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FEDERAL GOVERNMENT PURCHASING

An Address By

The Honourable James Richardson

In the House of Commons during the Budget Debate

June 12th, 1972

Mr. Speaker, at this stage of the budget debate, the fifth day, most of the facts, figures and policies have been examined and discussed by both sides of the House. My purpose in entering the debate at this time is to elaborate on one sentence in the budget speech, a sentence that I consider to be important above all others. Also, I particularly want to enter the debate at this time so that I can speak about the purchasing policies of the federal government, the policies of my department, as they relate to that sentence in the budget speech.

Along with everything else the Minister of Finance, Mr. Turner, said on May 8th were these words:

"National unity has a great deal to do with equality of opportunity-- equality of opportunity for Canadians, no matter where they happen to be born or where they happen to live in our country."

The kind of equality of opportunity I will talk about is equality of opportunity for Canadians from coast to coast who want to sell their manufactured goods and their services to their federal government; in other words, those who want to sell to the national government.

I believe honourable members know the Department of Supply and Services is a purchasing department and also an accounting department. I have often said that had we been called the purchasing department and the accounting department of government, more Canadian citizens would know what we do. In fact, however, we do more than that. We do many more things. We are responsible for materiel management, for

warehousing, for the disposal of equipment and also the provision of management consulting services, as well as the provision of complex computer services. Therefore, because we do more than simply purchasing and accounting we have been given, in someone's wisdom, the somewhat obscure title of Supply and Services.

The aspect of our operation about which I want to speak particularly today is purchasing, because the department is one of the largest purchasing organizations in Canada. As it buys more than \$1 billion worth of goods and services each year, its operations affect the lives, particularly the business lives, of many Canadian companies large and small.

We make purchases from literally thousands of Canadian companies. On behalf of other government departments, we are busy each day buying everything from pencil sharpeners to the largest computers, everything from toothpaste to the most advanced and modern aircraft.

When I first began to look over the vast amount of purchasing undertaken for the federal government through my department, I was surprised--and I may say as a Western Canadian, I was somewhat amazed and under some circumstances annoyed--to find the extent to which federal government purchasing was concentrated in a relatively small region of Canada, a region not more than 300 miles from the national capital, in a country 4,000 miles wide.

When I looked at the figures, I found out that year in and year out more than 85 per cent of federal

government purchases were made in the two central provinces of Ontario and Quebec. It did not seem to me that figures such as these were consistent with equality of opportunity for Canadians. I am, therefore, pleased to have this occasion to tell the House that for some time now, we have been in the process of evolving purchasing policies which will help correct this concentration of purchasing and will give Canadians from coast to coast a greater opportunity to sell to their national government.

When Canadians are selling to the federal government they are, of course, selling to themselves because as taxpayers in a sense they are both buyers and sellers. In what I am saying today, I want to emphasize that I am talking about an evolving purchasing policy. I am talking about something that is partly in place and in operation, and partly in the process of formation. That which is still in the process of formation constitutes goals or objectives rather than established policy.

The policy I am now developing within the department has three main characteristics or three main parts. The first part, which is still in the nature of an objective, is that we propose to establish federal government purchasing targets within four large regions of Canada. These targets would be based roughly upon the population in each region.

For this purpose, the regions must be large because obviously we want to have competition within the

regions. If we selected one small province and tried to localize buying in that province, we would not have the competition necessary to obtain the lowest price. Therefore, the regions for which we want to establish targets within the department are four. The first area is the Atlantic provinces region which I think of for this purpose as Canada East. Quebec is one region and Ontario is one region. The four provinces in the West for this purpose, and also for some other purposes from time to time, I call Canada West.

If we examine the figures for federal government purchasing which has actually taken place over the past six years, we find that under 6 per cent of all purchases have been made in the four Atlantic provinces. We find that over 40 per cent of these purchases have been made in Quebec, some 44 per cent in Ontario and under 10 per cent in the region of Canada West. When we consider establishing targets based on the population of these regions, we find that the Atlantic provinces contain almost 10 per cent of the Canadian population, Quebec approximately 28 per cent, Ontario 35 per cent and Canada West 27 per cent.

Comparing the number of Canadians in each of these four regions with the amount they have been able to sell to their national government, we find that in Canada West 27 per cent of the population receives under 10 per cent of federal government purchases. In the Atlantic provinces, 10 per cent of the national population has been receiving less than 6 per cent of federal purchases. In Quebec, we

find 28 per cent of the national population and more than 40 per cent of the national purchases. In Ontario, we find 35 per cent of the population and some 44 per cent of the purchases. These figures do not cover just the last week or month but are averages over the last six years.

In other words, the story is quite clear. The federal government which, after all, is a national government, a coast-to-coast government, does not buy in equal measure or in anything approaching equal measure from all the citizens and taxpayers of the country.

I do not believe it would be practical to make a hard and fast rule requiring that federal government purchases meet established targets in each region. However, I would like to see our purchasing policy so ordered that federal buying in each of these four regions, would, in percentage terms at least, approach the population of those regions. Our first objective is to establish targets.

