

Recommendations for the Improvement of the Federal Government Procurement Strategy for Aboriginal Business (PSAB)

For the attention of: The Standing Committee on Government Operations and Estimates, House of Commons

The Canadian Council for Aboriginal Business (CCAB) finds significant value in promoting policies for increased Government procurement with Aboriginal businesses. From consultation with our membership, Aboriginal business and political leaders, as well as corporate champions in Aboriginal procurement; we have gained crucial insight into the needs of Aboriginal businesses and the requirement for policies that protect and promote economic participation. If access to Government contracts continues to be a challenge for most Aboriginal firms, there could be a significant impact on this emerging market and the Canadian economy in general. To avoid such a disruption, and to ensure procurement modernizations support continued growth in the Aboriginal economy, CCAB is providing two recommendations that will have a meaningful and sustainable impact on Aboriginal businesses.

The Federal Government must ensure large contracts that go to non-Aboriginal companies have a significant, measurable process in place for engaging with Aboriginal owned businesses. CCAB has an existing system, Progressive Aboriginal Relations (PAR), to track and evaluate corporate engagement with Aboriginal businesses. Incorporating PAR into a procurement scorecard for Federal contracts will enable the Government to properly measure engagement and incentivize bidders of large contracts to collaborate with Aboriginal businesses throughout their supply chains. Rather than requiring all companies to go through the PAR program, CCAB recommends encouraging companies to demonstrate positive Aboriginal engagement by awarding bonus points on a scorecard to bidders that are PAR certified. PAR certified businesses have a proven track record in positive Aboriginal relations and procurement. Suncor Energy has been awarding points on a scorecard to PAR companies within their corporate supply chain, which has produced tangible results for the company's bottom line and for the Aboriginal businesses they work with. The Government should also ensure that certified Aboriginal businesses themselves receive points on procurement scorecards, providing a small advantage that is needed for them to compete for highly competitive Federal contracts.

According to the OECD in 2016, Government procurement in Canada (including Federal, Provincial, Territorial and Municipal levels) totaled \$224 billion. Of that \$224 billion, 0.32% was spent on PSAB. Based on those numbers, if the Federal Government were to increase the percentage spent on PSAB by just 1%, this would translate into just under a 20 per cent (18.6%) increase in the Indigenous economy. This would require no additional investment on behalf of the Government of Canada; and would massively impact the growth of the Aboriginal economy.

An alternative option would be for the Government to adopt the best practices demonstrated from Governments across the globe. The Australian Government recently implemented an Indigenous Procurement Policy (IPP), a three-pronged approach to increasing Indigenous procurement through the creation of targets, mandatory set-asides, and minimum Indigenous participation requirements in contracts valued above 7.5 million. In just two years, the IPP has resulted in 4,880 contracts awarded to 956 Indigenous owned businesses, with a total value of \$594 million.

Background

Aboriginal peoples have been trading in their traditional territories and beyond since long before European arrival. The foundation of Canada was largely based on commerce, particularly the fur trade, in which Aboriginal trading played a crucial role. This early and beneficial relationship was undermined by the reserve system and the Indian Act; which removed the freedom to open, own or operate businesses and to travel. This restricted historic commerce and trade on which the Aboriginal economy was built upon.

Despite the number of challenges that Aboriginal businesses continue to face, the last few decades have seen a renaissance in the Aboriginal economy. Some of the grossly discriminatory regulations have been lifted by Government to allow Aboriginal peoples to re-enter the economy, treaty rights have been reaffirmed by the Supreme Court of Canada, and corporations are leading the charge to engage this emerging market. The Aboriginal private economy is growing at an impressive rate. The Aboriginal private economy now accounts for more than 43,000 Aboriginal entrepreneurs as reported in the *2011 National Household Survey*, and is the youngest and fastest growing demographic in Canada, with more than 46% reporting to be under the age of 25. The Aboriginal population in Canada also contributes a combined market income of over \$30 billion as projected by TD Economics in 2016. Through our research over the last five years, we have seen a 15% increase in the number of profitable Aboriginal businesses, an increase in the overall profitability of Aboriginal businesses, and continued optimism about the potential for future growth. By reducing barriers and creating a fair, equitable and inclusive Procurement Strategy for Aboriginal Business, the Aboriginal economy will continue this robust growth.

