



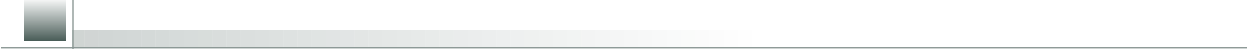
Indian and Northern  
Affairs Canada

Affaires indiennes  
et du Nord Canada

**PROCUREMENT  
STRATEGY FOR  
ABORIGINAL  
BUSINESS**

**PSAB**  
**PERFORMANCE REPORT**  
**2004**





Published under the authority  
of the Minister of Indian Affairs  
and Northern Development

Ottawa, 2006

[www.ainc-inac.gc.ca](http://www.ainc-inac.gc.ca)

1-800-567-9604

TTY only 1-866-553-0554

QS-3639-004-BB-A1

Catalogue: R1-13/2004

ISBN 0-662-69691-3

© Minister of Public Works and Government  
Services Canada

Cette publication peut aussi être obtenue  
en français sous le titre : Stratégie d'approvisionnement auprès  
des entreprises autochtones – Rapport sur le rendement 2004

**TABLE OF CONTENTS**

<b>Executive Summary</b> .....	1
<b>Introduction</b> .....	3
<b>Departmental Performance Objectives</b> .....	4
<b>Contracts Awarded</b> .....	6
Comparison of Incidental and Set-Aside Contract Awards .....	8
Standing Offers .....	11
<b>Communication with Interested Parties</b> .....	12
<b>PSAB Advocacy Initiatives</b> .....	13
Canadian Aboriginal and Visible Minorities Supplier Council .....	13
Senior Project Advisory Committee .....	13
Procurement Review Committee .....	13
<b>Compliance</b> .....	14
<b>Evaluation of the PSAB — Emergence of an Action Plan</b> .....	15
Interdepartmental Working Group and ADM-level Steering Committee .....	15
<b>Status of Action Plan Activities</b> .....	16
<b>Success Stories</b> .....	22
Victoria Shipyards Co. Ltd. ....	22
Kisik Incorporated. ....	22
Creadga Ltd. ....	23
<b>Conclusion</b> .....	24



## EXECUTIVE SUMMARY

Indian and Northern Affairs Canada, in partnership with other federal departments and agencies, continues to develop and implement policies and programs to create an environment that supports economic and market growth, and leads to opportunities for socio-economic growth for all First Nation, Inuit and Métis people. These activities also benefit the Canadian economy and are in support of initiatives undertaken as a result of the Canada-Aboriginal Peoples Roundtable, held in April 2004.

One innovative and effective initiative to encourage Aboriginal suppliers to pursue federal government contracting opportunities is the Procurement Strategy for Aboriginal Business (PSAB). It provides Aboriginal businesses with the potential for partnerships, joint ventures, strategic alliances, sub-contracting opportunities and business network development. The PSAB applies to all federal departments and agencies with the exception of Crown corporations.

Through the identification and use of the mandatory and voluntary set-aside processes, more Aboriginal suppliers bid for and win federal contracts. The continued increase in successful bids on incidental opportunities (i.e., opportunities not restricted to Aboriginal suppliers) by Aboriginal businesses reflects the growth and competitiveness this business sector has gained through the PSAB initiative.

This is the seventh edition of the PSAB Annual Performance Report; covering the 2004 calendar year. It details the work departments,

agencies and Aboriginal suppliers have done with the PSAB, the results of Indian and Northern Affairs Canada's (INAC's) interventions and advocacy initiatives, and the implementation status of the first *Evaluation of the Procurement Strategy for Aboriginal Business*, covering the period between 1996 and 2001.

Since its introduction in 1996, the PSAB has been a driving force behind the growth of the Aboriginal business sector's dealings with the federal government by providing enhanced access for Aboriginal businesses to federal government contract opportunities. This has resulted in a dynamic and competitive Aboriginal business sector.

### HIGHLIGHTS OF THE 2004 YEAR

- A total of 5,980 federal contracts worth \$244.91 million were awarded to Aboriginal-owned firms.
- About 78 percent (697 out of 891) of total contracts over \$25,000 were awarded to Aboriginal businesses under open competition (not set aside).
- Interventions by INAC through the Procurement Review Committee (PRC) accounted for just under three percent of all requirements valued at greater than \$2 million that were, after discussion, set aside for Aboriginal businesses.
- Twelve percent of all PRC strategies had pre-identified Aboriginal business participation already included in the tender documents.

- 
- Activities of the PSAB in 2004 focussed on completing the implementation of the Action Plan developed in response to the observations and recommendations presented in the 2001 report, *Evaluation of the Procurement Strategy for Aboriginal Business*.

Continuous education and dissemination of information concerning the PSAB to government, industry and Aboriginal businesses is essential to ensure the economic benefits, not only for First Nation, Inuit and Métis businesses, but for the Canadian economy.

The INAC PSAB team, which is part of the Economic Development Branch, continues to be a strong advocate and a facilitator for the Aboriginal business community. It works with participating departments to achieve their annual performance objectives, and implement their PSAB advocacy activities. As part of its activities in 2004, INAC and the PSAB team helped government and government–industry committees promote the PSAB and advocate on behalf of Aboriginal businesses. The PSAB team communicated with interested parties by:

- working closely with PSAB co-ordinators across government;
- developing tools required to enhance Aboriginal business understanding of the federal contracting process and expectations;
- maintaining a comprehensive Web site;
- publishing a bi-monthly newsletter;
- participating in trade shows;
- giving presentations to industry, associations and government representatives; and
- working with the Aboriginal suppliers community.

## INTRODUCTION

The Procurement Strategy for Aboriginal Business (PSAB) encourages Aboriginal firms to pursue more contracting opportunities with the Government of Canada. Contracts worth more than \$5,000 for goods and services that primarily benefit Aboriginal people are open only for competition among Aboriginal businesses under the mandatory set-asides. In support of the PSAB principle and its advocacy responsibilities, federal departments and agencies are encouraged to identify voluntary or non-mandatory set-aside requirements for competition among Aboriginal suppliers. The Strategy aims to increase the number of Aboriginal suppliers bidding for, and winning, federal contracts. It also encourages sub-contracting to Aboriginal firms, and the formation of joint ventures with other Aboriginal and non-Aboriginal businesses.

