

Mandatory standing offers: a threat to small and micro-businesses

WE ARE A GROUP of micro-business owners who discovered recently that Public Work and Government Services Canada (PWGSC) is putting in place new rules for procurement within the federal government. From now on, departments must use standing offers when awarding contracts. While this one-size-fits-all mechanism represents a leaner management approach, it creates difficulties when applied to the procurement of certain types of services. The new rules do not take into account the difference between large businesses, on one side, and small and micro-businesses on the other.

Up to now, PWGSC could award contracts up to \$25,000 to small businesses on a non-competitive basis. Now small businesses are told to either apply for standing offers (which, in some cases, might not be put in place before 2007) or to sub-

contract their services to firms who currently have standing offers. Neither option is acceptable for small businesses. Standing offer competitions require significant investments and often small businesses do not have the financial resources to meet all the requirements. These requirements are often excessive for the type of services they offer.

Working through larger firms is a mixed blessing: it can bring more contracts but a fraction of their usual fees. The government may pay more than it would have dealing directly with smaller firms. Larger firms bear higher overhead costs and must charge these back to their clients. Even if businesses with standing offers agree to reduce their fees by 10 percent for the foreseeable future, the gap between the reduced fees and those charged by many small businesses remains considerable. Therefore the cost of doing business is likely to increase significantly for the government and, ultimately, for taxpayers.

Another downside of this approach is that purchasers of services in the federal government and small business entrepreneurs lose their autonomy to deal directly with one another. These direct relationships facilitate quality assurance, accountability and problem solving. Our satisfied federal governments clients would vouch for this.

We believe that the small-businesses sector of the economy – especially in the National Capital Region – is about to be decimated if these new procurement practices are not re-examined as soon as possible. We have written to the Prime Minister and proposed that PWGSC create a small business unit and create a forum for dialogue between the federal government and small business.

Until a new agreement acceptable to both parties is reached, we recommend that the federal government maintain the practise of awarding contracts under \$25,000 non-competitively.

A group of concerned micro-business owners