

# Aboriginal procurement strategy

## Working, and here to stay

by Toby Osborne

When the federal government first launched the Procurement Strategy for Aboriginal Business (PSAB) to increase the number of Aboriginal suppliers bidding for, and winning, federal contracts, no decision was made regarding how long this would continue. Now, seven years later, the strategy has been declared a success by the government and Aboriginal business owners alike. But the PSAB still isn't expected to retire any time soon. Since the program started in April 1996, there have been a number of misconceptions about the PSAB (<http://saea-psab.ainc-inac.gc.ca>). "A lot of people felt this was an Indian and Northern Affairs [INAC] government policy – it isn't," says Allen Frost, PSAB's senior program manager.

"It's a Government of Canada policy. It was endorsed by the Treasury Board Secretariat; therefore all federal government departments that come under the *Financial Administration Act* must implement the procurement strategy within their departments, as part of their regular contracting processes." Frost estimates that encompasses 50 different departments.

In addition, any government department with an annual procurement budget over a million dollars is asked to establish a performance objective for the coming year. Then, depending on whether these goals are met, PSAB coordinators can help departments to achieve their objectives in subsequent years. "Sometimes it's just because of the way the contracting process works," notes Frost. "In

one year they may have \$4 million worth of business with Aboriginal suppliers, and the following year only \$1 million – but that doesn't mean they aren't doing the business with the suppliers. Maybe in the first year they put out contracts with renewal periods of two years, three years, and the contract is reported in the year that it was awarded – so in year two or three there might be a lot of contracting activity going on with Aboriginal suppliers but it has already been reported this year, because of the contract award date."

However, the biggest PSAB fallacy is that these contracts are handed out on a silver platter. "We like to call it a 'hand-up,' and not a 'hand-out,'" says Frost. This "hand-up" comes in the form of mandatory and voluntary "set-asides" (contracts that are *set aside* specifically for qualified Aboriginal businesses). "What we do is provide an opportunity by restricting competition to Aboriginal suppliers. Rather than competing against a hundred competitors for a government contract, they may have to compete against several Aboriginal suppliers, under a set-aside process," explains Frost. "So it narrows the field of competition, gives them a better opportunity to learn about federal contracting practices – essentially learn the rules of the game – and encourages them also to sharpen their pencil."

And Aboriginal business owners have indeed been sharpening their pencils. Business conducted with Aboriginal companies has been growing exponentially over the years. In 1997, \$76.5 million worth of federal government contracts went to Aboriginal suppliers. By 2001, the most recent figures available, the amount of business with Aboriginal suppliers reached \$262.6 million.

"I would say that it's a highly successful program," says Frost. "We recently underwent the five year program evaluation, and it was clearly demonstrated that it has been very successful, it has met its objectives, and it will continue, into the future."

Steve Johnston, director of Administrative Services for INAC, evaluated the progress of the PSAB to date, and observes, "The dimen-



Allen Frost, senior program manager, Procurement Strategy for Aboriginal Business (PSAB), Indian and Northern Affairs Canada.

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sion of the program has shifted somewhat – many companies that started with the PSAB have now matured and are what I would call ‘mainstream.’” Nevertheless, “it still plays an important role in terms of developing and nurturing those small- to medium-sized, most of them small, Aboriginal businesses so that they can get a foot-hold and begin to compete on a level playing field,” says Johnston.

Some of these small- to medium-sized Aboriginal businesses are joining larger Aboriginal or non-Aboriginal businesses to compete for large contracts that they wouldn’t normally be able to bid on. However, if a firm is starting a joint venture, at least 51 percent is starting a joint venture, at least 51 percent must be owned and controlled by an Aboriginal business or businesses to qualify.

“I have noticed a trend – a shift towards joint-venture partnerships,” says Frost. “As a result of that relationship, the Aboriginal business can generate more revenue for their business, and when the next (large contract) comes up, they can bid on it on their own.”