The Strategy supports Aboriginal business and market development by:

- identifying mandatory set-aside contract opportunities with the bidding open only to Aboriginal suppliers (the resulting contracts are for goods or services that primarily serve or benefit First Nation, Inuit or Métis people);
- encouraging voluntary set-aside contract opportunities, in which departments and agencies voluntarily decide to set aside requirements for competition among Aboriginal businesses;
- providing a framework for joint ventures and partnerships between Aboriginal or non-Aboriginal businesses and allowing these partnerships to bid on opportunities that have been set aside;

- using Aboriginal criteria, such as the use of an Aboriginal sub-contractor, to evaluate bids on contracts for goods and services that are not subject to international trade agreements; and
- undertaking activities to develop the capacity of First Nation, Inuit or Métis suppliers to interact with the federal government purchasing community.

The PSAB is accessible by all First Nation, Inuit and Métis businesses. A business can include a sole proprietorship, limited company, co-operative, partnership or not-for-profit organization. As the primary advocate within the federal government, the PSAB team, located within the Economic Development Branch of Indian and Northern Affairs Canada (INAC), promotes the initiative across government and liaises with PSAB co-ordinators in the various federal departments and agencies.

The use of set-asides by federal departments decreased for the past two years in quantity, and for the first year, in value. The Aboriginal firms that were awarded contracts mainly won them through an open competition and not set-asides.

## DEPARTMENTAL PERFORMANCE OBJECTIVES

Establishing annual performance objectives with respect to contracting done with Aboriginal suppliers is an important PSAB requirement. Each department and agency sets objectives for contracting with Aboriginal suppliers and reports annually on those objectives. These performance objectives reflect the organization's ability and intent to support the PSAB.

Under Treasury Board Secretariat (TBS) contracting policies, departments and agencies can act as advocates and facilitators for First Nation, Inuit and Métis entrepreneurs by promoting and enhancing contract opportunities within the existing framework of good contract management practices. Each year, all major federal departments and agencies provide INAC with an estimated value of potential contracts to be awarded to Aboriginal suppliers. This includes contracts directly awarded by the departments and agencies, contracts awarded by Public Works and Government Services Canada (PWGSC) on their behalf, credit card purchases, standing offer call-ups and contract amendments. Departments and agencies contribute to the success of the PSAB by achieving, and in some cases exceeding, their yearly performance objectives.

As in previous PSAB annual reports, the data presented in this report is based on the TBS *Annual Report on Contracting with Aboriginal Businesses* using data captured by PWGSC. Unlike the data the departments and agencies provide to INAC, the TBS Annual Report does not capture purchases acquired through departmental credit cards, call-ups against standing offers or contract amendments.

As the central procurement arm of the federal government, PWGSC is also responsible for

capturing the relevant contracting statistics related to the PSAB for all federal departments and agencies. Although the 2001 *Evaluation of the Procurement Strategy for Aboriginal Business* report recommended the development of a uniform reporting template for capturing departmental performances, no decision has been made to date due to the Government Wide Procurement Review.

The INAC PSAB team uses individual departmental performance reports to monitor progress in implementing the Strategy. Even though the data provided in these reports are not used as part of the official figures, INAC continues to encourage departments and agencies to provide the desired information. This ensures that those departments and agencies, intent on fully implementing the Strategy, are recognized.

In consideration of the TBS *Annual Report on Contracting with Aboriginal Businesses*, federal departments and agencies demonstrated a decrease in PSAB support. Compared to 2003, there was a significant drop in the number and value of contracts awarded to First Nation, Inuit or Métis businesses. In 2004, departmental and agency performance objectives estimated \$112 million in business volume for First Nation, Inuit or Métis businesses. The 2004 TBS Annual Report indicates that although this target had been achieved with \$244.91 million worth of contracts being awarded to First Nation, Inuit or Métis businesses, the performance targets, hence expectation levels, were lower than in the previous year. Table 1 shows the commitment of a few departments participating in this initiative, and highlights their respective achievements during 2004.



**TABLE 1****Government of Canada,  
2004 Business Volume Directed to Aboriginal Businesses**

<b>Department</b>	<b>Dept. Objective</b>	<b>TBS Report*</b>
Department of National Defence	\$20,000,000	\$42,019,000
Health Canada	\$9,500,000	\$9,690,000
Public Works and Government Services Canada	\$11,400,000	\$4,461,000
Fisheries and Oceans	\$5,410,000	\$5,410,000
Canada Revenue Agency	\$2,000,000	\$4,779,000
Correctional Service Canada	\$7,000,000	\$9,070,000
Transport Canada	\$465,850	\$5,249,000
Canadian Heritage	\$1,850,000	\$3,305,000
All Other Departments **	\$33,696,865	\$24,027,000
<b>TOTAL - All Departments/Agencies</b>	<b>\$112,000,000</b>	<b>\$244,912,000</b>

## Notes:

\* Excludes credit card purchases, standing offer call-ups and amendments.

\*\* Includes purchases made by: All Other Departments, Atlantic Canada Opportunities Agency, Canada Border Services Agency, Canada School of Public Service, Canadian Environmental Assessment Agency, Canadian Firearms Centre, Canadian Food Inspection Agency, Canadian Grain Commission, Canadian Human Rights Commission, Canadian International Development Agency, Canadian Nuclear Safety Commission, Canadian Space Agency, Canadian Transportation Agency, Agriculture and Agri-Food, Citizenship and Immigration, Finance, Foreign Affairs and International Trade, Human Resources Development Canada, Industry Canada, Department of Justice, Natural Resources Canada, Social Development Canada, Environment Canada, Veterans Affairs, Western Economic Development, Immigration and Refugee Board, Library and Archives Canada, National Energy Board, National Parole Board, National Research Council, Natural Sciences and Engineering Research Council, Office of the Commissioner for Federal Judicial Affairs, Privy Council, Public Safety and Emergency Preparedness, Public Service Commission, Public Service Human Resources Management Agency, Royal Canadian Mounted Police, RCMP Public Complaints Commission, Social Sciences and Humanities Research Council, Statistics Canada and Treasury Board.