The second characteristic of this evolving policy-- and this part in fact is now being implemented and is policy--is to increase the amount of purchasing done through our regional offices. Last year, for those who may be interested in the total figures, we purchased \$178 million of government requirements through the regional offices, while \$897 million was spent on what we call national purchases made from Ottawa. Members of the House will appreciate that we can reach the kind of fair regional balance that I am talking about in one of two ways.

We can either increase the amount of regional buying that is done from the centre or we can increase the buying that is done through the regional offices. Those are two distinct operations, but they both have the effect of increasing regional buying.

There is a clear advantage to more regional buying, which is that when we purchase through regional offices, in most cases we have a substantial cut in the distribution costs of the goods purchased, particularly when they are required in the area in which the purchase is made. As well, in order to increase the regional buying, we have been actively seeking new sources of supply, that is, we have been looking for companies across Canada which have never before sold to the federal government. This is just "good business" so far as the government is concerned, because of course the more suppliers we have, the more competition we can have among suppliers.

I think the House will be interested to know that a number of businesses that have never before sold to the federal government are now receiving orders. These are orders and contracts that are open to tender and are awarded to the lowest bidder.

Looking for a moment at some specific areas in the purchasing field, may I point out that it is encouraging to see that the amount of federal government printing business, awarded in this case, in the prairie provinces during six months, that is, during the half year ending

March 1972, exceeded the total of printing business that companies on the prairies received during the whole of the previous year. I would like to point out also that in the Atlantic provinces, we have been successful in encouraging the development of marine technology, and substantial purchases of marine equipment have been made in that region.

Still another example is the government's furniture requirements which used to be purchased centrally and then distributed to all parts of the country with relatively high distribution costs. I have already reported to the Miscellaneous Estimates Committee that a major part of the federal government's furniture requirements in Western Canada, not their total furniture requirements but the furniture required in Western Canada, has now been won under competition by Western Canadian firms, and this furniture is now being manufactured in Western Canada.

Still speaking about regional purchases, I am encouraged to be able to report that the purchases in our regional offices in Western Canada increased by 21 per cent in the last fiscal year over the previous year. In the case of the Atlantic provinces, the percentage increase was even higher and amounted to 27 per cent over the previous year. In looking at these percentage increases, encouraging as they are, it is of course necessary to realize that the Western and Atlantic regions started from a very low base and there is still a long way to go

to achieve equality of opportunity or even to approach the regional targets mentioned earlier.

Finally, the third and most important characteristic of federal government purchasing which I think should be considered relates to the cost of transportation. It is apparent to everyone that in a country of vast distances, there are many companies that are a long way from the destination where the goods are required and thus are prevented from bidding effectively because of transportation costs.

A proposal which I intend to discuss further with my colleagues, is the establishment of a policy under which any Canadian who wishes to sell to his national government can bid on the basis of his costs at his plant, that is his bid will be judged f.o.b. plant rather than f.o.b. destination which would, of course, then include transportation costs to destination. This proposed policy would be one way to demonstrate clearly that as the national government, we really mean what we say when we talk about equality of opportunity for Canadians in all parts of Canada.

Before speaking further on that aspect of our policy, I should like to refer to a speech which the Prime Minister, Mr. Trudeau, made in my home city of Winnipeg a few days ago on May 26. I need hardly say that he was speaking to a crowded audience, an enthusiastic Liberal audience, and among many things he said in his address, this statement stood out,

and I would like to quote it for you:

"No Canadian should feel distant from the federal government".

The Prime Minister was not referring there, of course, to a Liberal or a Conservative government; he was referring to the national government.

He went on to say that whether a Canadian citizen lived in the Yukon, in Newfoundland, in the Gaspé Peninsula or on the prairies, every Canadian should regard himself as close to the federal government as those who happen to live near Parliament Hill.

It would seem to me to be very consistent with that concept if we were able to say to all Canadians, "When you sell to your government, you can compete with each other based on the costs in your own plant and upon your own efficiency, but so far as transportation costs in this land of great distances are concerned, every one of you can sell to the national government in the same way as you could if you happened to live near Parliament Hill."

The government, of course, cannot eliminate inefficiency within a business, and in that sense all Canadians cannot bid equally--some are clearly more efficient than others, and it is to the benefit of our whole economy that they are. But we can do something about eliminating the disparity of distance, and it is in that direction that I hope to continue to move our purchasing policies.

I should emphasize that nothing in this suggestion-- and this is for anyone who may be concerned about the big

plants in this region or in any other region of Canada-- would be harmful to any manufacturer anywhere in Canada. No one anywhere would be put at a disadvantage. The largest plants in the heavily industrialized regions of Canada would, of course, still retain the advantage of size and the advantage of whatever efficiency they have attained, as well as the continuing advantage of proximity to the national capital and to the national buying offices of the government. Of course, they would also retain some advantage in the cost of their inward freight.

It is important to realize, for instance, that a printer in Western Canada, even if he is able to bid f.o.b. his plant and therefore has no transportation cost on the finished product, still has to move the bulk paper into his plant before he can bid against a company that does not have to move its raw materials the same distance.

