

## It's about e-tendering government contracts



### Host, David Newman says it's singularly single-minded

The Government of Canada contract with MERX finishes May 31, 2004, so a lot of people are talking about e-tendering, or as PWGSC calls it: Government Electronic Tendering Service or GETS. GETS started in 1992 as the Open Bidding Service (OBS) and then in 1997 MERX (owned by the Bank of Montreal) won the contract. There are also a number of commercial private sector operations or value added service providers (VASPs) in Canada that sell packaged notification of government opportunities. One of these is BidNavigator.

Over time, MERX has undergone a variety of changes. Price has been an issue, one that has given rise to VASPs. Participation has also been an issue. The intention behind the system (at least by the federal government) was to offer the full range of government notifications and contract opportunities over the same site. However, while Alberta, Ontario, Manitoba and other provinces use MERX fairly extensively, others such as BC and Nova Scotia run their own e-tendering locations,

**Sit down, take a deep breath, sip a beverage, open your mind and stay awhile as we chat with:**



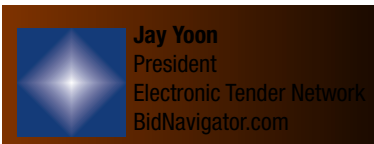
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while also having arrangements with MERX to reproduce their procurement notices.

MERX has made substantial efforts to recruit, not only the provinces but, more recently, the MASH (municipal, academic, school and hospital) sector – an effort less successful than hoped. Operating issues such as cost are one concern, especially since MERX recently increased its fees fairly substantially, but another is that it really isn't seen to be needed for local geographically defined contracting. MERX is seen to fill federal requirements, ones that are often far more complex or sophisticated than other levels of government need, or want.

MERX and other similar systems are for-profit operations, paid for by vendors. Many see this as a normal user pay approach, but others, despite the convenience of it, resent what they see as paying twice for government notices, once in taxes and once in fees. Still others object to one company providing the core service, despite the open competitive process held to select the single supplier.

The bottom line for government is making it easier for the buyer, which is itself, and its internal clients, to run the overall procurement system while also complying with legislative and trade obligations. Benefits for government suppliers, are a bonus, one that, in Canada, pays for the system.

The e-service in Europe relies on VASPs, who repackage the government electronic information in a variety of ways. For this to work, the core service, the electronic govern-

ment information on business opportunities must be funded adequately and not be vulnerable. Costs can be substantial. The US federal government recently piloted a successful website, FedBizOpps, which provides electronic distribution on government contracting for participating agencies. The government currently funds the site, but is looking at a number of funding and delivery options as it becomes permanent.

A variety of approaches have been suggested for the service that will replace MERX, but a number of legal and jurisdictional issues may intervene. For example, how will the CITT or the courts consider resellers or VASPs? Will governments still be held responsible for errors or omissions? There is also no doubt that governments will want to move to some kind of system that permits electronic bid receipt, one that finds major efficiency gains, require very secure electronic transmission methods and undoubtedly contribute to Canada's capacities as an online leader. Industry is making this move but is government positioned to?

For the moment, much of the discussion revolves around three key subjects, a single window, a single supplier and system features and attributes. So – let's chat!

### A single window

**Read:** At the core of GETS the government has a number of very clear commitments. On signing NAFTA, the World Trade Organization Agreement on Government Procurement, the Agreement on Internal Trade or the Canada Korea Agreement on Telecommunications, Canada made a commitment to its trading partners that we would advertise trade agreement covered procurements on a single electronic window. We have no choice. There has to be one electronic place, a website, where the potential supplier community can find out about every single trade agreement covered federal procurement.

**Van Mierlo:** For about two years, we've run our own website offering electronic bid opportunity notices. By year's end we are going to

full document distribution via the Internet with the intention of not providing hard copy. For the last few months our potential bidders have been able to download, at no charge, specifications and drawings for most bid opportunities. Currently all documents are in PDF format. However, if a bidder wants hard copy is without the technology to print drawings, a local print shop can download and print for a reasonable fee.