---

Even though the data demonstrates that many departments exceeded their performance objectives, others did not. This demonstrates two key points.

- Domestic pressures result in departments not achieving their performance goals. For example, there may be shifting priorities within an environment of budgetary constraints.
- Aboriginal businesses may need to expand their capacity to meet government contracting needs.

## CONTRACTS AWARDED

In 2004, 5,980 contracts were awarded to Aboriginal firms amounting to \$244.91 million in revenue for Aboriginal businesses (Figure 1 and Table 2).

The decrease from 2003 in the number and value of successful bids by Aboriginal businesses is the result of a number of factors that are mutually exclusive of departmental efforts to increase opportunities for Aboriginal contractors and suppliers.

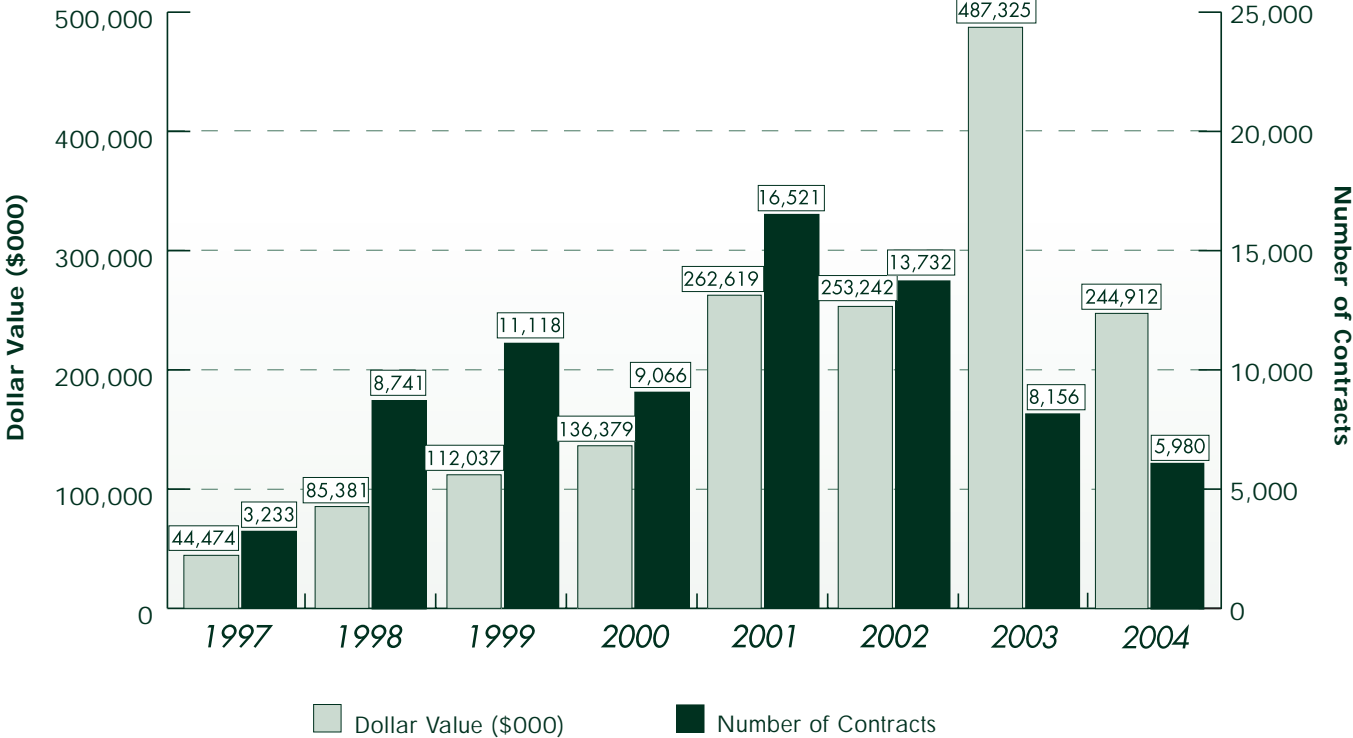
- Two multi-billion dollar contracts totalling approximately \$5 billion were awarded to various contractors which inflated the total value of government contracts in 2004.

If the \$5 billion is excluded from the calculation, the proportion of Aboriginal contracts in 2004 compared to the total amount of contracting done by government was 1.76 percent as opposed to 3.69 percent in 2003. The percentage difference was also due to a number of multi-year standing offer agreements that were renewed in 2003, which inflated the number and value of contracts awarded to Aboriginal contractors.

- The use of credit cards has gained in popularity, and these purchases are not captured in the Treasury Board report.

**FIGURE 1**

***Number of Contracts and Dollar Values Awarded to Aboriginal-Owned Firms between 1997 and 2004***



**TABLE 2****Total Contracts Awarded to Aboriginal Businesses During 2004\***

Type of Contract	Incidental & Set-Asides Less Than \$25,000	Incidental Greater Than \$25,000	Set-Asides Greater Than \$25,000	Total
<b>Goods</b>				
Number of contracts	3,149	159	31	3,339
Value of contract	\$11,528,000	\$62,389,000	\$15,983,000	\$89,900,000
<b>Services</b>				
Number of contracts	1,887	500	146	2,533
Value of contract	\$11,453,000	\$99,533,000	\$29,628,000	\$140,614,000
<b>Construction</b>				
Number of contracts	53	38	17	108
Value of contract	\$474,000	\$8,147,000	\$5,777,000	\$14,398,000
<b>Total # of Contracts</b>	<b>5,089</b>	<b>697</b>	<b>194</b>	<b>5,980</b>
<b>Total Value</b>	<b>\$23,455,000</b>	<b>\$170,069,000</b>	<b>\$51,388,000</b>	<b>\$244,912,000</b>

Note:

