



Indian and Northern
Affairs Canada

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et du Nord Canada

PSAB

Procurement Strategy for Aboriginal Business

PERFORMANCE REPORT FOR 2000



PSAB

*Procurement
Strategy for
Aboriginal
Business*

**PERFORMANCE REPORT
FOR 2000**

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Introduction

Gathering Strength, Indian and Northern Affairs Canada's (INAC) response to the Royal Commission on Aboriginal Peoples, builds on the theme of using partnerships of Aboriginal entities with industry and government at all levels to open up existing and emerging market opportunities through mentoring, joint venturing and supplier development activities. The PSAB is considered an important tool in this endeavor, giving the potential to use federal contracting opportunities to provide Aboriginal suppliers with opportunities for partnerships, joint-ventures, strategic alliances, business network development and mentoring opportunities. The PSAB applies to all departments and agencies.

The PSAB's overall objective is to increase the number of Aboriginal suppliers bidding for and winning federal contracts, thereby delivering increased economic benefits to Aboriginal businesses and their communities. Under the terms of the set-aside provisions, the federal government reserves all contracts (mandatory set-asides) greater than \$5,000.00 that serve a primarily Aboriginal population (80% Aboriginal) for competition solely among Aboriginal businesses. The Strategy also encourages departments and agencies to use incidental (voluntary) set-asides to fulfill some of their operational needs.

Overview

This is the third edition of the PSAB Performance Report. The PSAB, over the past four years (1996 - 2000), has measurably improved Aboriginal business access to contract opportunities. An increasing number of government departments and agencies are supporting PSAB through the use of selective voluntary set-asides for goods, services, and construction. The Strategy also promotes subcontracting to Aboriginal firms and strongly encourages joint ventures between Aboriginal and non-Aboriginal businesses.

The focus of this report covers calendar year 2000 (January to December). Public Works and Government Services Canada (PWGSC), as the central procurement arm of the federal government, was handed the responsibility for capturing the relevant procurement data related to PSAB. INAC noticed a difference in the dollar values reported in the Government of Canada (GoC) report and the amount reported directly to INAC by the departments. This is due to the difference in departmental reporting requirements. PWGSC's report to Treasury Board Secretariat on procurement activity generated through Aboriginal businesses does not include credit card purchases, call-ups against National and/or Regional Master Standing Offers, and amendments, whether positive or negative.

During 2000, participating departments led the PSAB to another level of success. However, knowledge gained within INAC in implementing the PSAB has demonstrated that many Aboriginal businesses continue to experience difficulties in

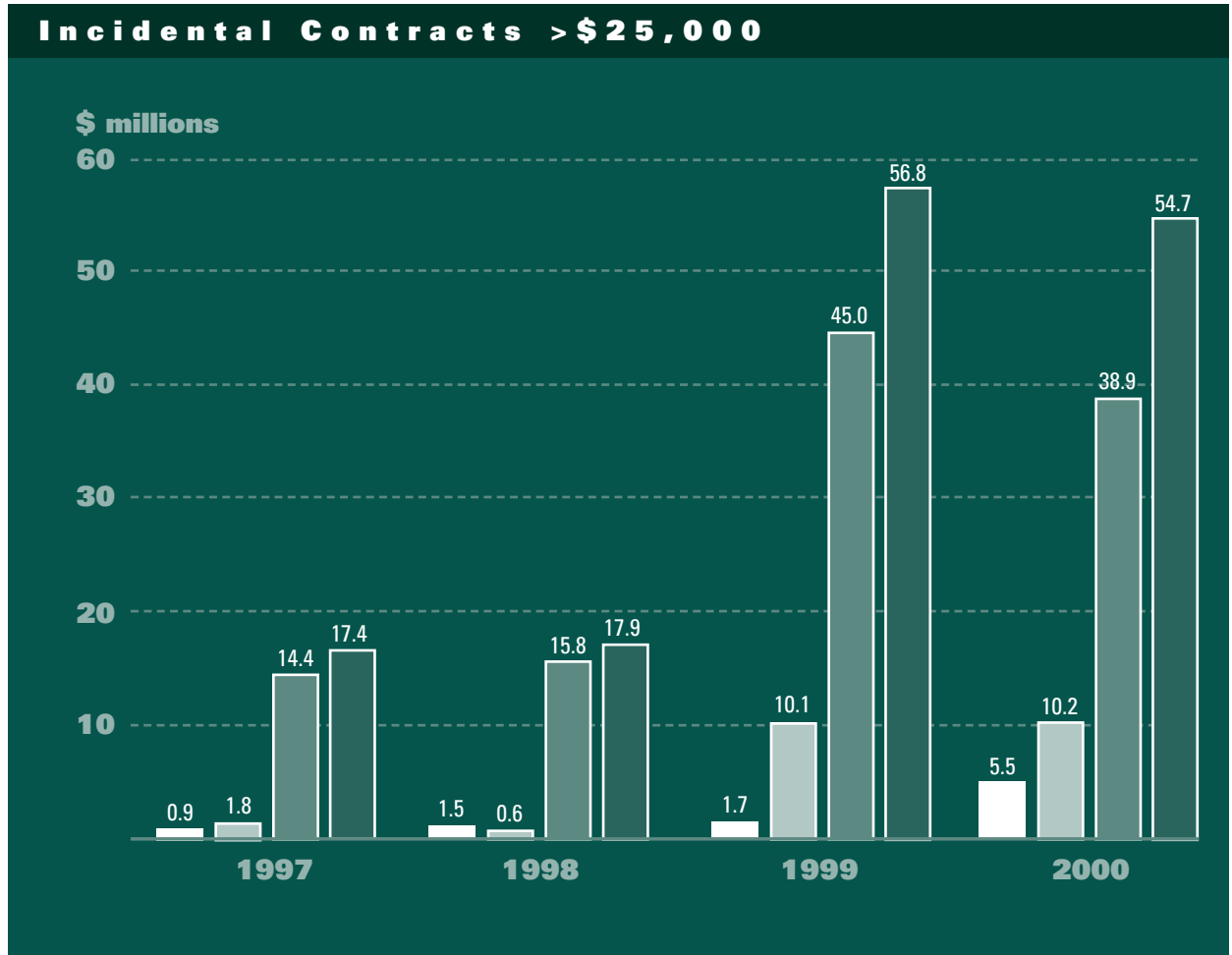
dealing with the federal contracting process. Many Aboriginal firms also require assistance in enhancing their marketing skills. In response, the INAC PSAB team has engaged professional consulting services for the development and delivery of two separate training courses to various Aboriginal entrepreneurs across Canada on a pilot project basis. The training courses are known as the "PSAB Primer", which focuses on walking an individual through the federal procurement process; and "Marketing to Government", which will provide guidance to Aboriginal entrepreneurs to whom they should be targeting their marketing efforts when seeking federal contract opportunities. The results of these activities will be highlighted in the next PSAB Performance Report.

To support the efforts of Aboriginal businesses, more and more federal departments are inviting Aboriginal businesses to hold trade shows within their buildings to showcase their goods and services. This allows Aboriginal businesses to develop positive contacts with federal departments.