**Lusk:** The federal approach and MERX, to some extent, is based more on compliance to legislative and trade agreement requirements than on access. Most business, especially small- and medium-sized ones, are more interested in contracts that fall below the scope of trade agreements, for example, less than \$25K and under the federal system, they may not even be subject to competition, let alone e-tendering. That is a major reason Nova Scotia does not use MERX.

**Yoon:** If the federal government needs a single window document distribution service, limit it to that. Distribute the bidding information to resellers and you'll get all kinds of innovation, creativity and competitive features. Let the market determine the product and price. Some providers may even give the government information away in order to sell software that processes it. Let the market dictate the creativity.

**Van der Horst:** Governments at all levels have a major concern with VASP distribution and that is who is accountable for the currency and accuracy of the information.

**Read:** Behind the trade agreement compliance factor you have government policy, government contracts regulations that require us to call for public bids and Treasury Board contracting policy commitments to be open, fair, transparent and accessible. Add to that the scope of federal government operations. The federal system has a wide variety of internal automated systems to process procurement. Unlike some provinces and municipalities, we don't have one electronic system driving our window to the world and that increases the complexity extensively.

## A single source

**Yoon:** There are several problems with a government single source e-tendering arrangement, especially with the Government of Canada, but the greatest difficulty is the nature of the contract with the provider. The way it is now, with long contract periods of 3 to 5 years, there are no real incentives. As long as this is the approach, they won't go beyond the document distribution model.

**Read:** Single source versus multiple source is driven by the commercial nature of the present arrangement. Developing and operating the GETS service costs a lot of money and the revenues realized through operating it are what pays for the system. Multiple access points that provide a priced service have the potential to take revenue away from the core service provider and that can put the financial integrity of the core service itself at risk.

**Lusk:** The key we see is what you make available to whom. What contracts are e-tendered? And that relates to how you want to run your business.

**Van der Horst:** We held focus groups with our suppliers and they didn't respond positively to MERX. They saw it as a costly method of distribution where the service level was unsatisfactory. We were able to develop and now maintain our site, which we have kept purposely simple, at a very low cost – lower than the cost to participate in MERX. The feedback we've received from the business community has been very positive.

**Read:** There is a school of thought that the federal government should pursue the model that is being used increasingly by some provinces and municipalities. This model provides a very basic, minimal core government service that is provided by the government and supplies notices and electronic downloading of bid packages. It is an approach that can work, but the federal requirement is more complex than others.

**Editors Note:** Following the writing of this article, in late November Mediagrif Interactive Technologies reached an agreement with the Bank of Montreal to acquire MERX, subject to some payment adjustments and obtaining consents regarding the assignment of some contracts where MERX is the supplier of the e-tendering service.

## The good, the bad and the other

**Read:** Finding out about contract opportunities is a normal cost of doing business. If that wasn't available through MERX, the resulting research, knocking on potential client doors and meetings, would be much more expensive for vendors.

**Yoon:** A competitive environment is also much more responsive to vendor needs. The present system is not very friendly to small- and medium-sized businesses. There are many RFPs they don't qualify for and some may only be interested in contracts in their own area. A Markham supplier may not want to know about national contracts. They want an e-tendering system that filters out what wastes their time.

**Van der Horst:** We are planning to receive bids online within the next year or so. For efficiency, it will be integrated with the city's ERP system. Currently we only disclose award information about the successful bidder but we intend to broaden the amount of information available. With today's technology it is easier to tap a variety of internal data sources and provide relevant information to the business community that was previously cost prohibitive.

**Lusk:** What business problems are actually being solved by e-tendering? We've been doing e-tendering on a single government window in Nova Scotia for several years and it works very well for the right kind of contract. On top of that, there is no charge to vendors in our system. E-tendering is most useful for defined commodity procurement and less so for unique design or negotiated deals.

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**Customer Relations Management**