\* Excludes credit card purchases, standing offer call-ups and amendments

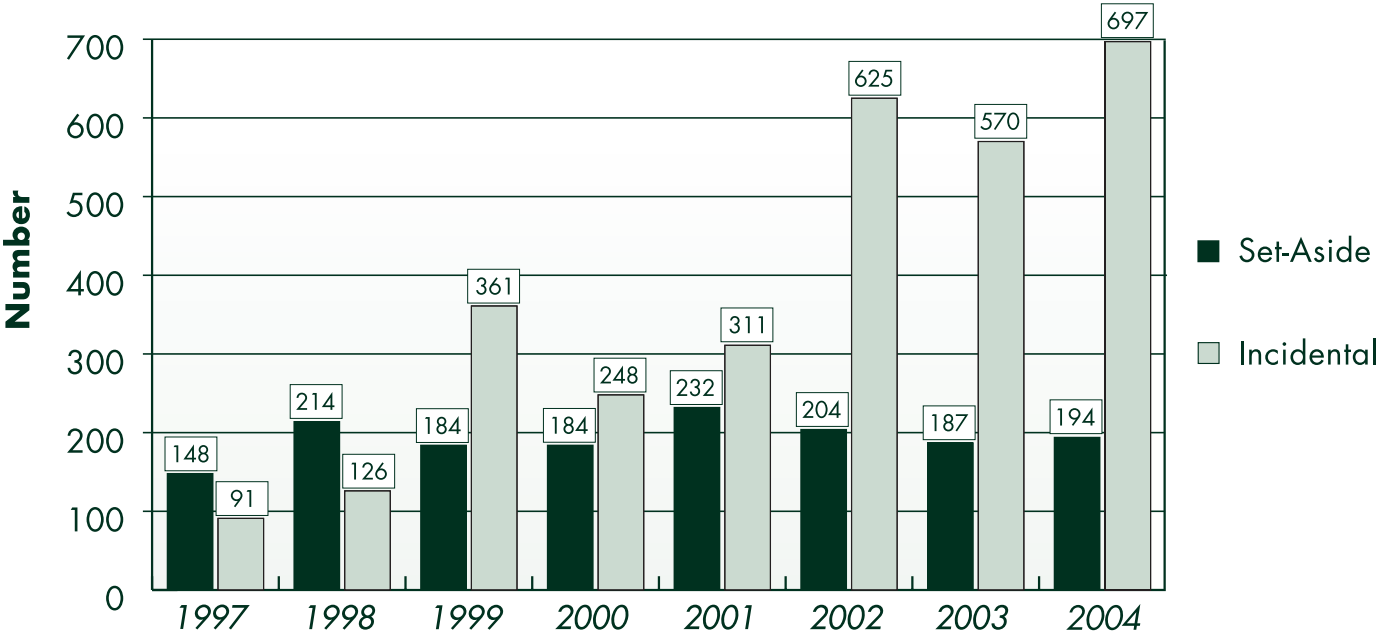
#### COMPARISON OF INCIDENTAL AND SET-ASIDE CONTRACT AWARDS

Again this year, the numbers prove that more and more Aboriginal businesses can, and do, compete with all businesses. In 2001, 33 percent of all contracts with Aboriginal firms were issued on an incidental basis. In 2002, almost 60 percent of the total business awarded to Aboriginal businesses was from open, not restricted (set aside), competition

under the incidental category. In 2003, we saw an increase with 75 percent of the business volume going to Aboriginal firms won from open competition. In 2004, although the total number of contracts valued at greater than \$25,000 was less than in 2003, the proportion of incidental contracts actually increased to 78 percent (697 divided by 891). This also shows that actual set-asides represented 22 percent of 5,980 total contracts or 1,316 mandatory and volunteer set-asides.

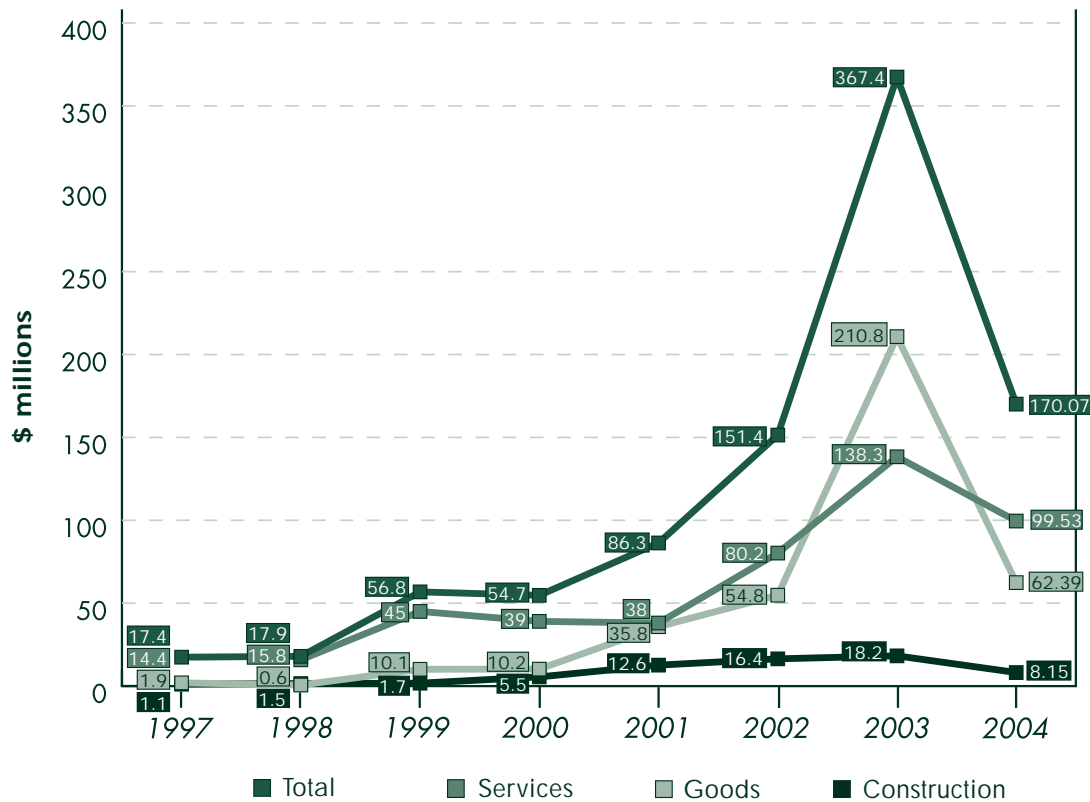
**FIGURE 2**

**Number of Set-Aside Contracts Versus Incidental Contracts Awarded Valued at Greater Than \$25,000**



**FIGURE 3**

***Incidental Contracts with Aboriginal Business Valued at Greater than \$25,000***



Figures 2 and 3 show that, again in 2004, the number of incidental contracts awarded to Aboriginal firms continued to form a large proportion of the total contracts greater than \$25,000. Thus, contracts won by Aboriginal businesses on the open (competitive) market increased. This is very encouraging. Competitiveness creates a strong and dynamic supplier base for both Aboriginal and non-Aboriginal firms as it fuels the growth and confidence of an ever-growing Canadian economy. This should not be interpreted to mean that as an increasing number of