Aboriginal businesses have learned that to be a long term sustainable enterprise, they must develop the capacity and capability to compete effectively with non-Aboriginal firms in an open market. The 2000 performance objectives results indicate that \$54.7 million or 44% of the business under the PSAB was awarded to Aboriginal businesses under the incidental category. This indicates that Aboriginal businesses are becoming more competitive (See Table 1 on page 4).

Table 1

Chart of Incidental Contracts with Aboriginal business valued at \$25,000 and above.



Results of Departmental Performance Objectives

The PSAB operates within the federal government contracting principles of prudence, probity and best value when expending Canadian tax dollars. A key element of the Strategy is the establishment, by all participating departments and agencies, of annual performance objectives. By establishing measurable goals, in terms of the number and value of potential contracts to be attained with Aboriginal suppliers, departments are better able to monitor their own performance. All departments and agencies have the responsibility to establish performance goals which truly reflects their ability, and intent, to support the PSAB.

The success of the PSAB is demonstrated through government departments and agencies achieving, and in some cases exceeding, their yearly performance objectives by encouraging the growth of Aboriginal supplier capacity building initiatives, and by advocating the inclusion of Aboriginal business within the federal government procurement process. All departments and agencies are mandated by the Treasury Board Secretariat (TBS) contracting policies to act as advocates and facilitators for the promotion and enhancement of contracting activity with Aboriginal entrepreneurs, within an existing framework of good contract management practices.

Each year, 43 departments and agencies are required to report directly to INAC on their total dollar value of contracts awarded to the Aboriginal business community on a calendar year basis

(January to December). This includes all contracts awarded by the department on their behalf, all contracts awarded by PWGSC on their behalf, all credit card purchases, standing offers, and contract amendments.

The Treasury Board Secretariat also produces an annual report on federal contracting activity with Aboriginal firms. This is known as the GoC's Annual Report on Contracting with Aboriginal Businesses. It should be noted that INAC PSAB officials are required to use this report as the official GoC stats on contracting. We obtain our information from this report which does not capture the data from various sources such as purchases acquired through departmental credit cards usage, individual call-ups against standing offers, or contract amendments, whether positive or negative, although these items have a direct impact upon the actual business volumes being reported by departments. It is evident that figures reported to INAC by departments do not always agree with the figures produced through the TBS GoC's Annual Report on Contracting with Aboriginal Businesses.

This year federal departments and agencies demonstrated their continued support of the PSAB by submitting a combined forecasted business volume with Aboriginal businesses totaling an estimated value of \$87.7 million. The year end figures submitted by all departments resulted in a reported total value of \$136.4 million worth of contracts being awarded to Aboriginal firms.

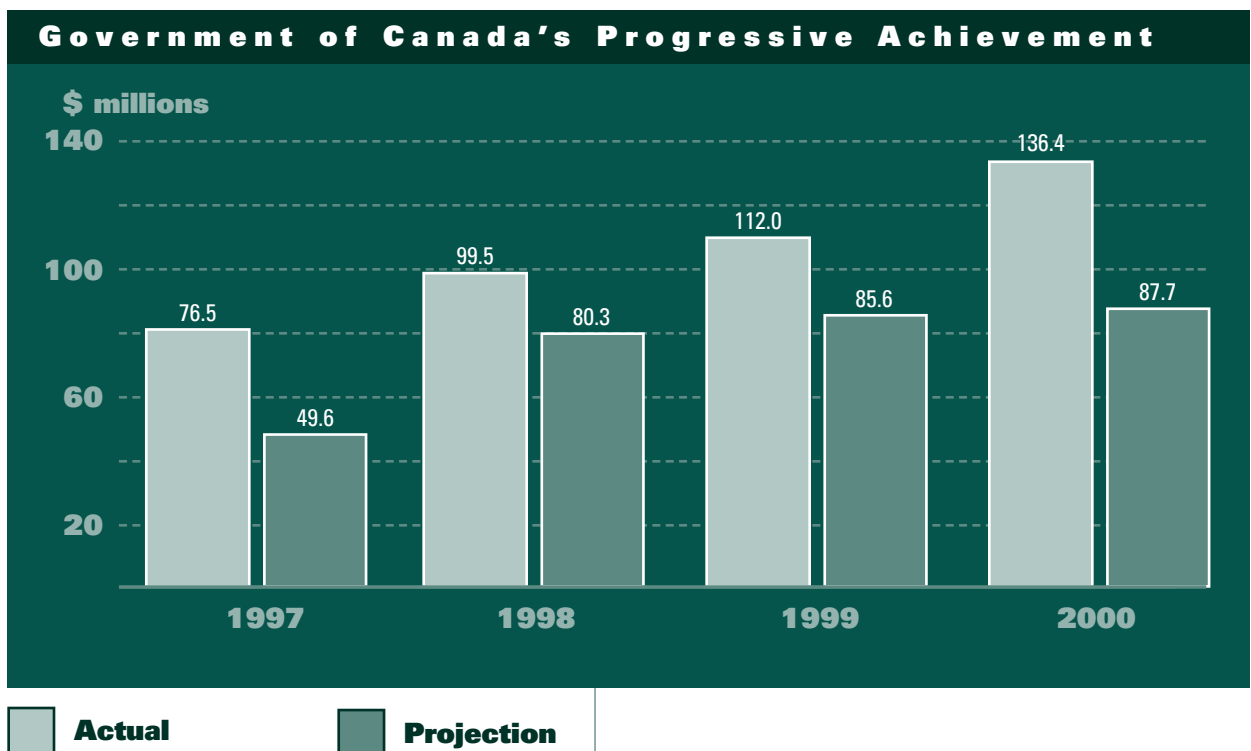
Table 2

Table 2 below demonstrates the continued commitment of the various departments participating in this initiative, and highlights their respective achievements during 2000.

2000 Business Volumes		
<i>DEPARTMENT</i>	<i>ESTIMATED DEPTL. OBJECTIVE</i>	<i>GoC YEAR END REPORT</i>
Citizenship & Immig.	84,000	332,000
Correctional Services	8,000,000	7,597,000
Dept. of Justice	101,245	1,949,000
DND	20,000,000	10,488,000
Environment	1,590,000	1,140,000
Fisheries & Oceans	4,840,000	3,375,000
Health Canada	7,620,000	28,349,000
HRDC	1,750,000	4,818,000
INAC	22,219,000	9,988,000
Industry Canada	4,707,000	4,699,000
Natural Resources	863,000	127,000
PWGSC	2,000,000	53,138,000
RCMP	5,000,000	1,072,000
Statistics Canada	2,000,000	312,000
Transport Canada	318,000	858,000
Other Departments	6,607,755	8,137,000
TOTALS	\$87,700,000	\$136,379,000

Table 3

Table 3 provides you with a quick snapshot of the GoC's progressive achievement with the PSAB since 1997.



