided them a copy of our foundational changes document and requested a meeting to discuss the importance of these foundational changes. The next step is that we're actually going to have what we call a solutions forum. We're going to have other jurisdictions that have successfully implemented these styles of foundational changes within their system lead us through what that implementation looked like, what positive benefits they had and what negative outcomes they saw. Our hope is to bring forward federal actors as part of these solutions forums, so they're able to glean what other jurisdictions have already experienced. I will say plainly that the federal procurement system is in many senses not a leader in the procurement realm. We can look at other jurisdictions that are doing things better within Canada and learn from them. There's a multitude of reasons for that.

Where there is someone leading in something like VPM.... We are currently piloting a VPM process within PSPC. I know the department has leaned heavily on other jurisdictions to see how they have done things. I think that needs broader exposure. Other parts of the government also need to understand what the true benefits are in a government-wide vendor performance management framework.

I would suggest it's not to say we have all the answers, but walking the walk in these five foundational changes, I think, is key. As I said, we are seeing optimism in certain areas. In vendor performance management, we're seeing positive steps being made in the one set of procurement rules at the highest level, whether it be by statute or regulation. We notice that in the red tape reduction put forward by the Treasury Board, they themselves highlighted that they are looking at this.

Again, looking at this doesn't mean making a change. That's where accountability is so important. Places like this committee are where accountability can be brought to these ideas. I bring forward the solutions and hope to walk forward towards implementation. I also hope this committee helps in the accountability aspects of these foundational changes.

**The Chair:** Thank you.

Ms. Rochefort, go ahead please.

**Pauline Rochefort:** Thank you. That was very informative as well.

I just want to come back on one point that has left me uncomfortable. That's when you were suggesting that PSPC wanted to have a segment of the report pulled out. I don't read it that way in your report at all. It doesn't come across in that manner. I was glad that you pointed out that the best practice in audit is to go back to the participants and ask for their feedback. Obviously, that's what you did. I found that excellent. I read it with great interest.

It said:

PSPC does not support including these paragraphs in the report to be released as the assertions made in paragraph 95 to paragraph 110 are not supported by data and information contained in the documents reviewed by your office. Consequently, PSPC is of the view that these paragraphs are speculative and out of the review's scope.

I think that's a normal comment or feedback in an audit process. I went to look and I thought, "Okay, they are making that comment." I went back to your report to try to find the evidence in support of why you felt that it was important. Basically, the only evidence I found was on page 27, where it said SMEs "have expressed concern". To my thinking, that was anecdotal. I didn't feel that was factual. I thought the point of view of PSPC was actually very reasonable and very well thought-out.

As I expressed to you, this is of interest to me, and I look forward to the spring, when PSPC is coming forward with a program. That's not in any way to diminish the interest in having small and medium-sized businesses be able to access federal procurement. I just felt that it was in support of what PSPC said—their comment, basically, that there was not evidence in the report to include it.

I have a final comment.

An unintended consequence of having it there, for me personally, if we're using the same terminology as in your report, is that when I read it, it felt like the law of diminishing returns. I felt your report was strong. It's like when you have one cup of coffee in the morning, it's great, but when you have four or five, like I have had, you become jittery, and it's not so good. I felt that the additional information pertaining to SMEs was anecdotal in nature, and I felt it just diminished the quality of the report.

That would be my point of view. I wanted to firmly indicate that I supported that position based on everything that I read.

Thank you again for your good work. That's what I wanted to say as well.

● (1220)

**Alexander Jeglic:** There is a section of the report that includes an RFI response provided by small and medium-sized business expressing concerns.

What I've alluded to a number of times in this committee is that other small and medium-sized suppliers have expressed that same concern to us. They didn't express that concern on the understanding that it would make its way into a report. Therefore, it would have been inappropriate for us to bring that information forward in that way, because that's not how we obtained the information. It substantiated a concern that was highlighted, though.

It wasn't truly anecdotal evidence that we were porting into the report; it was true evidence that we did have. We just didn't feel that it was appropriate, because of the methodology by which it was received, to include it in the report, because that's not why or how it was presented to us.

I want to reaffirm that what we wanted to do was bring accountability and transparency to this issue, so we absolutely could have followed the view of PSPC and removed this issue from the report, but then we wouldn't be having these conversations. That's why I think there is absolute value in having it there.

**Pauline Rochefort:** There was no pressure to remove anything from any report here. This was a normal process. You received and welcomed the comment, in a certain sense, as part of the process.

**Alexander Jeglic:** Absolutely. We almost encourage active discussion on the report. We think that's what brings it value. If it's just accepted without specific consideration, that's not as telling to me that it's been understood and followed than if there is specific debate, because that means they're acutely paying attention to every section. That, to me, is important.