Aboriginal companies develop the capacity and capability to compete on an open market, that set-asides are not required. On the contrary, as noted in last years Performance Report, the PSAB must continue to help foster the growth and capacity of existing Aboriginal businesses and provide new opportunities for emerging Aboriginal companies. Set-asides, especially for low dollar value requirements, provide such a stimulus. The number and value of contracts awarded to Aboriginal businesses under the PSAB depends on the ability to continue to identify mandatory set-asides

and to advocate voluntary set-asides. The growth in incidental contracts is indicative of the growth and experience gained by the Aboriginal supplier base. The fact that the value of incidental contracts is higher year after year proves that Aboriginal businesses can compete and win against the best companies in Canada.

Such successes depend on the ability and willingness of Aboriginal businesses to market their goods and services to federal government departments and on the willingness of federal departments to accept that Aboriginal businesses have the capacity and capability to meet federal government requirements effectively and efficiently. The increase in incidental contracts awarded to Aboriginal businesses helps to increase confidence among government buyers and results in more contract opportunities for Aboriginal suppliers. As Aboriginal businesses win more contracts, their capacity and capability improves.

#### STANDING OFFERS

Whether they are national or regional master standing offers issued by PWGSC, either through voluntary set-asides or open competition, or standing offers issued directly by departments or agencies, standing offers continue to form a significant portion of the total value of contracts awarded to First Nation, Inuit and Métis businesses.

Standing offers facilitate the procurement process for the various departments and agencies and act as a marketing mechanism for Aboriginal firms to emphasize their capabilities

to departmental procurement representatives and end users. However, standing offers also have a deficiency that both Aboriginal and non-Aboriginal suppliers fully agree on: there is no guarantee they will be used.

Another concern that the Aboriginal and non-Aboriginal small and medium-sized business community shares is the reduction in the number of standing offers that will be issued by PWGSC and the use of a retail volume discount (RVD), more likely to be offered by large companies. The PSAB team and the Aboriginal business community share these concerns with the issuance and actual usage of standing offers. Procedures can be developed, in conjunction with the departmental co-ordinators, to monitor the usage of standing offers and develop new initiatives to complement the marketing activities of Aboriginal businesses. As well, the PSAB team investigates activities and initiatives to further promote the commitment and use of standing offers established with First Nation, Inuit and Métis suppliers.

In 2004, the PSAB team took every opportunity offered by activities like trade shows and the PSAB newsletter to advertise the standing offers issued to Aboriginal businesses. However, because many standing offers were renewed in 2003 for more than a one-year period, the number of standing offers in 2004 naturally decreased.

## COMMUNICATION WITH INTERESTED PARTIES

In continuing efforts to promote the Strategy within government and the Aboriginal community, the PSAB team organized and participated in events, such as conferences and trade shows, delivered presentations, and shared information and ideas to inform interested parties about the Strategy and the progress achieved.

- The INAC PSAB team participated in six trade shows in 2004, including CANDO in the Maritimes, the Material Managers Institute Conference and G-TEC in Ottawa, Natural Resources Canada, Health Canada and the ROSS trade show in Gatineau, Quebec.
- The PSAB Web site contains information and publications, business tools, a calendar of events and other relevant material. As well, all interested parties can dial 1 800 400-7677 for assistance or information.
- Publication of the bi-monthly PSAB newsletter provides departmental PSAB co-ordinators with a venue for sharing success stories, best practices, Aboriginal culture and lessons learned in implementing the PSAB within their respective departments. It also provides information on upcoming workshops and conferences dealing with PSAB-related issues. Each issue highlights the success of an Aboriginal business. Current and past editions of the PSAB newsletters are available from [http://www.ainc-inac.gc.ca/SAEA-psab/pub/nwsl/index\\_e.html](http://www.ainc-inac.gc.ca/SAEA-psab/pub/nwsl/index_e.html). We encourage other departments to contribute to this publication.
- In 2004, the INAC PSAB team made presentations to:
  - The Union of New Brunswick Indians
  - The Government-Wide Procurement Review group
  - A Manitoba First Nations Economic Approach to Nation Building Conference
  - The Aboriginal Procurement Seminar in Charlottetown
  - The Department of Fisheries and Oceans - Aboriginal Aquatic Resource and Oceans Management
  - The Aboriginal Workforce Participation Initiative (AWPI) Conference in Edmonton
  - The Orientation to PSAB and Contracting workshop
  - The Department of National Defence in Ottawa
  - The 2nd Annual Aboriginal Entrepreneur Forum in Toronto
  - The AWPI Conference in Ottawa
- Representatives from the INAC PSAB team continue to work closely with federal departmental PSAB co-ordinators to assist them in achieving their departmental objectives through the exchange of information and ideas, and in promoting the Strategy within government. The PSAB team also continues to organize training sessions for the procurement community within different departments.
- The INAC PSAB team organized an interdepartmental PSAB co-ordinators gathering in Gatineau, Quebec last winter (2004). All co-ordinators were invited to meet and exchange their concerns and ideas for best practices.