Implementation Challenges

Government departments are measuring their success with PSAB in terms of individual contracts, or the level of Aboriginal benefits stemming from these contracts. However, many departments are increasingly focussed on overcoming systemic barriers and obstacles to integrate the PSAB into the mainstream and consciousness of the day to day procurement process within their organizations. These organizations have been quite active and innovative in many areas including:

- **communication;**
- **supplier development activities;**
- **use of set-asides;**
- **fostering the potential for partnerships;**
- **integration of Aboriginal suppliers into the procurement mainstream; and,**
- **development of Aboriginal supplier standing offers.**

However, these departments continue to face a number of challenges including the organizational structure, a lack of management support, grants and contributions, decreasing budgets, problems with data capture and difficulties relating to the nature and capabilities of Aboriginal suppliers. Departmental PSAB Coordinators continue to be faced with obstacles to success as they attempt to implement the PSAB in their respective organizations. While some of these obstacles are systemic, others are related primarily to the mandate, role and structure of the individual organizations. Some of the more significant of these obstacles and impediments are discussed below.

The PSAB Coordinators are individuals who act as the champions of this initiative within their own department/agency. They are the

advocates and facilitators for the Aboriginal business community that ensure an Aboriginal business consciousness exists within their own buyer community.

ORGANIZATIONAL STRUCTURE

A primary challenge encountered in implementing the PSAB in most of the departments and agencies is the decentralized nature of many of these federal government organizations as well as the decentralized nature of the federal procurement process.

Most departments and some agencies are highly decentralized, usually along geographic or functional lines. Therefore, a PSAB coordinator, or headquarters buying group, often has little effective control over what happens in other parts of the organization. This makes it difficult to implement the PSAB, or to control or gather data concerning the PSAB implementation. Compounding this issue is the fact that much of the procurement in terms of program spending, particularly for services, is carried out in the regions.

In some organizations, this has been largely overcome by assigning decentralized portions of the organization a performance objective proportional to their budget. Other organizations do not have this level of control over the entire organization and must therefore rely on goodwill or moral persuasion to obtain a commitment to PSAB from all parts of the organization.

MANAGEMENT SUPPORT

One of the keys to overcoming problems created by organizational or functional structure is full support and commitment from senior management throughout the organization. It

appears that in those departments where management commitment was demonstrated early and effectively, success was achieved easier and quicker than in those departments or agencies where support took some time to develop. Senior management support contributes to ensuing greater success in the implementation of the PSAB.

GRANTS AND CONTRIBUTIONS

There is a growing trend in government to devolve services being purchased for Aboriginal communities to Aboriginal entities. This means that government purchases that previously would have qualified as a mandatory Aboriginal set-aside, are no longer being made. Instead, funds are given directly to Aboriginal organizations, as grants or contributions, and these organizations are expected to provide or purchase the services themselves.

Grants and contributions do not qualify as instruments to be counted for departmental performance objectives and therefore, in these organizations, there is less potential for direct business opportunities with Aboriginal suppliers. This is a growing trend in government and was evident in many departments providing services to Aboriginal clients including INAC, Health Canada, Correctional Services and others.

As this trend is expected to continue, it can be expected to impact somewhat on these departments' ability to continue to increase the value of contracts awarded to Aboriginal suppliers under the PSAB.

DECREASING BUDGETS

In some departments, contracting budgets are shrinking quickly and dramatically. For example, last year the Correctional Services

contracting budget was decreased by 21%, from \$190 million to \$150 million making the department's performance objective of

\$8.35 million considerably more difficult to achieve. If this trend continues, departments and agencies with similar reductions will have problems in continuing to meet performance objectives met in earlier years.

DATA CAPTURE

The decentralized nature of departments and the decentralized nature of the procurement process within departments and agencies also creates significant problems in terms of data collection and reporting for purchases from Aboriginal suppliers.

In most departments and agencies, particularly for low dollar value purchases and decentralized services contracting, there is no accurate and effective means of capturing data on purchases from Aboriginal suppliers. Accordingly, in many organizations, much of this data capture must be done manually and, as a result, not all of the information is accurately captured. However, some departments have managed to capture the information. Better sharing of departmental information and processes (best practices) may be of assistance to those organizations having data capture problems.

Data capture has long been a problem in some, but not all, organizations for the many purchases made via government acquisition cards. Manual capture of this information is tedious and not cost effective. The ability to electronically collect data on acquisition card purchases would be beneficial and would more accurately capture data easily missed in a manual data collection process.

ABORIGINAL CAPABILITY

There now exists qualified and capable Aboriginal suppliers for most commodity sectors and one is virtually able to purchase all common government requirements from Aboriginal suppliers. This has facilitated greatly the ability of departments and agencies to meet their Aboriginal performance objectives.

One frequently used commodity that does not appear to have Aboriginal suppliers with the capabilities and capacities required by government organizations may be temporary help services. These services are normally bought using standing offers or supply arrangements. In the National Capital Area at least, there does not appear to be an Aboriginal supplier with a standing offer or supply arrangement for these commonly required services.

Another service that appears to be lacking sufficient qualified and capable Aboriginal suppliers is training services. Many organizations buy a considerable amount of these training services such as management training, time management training and other administrative training.

Aboriginal capacity in this commodity would enable organizations to meet their performance objectives more easily.

NATURE OF ABORIGINAL SUPPLIERS

When the PSAB was first being implemented, it appeared that many Aboriginal suppliers were waiting to be approached by government buyers rather than selling the capabilities of their company to government buyers. This situation has ameliorated substantially and Aboriginal suppliers appear to be more pro-active and outgoing in seeking federal procurement opportunities.

Some Aboriginal businesses would probably gain from being more pro-active in their marketing of their goods and services. Accordingly, skills development in marketing to government would be of benefit to Aboriginal suppliers requiring this training.

Departments consider that the development of some additional or improved tools would be of benefit to them and therefore, would welcome an improved Aboriginal Supplier Inventory as well as additional supplier development activities. Discussions with various departments has lead us to the conclusion that a need exists for the development of additional contracting guidelines and frameworks in the areas of Aboriginal bid evaluation criteria and Aboriginal sub-contracting opportunities. This would benefit the continued evolution of the PSAB as an important tool in Aboriginal economic development.

As indicated earlier, this year 34 departments and agencies, or 79.1% of the participating departments responded to INAC's requests for information regarding departmental performance objectives. A renewed commitment to the PSAB is required at senior management levels for future years. INAC intends to work towards attaining a 100% commitment from all departments and agencies for the sharing of information regarding the establishment of yearly departmental performance objectives.

Number of Contracts Awarded

In 2000, the total number of contracts awarded to Aboriginal firms under the PSAB was 9,066 amounting to \$136.4 million in revenue and income for Aboriginal businesses and Aboriginal people (Table 4). This amount reflects a

21.7 per cent (%) increase over the 1999 business volume of \$112.037 million. More positive is the fact that over 60% of all requirements over \$25,000.00 won by Aboriginal firms was accomplished on the open market.