Federal efforts to support Aboriginal businesses procurement have been in place for roughly 30 years and have seen some success. Each year the Federal Government spends roughly \$60-\$100 million procuring goods and services from Aboriginal firms. When compared to Corporate procurement numbers, the Government of Canada could be doing significantly more, particularly given that they are the largest purchaser of goods and services in Canada. It is estimated that the oil and gas sector alone does \$1.8 billion of business with Indigenous firms annually, Imperial Oil (\$225 million +), Syncrude (\$300 million +) and Suncor (\$400 million +) are three of the companies driving those results.

Approach and Clarifications

Ensuring Aboriginal peoples play a meaningful and substantial role in the economy is critical to laying the foundation for both healthy Aboriginal communities and reconciliation nationally. Prime Minister Trudeau has committed to renewing the fiscal relationship between Aboriginal peoples and the Federal Government, prioritizing this relationship as the most important for his Government. CCAB believes that increased procurement is the most direct way the Federal Government can improve this relationship and foster sustainable economic development in Canada. The Federal Government can greatly increase and improve procurement outcomes for Aboriginal businesses by implementing a process to measure and promote engagement with Aboriginal businesses, as well as between Aboriginal business and corporate Canada.

Recommendations

While the CCAB has significant data on the Aboriginal economy and experience providing public policy recommendations, we can only provide a voice for Aboriginal business. CCAB would like to submit the two recommendations laid out below for improving the current Procurement Strategy for Aboriginal Business, to maximize impact on the Aboriginal economy.

1. The Federal Government should ensure all companies in their supply chain demonstrate positive Aboriginal engagement by awarding bonus points on a procurement scorecard to bidders that are PAR certified

- The Government should ensure that all Federal contracts given to Aboriginal and non-Aboriginal firms use PAR to ensure clear, appropriate and achievable metrics are in place to engage Aboriginal businesses at all levels of the supply chain.
- Suncor Energy has been awarding points on a procurement scorecard to PAR certified businesses within their corporate supply chain. As a direct result of Suncor's procurement policy, Civeo (a PAR certified company) has been awarded numerous contracts from Suncor, effectively increasing Aboriginal business procurement and opportunities for the organization
- By incorporating PAR into a procurement scorecard, the Federal Government will have a credible process for measuring corporate commitment to Aboriginal engagement and encouraging more businesses to do so throughout their supply chains. Additional information on the PAR program is available in the Appendix, as well as on the CCAB [website](#)
- Large Federal procurement tenders do not currently promote Aboriginal businesses in supply chains. Large Federal contracts should incentivize bidding firms to increase, track and report on the amount of business they do with Aboriginal companies in their supply chains
- When CCAB surveyed our Aboriginal business members earlier this year, 52% of Aboriginal businesses communicated that the average gross dollar value of procurement opportunities they are likely to bid on, or succeed with, are valued at less than \$100,000 per contract. The next significant segment of Aboriginal business competes for contract up to \$500,000
- Government procurement opportunities, specifically in the defence and infrastructure sectors, are much larger amounts. Due to dollar value alone, these opportunities are out of reach for most Aboriginal firms. These large Federal contracts lack formal requirements or incentives to promote successful bidders to engage with Aboriginal businesses within their supply chains. Without a built-in process to measure engagement and incentives for working with Aboriginal firms, these businesses are at a disadvantage when competing within the supply chain

2. Support for Aboriginal businesses must be increased through direct contracts, and the Government should ensure that these contracts are with third party certified Aboriginal firms.