**Pauline Rochefort:** I'm sure you would be disappointed if you heard, coming out of this committee, that you were asked to officially take out a section of a report. Is it correct that it would not be a fair reflection of your statement?

**Alexander Jeglic:** That's right. I would say that what was done was in the context of the procurement ombudsman regulations. There is a required opportunity for the department to offer their views on the recommendations and their reasons for them.

**Pauline Rochefort:** Thank you.

**The Chair:** We'll go to Mr. Gill and then back to Miss Sudds.

**Harb Gill:** With respect to the policies and procedures, are the rules clear enough for the folks who are doing the work, or are they buried in legal jargon and open to interpretation?

**Alexander Jeglic:** That's a fair question.

I would say that, even though we did assess that the contractual terms did exist, the way that they were portrayed in the contractual documents made for a bit of a difficult interpretation. Some of the terms existed in solicitation, so they had to be ported into the contract, and they wouldn't be as transparent as one would hope. As a result, I think I can answer your question by saying that it does put a high level of onus on the individual who's managing or administering the contract to be able to discern what all of the rights and obligations are that flow from the contract.

I will take one opportunity in liberality here to say that we saw in our annual report that the number one issue from government purchasers was a lack of training. That was their number one concern. When you extrapolate your question knowing that that's a concern, absolutely. Did the term exist to give them certain rights to enforce

under the contract? Yes. Would the average employee who was managing that project know that? Perhaps not. The question is, why not?

The fact that number one is training tells me that there is an importance in understanding the rules but also, again, the complexity of the rules. Were the rules written in plain language, so that at first blush you would understand what they meant, or would they require legal interpretation? If legal interpretation is needed, then it's too complex, because you cannot write in a method that requires a legal background to understand a clause within a contract that should be available to all Canadians to bid on.

• (1225)

**Harb Gill:** Are they getting the training necessary to understand these contracts in plain language? How is that training going so far?

**Alexander Jeglic:** I certainly can't answer in terms of whether they are receiving the requisite training. I can say that the response provided to us would indicate that they are not. I will also say that our office takes training incredibly seriously. We offer departments the opportunity both to have departmental meetings to help demystify our mandate, but also to have us walk through what we do in these types of reviews, what we're looking for, the importance of our recommendations, and that top 10 list, to make sure they're not making the mistakes that are often identified to our office.

If they're not aware of these issues, then obviously they're not looking for them, and I think the beauty in our work is that we're bringing forward many of the issues that are common. If it becomes common and you understand how you're to approach the issue and what outcomes look like that are successful, then all of a sudden your job becomes easier.

To answer your question, I can't speak on whether they're getting the training, but from what we're hearing, it appears that the answer would be no.

**Harb Gill:** That's sad to hear.

The other question I have is this: Is there a hotline or reporting system for staff in the various procurement fields that you cover or review, to enable them to blow the whistle on something that doesn't smell right. If so, does anyone actually listen?

**Alexander Jeglic:** Depending on the nature of the concern that's being highlighted, there are a number of resources that exist for whistle-blowers, but if someone is identifying something of a procurement nature, then absolutely, our office is not a bad entry point to that preliminary conversation.

If it turns out to be something of an illegal nature, then obviously we would forward that concern to the RCMP. As soon as it becomes procurement-related, I would suggest we're absolutely open and available, and we have an intake team that answers phone calls promptly, within 24 hours.

**Harb Gill:** Over the past few years, how often have people come to you with those concerns? Have you seen an uptick, the same number or none at all?

**Alexander Jeglic:** I just want to perhaps nuance the question where you mentioned whistle-blowing purposes. When I highlighted in my opening remarks that we received 670 cases, some of those cases could include elements of identification of potential wrongdoing, and I would say that is a significant uptick.

When I began in 2018-19, we were at approximately 330 or 350 cases. Now we're at 670, so that's a pretty significant volume increase, and across all of our mandate areas we're seeing an increased need for our services. That's a good thing. More people know our office exists. We have 33 employees, but I would suggest most of the federal procurement landscape now knows we exist. When I started, I don't think that was true.

**Harb Gill:** How often or how—

**The Chair:** That's our time, I'm afraid.

Ms. Sudds, please go ahead.

**Hon. Jenna Sudds:** Thank you very much, Chair.

Thank you, again, for being here with us. A few questions are coming to mind at this point. One was building on the discussion about OSIC, or the Office of Supplier Integrity and Compliance. It's my understanding that it has a role as a compliance specialist, so with that in mind, what is the authority it has versus yours to take action against suppliers that could be of concern?