Table 4

Total Contracts Awarded to Aboriginal Businesses during 2000

Contracts for:				
	<i>INCIDENTAL & SET-ASIDE < 25 000</i>	<i>INCIDENTAL > 25 000</i>	<i>SET-ASIDE > 25 000</i>	<i>TOTAL</i>
Goods				
Number	6952	49	19	7020
\$ value	\$6,276,000	\$10,207,000	\$6,214,000	\$22,697,000
Services				
Number	1651	183	149	1983
\$ value	\$5,889,000	\$38,970,000	\$50,731,000	\$95,590,000
Construction				
Number	31	16	16	63
\$ value	\$317,000	\$5,548,000	\$12,227,000	\$18,092,000
Total				
Number	8634	248	184	9066
\$ value	\$12,432,000	\$54,725,000	\$69,222,000	\$136,379,000

Table 5

Table 5 is a comparative chart of the number of contracts, and dollar values, awarded to Aboriginal owned firms between 1997 and 2000.

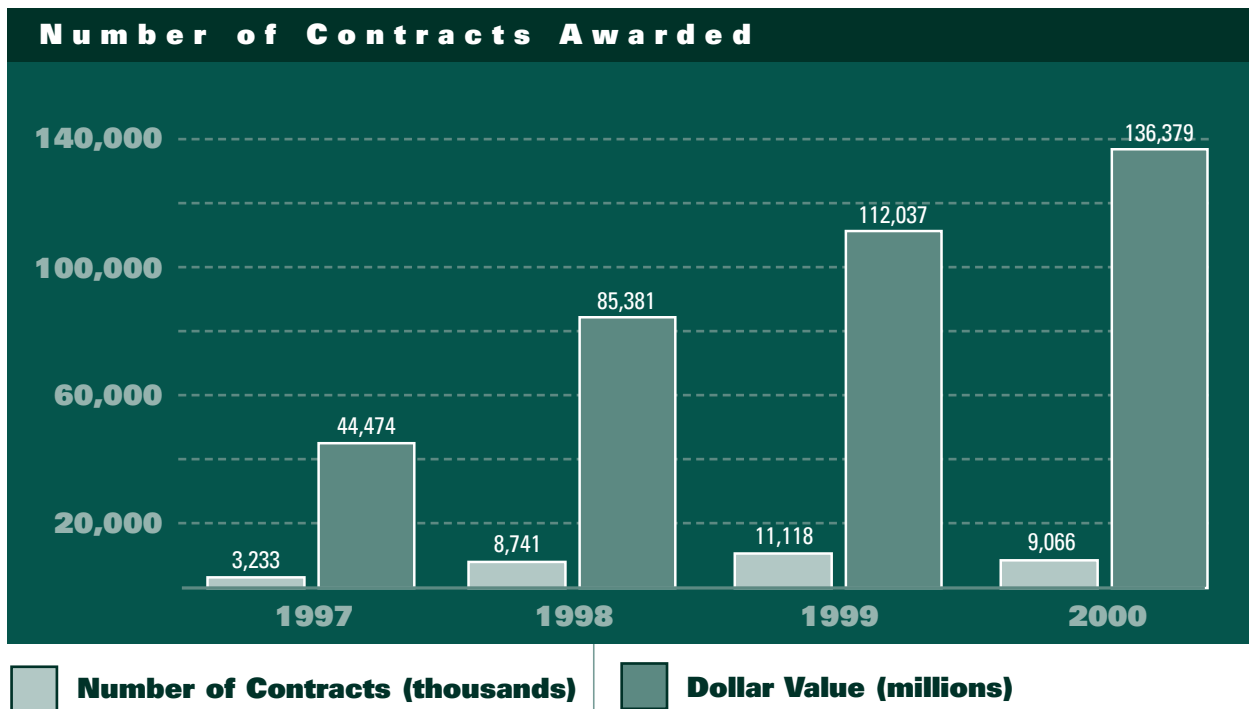
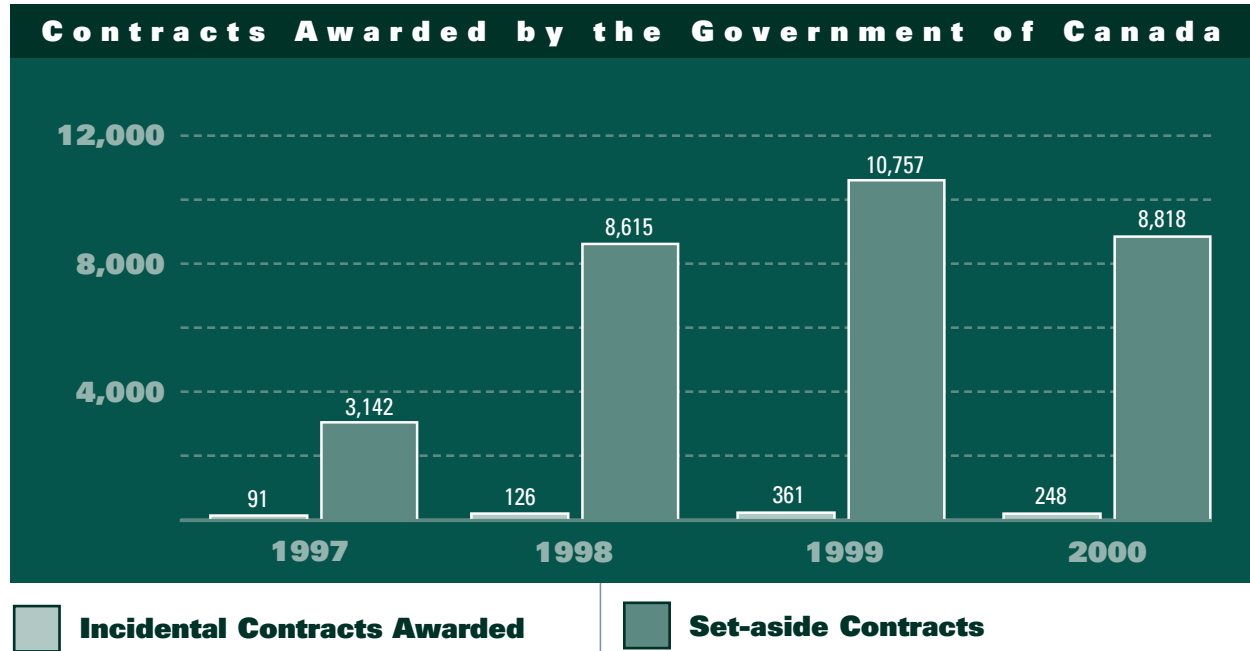


Table 6

Set-aside Contracts Awarded vs. Incidental Contracts Awarded



Significant Initiatives of 2000

A. UNDERSTANDING THE STRATEGY

NAC officials are continuing to work closely with each departmental PSAB co-ordinator in assisting with their individual needs. INAC now internally reviews, on a daily basis, procurement notices being posted on the electronic tendering system (MERX) to confirm that the spirit of the Strategy is being adhered to. We continue to advocate for voluntary set-asides when an opportunity presents itself and when we are aware that Aboriginal business capacity exists. We also review the mandatory set asides being posted to ensure they are being awarded according to current PSAB eligibility requirements.

INAC's Memorandum of Understanding (MOU) with Consulting and Audit Canada (CAC), to conduct compliancy audits of Aboriginal owned firms to ensure that bidder(s) meet the eligibility criteria of 51% ownership and control, is ongoing. The result(s) of a CAC audit process is regularly provided to the procurement personnel, allowing them to support their decisions of entering, or not entering, into a contract with the firm. We have also implemented a system to follow up on post audit reports, where appropriate, to ensure that the PSAB eligibility requirements are maintained throughout the life of the contract.