## PSAB ADVOCACY INITIATIVES

### CANADIAN ABORIGINAL AND VISIBLE MINORITIES SUPPLIER COUNCIL

The PSAB team, through its Advocacy and Partnership directorate, continued to be represented on the Canadian Aboriginal and Visible Minorities Supplier Council, which promotes and facilitates procurement opportunities between Fortune 500 corporations (Xerox, Daimler-Chrysler, IBM etc.) and Canadian-owned businesses operated by Aboriginal people and visible minorities. The Council is open to any major corporation operating in Canada committed to incorporating Canadian minority suppliers into its supply chain.

### SENIOR PROJECT ADVISORY COMMITTEE

Organized for potential government contract opportunities with an estimated value exceeding \$100 million, the Senior Project Advisory Committee (SPAC) includes representatives from departments potentially affected by, or having an interest in, the project. Committee representatives look for industrial and regional benefits meeting their respective departmental mandates.

INAC is an active member of SPAC and continues to advocate for various socio-economic benefits for all First Nation, Inuit and Métis businesses through secondary contract opportunities. During 2004, the PSAB team worked on four major Crown projects with the Department of National Defence and other departments interested in socio-economic benefits. Largely, these were multi-million dollar capital projects involving helicopters and fixed wing

aircraft for the Department of National Defence, which secured \$37 million in Aboriginal benefits.

### PROCUREMENT REVIEW COMMITTEE

Another mechanism used by INAC to intervene on behalf of Aboriginal business is the Procurement Review Committee (PRC). Established by Treasury Board, the PRC looks at all proposed procurements in excess of \$2 million for potential regional and industrial benefits. It uses the procurement process to support industrial and regional development and other national objectives. This interdepartmental committee ensures that the procurement process, and all the diverse interests affected by it, are carried out in an efficient and cost-effective manner that is fully consistent with the Government's procurement principles.

As an active member of this committee, INAC looks for potential benefits for the First Nation, Inuit and Métis business community. During 2004, INAC reviewed 296 cases and intervened on eight proposed procurements. The value generated through these procurements is difficult to evaluate since most of the business is through standing offers. (Departments normally identify the number of standing offers that will be issued but not the value of call-ups against each standing offer.) In addition to the INAC interventions, there were 36 cases (of the 296 proposed procurements) that already had a built-in Aboriginal component. This shows departments are more aware of the Strategy and consider Aboriginal procurement opportunities prior to posting the requirement for review by the Procurement Review Committee.

---

## COMPLIANCE

Consulting and Audit Canada (CAC) conducts compliancy audits of Aboriginal-owned firms on behalf of INAC to ensure bidders meet the PSAB eligibility requirements for entering into a contract and continue to meet requirements throughout the life of the contract. This year CAC performed 11 pre-award audits; seven met both the ownership and control criteria. Three post audits were performed; two met both the ownership and control criteria.

INAC tends to limit requests for pre-award audits on standing offers since all necessary data only become readily available when call-ups are issued from the standing offer. In these cases, post-award audits normally take place. Audits that determine non-compliance are referred to the appropriate contracting authority for further action.

## EVALUATION OF THE PSAB-EMERGENCE OF AN ACTION PLAN

A 2001 evaluation of the PSAB assessed the effectiveness and efficiency of the Strategy over five years. Overall, the report found that the PSAB had been successful in meeting its stated objectives, and a sound rationale for the Strategy continues to exist. An action plan emerged from the evaluation in response to the shortcomings of the PSAB as noted in the Evaluation Report. Many of these shortcomings centred on the themes of communication and implementation activities intended to revitalize the Strategy. Most of these activities were slated for completion in 2004.

### INTERDEPARTMENTAL WORKING GROUP AND ADM-LEVEL STEERING COMMITTEE

To ensure a high level of government-wide consultation during the implementation of the action plan, an Interdepartmental Working Group met 14 times during the revitalization effort. The last meeting was May 31, 2004. The Interdepartmental Working Group and the ADM-level Steering Committee consist of INAC and PWGSC representatives, and members from other departments with a strong commitment to the PSAB. The following departments have representatives on both groups:

- Indian and Northern Affairs Canada
- Public Works and Government Services Canada
- Treasury Board Secretariat
- Department of National Defence

- Health Canada
- Human Resources and Skills Development Canada
- Corrections Canada
- Royal Canadian Mounted Police

The ADM-level Steering Committee is the review mechanism for any changes proposed by the interdepartmental Working Group in the continued implementation and operation of the PSAB. The ADM-level Steering Committee, chaired by INAC's Assistant Deputy Minister for Socio-Economic Policy and Programs (SEPP), met on February 24, 2004 to review the progress of the interdepartmental Working Group and offer future direction on the revitalization of the PSAB. Records of decision and agendas are available for all meetings of the interdepartmental Working Group and the ADM-level Steering Committee.

## STATUS OF ACTION PLAN ACTIVITIES

This section outlines the status of the Action Plan, which was implemented by the Interdepartmental Working Group under the direction of the ADM-level Steering Committee.

### Evaluation Recommendation 1:

#### **Deputy Ministers' Committee on Aboriginal Policy (DMCAP) Presentation:**

A presentation should be delivered to the DMCAP or another suitable forum on the PSAB results and future direction with a view to obtaining a renewed Government of Canada commitment to the strategy, and each minister should undertake a personal commitment to ensure her/his organization is fully engaged in maximizing the PSAB objectives.

#### CURRENT STATUS:

- This activity has been postponed due to strategic considerations. Senior management at INAC considered it prudent to conclude the revitalization process with this presentation and then produce a progress report on the revitalization of the Strategy. Additionally, due to recent changes to the structure of Cabinet and developing federal priorities, a more suitable forum may be found in which to address the future of the PSAB.
- The Interdepartmental Working Group reviewed the feasibility of introducing performance pay penalties as an incentive to senior officials in promulgating the use of the PSAB among departmental procurement personnel. The Working Group recommended — and the Steering Committee concurred — that the senior

management accountability issue be rolled into specific communications activities central to the government-wide communications strategy. For more information on the communications strategy, please refer to Recommendation 2.

## Evaluation Recommendation 2:

### **Communication Strategy:**

The Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada, should work with various stakeholder groups to enhance the implementation and the internal and external communication of the strategy.