• (1230)

**Alexander Jeglic:** I don't want to speak to its mandate, but what I can do is centralize our role in terms of supplier activities. In terms of supplier activities, our role is relatively limited. Where we have contact with suppliers is if a supplier comes to us to lodge a complaint about a singular contract that has been issued. All of a sudden, we have a direct, formal interaction with that supplier, and it is providing information about what it believes was not done appropriately by the government department.

Our other context is in procurement practice reviews such as this, where we're reviewing the practices of the departments, not the practices of the individual suppliers. That's what makes bait and switch a little unique in the sense that it's actually a practice of the supplier that starts the issue, so it's the actions of that supplier that would cause the inappropriate replacement of that resource.

What we also looked at in this review was whether there were available mechanisms for the departments to mitigate this risk. What we found was that, yes, there were. Through the contractual provisions I finished touching on in my previous answer, we did find there were provisions, albeit embedded sometimes within the solicitation that was carried forward into the contract, to give the governmental resources some of the tools to identify the problems. We don't then look into the specific activities of the suppliers in these procurement practice reviews.

If you wanted a better understanding of the mandate of the other office, I think you'd be better placed to ask them, because I don't want to mis-characterize what their responsibilities are.

**Hon. Jenna Sudds:** Yes, that's totally fair. It's good to try to get my head around the difference too, so I appreciate that.

Going back, there were the five fundamental challenges that you shared through this work, and you also acknowledged that PSPC has implemented the vendor performance management aspect, which started with contracts it is administering while also doing the work concurrently to develop the strategy of how that can be rolled out to other departments.

Can you share your thoughts about that initial effort and the impact this can have or the direction of the strategy to roll this out to others?

**Alexander Jeglic:** Absolutely. The moment in time at which I answer this question is really important. The moment in time now is one of optimism in the sense that progress has been made. The pilot project is real. It's been stood up and there are implementation measures to take it to that next step.

Currently, it's still not...in terms of having impact. The total scores that are being allocated to suppliers are not having impacts on subsequent processes. When it's fully stood up and active, then it will have that positive impact of truly having both an incentive and a disincentive for good and poor performance respectively.

I will say that our office has been closely tracking this because we're anticipating being the dispute resolution body associated with the vendor performance being put forward by the department. That being said, that's still a pilot within a singular department. If you sit outside the department and you're procuring for Parks, as an example, using your own authorities, you wouldn't be able to leverage the benefits that VPM has within PSPC. I understand, obviously, that you have to start somewhere, and PSPC is probably the best department to start with.

The reason I started in the cheeky way of saying that it's a moment in time is that we've been tracking this issue for seven years. It will be so disappointing to me if, upon the completion of my mandate, we haven't gotten to a government-wide vendor performance management framework. I refuse to take my foot off the pedal in calling for this, because we're still at that pilot stage.

While I am optimistic and we're making positive strides, it's appeared in mandate letters before, and that accountability sometimes has gone missing. The reason I talk about it as much as I do is to bring that accountability forward.

**Hon. Jenna Sudds:** Amazing. I appreciate the importance, and I'm certainly glad to see that the work is under way now.

Thank you.

• (1235)

**The Chair:** Thanks.

Ms. Gaudreau.

[*Translation*]

**Marie-Hélène Gaudreau:** Thank you, Mr. Chair.

It's really relevant that you're here today, Mr. Jeglic.

We don't want what happened to reoccur.

I was elected as a member of Parliament and came to the House in 2019, and this started in 2020. Since we are among friends, I can name them all: ArriveCAN, McKinsey & Company and GCStrategies.

As a result of these incidents, when I go back home, my somewhat disillusioned constituents tell me that some people look for loopholes and always manage to find them. That makes me angry. I am ashamed, I am embarrassed, but what I am hearing today reassures me.

You've been the procurement ombud for seven years, and you've been looking for a bigger budget for four years. I'm correcting the information given earlier.

During election campaigns, people often say that whatever happens, nothing changes. I'm sick of hearing that, and that's why I carry on and why I ran for a third term. At the same time, I would really like to see a glimmer of hope.

I don't know what happened prior to 2019, but I believe there are potential changes in sight. At least, I hope so, because I see that people on the ground have lost trust.

No doubt there will be other scandals. I wonder if we have enough rules to follow right now to avoid another scandal. I'm talking about now, before the reform and the defence investment agencies are put in place.

Do we have what it takes?

**Alexander Jeglic:** The people you're referring to are right. Every year, they see the same things happening. We're not talking about just one year. It's been the same for 10 years, or even 20 years.