B. PSAB INFORMATION SHARING

The exchange of information between federal procurement personnel and Aboriginal firms continues to improve. INAC is maintaining its contract with an Aboriginal firm to update the information contained within the Aboriginal Supplier Inventory (ASI), a database of

Aboriginal owned businesses which can be found at www.inac.gc.ca. However, we are in the process of moving this database to PWGSC's website and to Industry Canada's SourceCan web site. The Contracts Canada website can be found at <http://www.contractscanada.gc.ca/en/index.html>. SourceCan is a free service that delivers sales opportunities, bringing buyers and sellers together on the Internet. This web site is located at www.sourcecan.com.

C. PROCUREMENT REVIEW COMMITTEE (PRC)

As a member of the Procurement Review Committee, INAC receives a copy of all federal requirements for goods or services valued at \$2 million and over. This enables PRC members to determine if potential regional, industrial or Aboriginal benefits can be identified.

INAC continues to actively seek, when appropriate, opportunities for Aboriginal businesses on major procurement opportunities. We also use this mechanism to inform the federal procurement community about the PSAB. If the members of participating departments could automatically think, "Is there any existing Aboriginal business capacity to fulfill this need?; Should I consider a voluntary set aside?", then we will have reached our goal of increasing awareness of the PSAB and providing further opportunities for the growth of Canada's Aboriginal business capacity.

In some cases, we know there are not enough companies to create a competitive bidding process and therefore we cannot ask for a complete or partial set aside, but we can still intervene and ask for a special reference to be included in the bid package documents inviting Aboriginal businesses to bid.

During year 2000, there was a total of 345 PRC cases. Of these, INAC initiated 18 interventions which resulted in \$2,484,000.00 being set-aside for aboriginal firms.

During 2000, INAC continued to actively work in securing Aboriginal Benefit Plans under Major Crown Projects. Here are some examples:

The North Warning System (NWS) Operations and Maintenance (O&M) contract deals with the operation of a line of radar sites across Northern Canada. The NWS in Canada is comprised of 11 Long Range Radar Sites, 36 Short Range Radar Sites, five Logistic Support Sites and a System Support Centre in North Bay, Ontario.

The various facilities are operated and maintained by a Joint Venture (JV) between Frontec Logistics Corporation of Edmonton, Alberta and Pan Arctic Inuit Logistics (PAIL) Corporation of Yellowknife, NWT. PAIL, is owned by the Inuvialuit Development Corporation, the Makavik Corporation, the Labrador Inuit Development Corporation, the Qikiqtaaluk Corporation, Sakku Investments Corporation, Kitikmeot Corporation and Nunasi Corporation.

In cooperation with PWGSC contracting officials, a substantial Aboriginal Benefits Package was negotiated under the new contract. The value to be received by Aboriginal people, which as a minimum, will total \$18.4 million in Canadian Content Value (CCV) covering the first five years of the contact with commensurate increases in value through the exercise of option periods. The benefits include numerous employment and training opportunities for the Inuit of the North.

On another front, the Canadian Coast Guard (CCG) issued a requirement for the construction of twenty (20) aluminum motor lifeboats.

Negotiations with the Victoria Shipyards Co. Ltd. as the prime contractor for this contract also resulted in significant benefits for Aboriginal businesses. Although Aboriginal business capacity did not exist to act as a prime contract for this contract, opportunities were created for sub-contracting. Agreement was reached that at least 2% of the value of the work to be performed under the contract must be performed by an Aboriginal business, Aboriginal joint venture, an Aboriginal sub-contractor, or Aboriginal individuals. The Prime Contractor acknowledged that if it is found by audit that it did not meet this contracting obligation, at the time of Provisional Acceptance of Boat No. 20, the contract will be amended to reflect the difference in value of 2% of the work and the actual percentage achieved. Aboriginal Benefits: The value to be received by Aboriginal people which, as a minimum, will total \$1million Canadian Content Value (CCV). The proposed Aboriginal Benefits Plan will be submitted by the Contractor at a later date and the Aboriginal Benefits acquired will be detailed in next year's report.

D. MANAGING EXPECTATIONS

INAC is continuing its efforts at dispelling misconceptions about the PSAB by engaging in numerous conferences and presentations across Canada to different stakeholder groups.

E. INAC LEADERSHIP AND ADVOCACY

INAC's procurement performance in 2000 significantly exceeded its objective. This performance is largely attributed to the fact that INAC has increased its efforts to contract with Aboriginal suppliers whenever qualified Aboriginal suppliers can fill the contract requirements. Also, the PSAB is in its fourth

year of implementation. More and more Aboriginal suppliers are aware of the Strategy and are actively searching for opportunities and promoting their business. Having recently added additional staff members to the existing PSAB team has helped to move the agenda forward.

F. DEVELOPING PARTNERSHIPS

INAC is continuing its efforts to promote partnerships and joint ventures along with providing assistance to Aboriginal firms where possible. We are continuing, with PWGSC through Contracts Canada, to assist in delivering training to Aboriginal suppliers on how to contract with government. A number of new interdepartmental partnership initiatives were undertaken during 2001 and we will be reporting on these in next year's annual report.

G. PSAB EVALUATION

Incorporated within the government decision to support the initiation of a PSAB is a requirement for an evaluation study to be conducted by the Treasury Board Secretariat and INAC after the first five years of the implementation of this Program. In this regard, an evaluation framework was established in April 1999 to assess the effectiveness of the Strategy in enhancing Aboriginal business access to, and success in, federal government contracting. The program evaluation is near completion and a full report of the evaluation results will soon be distributed to all stakeholder groups. You may recall that the purpose of the evaluation was to provide interested parties with information on the following issues:

- *Is there a continued rationale for the PSAB as currently defined?*

- *Were the objectives which were set for PSAB met? Are there any unintended impacts, positive or negative?*
- *Has the implementation of the Strategy been efficient and effective? Are there any barriers to successful implementation?*
- *What are the best practices and lessons learned?*
- *What improvements can be made and what are the options for future programming? Are there alternatives to the PSAB ?*
- *Should the Program sunset? What policy changes, if any, are required to increase the effectiveness of this Program?*

The PSAB five year program evaluation will provide an overall review of the effectiveness of the Strategy in enhancing Aboriginal business access to, and success in, federal government contracting.

H. ISO 9002 CERTIFICATION STUDY

As a result of various enquiries, INAC was interested in knowing how ISO 9002 implementation, and perhaps registration, might help Aboriginal owned firms to compete in a global marketplace. A contract was issued to an Aboriginal consulting firm which conducted the research study on INAC's behalf. The aim of the study was to determine what assistance exists, and what is readily available, to help companies, Aboriginal or not, in their pursuit of ISO 9002 certification.

INAC did examine the possibility of using the ISO certification process as a capacity building initiative for Aboriginal owned businesses but

determined the cost of such an initiative would be prohibitive, and that many organizations are involved in providing ISO certifications.