Then there is the program’s value as an economic development tool. “The government has to buy pens, paper, furniture, computers – you name it; professional services, legal services – and the only difference is that they’re buying it from an Aboriginal supplier,” explains Frost. “This, in turn, generates more opportunities for that Aboriginal business to hire more people, or train more people, or create a new employment opportunity – at no extra cost to government. This is the beauty of the strategy: economic development coming at no extra cost and the regular contracting process doesn’t change – you still have to ensure that you receive fair value for tax payers’ dollars.”

Donna Cona Inc., a leading Aboriginal information and communications technology company, with offices in Ottawa and Vancouver, is one of PSAB’s success stories. The company is 63 percent owned by John Bernard, a member of the Madawaska Maliseet First Nation Band.

“It’s been very positive for us – I would go as far to say that it’s helped us in our growth of the company, as well as to hire, mentor and train Aboriginal people in technology,” says Anna Molley, public relations for Donna Cona. In January, Donna Cona was awarded the largest federal government Aboriginal set-aside contract ever, valued at \$15 million.

“A large portion of our contracts are still PSAB, but the procurement strategy has allowed us to grow, to build our company,” says Molley. “And now we’re going after set-asides, but also non-set-asides. We find ourselves competing with other companies as well.”

Another PSAB regular, Anishinabe Printing, based in Maniwaki, Québec, has completed contracts for Human Resources Development Canada, the RCMP, and Canadian Heritage, but their first government printing job was for INAC. “They approached us prior to PSAB, looking for business,” says Johnston. “I looked at it from the economic development angle, not from the procurement angle. So, we said: ‘do you do business cards?’ They said ‘yes,’ and the next thing you know they’re doing other printing for us; then, they’re doing printing for other government departments too.”

Anishinabe Printing’s Wayne Odjick says it has been a positive experience for them. “[PSAB] helped keep our business viable; by keeping it viable, it created economic development also. It had a job impact in our community, and helped us earn a living.”

Although his is a success story, when asked if there are any improvements that could be made to the PSAB process, Odjick admits, “It’s hard to try to pinpoint that – a lot of times it’s trying to get a hold of the PSAB coordinators. There seems to be a gap there. I’m not saying that it’s not working good, there just seems to be a gap between the PSAB coordinators and the actual buyers. The coordination there is sometimes rather bureaucratic. When somebody’s a PSAB coordinator, it’s just an added file to their regular job; it’s not their actual job. So I think it’s not a priority for that person – it’s just an added file to his ongoing work schedule,” says Odjick.

This bureaucracy is all too familiar to Johnston. “The biggest challenge for business – be they small, medium or large, Aboriginal or non-Aboriginal – is dealing with the huge bureaucracy of the Government of Canada, particularly that which relates to government procurement.”

Regardless, Anishinabe Printing still gains much of its work from PSAB. “I have a mixed clientele,” says Odjick. “But I can tell you that business-wise, client-wise, when we started soliciting the federal government it really helped our business to do some forecasting –



Wendy Corie

*According to legend  
“the web will catch your  
good dreams and ideas...  
the bad ones will go  
through the hole.”*

there’s more eggs in the basket, put it that way. It kind of adds some security to a business when you have that market. Even though the federal government has its quiet and peak seasons, at the same time, it’s an added market where it’s a good market. And in that sense it really helped our business.”

Around 3,500 to 4,000 Aboriginal suppliers participate in the PSAB process, out of a potential 25,000 – and growing – Aboriginal-owned businesses in Canada. “I’ve noticed the increase in Aboriginal suppliers has not diminished,” says Frost. “More and more people are becoming aware of the strategy, more and more Aboriginal people are making the decision that they don’t want to work for someone else; they want to work for themselves. Many are looking at the procurement strategy as a way to springboard their business out into the rest of corporate Canada.”

The PSAB has brought success for some Aboriginal businesses, yet the question remains: after seven years, how long does the federal government anticipate this strategy will continue?

“[When] the strategy was put in place there was no timeline established, there was no sunset clause established,” says Frost. “It will continue until another decision is rendered saying it’s no longer required... It’s here to stay as far as I know.”

*Toby Osborne is an Ottawa-based freelance writer.*