#### CURRENT STATUS:

- An internal, government-wide communications strategy was developed by communications personnel from each of the Working Group's representative departments. This strategy sought to initiate new approaches for sharing information with federal purchasing personnel to build, enhance and create awareness of the PSAB. The communications strategy was approved by the ADM-level Steering Committee on February 24, 2003. The target audience for this exercise was federal purchasing personnel and their managers. A copy of this plan is available from members of the PSAB team.
- Links have been inserted in INAC's PSAB Web site to the following business directories:
  - The Aboriginal Business Directory on Industry Canada's Strategis Web site; and
  - Contracts Canada's business database.
- These directories were chosen in an effort to save costs to government and streamline information for procurement officers in all government departments. Both directories require all Aboriginal firms to self-register and enter pertinent information on their businesses.
- Information has been provided to government departments, Aboriginal businesses and non-Aboriginal firms through the PSAB Web site. Visitors may choose from information sorted into the following categories:
  - Important Links;
  - PSAB Policies and Information;
  - Supplier Information and Supplier Search;
  - PSAB Publications; and
  - Business Tools.

---

## Evaluation Recommendation 3:

### Capacity Development Tools:

The Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada, should create capacity development tools that will enable Aboriginal firms to take advantage of the opportunities created under the PSAB and general contracting activities offered by the federal government.

#### CURRENT STATUS:

- An interactive training module was developed and launched in March 2004. This module, the *Web-based Guide to Doing Business with the Federal Government*, can be found under the Business Tools section of the PSAB Web site and is available on CD and in booklet form. The Web-based Guide navigates through a series of modules that help prepare a potential bidder to respond to a procurement opportunity with the federal government.
- Steps taken to promote the Strategy through the PSAB team's daily advocacy activities have included liaison work with the Capital and Infrastructure First Nation's Tendering Policy (FNTP) group at INAC headquarters. Although talks are still ongoing, the application of the FNTP policy limits the capacity of federal officials to use the PSAB for projects on First Nation lands. This is due to conditions imposed with capital transfers.
- Over the course of the 2003 and 2004 fiscal years, INAC engaged the Department of National Defence, Health Canada and Public Works and Government Services Canada in establishing an understanding of the need to create procurement opportunities for Aboriginal firms. INAC has been present for various SPAC meetings and consultation sessions for a variety of major Crown projects.
- INAC's advocacy activities, with respect to the construction of Aboriginal benefits packages, have resulted in the Aboriginal Benefits Policy. A draft of this policy is expected to be complete in early fall.
- This policy will ensure that Aboriginal benefits will be seriously considered for inclusion on major Crown projects in the same manner as industrial regional benefits. The policy will be applied, providing the Crown observes sound contract management principles and demonstrates Aboriginal capacity for the procurement in question exists.
- Existing Aboriginal business capacity has been explored through the PSAB team's efforts to engage in the design and construction of an Aboriginal benefits plan attached to major Crown projects. The rationale and justification for developing Aboriginal benefits plans in Government of Canada procurements is clearly understood and accepted by all departments and agencies.

## Evaluation Recommendation 4:

### Uniform Reporting Template:

The Interdepartmental Working Group, in consultation with the Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada, should develop a uniform reporting template for PSAB departmental performances purposes.

#### CURRENT STATUS:

- The ADM-level Steering Committee, in its last meeting on February 24, 2004, examined the Working Groups conclusion that the implementation of a standardized reporting template for all government departments would not be feasible as more global Government of Canada contracting and data collection issues would have to be resolved first.
- The Working Group, after an examination of the current data collection framework that varied widely from department to department, concluded that any effort to construct a uniform reporting template would be postponed until the current government-wide review on procurement ended, as this review could introduce policy changes to the government reporting structure. The Working Group felt that it would be unreasonable for the demands of a single program, (i.e., the PSAB) to change government-wide standards, which could exceed individual departmental capacity for data collection. Additionally, if the data in any way varied from the Treasury Board Secretariat's official Government of Canada figures, the data would be disallowed by central agencies and barred from publication.
- The Working Group concluded that until more global issues with respect to data collection were addressed and settled by the current Procurement Task Force review, the uniform reporting template could not be constructed. Additionally, the Working Group concluded that reporting on socio-economic benefits would go beyond the intended bounds of the Strategy; the PSAB was originally intended for business development using procurement as a tool, not socio-economic development directly affecting Aboriginal communities.

---

## Evaluation Recommendation 5:

### Enforcement of Aboriginal Content Criteria:

The Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada, should improve monitoring and enforcement of Aboriginal content criteria to ensure the operation of the PSAB is consistent with its stated objectives.

#### CURRENT STATUS:

- The newly formed interdepartmental Working Group, in consultation with Aboriginal interested parties, will review the current PSAB policy and examine the revisions required to enhance effective implementation. The monitoring and enforcement of Aboriginal content criteria will be revised as a result of this exercise.
- Over the course of a year, the Working Group endeavoured to create a set of policy revisions that would improve monitoring and enforcement of the Aboriginal content, ownership and control criteria of Aboriginal ventures operating under the PSAB. The approach outlined in a draft document known as *Guiding Principles* was the result of extensive discussions between managers, analysts and legal counsellors from INAC and PWGSC and auditing managers from Consulting and Audit Canada.
- Aboriginal interested parties were consulted during an all-day workshop and presented with a preliminary draft prior to final working group approval.

The *Guiding Principles* document clarified the policy so auditing teams could determine the extent of Aboriginal content, ownership and control in joint ventures involving non-Aboriginal parties. More importantly, the new guidelines created a balance of accountability requirements for Aboriginal firms and substantial transfers of benefits in one form or another.

- This document was reviewed by the ADM-level Steering Committee on February 24, 2004, and approved with some small edits which did not change the intent of the document. INAC recently submitted this document to the Treasury Board Secretariat for consideration. A meeting in early September 2004 between INAC and TBS officials will determine the form the new policy will take, and the expected time lines for release and publication.



## Evaluation Recommendation 6:

### **Review of the Strategy:**

The ADM, Economic Development and Strategic Initiatives Sector, in consultation with the Director General of the Audit and Evaluation Branch, should initiate a full review of the Procurement Strategy for Aboriginal Business within five years.