I. ENHANCED ABORIGINAL SUPPLIER INVENTORY (ASI) WEBSITE

The ASI was originally created as a business tool designed to provide assistance to federal procurement officers in identifying potential Aboriginal suppliers who could deliver on their required products or services. It also allowed emerging Aboriginal entrepreneurs to identify other Aboriginal owned companies that could be approached for potential partnerships, joint ventures, or the development of other business relationships.

As previously mentioned, the Aboriginal Supplier Inventory will be transferred to Industry Canada's web site as part of Strategis but we will continue to maintain a PSAB website for information updates, such as the bi-monthly newsletter, PSAB evaluation report, upcoming events and other relevant material. Usage of the 1-800 help line will continue to be maintained to provide assistance to all stakeholder groups.

J. NEWSLETTER

INAC began publishing a bi-monthly interdepartmental newsletter since December 2000. Responses, from those interested in the PSAB, has been positive. It provides the departmental coordinators with an opportunity, and a venue to share success stories, best practices and lessons learned in working with the PSAB. Shortly we plan to provide information of upcoming conferences and workshops that deal with the PSAB and/or related federal procurement activities.

K. PSAB Co-ORDINATORS CONFERENCE

In support of the PSAB, INAC hosts a yearly conference to bring the PSAB co-ordinators together to share their experiences in implementing the PSAB within their departments. The conference is designed to share information, best practices, and innovative ideas.

The third annual PSAB Co-ordinators Conference was held in Vaudreuil, Quebec, during the month of October of 2000. The two day conference, which was attended by representatives from 41 departments, was deemed a success by attendees.

Innovative Approaches and Best Practices

During our many discussions with different departmental PSAB coordinators and buyers, many excellent practices were outlined. Although a technique that is effective in one organization may not necessarily be equally effective in another, some of these techniques and practices are outlined below in the hope that they may provide inspiration.

COMMUNICATIONS

Strong and effective communication practices, both internally and externally, have been an important component of successful implementation activities.

It appears that those organizations that have been the most effective at communicating the requirements of the PSAB to senior management, and to its buyers, are the ones that have been most successful in implementing the PSAB.

Furthermore it appears that this type of effective communication is often able to overcome problems and difficulties created by the decentralized nature of some of these organizations.

Similarly, the establishment of honest and open lines of communication indicating that the organization is open for business to Aboriginal suppliers appears to have been important in the development of effective business relations between departments and agencies and Aboriginal suppliers.

SUPPLIER DEVELOPMENT ACTIVITIES

In most departments and agencies, effective supplier development activities seem to have been one of the keys to their success. Frequently, it appears that those organizations that have done the most in terms of supplier development activities have been the most successful at implementing

PSAB. Furthermore, supplier development activities are seen by many departments to be a more sustainable forum for Aboriginal business development rather than other PSAB instruments such as mandatory set-asides. Although the 2000 results indicate that government contracting with Aboriginal suppliers has increased, the need to continue supplier development activities is evident.

Some of the effective methods used by departments and agencies to support and further the development of Aboriginal suppliers include the following:

- *PSAB coordinators physically introducing suppliers for a commodity to buyers in the organization;*
- *departmental information sessions organized for Aboriginal suppliers;*
- *commodity focus events organized to showcase Aboriginal suppliers to buyers;*
- *Aboriginal trade shows organized for an organization or group of organizations;*
- *attendance of Aboriginal suppliers at departmental or agency meetings;*
- *formal and informal meetings with suppliers to allow them to introduce themselves to the organization;*
- *extensive debriefing opportunities for Aboriginal suppliers that have bid unsuccessfully on a requirement;*
- *use of a departmental pro-active Aboriginal supplier advocate;*
- *development of lists of department buyers for Aboriginal suppliers; and,*
- *distribution of ASI information in spreadsheet form to regional offices.*

SET-ASIDES

While the decision to set-aside a requirement on a mandatory basis is usually straightforward, few departments have this opportunity as they do not work directly with Aboriginal populations. Most departments and agencies are therefore required to use voluntary set-asides which require a more considered decision process. As a result, there still exists, in many departments and agencies, a reluctance to use the voluntary set-aside instrument.

Voluntary set-asides have been shown to be a valuable tool in giving Aboriginal suppliers an introduction to the federal bidding process and a valuable first chance to demonstrate their capabilities and capacities. As such, voluntary set-asides should be regarded as a “hand up” rather than a “handout.” Unfortunately, voluntary set-asides are still regarded in some places as the latter.

The concern with a dependency on set-asides per se is the potential of a supplier or group of suppliers to become dependent on their use, and only focus on opportunities that are set-aside. If a set-aside is truly successful in assisting the development of an Aboriginal supplier, the supplier must eventually be in a position of no longer requiring the set-aside vehicle to access federal government contracts.

PARTNERSHIPS

When the PSAB was conceived, it was recognized that the development of partnerships, joint ventures and effective business relationships among Aboriginal suppliers with non-Aboriginal suppliers would be a key to the continued development of Aboriginal suppliers capacity. Accordingly, provisions were made in the PSAB to encourage these activities. Feedback from

departments indicates that, with some exceptions, Aboriginal suppliers have not yet made extensive use of these provisions.

One exception is a contract awarded by First Nations and Inuit Health Branch (FNIHB), formerly known as Medical Services Branch, of Health Canada. FNIHB is responsible for First Nations and Inuit health care and therefore buys many health related services directly for their Aboriginal clients.

These services qualify for the mandatory set-aside provisions of the PSAB and must, whenever possible, be obtained from an Aboriginal supplier or an Aboriginal supplier in partnership with a non-Aboriginal supplier. This requirement generated perhaps the most significant contract, certainly in terms of dollar value and impact, of any set-aside contract awarded up to that time.

The contract was for establishment of a Health Information and Claims Processing System (HICPS) which processes non-insured health benefit claims for the Aboriginal clients of FNIHB. The contract was awarded to First Canadian Health Management Corporation, a joint venture of Aboriginal and non-Aboriginal entities, under Aboriginal control, and was valued at \$45.7 million. It was a 5-year contract with an option of two extensions of two years each.

The contract is significant because it demonstrates the capability of a First Nations entity to take a lead role in providing services in a complex area where this capability and capacity were not immediately evident. As such, it can provide a successful and dynamic model for a variety of other similar complex government requirements, including those for services not directed to Aboriginal clients of departments and agencies.

Other significant evidence of partnerships, joint venturing and development of effective business relationships have been demonstrated by Donna Cona, Mohawk Trading and Telecom Computers. The fact that these successful Aboriginal suppliers are also very active in partnership building and joint venturing is indicative of the value of these activities in developing a strong and productive business entity.

LETTERS OF INTEREST

Letters of Interest (LOI) are public notices posted on the MERX indicating an upcoming requirement. The purpose of the LOI is to solicit interest and determine if sufficient capacity and capability exist among suppliers to bid on a requirement. At INAC, LOI's are sometimes used prior to doing voluntary set-asides for major requirements.