- The Federal Government should adopt the strategy used by Canada's corporate leaders in Aboriginal procurement. By awarding points on a procurement scorecard directly to certified Aboriginal owned businesses, the Federal Government can ensure Aboriginal firms have the slight advantage necessary to compete with larger, non-Aboriginal companies
- While gains have been made through the existing PSAB program, this program lags behind corporate peers and does not adequately ensure Aboriginal firms are certified as such
- The Federal Government should only recognize and award points to certified Aboriginal businesses as verified by a third party, non-governmental organization such as CCAB's Certified Aboriginal Business program or Northeastern Alberta Aboriginal Business Association (NAABA)
- In 2016, CCAB introduced the Certified Aboriginal Business (CAB) initiative, which works to certify businesses that are 51% or more Aboriginal owned and controlled
- By verifying businesses as Aboriginal owned and controlled, the CAB program helps Aboriginal businesses market themselves to organizations, while providing organizations and communities with the assurance that Aboriginal procurement opportunities are, in fact, going to Aboriginal businesses

APPENDIX A

Technical Information on CCAB Programs

Progressive Aboriginal Relations (PAR)

The PAR program encourages companies to evolve and participate in the growing Aboriginal economy. The PAR framework evaluates companies on their relationships with Aboriginal businesses and communities in day to day operations. Companies that wish to become PAR certified are required to submit a comprehensive application and go through an independent, third party verification of company reports. Once vetted, companies are placed in bronze, silver or gold certification levels as determined by an independent jury of Aboriginal professionals. PAR Program evaluation centers on the four critical drivers needed to successfully sustain a company's focus on progressive and positive Aboriginal relations:

Leadership Actions

Leadership Actions are defined as actions taken by leaders of the organization to reinforce an organizational focus on Aboriginal relations. Such actions have an impact in achieving and sustaining good results in all PAR Drivers. These actions include setting and cascading a clear commitment and policy, identifying and communicating with the Communities of Interest, scheduling self-assessment exercises against PAR Criteria to review status, and applying a structure to drive and help sustain the commitment to positive Aboriginal relations across the organization.

Employment

Employment is defined as the commitment of resources (time and money) to achieving equitable representation of Aboriginal persons in the workplace. This involves recruiting and retaining Aboriginal talent, supporting their career development and advancement, and promoting mobility of Aboriginal employees throughout employment sectors and levels. This Driver also includes supporting cross-cultural awareness and/or cultural sensitivity training and providing training and support for existing or prospective Aboriginal employees through specific programs or actions.

Business Development

Business development is defined as the commitment of resources (time and money) to the development of business relationships with Aboriginal-owned businesses. These activities are sustained through mutual benefit. Capacity building and mentorship also directly relate to sustaining, enhancing or developing future business development.

Community Relationships

The Community Relationships Driver is broken out into two components: engagement and support. *Engagement* is defined as providing time and resources to develop and sustain positive and progressive relationships with Aboriginal communities, groups and stakeholders. Engagement can include communications, information sharing, involvement in events and activities, and partnerships. *Support* is defined as a commitment to develop positive and progressive relationships with Aboriginal communities, groups and stakeholders by providing financial and/or in-kind support. These components work together to nurture and sustain positive and progressive relationships.

The following chart outlines high-level PAR certification criteria for Bronze, Silver, and Gold companies.