In summary, Mr. Speaker, what I have been talking about is the desirability of moving further towards federal government purchasing policies that will increase equality of opportunity for Canadians from coast to coast, equality of opportunity for Canadians who wish to sell to the national government. I have talked about the establishment of federal government purchasing targets for each of the four large regions in Canada. I have talked about increasing the volume of federal purchasing through regional offices, and I have mentioned the progress we have made in that direction. Thirdly, I have said that it would be "fair play" if anyone

who wishes to sell to the federal government was able to have his bid judged according to the costs in his own plant, and not judged on the cost at destination.

I am convinced that these policies in combination will help to achieve the goal of equality of opportunity. It seems only right to me that national purchases should bring about nationwide economic benefits.

Before I conclude, Mr. Speaker, I should respond briefly to the honourable member for Brandon-Souris, Mr. Dinsdale, who made a contribution to the budget debate several days ago. He made his usual worthwhile contribution and a number of comments. First, I would like to thank him for some of his references to my efforts to try to explain the aspirations of Western Canada, many of which he has outlined himself.

In particular, he mentioned a seminar which was held in his home city of Brandon. It was a two-day seminar and was a very successful one at which I had the honour to be a guest panellist. We talked all day, and I am afraid a few of us talked most of the night. We covered a lot of ground, and it would be impossible to give the conclusion which the honourable member has requested. I wish he had been there because it was a non-partisan occasion throughout which his colleague, the able young member for Lisgar, attended.

If I tried to say in a sentence what that seminar concluded, as I have been asked to do, I would say to the honourable member for Brandon-Souris that Western Canadians

concluded that what the West wants is a greater participation in industrialization, in scientific, technological, advanced, economic endeavour. The truth is that the West has a tremendous agricultural base, a tremendous resource base, a tremendous energy base. But as long as it concentrates on policies for those, important as they are, it still is a hinterland of a sort. It still has a very adverse balance of trade, of manufacturing trade, with the eastern provinces of Canada.

So really the issue which was faced in those two days, and resolved, was that in Western Canada we must build an advanced society on top of the agricultural base, and on top of the energy base, and on top of the mining resource base. This is the point that has to be clarified, because we all spend a good deal of time talking about the agricultural requirements of the West. And they are important, Mr. Speaker, but we could sell not just a billion bushels, we could sell two billion bushels of wheat and we still would not have answered the needs of Western Canadians who are going to university in Edmonton, Calgary, Saskatoon, Winnipeg and, of course, Brandon. These young people are not all in university so that they can be wheat farmers. They are there because they want to be designers, engineers, and computer technicians. That is the requirement and that was the conclusion.

How we are to achieve this was also concluded at that meeting, and again I will try to put it in two sentences. It is in one of two ways. Clearly, the West

must achieve greater influence at the centre. We can either have a strong central government in which there is a strong regional voice--obviously this would be comparable to the American central government and its decentralized space program and other programs--or the alternative has to be, in a federation, to increase the influence of the provinces or the regional governments, if they become regional governments. Those are the alternatives, and I think that at the present time, we are making headway in the first direction. We are achieving some decentralization. We are achieving some of the West's requirement for participation in the economic endeavours of the nation, in major programs like the aerospace program. But these have still to be proven as we go down the road. We will have to see in the future if the West participates in these great national programs in the way it must before we determine which of those answers we finally choose in order to achieve the obvious potential of our region.

That is a very quick summary, Mr. Speaker, but I felt that as the honourable member for Brandon-Souris had called on me at least three or four times during his address, I should try to respond briefly, although it was not the main theme of my speech today.

Although, Mr. Speaker, the Minister of Finance was not addressing himself to the purchasing policies that I have been describing, I am encouraged by the central theme of his budget address.

I think that I may say in conclusion that all of us who were in the House on the evening of May 8th listening to the Minister of Finance recognized immediately that Canada could be standing on the threshold of a new era. We realized that we were listening not only to a new man at the helm of the vital Department of Finance, but also that we were listening to a new definition and a clearer understanding of the all-important relationship that must exist, in a free society, between the men who run the government of the day and the men who manage the large and the small business enterprises of the nation.

I am convinced, as I know the Minister of Finance is, that it is the degree of confidence which business and government have in each other that will ultimately determine the economic success of our whole society. The Minister of Finance's budget has taken us farther toward the achievement of that mutual confidence than any single document in recent time.

Therefore, Mr. Speaker, I not only support the motion that the House approve the budgetary policies of the government, but I endorse and support as well the other statements that I have quoted. I have pointed out that the Prime Minister has talked about the need for every Canadian to feel as close to the federal government as those who happen to live near Parliament Hill, and that the Minister of Finance has talked about the fact that national unity has a great deal to do with equality of

opportunity for all Canadians no matter where they happen to live in our country. What I have talked about is, not only my wholehearted agreement with these statements, but also about the specific changes in the purchasing policies of the government that will, in fact, help to achieve this equality of opportunity in all parts of Canada. I have talked about what my department, within its area of responsibility, can do to make equality of opportunity from coast to coast a reality, an actual living, day-to-day, reality.