Before issuing a Request for Proposal (RFP) for set-aside requirements, such as the recent requirement for a standing offer for furniture, INAC issued an LOI notice on MERX. This gives both Aboriginal and non-Aboriginal suppliers notice of the upcoming requirement and allows them both to position themselves to bid on the requirement. Furthermore, it ensures that qualified and capable Aboriginal suppliers do exist for a requirement before bids are called.

The LOIs normally state that a minimum of three Aboriginal suppliers must indicate that they have the required qualifications before an RFP will be issued. This ensures that, if a requirement is set-aside, there will not only be qualified and capable Aboriginal suppliers, but that there will be enough of them to ensure that competitive bids are received for a requirement.

Use of the LOI instrument may be of some benefit in alleviating concerns in those departments and

agencies that continue to have difficulty with the concept of voluntary set-asides.

GREATER USAGE OF ABORIGINAL SUPPLIERS

Although set-asides and supplier development activities have been used by many departments and agencies to achieve their performance objectives, some organizations have developed additional effective processes. One such department is Statistics Canada which meets its objectives via a strategy of routinely including Aboriginal suppliers in its bid solicitations, for requirements not posted on MERX.

For both goods and services requirements, in its RFPs or quotations, Statistics Canada includes one or more Aboriginal supplier(s) in the tendering process. Furthermore, these measures are being extended to Financial Responsibility Centres within the organization.

The methods used by Statistics Canada to achieve their performance objectives are notable in that they do not restrict competition to Aboriginal suppliers, but only give these suppliers a bidding opportunity.

The fact that Aboriginal suppliers are successful indicates that Aboriginal businesses are able to compete successfully on a level playing field with non-Aboriginal suppliers when given the opportunity to do so. This would appear to be a good indicator that Aboriginal firms are competitive.

ABORIGINAL BID EVALUATION CRITERIA

The potential of using Aboriginal bid evaluation criteria was included in the PSAB to enable buyers to award contracts not just to an Aboriginal supplier, but to the Aboriginal supplier providing more significant Aboriginal

economic development benefits. These have not been extensively used by departments and agencies other than INAC.

Aboriginal bid evaluation criteria are frequently used in INAC contracting activities when a requirement is valued at less than international trade agreement thresholds, as requirements valued over this threshold cannot use these criteria, unless they are set-aside.

Interest in using Aboriginal bid evaluation criteria was expressed by several departments and agencies at various conferences. The major reason that they are not used more extensively in government contracting is the lack of a viable published model and framework for their use.

The development of such a framework would supply departments and agencies with an approved process and guidance enabling them to utilize this innovative technique prudently and effectively. This is an area that INAC will pursue in the near future.

ABORIGINAL SUB-CONTRACTING

The potential for Aboriginal sub-contracting was included within the PSAB framework as it was recognized that not all the potential for Aboriginal economic development benefits from a contract could be realized at the first tier of contracting. However, similar to Aboriginal bid evaluation criteria, their parameters have not yet been well defined or widely accepted by departments. Notwithstanding this fact, the Canadian International Development Agency (CIDA) has chosen to use the sub-contracting provision as a unique part of their PSAB strategy.

CIDA has developed an Canadian Aboriginal Procurement Strategy (CAPS) that includes an Aboriginal Supplier Incentive component. This

element, applicable to its RFPs in CIDA's aid budget, consists of providing additional evaluation points (up to 5% of the total points available) when Aboriginal direct hiring, subcontracting or supply activities are proposed. These points are:

- *applied to all RFPs for projects financed by CIDA's aid budget;*
- *attributed after technical and financial proposals are evaluated; and,*
- *awarded on pro rata of the Aboriginal component in relation to the value of the supplier's proposal; the total value includes fees and expenses.*

Accordingly, potential bidders on CIDA aid projects are effectively encouraged to find Aboriginal suppliers capable of helping them compete for these requirements.

This component of CAPS appears to have several advantages over other approaches. First, it allows Aboriginal business a measure of preferred access to all of CIDA's aid procurement budget, not just to individual, isolated set-asides. This should increase opportunities for all Aboriginal suppliers interested in this sector.

Second, it makes Aboriginal procurement a much more visible activity as it is now part of the mainstream of all CIDA aid procurement. Initiatives such as this one will clearly demonstrate the government's commitment to Aboriginal economic development.

Third, allowing this kind of access to government contracting will encourage mainstream businesses to develop ongoing and mutually beneficial business relationships with Aboriginal suppliers. These relationships will prove

beneficial not only in government contracting opportunities, but also for other non government opportunities. Finally, it allows Aboriginal suppliers the opportunity to develop and build expertise in a service area in which they have not previously been significant players.

STANDING OFFERS

To ensure that Aboriginal suppliers are represented in the mainstream of government procurement, they must be included in all facets of the procurement process, including contracts, standing offers and procurement using acquisition cards. Of these instruments, standing offers are among the most important as they are extensively used for the day to day procurement of commonly used goods and services.

Over the past few years, Aboriginal business has become fully integrated into this important procurement vehicle and is now represented in many regularly purchased commodities. Some of these suppliers have been awarded standing offers on a set-aside basis, others on an open and competitive basis.

The best practice in awarding standing offers appears to have been the dual track process frequently used by INAC and PWGSC in the establishment of National Master Standing Offers (NMSO) and other supply arrangements. In this process, there is one competition for non-Aboriginal suppliers and another set-aside competition for Aboriginal suppliers. This not only provides government buyers with the option of using an Aboriginal supplier to help meet performance objectives, but also provides the Aboriginal supplier with a valuable marketing tool to facilitate entry into the government marketplace.

However, there is a negative side to standing offers.

Standing offer agreements are not always the suitable procurement vehicle to use. Owing to the lack of a centralized reporting process for standing offer call-ups, PWGSC is unable to provide comprehensive information concerning the utilization of their standing offers. Many Aboriginal suppliers with Standing Offers have indicated there is very little work, if any, being generated through their standing offers. Accordingly, it is not possible to determine if under utilization of standing offers is more prevalent in standing offers from Aboriginal suppliers or non-Aboriginal suppliers. Empirical data concerning standing offer utilization is not available from individual departments or agencies as individual departments, in most cases, do not track this information for other than financial purposes.

The majority of Aboriginal suppliers with standing offer agreements that were contacted during one of our data-gathering exercises were unhappy with the standing offer process and thought that the results of this process did not meet the expectations that were created. Many were disappointed in the business volume received via these standing offers. This feeling of disenchantment is considered to be somewhat justified as in very many cases suppliers have received absolutely none of the business that had been forecasted. Departments and agencies need to therefore carefully consider when a standing offer is the ideal vehicle to use.

PSAB AWARENESS

It is apparent that most departments and agencies have been actively implementing PSAB in a conscientious and comprehensive manner. While some departments and agencies were initially slow to implement PSAB, much of this can be attributed to the decentralized organizational structure of these departments. This required departments to expend considerable efforts in communicating the requirements of the PSAB and soliciting support, at all levels of the organization, for the strategy. This is considered quite reasonable as the PSAB was perceived, by many organizations, to be a somewhat radical departure from the existing procurement culture. However, it now appears that many of the organizations that were slow to implement PSAB are now among its biggest proponents.