Personally, I'm an optimist. That's why we prepared training on the foundational changes required. It creates optimism.

I think this is an important time. If we don't change course to make the necessary changes, in five or 10 years things will be just the same.

I really believe there is an opportunity right now to make changes that will have a positive impact on the process, not just in defence but in other mandates as well. That's why I'm optimistic. I know that some people want to fix things. That said, we also need the political will to put these changes forward and ensure that the adjustments are actually made.

Change is needed. As I showed in my report, transparency is in order. Depending on whether the changes lead to negative or positive outcomes, we will have to recalibrate. It's not always going to be positive. There will be negative outcomes. It's inevitable. We have to know how to adjust and bring something positive.

**Marie-Hélène Gaudreau:** Thank you, Mr. Jeglic. By the way, your French is excellent.

[*English*]

**The Chair:** Thanks.

We go to a very short round with Mr. Patzer.

**Jeremy Patzer:** Thank you.

I want to finish up on my last round that I have with you, because I was getting to the point around whether there are loopholes, per se. You finished by saying it's not just that there's one contractor who's doing it; there are multiple who are doing it, which is the point I'm getting at. They know they can do it, and they know they can get away with it. Even if it's not to the point of overt fraud, they obviously know they can do it and get away with it. Recommendation two here seems like a good starting point to try to, hopefully, end this practice, but what recourse is there to recoup costs? What is being done to penalize these people to make sure they don't do it again?

**Alexander Jeglic:** Again, I just want to make clear that, once the change was made—the policy decision by the department to update the MLUAs to reflect that we're no longer evaluating the individual resource—the risk of this occurring, moving forward, has changed. Therefore, they've effectively eliminated the risk moving forward.

In the universe before that change was made, this was a risk. This is now the second report our office has written that's highlighted that this is happening with a high level of frequency, that the 41% you rightly point to has a consequence, whether it be in terms of the integrity of the procurement process or the financial repercussions to the Government of Canada in paying more for a resource that doesn't have the attributes they're paying for.

In terms of what recourse is available, if the finding is negative and there are implications, there have been instances in which suppliers have been banned from participating in federal procurement and legal proceedings initiated to try to recapture some of those funds. Again, I'm not best positioned to tell you the status of those processes, but I can certainly say that those have been reported publicly, so I think you should be able to get answers to those questions.

● (1240)

**The Chair:** Thanks very much, as always. You've shown once again why we consider you such a great friend of OGGO and the purchasing department.

Do you mind if I just ask you a couple of quick questions to follow up?

You spoke about a need for more resources. Are you able or willing to share how much more you require? You don't need to do it now, but perhaps in writing.

**Alexander Jeglic:** Sure. I could absolutely put that in writing, and I would appreciate that opportunity.

**The Chair:** You spoke about works in progress that you can't get to because of a lack of resources. Would you be able to detail some of the ones you're looking at?

**Alexander Jeglic:** Absolutely. Do you want me to do that now?

**The Chair:** Oh, just in writing would be wonderful.

**Alexander Jeglic:** Yes, I can do that in writing.

**The Chair:** I have one other question. On the bait and switch, it was mostly around IT resources. I'm wondering whether it extends to other purchases within the government. I'm going to ask, specifically, about large projects that are funded by the federal government and go to a main contractor. We've been hearing reports that they are now subcontracting out to subcontractors, who then fill positions with inappropriate, illegal or unqualified labour. Have you heard of that? Would your department get into studying such an issue?

**Alexander Jeglic:** Unfortunately, our mandate doesn't extend to subcontractors, because they don't have a direct contractual relationship with the federal government, so it would be the prime's relationship to the federal government that gives us the mandate. The subcontractor has a private legal relationship with the prime. Therefore, we don't have the line of sight on the subcontractor-prime issues.

**The Chair:** I want to thank you for pointing out the great work that Procurement Assistance Canada does—the old GC Buyandsell.

They do a fantastic job. If there are any small businesses looking right now, I highly recommend you look them up; they do a fantastic job of connecting Edmonton, Albertan and Canadian small businesses with government contracting. I'll send a bill for that endorsement. They really do a great job, so I appreciate you for bringing it up.

Before we go, colleagues, I just want to mention that Lindsay here, one of our analysts, was with OGGO for a long time but has moved over to the Senate. Thank you for filling in today. She's certainly one of the best analysts we've had and is a wonderful complement to Olivier. Thank you very much for joining us.

Thank you again, Ms. Kilrea, for being with us.

Mr. Jeglic, again, thank you for everything you've done and for your testimony today. We greatly appreciate it.

Colleagues, if there's nothing else, we will be adjourned. Thanks very much, everyone.

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