### CURRENT STATUS:

- The Interdepartmental Working Group will determine the broad issues or themes to be examined as part of the full review.
- In recognition that five years was insufficient to undertake a full evaluation, INAC's Audit and Evaluation Branch, in consultation with the Economic Development Programs Directorate, will establish a working group of key departments to develop terms of reference for a high-level review of the PSAB, in consultation with Aboriginal interested parties.
- This issue is still pending review. It is expected that the new PSAB policy would have to be monitored for a period of no less than two years to decide what broad issues or themes remain to be reviewed in the future.

---

## SUCCESS STORIES

Aboriginal suppliers no longer depend solely on the mandatory PSAB set-asides for business as they continue to bid on and win more contracts based on their capacity, capabilities and competitive nature. The set-asides provided the foundation, but the growth and development of Aboriginal suppliers is due to their ability to operate businesses in a professional manner, and delivering quality goods and professional services at competitive prices.

The success of both the large, experienced suppliers and new, smaller suppliers is a result of the combined efforts of the PSAB initiative, the PSAB co-ordinators and Aboriginal businesses. Some examples of these successes follow.

### VICTORIA SHIPYARDS CO. LTD.

As a member of the Senior Project Advisory Committee (SPAC), the PSAB team had the opportunity to use its advocacy role for a contract presented by the Canadian Coast Guard for the purchase of twenty 47-foot aluminum motorized life boats. The PSAB successfully negotiated the inclusion of an Aboriginal benefits package (ABP), as a mandatory requirement, to be included in bids for this major Crown project.

Based in Victoria, British Columbia, Victoria Shipyards was contracted. The two percent Aboriginal set-aside requirement was exceeded when a partnership was formed with Qayqayt Enterprises Ltd., a wholly owned company of the New Westminister Indian Band to provide safety supplies to Victoria Shipyards.

Aboriginal organizations receiving direct benefits, such as employment and revenue, included:

- Naut'sa mawt Resource Group, to engineer the clean-up of the site before construction;
- New Westminister Indian Band, to provide safety equipment and supplies with an estimated value of \$400,000 over a four year construction period;
- Tseshaht Kamma Blake Shupits Corporation, to fabricate boat trailers with an estimated value of \$300,000; and
- Gwaii Services to lease and rent equipment out to several project partners.

There are also indirect benefits, such as business spin-offs, to be generated by the following Aboriginal organizations:

- Native Legal Services will provide legal services for the project; and
- Gwaii Services will provide administrative services.

The total value of direct and indirect Aboriginal benefits upon completion of the 47-foot MLB contract is expected to be \$1,319,000 or 2.5% of the contract value.

### KISIK INCORPORATED

Kisik Inc. is an Aboriginal full-service contract office and residential furniture dealership serving all federal departments under the PSAB, as well as the private sector for all possible

furniture needs. Kisik (pronounced Keeseek) is the Cree word for sky.

Since the inception of Kisik Inc. in early May 2003, the company has proven to be a qualified certified Aboriginal supplier of office and residential furniture to the federal government through the several national master standing offers they hold, and through PWGSC competitive tendering issued under set-asides in Manitoba, Saskatchewan and western Ontario regions.

Since 2004, Kisik Incorporated has been awarded seven federal contracts with three of them totaling over \$2.3 million being set-aside under the PSAB. Thanks to their own expertise and the PSAB, Kisik is planning to do more business with the federal government using the skills they have gained from past contracts.

A related company, Kisik Marketing & Communications Ltd. holds a five-year service supply arrangement agreement as a pre-qualified Aboriginal consulting firm with Health Canada

#### CREEADGA

CREEADGA is an Aboriginal corporation with 51 percent ownership by Cree Regional Economic Enterprises Company Inc. and 49 percent by ADGA Group Consultants Inc. Its competencies include the management of large Crown projects, construction projects, air and ground transportation services, facilities management, petroleum products distribution

on Cree land and a full range of information management/information technology professional services.

Using the PSAB, CREEADGA and its partners Millbrook First Nation and Air Creebec were to receive about \$7 million and \$1 million respectively in Aboriginal benefits from the Maritime Helicopter project. Sikorsky International Operations Inc., the main contractor for the Maritime Helicopter project, committed to partner with Aboriginal businesses on upward of \$37 million of activity.

---

## CONCLUSION

The continued success of the PSAB depends on the co-operation and commitment of all federal government departments and agencies, and the Aboriginal/non-Aboriginal business sectors. By working together, we can continue to enhance the development of strong communities, people and economies for the benefit of all Canadians.

There is a continuing need for the Strategy. This is particularly true for new and small First Nation, Inuit or Métis companies. Re-energizing the commitment of all interested parties and implementing a revitalized PSAB is essential to the success of the Strategy.

The PSAB Team would like to thank all departments and agencies, and their PSAB co-ordinators, for making the Strategy a success. Based on the departmental reports provided, the team recognized and congratulated the following departments for having surpassed their departmental PSAB performance objectives in 2004:

- Agriculture/Agri Food
- Atlantic Canada Opportunity Agency
- Canada Revenue Agency
- Canada Firearms Centre
- Canadian Institutes of Health Research
- Canadian Security Intelligence Agency
- Canadian International Development Agency
- Canadian Space Agency
- Citizenship and Immigration
- Correctional Service Canada
- Department of Foreign Affairs and International Trades

- Health Canada
- Canadian Heritage
- Human Resources and Skills Development Canada
- Immigration and Refugee Board
- Industry Canada
- Library and Archives Canada
- National Defence
- National Energy Board
- National Research Council
- Natural Resources Canada
- Natural Sciences and Engineering
- Public Service Commission
- Public Works and Government Services Canada
- Royal Canadian Mounted Police
- Statistics Canada
- Transport Canada
- Veterans Affairs

The following departments received their recognition award for the first time. Congratulations and continued success to:

- Finance Canada
- Canada Firearms Centre

Finally, INAC wishes to extend congratulations to the more than 30,000 First Nation, Inuit and Métis entrepreneurs and the non-Aboriginal private sector for their willingness and commitment to the Aboriginal business community which they know will create a stronger economy for all Canadians.