Although set-asides have been important in giving Aboriginal suppliers an initial exposure to government requirements, it appears that departments and agencies attribute more of their PSAB implementation success to Aboriginal supplier development activities than to set-asides. Certainly, the supplier development activities used by departments are considered to provide benefits that are potentially more sustainable than the benefits provided by a one time, set-aside opportunity.

Success Stories

Although the PSAB has been instrumental in introducing Aboriginal suppliers to federal departments, and federal procurement processes, many Aboriginal suppliers are no longer dependent upon the PSAB for business and obtain work based on their capacity, capabilities, and competitive nature. While the PSAB may have opened the door for many Aboriginal business owners and gave them an opportunity to enter this new marketplace, it is the Aboriginal suppliers who took on this challenge and delivered high quality goods and professional services at competitive prices. They deliver on their promises, meet deadlines, provide effective follow up and communicate with staff in a professional manner and are considered to be in the top echelon of suppliers to various federal organizations. The fact that they are also Aboriginal is considered peripheral. Aboriginal suppliers who have become successful in the federal government milieu, become effective role models for other Aboriginal suppliers trying to penetrate this market.

It is evident from our experience over the past year that contracts continue to be awarded to Aboriginal suppliers for a broad cross section of goods and services. It is also apparent these Aboriginal suppliers are effectively executing the contracts awarded to them as very few performance related problems were reported to INAC by the numerous different contracting authorities.

Following are just a few of the success stories during 2000 that we wish to share with you and are a direct result of the PSAB initiative, PSAB coordinators, and Aboriginal businesses combined efforts.

L. CHABOT ENTERPRISES LTD.

Located in Winnipeg, Manitoba, L. Chabot Enterprises Ltd. was issued a contract by PWGSC for dyke remediation, at the Roseau River First Nation. The duration of this contract was for a term of 45 to 60 days, however it was extended for over a 2 year period. As a result of this contract, Mr. Fernand Chabot, Vice President, reported the company hired 8 new Aboriginal employees. The contract has allowed these Aboriginal employees to gain new transferable skills as a result of working on this contract. The value of this professional services contract was for \$1,509,163.00.

MAKWA COMMUNITY DEVELOPMENT CORPORATION

Located in Golden Lake, Ontario, the Makwa Community Development Corporation was awarded a contract by PWGSC on behalf of DND Petawawa base for the purchase of tree seedlings. No additional jobs were created for First Nation members as a result of this contract but on-the-job training was provided for full time employees. The Makwa Community Development Corporation has four full time employees on staff and casual help can vary between 4 to 10 people, depending on the season. The contract is for a three year period with two, one-year options for renewal at \$100,000.00 per year.

DIAMOND-ALTA INCORPORATED

Located in Saint-Laurent, Quebec, Diamond-Alta Inc. was issued a contract by PWGSC for the replacement of decks and sidewalks on the J.C. Van Horne Interprovincial Bridge in Campbellton, New Brunswick. As a result of this contract, the MicMac First Nation created a personnel recruiting agency known as Listiguj

Management. Aboriginal people were hired for this project through this firm. The contract was successfully completed and numerous Aboriginal people gained new transferable skills as a result of working on this contract. The value of this contract was \$8,443,678.16

THE MOHAWK TRADING COMPANY

The Mohawk Trading Company, Furniture Supply Division, was awarded a total of \$2.3 million in two standing offer agreements issued in May and December of 2000 by PWGSC for the provision of office furniture and equipment. This contract generated employment and training opportunities for three Aboriginal people.

WOLF FLAT ORDNANCE DISPOSAL CORPORATION

Located on the Tsuu T'Ina (Sarcee) First Nation in Alberta, Wolf Flat Ordinance Disposal Corporation was awarded three contracts for different projects, totaling \$3.7 million. The contracts were for:

- *Vegetation Removal;*
- *Level II Subsurface Clearance - Sarcee Training Area, CFB Calgary; and,*
- *Land breaking and discing.*

This business started with 16 employees consisting of both Aboriginal and non-Aboriginal people. Being awarded various government contracts over the years has allowed this Aboriginal business to increase the number of employees to 80.

These contracts have been ongoing for the past 11 years. As a result of these contracts, sixty four new employees have been hired by the Corporation over this time frame. These

contracts have allowed this Aboriginal business the opportunity to provide training to more than 150 full and part-time employees.

DAKOTA WINDS KITSAKI MECHANICAL SERVICES

Raphael Merkosky, of Dakota Winds Kitsaki

Mechanical Services, was recently awarded five contracts through the Government of Canada. The durations of each contract is for one year. The total value of these five contracts amounted to \$ 290,000.00 for the following categories:

- *Painting Contractor Services*
- *Air Conditioning servicing/repair*
- *Sheet Metal Contractor Services*
- *4Plumbing Contractor Services*
- *General Contractor Services*

Although no new employment opportunities were created for Aboriginal people, this did create training opportunities for existing Aboriginal employees in the different fields of work.

NEEGAN BURNSIDE ENGINEERING AND ENVIRONMENTAL LTD.

Located in Orangeville, Ontario, Neegan Burnside was awarded a contract on behalf of INAC for consulting services. The contract was for \$200,000 for a duration of one year with options for additional years. Although no new employment creation nor training occurred, this opportunity was able to keep the current Aboriginal employees employed and has also given them the opportunity to bid on more contracting opportunities.

These are but a few examples of the successes Aboriginal firms are achieving under the PSAB.

Conclusion

The success of the PSAB is due to the cooperative commitment that has evolved over the past years between the private, public and Aboriginal business sectors. Since 1996, PSAB has contributed to creating a more pro-active Aboriginal business environment by encouraging partnerships and expanding Aboriginal supplier client bases. This has contributed to increased economic benefits for all Canadians by generating revenues and creating income for Aboriginal people.

INAC will continue to concentrate on improving its business relationship with Aboriginal suppliers and to stimulate innovative and sustainable economic development initiatives. The ultimate goal of the federal government is to provide Aboriginal businesses with access to the federal marketplace, and to gain experience with the federal contracting process whereby they can compete on a level playing field with non-Aboriginal business.

For the PSAB to continue being a success, it hinges on the co-operation and commitment of all government departments and agencies, and the Aboriginal/Non-Aboriginal business sectors. Together, we can continue to enhance the development of strong communities, people and economies in this country for the benefit of all Canadians.

INAC would like to take this opportunity to thank all departments and agencies for making PSAB such a success. We know that a lot of time and effort was involved in meeting your department's objectives. Many departments have surpassed their objectives and INAC recognizes this and has rewarded these departments for their efforts with Certificates of Recognition.

Congratulations to Agriculture Canada, Atlantic Canada Opportunity Agency, Canadian Centre for Management Development, Fisheries and Oceans, Health Canada, Human Resources and Development Canada, Human Rights Commission, Indian and Northern Affairs Canada, Industry Canada, Justice, National Library, National Energy Board, National Research Council, Natural Resources, Public Service Commission, Public Works and Government Services, Royal Canadian Mounted Police, Solicitor General Office, and Statistics Canada, Transport Canada.