| | Leadership Actions | Employment | Business Development | Community Relationships |
|---|--|---|---|--|
| Bronze (Commitment & Action Plans) | <ul style="list-style-type: none"> • Have an AR Policy; AR is integrated into business planning • Leadership (Executive or Board member/s) involved in AR • Leadership & managers received Aboriginal cultural awareness training, and PAR Criteria training | <ul style="list-style-type: none"> • Community input on employment issues • Goals set on Aboriginal employment, retention & workforce composition • Action Plan in place to meet goals: (responsibilities, actions, timelines, and methods to track performance) | <ul style="list-style-type: none"> • Community input on business development • Goals set on Aboriginal business development, notably growth of services & goods from Aboriginal suppliers • Action Plan in place to meet goals: (responsibilities, actions, timelines, and methods to track performance) | <ul style="list-style-type: none"> • Community input on community relationships • Goals set on community engagement & funding • Action Plan in place to meet goals: (responsibilities, actions, timelines, and methods to track performance) |
| Silver (Implementation & Results) | <ul style="list-style-type: none"> • PAR self-assessment completed & fully reviewed. • Communications Plan for AR activity • Management cascade philosophy & commitment to AR • Process for selection of priorities • Operating committee structure for PAR • Leaders review effectiveness of AR strategy • Community & stakeholder support for all four PAR Drivers | <ul style="list-style-type: none"> • Tracking employment, retention, workforce composition & training • Employee Aboriginal cultural awareness training sessions held • Aboriginal employee support group in place • Support for scholarships, mentoring, internships & training • Achieved positive results & trends in employment, retention & workplace composition for the full submission reporting period (past three years) | <ul style="list-style-type: none"> • Tracking Aboriginal procurement • Access (and procedures) for Aboriginal suppliers. • Procurement information sessions held • Support for training & education initiatives • Joint ventures, partnerships or other forms of business arrangements established with communities • Achieved positive results & trends in Aboriginal business development for the full submission reporting period (past three years) | <ul style="list-style-type: none"> • Tracking community engagement & funding • Leaders & employees are engaged with communities • National Aboriginal Day is celebrated • Support & activity on knowledge transfer • Activities & successes well communicated • Support for cultural activities & sponsorships • Achieved positive results & trends in community engagement & funding for the full submission reporting period (past three years) |
| Gold (Industry Leader & Sustained Successful Outcomes) | <ul style="list-style-type: none"> • High levels of knowledge and action within the company supporting positive and progressive Aboriginal relations across the organization • AR policies, strategy & PAR program intent fully adopted within the company, at all levels and across all divisions • A role model company for positive and progressive Aboriginal relations (an example to others), with a continuous improvement philosophy & focus • Excellence in PAR Drivers, mature processes & innovative enhancements over a number of years, across all departments (within submission scope) • Exceptional support from Aboriginal communities/groups/stakeholders | | | |

Certified Aboriginal Business (CAB)

CCAB's CAB program certifies that Aboriginal Businesses are 51% or more owned and controlled by an Aboriginal person(s). The CAB program ensures that Aboriginal owned businesses are easily identified by industry, Government and other organizations and provides a platform for Aboriginal owned businesses to promote themselves as such using the designated CAB logo. Aboriginal Businesses that wish to be certified go through a formal vetting process, completing a questionnaire and providing supporting documentation of Aboriginal heritage and business ownership.

CCAB evaluates all applications to become a Certified Aboriginal Business based on the following information:

1. CCAB Membership
2. 51% Aboriginal ownership
3. Proof of Aboriginal heritage of owner(s), acceptable documents include:
 - Indian Status Card, or:
 - Valid identification provided by the following:
 - i. Métis National Council Governing Membership
 - ii. Inuit Beneficiary Card
 - iii. Congress of Aboriginal Peoples (CAP) Affiliate Membership
 - iv. Northwest Territories Land Claim Settlement Beneficiaries
 - v. Confirmed Alberta Métis Settlement Members
 - vi. Northwest Territory Métis Nation Membership
 - vii. Membership in a historic Métis community recognized as independent and rights-bearing by a provincial or Canadian Federal Government
4. Applicants must also provide:
 - A letter of acknowledgement from a First Nation, Métis, Inuit, or Aboriginal membership administrator
 - Proof of ownership and control documents; acceptable documents include:
 - i. Articles of Incorporation
 - ii. General Business Registration
 - iii. Tax Registration

APPENDIX B

The Government of Australia's Indigenous Procurement Policy (IPP) Targets

- Three per cent of new domestic Commonwealth contracts will be awarded to Indigenous suppliers in 2019-20. Interim targets apply annually to drive and track performance
- The interim targets are:
 - 0.5 per cent in 2015-16
 - 1.5 per cent in 2016-17
 - 2.0 per cent in 2017-18
 - 2.5 per cent in 2018-19